BILL/FINANCE BILL, 2000

Annotated Text of Finance Bill, 2000

[*38 OF 2000*]

A Bill to give effect to the financial proposals of the Central Government for the financial year 2000-2001.

BE it enacted by Parliament in the Fifty-first Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (1) This Act may be called the Finance Act, 2000.

(2) Save as otherwise provided in this Act, sections 2 to 73 shall be deemed to have come into force on the 1st day of April, 2000.

CHAPTER II

RATES OF INCOME-TAX

Income-tax.

2. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 2000, income-tax shall be charged at the rates specified in Part I of the First Schedule and such tax as reduced by the rebate of income-tax calculated under Chapter VIII-A of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act) shall be increased,—

(*a*) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(*b*) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein.

(2) In the cases to which Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds fifty thousand rupees, then,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (*b*) [that is to say, as if the net agricultural income were comprised in the total income after the first fifty thousand rupees of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and

(*b*) the income-tax chargeable shall be calculated as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of fifty thousand rupees, and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Paragraph A, as if the net agricultural income as so increased were the total income;

(*iii*) the amount of income-tax determined in accordance with sub-clause (*i*) shall be reduced by the amount of income-tax determined in accordance with sub-clause (*ii*) and the sum so arrived at shall be the income-tax in respect of the total income:

Provided that the amount of income-tax so arrived at, as reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, shall be increased by a surcharge for purposes of the Union calculated in each case in the manner provided in that Paragraph and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be:

Provided that the amount of income-tax computed in accordance with the provisions of sections 112 and 113, shall be increased by a surcharge for purposes of the Union or surcharge as provided in Paragraph A, B, C, D or E, as the case may be, of Part I of the First Schedule:

Provided further that in respect of any income chargeable to tax under section 115ACA or section 115B or section 115BB of the Income-tax Act, the amount of income-tax computed under this sub-section shall be increased,—

(*i*) in the case of a person other than a company being resident in India, by a surcharge, for purposes of the Union, calculated at the rate of ten per cent of such income-tax, and

(*ii*) in the case of a domestic company, by a surcharge calculated at the rate of ten per cent of such income-tax.

(4) In cases in which tax has to be charged and paid under section 115-O or section 115R or section 115U of the Income-tax Act, the tax shall be charged and paid at the rate as specified in those sections and shall be increased,—

(*a*) in the case of a person other than a company, by a surcharge for purposes of the Union, calculated at the rate of ten per cent of such tax;

(*b*) in the case of a domestic company, by a surcharge calculated at the rate of ten per cent of such tax.

(5) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule and shall be increased,—

(*a*) in the cases to which the provisions of item 1 of that Part apply, by a surcharge for purposes of the Union; and

(*b*) in the cases to which the provisions of sub-item (*a*) of item 2 of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(6) In cases in which tax has to be deducted under sections 194C, 194E, 194EE, 194F, 194G, 194-I, 194J, 194K, 194L, 196A, 196B, 196C and 196D of the Income-tax Act, the deduction shall be made at the rates specified in those sections and shall be increased,—

(*a*) by a surcharge, for purposes of the Union, calculated,—

(*i*) in the case of a co-operative society, a firm and a local authority, at the rate of ten per cent of such tax,

(*ii*) in the case of a person other than a company, a co-operative society, a firm and a local authority-

(*A*) at the rate of ten per cent of such tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees; or

(*B*) at the rate of fifteen per cent of such tax where the total income exceeds one lakh fifty thousand rupees; and

(*b*) by a surcharge, calculated at the rate of ten per cent of such tax, in the case of a domestic company.

(7) In cases in which tax has to be collected under the proviso to section 194B or under section 206C of the Income-tax Act, the collection shall be made at the rates specified in that section or at the rates specified in Part II of the First Schedule, as the case may be, and shall be increased,—

(*a*) by a surcharge, for purposes of the Union, calculated,—

(*i*) in the case of a co-operative society, a firm and a local authority, at the rate of ten per cent of such tax;

(*ii*) in the case of a person other than a company, a co-operative society, a firm and a local authority—

(*A*) at the rate of ten per cent of such tax where the total income exceeds sixty thousand rupees but

does not exceed one lakh fifty thousand rupees; or

(*B*) at the rate of fifteen per cent of such tax where the total income exceeds one lakh fifty thousand rupees; and

(*b*) by a surcharge calculated at the rate of ten per cent of such tax in the case of a domestic company.

(8) Subject to the provisions of sub-section (9), in cases in which income-tax has to be charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the Income-tax Act or deducted under section 192 of the said Act from income chargeable under the head “Salaries” or in which the “advance tax” payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, “advance tax” shall be so charged, deducted or computed at the rate or rates specified in Part III of the First Schedule and such tax as reduced by the rebate of income-tax calculated under Chapter VIII-A of the said Act shall be increased,-

(*a*) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(*b*) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein:

Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or section 115JB or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, “advance tax” shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be:

Provided further that the amount of income-tax computed in accordance with the provisions of sections 112 and 113 of the Income-tax Act shall be increased by a surcharge for purposes of the Union or surcharge as provided in Paragraph A, B, C, D or E, as the case may be, of Part III of the First Schedule:

Provided also that in respect of any income chargeable to tax under sections 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BB, 115BBA, 115E and 115JB of the Income-tax Act, “advance tax” computed under the first proviso shall be increased,—

(*a*) by a surcharge, for purposes of the Union, calculated,—

(*i*) in the case of a co-operative society, a firm and a local authority, at the rate of ten per cent of such “advance tax”,

(*ii*) in the case of a person other than a company, a co-operative society, a firm and a local authority-

(*A*) at the rate of ten per cent of such “advance tax” where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees; or

(*B*) at the rate of fifteen per cent of such “advance tax” where the total income exceeds one lakh fifty thousand rupees; and

(*b*) by a surcharge calculated at the rate of ten per cent of such “advance tax” in the case of a domestic company.

(9) In the cases to which Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds fifty thousand rupees, then, in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the “advance tax” payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (*b*) [that is to say, as if the net agricultural income were comprised in the total income after the first fifty thousand rupees of the total income but without being liable to tax], only for the purpose of charging or computing such income-tax or, as the case may be, “advance tax” in respect of the total income; and

(*b*) such income-tax or, as the case may be, “advance tax” shall be so charged or computed as follows:-

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax or “advance tax” shall be determined in respect of the aggregate income at the rates specified in the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of fifty thousand rupees, and the amount of

income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Paragraph A, as if the net agricultural income were the total income;

(*iii*) the amount of income-tax or "advance tax" determined in accordance with sub-clause (*i*) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (*ii*) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income:

Provided that the amount of income-tax or "advance tax" so arrived at, as reduced by the rebate of income-tax calculated under Chapter VIII-A of the said Act, shall,—

(*a*) in the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, referred to in Paragraph A of Part III, having a total income exceeding sixty thousand rupees, be increased by a surcharge for purposes of the Union—

(*i*) at the rate of ten per cent of such income-tax or, as the case may be, "advance tax" where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees; or

(*ii*) at the rate of fifteen per cent of such income-tax or, as the case may be, "advance tax" where the total income exceeds one lakh fifty thousand rupees; and

(*b*) in the case of every artificial juridical person, referred to in Paragraph A of Part III, be increased by a surcharge for purposes of the Union, calculated at the rate of ten per cent of such income-tax or, as the case may be, "advance tax", and

the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(10) For the purposes of this section and the First Schedule,-

(*a*) "domestic company" means an Indian company or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 2000, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income;

(*b*) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(*c*) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(*d*) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

Note

Income-tax

Clause 2, read with the First Schedule to the Bill, seeks to specify the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 2000-2001. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2000-2001 from income subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid, tax is to be deducted at source from income chargeable under the head "Salaries" and tax is to be calculated and charged in special cases for the financial year 2000-2001.

Rates of income-tax for the assessment year 2000-2001

Part I of the First Schedule to the Bill specifies the rates of income-tax liable to tax for the assessment year 2000-2001. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1999, for the purposes of deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 1999-2000.

Rates for deduction of tax at source during the financial year 2000-2001 from income other than "Salaries"

Part II of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source during

the financial year 2000-2001 from incomes other than "Salaries". These rates are broadly the same as those specified in Part II of the First Schedule to the Finance Act, 1999, for the purposes of deduction of income-tax at source during the financial year 1999-2000. The amount of tax so deducted shall be increased—

(*i*) in the case where the payment is made to a person other than a co-operative society, firm, local authority and company, by a surcharge for purposes of the Union, calculated at the following rates:—

(*a*) ten per cent of such tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees,

(*b*) fifteen per cent of such tax where the total income exceeds one lakh fifty thousand rupees;

(*ii*) in the case of a co-operative society, a firm, local authority, and a domestic company, by a surcharge calculated at the rate of ten per cent of such tax.

Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2000-2001.

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 2000-2001.

Paragraph A of this Part specifies the rates of income-tax in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of Part III applies. No change is proposed in the rate structure.

Paragraph B of this Part specifies the rates of income-tax in the case of every co-operative society. In such cases, the rates of tax will continue to be the same as those specified for assessment year 2000-2001.

Paragraph C of this Part specifies the rate of income-tax in the case of every firm. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2000-2001.

Paragraph D of this Part specifies the rate of income-tax in the case of every local authority. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2000-2001.

Paragraph E of this Part specifies the rates of income-tax in the case of companies. The rate of tax in the case of domestic companies will continue to be the same as that specified for the assessment year 2000-2001. The rate of tax in the case of domestic companies will continue to be thirty-five per cent and in the case of foreign companies it will be forty-eight per cent.

In the case of every person being an individual, Hindu undivided family, association of persons or body of individuals whose income exceeds sixty thousand rupees and where income-tax is to be deducted at source or "advance tax" is payable in accordance with the provisions of this Part such amount of income-tax after allowing rebate under Chapter VIII-A, is proposed to be increased by a surcharge for purposes of the Union calculated at the following rates:—

(*a*) ten per cent of such tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees;

(*b*) fifteen per cent of such tax where the total income exceeds one lakh fifty thousand rupees.

In the case of every co-operative society, firm or local authority where income-tax is to be computed in accordance with the provisions of this Part, such amount of income-tax is proposed to be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such tax.

In the case of every domestic company, the amount of income-tax computed in accordance with the provisions of this Part shall be increased by a surcharge calculated at the rate of ten per cent of such income-tax.

It is also proposed that marginal relief shall be provided in the case of individual, Hindu undivided family, association of persons and body of individuals to ensure that the total tax including surcharge payable by an assessee does not exceed the amount by which his total income exceeds sixty thousand rupees or one lakh fifty thousand rupees, as the case may be.

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2.

3. In section 2 of the Income-tax Act,—

(*a*) in clause (*1A*), the *Explanation* shall be numbered as *Explanation 1* thereof, and after *Explanation 1* as so numbered, the following *Explanation* shall be inserted with effect from the 1st day of April, 2001, namely:-

> *"Explanation 2.*—For the removal of doubts, it is hereby declared that income derived from any building or land referred to in sub-clause (*c*) arising from the use of such building or land for any purpose (including letting for residential purpose or for the purpose of any business or profession) other than agriculture falling under sub-clause (*a*) or sub-clause (*b*) shall not be agricultural income;";

(*b*) in clause (*19AA*), in *Explanation 4*, for the words, brackets and figures "the conditions specified in sub-clauses (*i*) to (*vii*) of this clause, to the extent applicable", the words "such conditions as may be notified in the Official Gazette, by the Central Government" shall be substituted.

NOTES

Clause 3 seeks to amend section 2 of the Income-tax Act relating to definitions.

Sub-clause (*a*) seeks to insert a new *Explanation* in clause (*1A*) so as to clarify that income derived from any building or land referred to in sub-clause (*c*) arising from the use of such building or land for any purpose (including letting for residential purpose or for the purpose of any business or profession) other than agriculture falling under sub-clause (*a*) or sub-clause (*b*) shall not be agricultural income.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Under the existing provisions contained in *Explanation 4* of clause (*19AA*), splitting up or the reconstruction of any authority or a body constituted or established under a Central, State or Provincial Act or a local authority or a public sector company into separate authorities or bodies or local authorities or companies, shall be deemed to be a demerger if such split up or reconstruction fulfils the conditions specified in sub-clauses (*i*) to (*vii*) of that clause, to the extent applicable.

Sub-clause (*b*) proposes to amend *Explanation 4* to provide that the conditions shall be such as may be notified by the Central Government.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 9.

4. In section 9 of the Income-tax Act, in sub-section (1), in clause (*vi*), for *Explanation 3*, the following *Explanation* shall be substituted with effect from the 1st day of April, 2001, namely:—

'Explanation 3.—For the purposes of this clause, "computer software" means any computer programme recorded on any disc, tape, perforated media or other information storage device and includes any such programme or any customized electronic data;'.

NOTES

Clause 4 seeks to amend section 9 of the Income-tax Act relating to income deemed to accrue or arise in India.

The existing provisions contained in *Explanation 3* of clause (*vi*) of sub-section (1) of section 9 provide that the expression "computer software" shall have the meaning assigned to it in clause (*v*) of the *Explanation* to section 80HHE.

It is proposed to substitute the said *Explanation* so as to provide that the expression "computer software" means any computer programme recorded on any disk, tape, perforated media or other information storage device and

includes any such programme or any customized electronic data. The proposed amendment is consequential in nature.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 10.

5. In section 10 of the Income-tax Act,—

(*a*) in clause (*10C*), with effect from the 1st day of April, 2001,-

(*i*) for the words "voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, to the extent such amount does not exceed five lakh rupees", occurring after sub-clause (*viii*), the words "voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in sub-clause (*i*), a scheme of voluntary separation, to the extent such amount does not exceed five lakh rupees" shall be substituted;

(*ii*) in the first proviso, the words, brackets and figures "and such schemes in relation to companies referred to in sub-clause (*ii*) or co-operative societies referred to in sub-clause (*v*) are approved by the Chief Commissioner or, as the case may be, Director-General in this behalf" shall be omitted;

(*b*) in clause (15),—

(*i*) in sub-clause (*iv*),—

(*A*) in item (*g*), for the words, brackets and figures "being a company approved by the Central Government for the purposes of clause (*viii*) of sub-section (1) of section 36", the words, brackets and figures "being a company eligible for deduction under clause (*viii*) of sub-section (1) of section 36" shall be substituted;

(*B*) after *Explanation 1*, the following *Explanation* shall be inserted with effect from the 1st day of April, 2001, namely:-

'*Explanation 1A.*—For the purposes of this sub-clause, the expression "interest" shall not include interest paid on delayed payment of loan or on default.';

(*ii*) after sub-clause (*vi*), the following sub-clause shall be inserted with effect from the 1st day of April, 2001, namely:—

"(*vii*) interest on bonds—

(*a*) issued by a local authority; and

(*b*) specified by the Central Government by notification in the Official Gazette;";

(*c*) after clause (*23E*), the following clause shall be inserted with effect from the 1st day of April, 2001, namely:-

"(*23EA*) any income of such Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax;";

(*d*) in clause (*23FA*), after the second proviso, the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:-

"**Provided also** that nothing contained in this clause shall apply in respect of any investment made after the 31st day of March, 2000.";

(*e*) after clause (*23FA*), the following shall be inserted with effect from the 1st day of April, 2001, namely:-

'(*23FB*) any income of a venture capital company or venture capital fund set up to raise funds for investment in a venture capital undertaking.

Explanation.—For the purposes of this clause,—

(*a*) "venture capital company" means such company—

(*i*) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992), and regulations made thereunder;

(*ii*) which fulfils the conditions as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf;

(*b*) "venture capital fund" means such fund—

(*i*) operating under a trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908);

(*ii*) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992), and regulations made thereunder;

(*iii*) which fulfils the conditions as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf; and

(*c*) "venture capital undertaking" means a domestic company-

(*i*) whose shares are not listed in a recognised stock exchange in India;

(*ii*) which is engaged in the business for providing services, production or manufacture of an article or thing but does not include such activities or sectors which are specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf;';

(*f*) in clause (*23G*), in *Explanation 1*,—

(*i*) in clause (*a*), for the words "in the business of developing, maintaining and operating infrastructure facility;", the following shall be substituted, namely:—

"in the business of—

(*i*) developing; or

(*ii*) maintaining and operating; or

(*iii*) developing, maintaining and operating,

any infrastructure facility;";

(*ii*) in clause (*b*), for the words "in the business of developing, maintaining and operating infrastructure facility;", the following shall be substituted, namely:—

"in the business of—

(*i*) developing; or

(*ii*) maintaining and operating; or

(*iii*) developing, maintaining and operating,

any infrastructure facility;";

(*iii*) in clause (*c*), in sub-clause (*i*), for the words "irrigation project, sanitation and sewerage system", the words "irrigation project, water treatment system, solid waste management system, sanitation and sewerage system" shall be substituted with effect from the 1st day of April, 2001;

(*g*) in clause (33), after sub-clause (*iii*), the following sub-clause shall be inserted with effect from the 1st day of April, 2001, namely:-

"(*iv*) income referred to in section 115U.".

NOTES

Clause 5 seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

Sub-clause (*a*) seeks to amend clause (*10C*). Under the existing provisions contained in clause (*10C*), any amount received by an employee covered under sub-clauses (*i*) to (*viii*) at the time of his voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, is exempt from income-tax. Such schemes are framed in accordance with guidelines prescribed by the Central Board of Direct Taxes in this behalf and the

guidelines, *inter alia*, include criteria of economic viability.

It is proposed to enlarge the scope of the exemption by extending it to an employee on the termination of his services under a voluntary separation scheme in the case of a public sector company referred to in sub-clause (*i*) of the said clause.

The first proviso to clause (*10C*) requires that the scheme in relation to companies (other than public sector companies) or co-operative societies is required to be approved by the Chief Commissioner or the Director-General of Income-tax, as the case may be. It is also proposed to amend the said proviso so as to dispense with the requirement of such approval.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*b*) seeks to amend clause (*15*).

Under the existing provisions contained in item (*g*) of sub-clause (*iv*) of clause (*15*), approval of the Central Government is required by a public company referred to in the said item for purposes of clause (*viii*) of sub-section (1) of section 36.

It is proposed to amend the said item so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is further proposed to insert a new *Explanation* in sub-clause (*iv*) to define the expression “interest” so that the benefit of exemption from withholding of tax under the said sub-clause (*iv*) is not available for interest paid on delayed payment of loan or on default.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

It is also proposed to insert a new sub-clause (*vii*) so as to provide that the income by way of interest on such bonds, issued by a local authority as the Central Government may, by notification in the Official Gazette, specify in this behalf, shall not be included in computing the total income.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*c*) seeks to insert a new clause (*23EA*) to exclude from the total income, any income of such Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf. The proviso to the new clause specifies a condition in relation to the proposed exemption to say that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*d*) seeks to amend clause (*23FA*) relating to income by way of dividends or long-term capital gains of a venture capital company or venture capital fund.

It is proposed to insert a third proviso in the said clause so as to provide that the provisions of that clause shall not apply to any investment made after 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*e*) seeks to insert a new clause (*23FB*) so as to exempt any income of a venture capital company or venture capital fund from investments made in a venture capital undertaking. In order to obtain the income-tax

exemption, the venture capital company or venture capital fund will require a certificate of registration under the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder in accordance with the conditions specified, with the approval of the Central Government, by the Securities and Exchange Board of India by notification in the Official Gazette in this behalf.

It is also proposed to define the expressions "venture capital company", "venture capital fund" and "venture capital undertaking".

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*f*) seeks to amend clauses (*a*) and (*b*) of *Explanation 1* to clause (*23G*) so as to provide that any income referred to in those clauses arising from the business of (*i*) developing, (*ii*) maintaining and operating, or (*iii*) developing, maintaining and operating any infrastructure facility will be exempt. These amendments are consequential in nature.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to amend sub-clause (*i*) of clause (*c*) of *Explanation 1* relating to the definition of "infrastructure facility". This amendment is consequential to the definition of "infrastructure facility" contained in sub-section (4) of section 80-IA which has been enlarged so as to include "solid waste management and water treatment" within its scope.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*g*) seeks to amend clause (*33*) by inserting a new sub-clause (*iv*) so as to exempt any income referred to in section 115U.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 10A.

6. In section 10A of the Income-tax Act,-

(*a*) in sub-section (2), in clause (*i*), with effect from the 1st day of April, 2001,—

(*i*) in sub-clause (*a*), after the words, figures and letters "on or after the 1st day of April, 1981", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(*ii*) in sub-clause (*b*), after the words, figures and letters "on or after the 1st day of April, 1994", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(*b*) in sub-section (3), for the words "any ten", the word "ten" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999.

NOTES

Clause 6 seeks to amend section 10A of the Income-tax Act relating to special provision in respect of newly established industrial undertakings in free trade zones.

Under the existing provisions, any profits and gains derived by an assessee from an industrial undertaking to which this section applies shall not be included in the total income of the assessee in respect of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things.

Sub-clause (*a*) seeks to amend sub-section (2) so as to provide that only those industrial undertakings which are set up before 1st April, 2000 will be able to avail tax holiday for the unexpired period.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*b*) seeks to amend sub-section (3) so as to omit the word "any" preceding the words "ten consecutive

years” occurring therein.

This amendment will take effect retrospectively from 1st April, 1999 and will, accordingly, apply in relation to the assessment year 1999-2000 and subsequent years.

Amendment of section 10B.

7. In section 10B of the Income-tax Act,—

(*a*) in sub-section (2), after clause (*ia*), the following clause shall be inserted with effect from the 1st day of April, 2001, namely:—

“(*iaa*) it begins such manufacture or production of any article or thing on or before the 31st day of March, 2000;”;

(*b*) in sub-section (3), for the words “any ten”, the word “ten” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999.

NOTES

Clause 7 seeks to amend section 10B of the Income-tax Act relating to special provision in respect of newly established hundred per cent export-oriented undertakings.

Under the existing provisions, any profits and gains derived by an assessee from a hundred per cent export-oriented undertaking to which this section applies shall not be included in the total income of the assessee for any ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things.

Sub-clause (*a*) seeks to provide that only those industrial undertakings which begin manufacturing or production before 1st April, 2000 will be able to avail tax holiday for the unexpired period.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (*b*) seeks to amend sub-section (3) so as to omit the word “any” preceding the words “ten consecutive years” occurring therein.

This amendment will take effect retrospectively from 1st April, 1999 and will, accordingly, apply in relation to the assessment year 1999-2000 and subsequent years.

Amendment of section 11.

8. In section 11 of the Income-tax Act, in sub-section (5),—

(*a*) in clause (*vii*), the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:—

“**Provided** that where an investment or deposit in any public sector company has been made and such public sector company ceases to be a public sector company,—

(*A*) such investment made in the shares of such company shall be deemed to be an investment made under this clause for a period of three years from the date on which such public sector company ceases to be a public sector company;

(*B*) such other investment or deposit shall be deemed to be an investment or deposit made under this clause for the period up to the date on which such investment or deposit becomes repayable by such company;”;

(*b*) in clauses (*viii*) and (*ix*), for the words, brackets and figures “which is approved by the Central Government for the purposes of clause (*viii*) of sub-section (1) of section 36”, the words, brackets and figures “which is eligible for deduction under clause (*viii*) of sub-section (1) of section 36” shall be substituted;

(*c*) after clause (*ix*), the following shall be inserted, with effect from the 1st day of April, 2001, namely:—

‘(*ixa*) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for urban infrastructure in India.

Explanation.—For the purposes of this clause,—

(*a*) "long-term finance" means any loan or advance where the terms under which moneys are loaned or advanced provide for repayment along with interest thereof during a period of not less than five years;

(*b*) "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956 (1 of 1956);

(*c*) "urban infrastructure" means a project for providing potable water supply, sanitation and sewerage, drainage, solid waste management, roads, bridges and flyovers or urban transport;'.

NOTES

Clause 8 seeks to amend section 11 of the Income-tax Act relating to income from property held for charitable or religious purposes.

Under the existing provisions contained in sub-section (5), the forms and modes of investment or deposit of money accumulated or set apart by a trust are provided.

Sub-clause (*a*) proposes to insert a proviso in clause (*vii*) of the said sub-section to provide that where an investment is made in the shares of any public sector company and such public sector company ceases to be a public sector company, the investment so made shall be deemed to be an investment made for a period of three years from the date of such cesser and in the case of any other investment or deposit, it shall be deemed to be an investment made for the period up to the date on which such investment or deposit becomes repayable by such company.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Under the existing provisions contained in clauses (*viii*) and (*ix*) of sub-section (5), approval of the Central Government is required by a financial corporation and a public company referred to in the said clauses for the purpose of clause (*viii*) of sub-section (1) of section 36.

Sub-clause (*b*) proposes to amend the said clauses so as to do away with the requirement of approval by the Central Government. These amendments are consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Sub-clause (*c*) seeks to insert clause (*ixa*) in the said sub-section to include deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for urban infrastructure in India as one of the specified forms or modes of investment or deposit. It is also proposed to insert an *Explanation* to define the expressions "long-term finance", "public company" and "urban infrastructure".

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 12.

9. Section 12 of the Income-tax Act shall be numbered as sub-section (1) thereof, and after sub-section (1) as so numbered, the following shall be inserted with effect from the 1st day of April, 2001, namely:—

'(2) The value of any services, being medical or educational services, made available by any charitable or religious trust running a hospital or medical institution or an educational institution, to any person referred to in clause (*a*) or clause (*b*) or clause (*c*) or clause (*cc*) or clause (*d*) of sub-section (3) of section 13, shall be deemed to be income of such trust or institution derived from property held under trust wholly for charitable or religious purposes during the previous year in which such services are so provided and shall be chargeable to income-tax notwithstanding the provisions of sub-section (1) of section 11.

Explanation.—For the purposes of this sub-section, the expression "value" shall be the value of any benefit or facility granted or provided free of cost or at concessional rate to any person referred to in clause (*a*) or clause (*b*) or clause (*c*) or clause (*cc*) or clause (*d*) of sub-section (3) of section 13.'.

NOTES

Clause 9 seeks to amend section 12 of the Income-tax Act relating to income of trusts or institutions from contributions.

It is proposed to insert a new sub-section (2) so as to provide that the value of any medical or educational services made available by any charitable or religious trust running a hospital or medical institution or an educational institution to any person referred to in clause (*a*) or clause (*b*) or clause (*c*) or clause (*cc*) or clause (*d*) of sub-section (3) of section 13 shall be deemed to be the income of such trust or institution derived from property held under trust wholly for charitable or religious purposes during the previous year in which such services are so provided and shall be chargeable to income-tax notwithstanding the provisions of sub-section (1) of section 11.

It is also proposed to insert an *Explanation* to define the expression "value".

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 13

10. In section 13 of the Income-tax Act, with effect from the 1st day of April, 2001, after sub-section (5), the following sub-section shall be inserted, namely:—

> "(6) Notwithstanding anything contained in sub-section (1) or sub-section (2), but without prejudice to the provisions contained in sub-section (2) of section 12, in the case of a charitable or religious trust running an educational institution or a medical institution or a hospital, the exemption under section 11 or section 12 shall not be denied in relation to any income, other than the income referred to in sub-section (2) of section 12, by reason only that such trust has provided educational or medical facilities to persons referred to in clause (*a*) or clause (*b*) or clause (*c*) or clause (*cc*) or clause (*d*) of sub-section (3).".

NOTES

Clause 10 seeks to amend section 13 of the Income-tax Act relating to certain cases in which the exemption under section 11 is not admissible.

It is proposed to insert a new sub-section (6) to provide that a charitable or religious trust running an educational institution or a medical institution or a hospital shall not be denied the benefit of exemption under section 11 or section 12, in relation to any income other than the income referred to in sub-section (2) of section 12, by reason only that such trust has provided educational or medical facilities to persons referred to in clause (*a*) or clause (*b*) or clause (*c*) or clause (*cc*) or clause (*d*) of sub-section (3).

This amendment will take effect from 1st April, 2001, and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 24

11. In section 24 of the Income-tax Act, in sub-section (2), in the second proviso, for the figures, letters and words "1st day of April, 2001", the figures, letters and words "1st day of April, 2003" shall be substituted with effect from the 1st day of April, 2001.

NOTES

Clause 11 seeks to amend section 24 of the Income-tax Act relating to deductions from income from house property.

It is proposed to amend the second proviso to sub-section (2) to extend the last date of completion of the acquisition or construction of self-occupied property from 1st April, 2001 to 1st April, 2003 to avail of the deduction of seventy-five thousand rupees on account of interest on the capital borrowed.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Insertion of new section 25B

12. After section 25A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2001, namely:—

'25B. *Special provision for arrears of rent received.*—Where the assessee—

(*a*) is the owner of any property consisting of any buildings or lands appurtenant thereto which has been let to a tenant; and

(*b*) has received any amount, by way of arrears of rent from such property, not charged to income-tax for any previous year,

the amount so received, after deducting a sum equal to one-fourth of such amount for repairs of, and collection of rent from, the property, shall be deemed to be the income chargeable under the head "Income from house property" and accordingly charged to income-tax as the income of that previous year in which such rent is received, whether the assessee is the owner of that property in that year or not.'.

NOTES

Clause 12 seeks to insert a new section 25B in the Income-tax Act relating to special provision for arrears of rent received.

It is proposed to insert a new section 25B so as to provide that where an assessee is the owner of any property which has been let to a tenant and the assessee has received from such property any amount by way of arrears of rent not charged to income-tax for any previous year, the amount so received after deducting a sum equal to one-fourth of such amount for repairs and collection of rent shall be deemed to be income chargeable under the head "Income from house property" and charged to income-tax as the income of the previous year in which the rent is received irrespective of whether the assessee is the owner of that property in that year or not.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 32.

13. In section 32 of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2001,-

(*a*) the first proviso shall be omitted;

(*b*) in the existing second proviso, for the words "Provided further that", the words "Provided that" shall be substituted.

NOTES

Clause 13 seeks to amend section 32 of the Income-tax Act relating to depreciation.

Under the existing provisions contained in sub-section (2) of section 32, the unabsorbed depreciation allowance which cannot be wholly set off against the income under any head of income in the previous year is allowed to be carried forward to the following assessment year for setting off against the business income for that assessment year. The first proviso to sub-section (2) of section 32 provides that the business or profession for which the depreciation allowance was originally computed continued to be carried on by the assessee in the previous year relevant for that assessment year.

It is proposed to omit the said first proviso so as to provide that the condition of continuance of the same business or profession for the purposes of setting off of unabsorbed depreciation allowance will not apply for the purpose of the said section.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 33AC.

14. In section 33AC of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:—

'**Provided further** that for five assessment years commencing on or after the 1st day of April, 2001 and ending before the 1st day of April, 2006, the provisions of this sub-section shall have effect as if for the words "an amount not exceeding fifty per cent of profits", the words "an amount not exceeding the profits" had been substituted.'.

NOTES

Clause 14 seeks to amend section 33AC of the Income-tax Act relating to reserves for shipping business.

Under the existing provisions, a Government company or a public company formed and registered in India with the main object of carrying on the business of operation of ships is allowed a deduction of an amount not exceeding fifty per cent of profits derived from the business of operation of ships, subject to certain conditions.

It is proposed to enhance the amount of deduction to an amount not exceeding whole of the profits derived from such business for a period of five assessement years commencing on or after 1st April, 2001 and ending before 1st April, 2006.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment years 2001-2002 to 2005-2006.

Amendment of section 35D.

15. In section 35D of the Income-tax Act, in sub-section (3), in the *Explanation*, in clause (*c*), in sub-clause (*i*), for the words, brackets and figures “which is for the time being approved by the Central Government for the purposes of clause (*viii*) of sub-section (1) of section 36”, the words, brackets and figures “which is eligible for deduction under clause (*viii*) of sub-section (1) of section 36” shall be substituted.

NOTES

Clause 15 seeks to amend section 35D of the Income-tax Act relating to amortisation of certain preliminary expenses.

Under the existing provisions contained in sub-clause (*i*) of clause (*c*) of the *Explanation* to sub-section (3), approval of the Central Government is required by the financial institution referred to in the said sub-clause for the purposes of clause (*viii*) of sub-section (1) of section 36.

It is proposed to amend the said sub-clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 36.

16. In section 36 of the Income-tax Act, in sub-section (1), in clause (*viia*), in the *Explanation*, in clause (*v*), for the words, brackets and figures “approved by the Central Government under clause (*viii*) of this sub-section”, the words, brackets and figures “eligible for deduction under clause (*viii*) of this sub-section” shall be substituted.

NOTES

Clause 16 seeks to amend section 36 of the Income-tax Act relating to other deductions.

Under the existing provisions contained in clause (*v*) of the *Explanation* to clause (*viia*) of sub-section (1), approval of the Central Government is required by a Government company referred to in the said clause for the purposes of clause (*viii*) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 43.

17. In section 43 of the Income-tax Act, in clause (6),—

(*a*) in *Explanation 2A*, for the words "book value of the assets", the words "written down value of the assets" shall be substituted;

(*b*) in *Explanation 2B*,—

(*i*) for the words "value of the assets as appearing in the books of account", the words "written down value of the transferred assets as appearing in the books of account" shall be substituted;

(*ii*) the proviso shall be omitted.

NOTES

Clause 17 seeks to amend section 43 of the Income-tax Act relating to definitions of certain terms relevant to income from profits and gains of business or profession.

It is proposed to amend *Explanation 2A* in clause (6) so as to substitute the expression "book value of the assets" by the expression "written-down value of the assets" for the purposes of the said clause.

It is further proposed to amend *Explanation 2B* so as to substitute the expression "value of the assets as appearing in the books of account" by the expression "written down value of the transferred assets as appearing in the books of account" for the purposes of the said clause.

It is also proposed to omit the proviso in the said *Explanation.*

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 43B.

18. In section 43B of the Income-tax Act, in *Explanation 4*, in clause (*c*), for the words, brackets and figures "approved by the Central Government under clause (*viii*) of sub-section (1) of section 36", the words, brackets and figures "eligible for deduction under clause (*viii*) of sub-section (1) of section 36" shall be substituted.

NOTES

Clause 18 seeks to amend section 43B of the Income-tax Act relating to certain deductions to be only on actual payment.

Under the existing provisions contained in clause (*c*) of *Explanation 4* to the said section, approval of the Central Government is required by a Government company referred to in that clause for the purposes of clause (*viii*) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 47.

19. In section 47 of the Income-tax Act, in clause (*vic*), in sub-clause (*a*), for the words "at least seventy-five per cent of the shareholders", the words "the shareholders holding not less than three-fourths in value of the shares" shall be substituted.

NOTES

Clause 19 seeks to amend section 47 of the Income-tax Act relating to transactions not regarded as transfer.

It is proposed to amend sub-clause (*a*) of clause (*vic*) so as to substitute the words "at least seventy-five per cent of the shareholders" by the words "the shareholders holding not less than three-fourths in value of the shares" so as to bring the provisions contained in said sub-clause (*a*) in conformity with the provisions contained in sub-clause (*v*) of clause (*19AA*) of section 2.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 48.

20. In section 48 of the Income-tax Act, in the *Explanation*, for clause (*v*), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1993, namely:—

'(*v*) "Cost Inflation Index", in relation to a previous year, means such Index as the Central Government may, having regard to seventy-five per cent of average rise in the Consumer Price Index for urban non-manual employees for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify, in this behalf.'.

NOTES

Clause 20 seeks to amend section 48 of the Income-tax Act relating to mode of computation of capital gains.

Under the existing provisions, the cost of acquisition and the cost of any improvement of a long-term capital asset will be computed with reference to the Index to be notified by the Central Government having regard to seventy-five per cent of average rise in the Consumer Price Index for urban non-manual employees for each year.

It is proposed to substitute the existing clause (*v*) of *Explanation* so as to provide that the Cost Inflation Index in relation to a previous year means such Index as the Central Government may, having regard to seventy-five per cent of average rise in the Consumer Price Index for urban non-manual employees for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify in this behalf. The proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 1993.

Amendment of section 50B.

21. In section 50B of the Income-tax Act, for the *Explanation,* the following *Explanations* shall be substituted, namely:-

'Explanation 1.—For the purposes of this section, "net worth" shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in its books of account:

Provided that any change in the value of assets on account of revaluation of assets shall be ignored for the purposes of computing the net worth.

Explanation 2.—For computing the net worth, the aggregate value of total assets shall be,—

(*a*) in the case of depreciable assets, the written down value of the block of assets determined in accordance with the provisions contained in sub-item (C) of item (*i*) of sub-clause (*c*) of clause (6) of section 43; and

(*b*) in the case of other assets, the book value of such assets.'.

NOTES

Clause 21 seeks to amend section 50B of the Income-tax Act relating to special provision for computation of capital gains in case of slump sale.

It is proposed to substitute the *Explanation* to define the expression "net worth". The "net worth" shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in the books of account. The aggregate value of total assets of such undertaking or division shall be the written down value of block of assets determined in accordance with the provisions contained in sub-item (*C*) of item (*i*) of sub-clause (*c*) of clause (*6*) of section 43 in the case of depreciable assets and the book value for all other assets.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 54EA.

22. In section 54EA of the Income-tax Act, in sub-section (1), after the words "transfer of a long-term capital asset", the words, figures and letters "before the 1st day of April, 2000" shall be inserted with effect from the 1st day of April, 2001.

NOTES

Clause 22 seeks to amend section 54EA of the Income-tax Act relating to capital gain on transfer of long-term capital assets not to be charged in the case of investment in specified securities.

Under the existing provisions, the capital gain arising from the transfer of a long-term capital asset shall be exempt from tax if the net consideration is invested in specified securities. If net consideration is more than the amount invested, exemption on proportionate basis will be available. The exemption will be subject to the condition that the specified securities are held for a minimum period of three years, failing which the exemption will stand withdrawn. Where exemption from capital gain is availed of in respect of re-investment in such specified securities, rebate under section 88 will not be available.

It is proposed to restrict the exemption from capital gain tax under the said section to the long-term capital asset transferred upto 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 54EB.

23. In section 54EB of the Income-tax Act, in sub-section (1), after the words "transfer of a long-term capital asset", the words, figures and letters "before the 1st day of April, 2000" shall be inserted with effect from the 1st day of April, 2001.

NOTES

Clause 23 seeks to amend section 54EB of the Income-tax Act relating to capital gain on transfer of long-term capital asset not to be charged in certain cases.

Under the existing provisions, the capital gain arising from the transfer of a long-term capital asset shall be exempt from tax if the capital gain is invested in long-term specified assets. If part of the capital gain is so invested in the long-term specified assets, proportionate exemption will be available. The exemption will be subject to the condition that the long-term specified asset is held for a minimum period of seven years, failing which the exemption will be disallowed and the amount so disallowed will be deemed to be income chargeable to tax under the head "Capital gains" of the previous year in which such long-term specified asset is transferred or converted. It is further provided that where the assessee takes any loan or advance on the security of such long-term specified assets, he shall be deemed to have converted such specified asset into money on the date on which such loan or advance is taken. Further, where the exemption from capital gain is availed of in respect of investment in specified assets, rebate under section 88 will not be available.

It is proposed to restrict the exemption from capital gain tax under the said section to the long-term capital asset transferred upto 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Insertion of new section 54EC.

24. After section 54EB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2001, namely:—

'54EC. *Capital gain not to be charged on investment in certain bonds.*—(1) Where the capital gain arises from the transfer of a long-term capital asset (the capital asset so transferred being hereafter in this section referred to as the original asset) and the assessee has, at any time within a period of six months after the date of such transfer, invested the whole or any part of capital gains in the long-term specified asset, the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the long-term specified asset is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the long-term specified asset is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the long-term specified asset bears to the whole of the capital gain, shall not be charged under section 45.

(2) Where the long-term specified asset is transferred or converted (otherwise than by transfer) into money at any time within a period of five years from the date of its acquisition, the amount of capital gains arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such long-term specified asset as provided in clause (*a*) or, as the case may be, clause (*b*) of sub-section (1) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital asset of the previous year in which the long-term specified asset is transferred or converted (otherwise than by transfer) into money.

Explanation.—In a case where the original asset is transferred and the assessee invests the whole or any part of the capital gain received or accrued as a result of transfer of the original asset in any long-term specified asset and such assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have converted (otherwise than by transfer) such specified asset into money on the date on which such loan or advance is taken.

(3) Where the cost of the long-term specified asset has been taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (1), a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88.

Explanation.—For the purposes of this section,—

(*a*) "cost", in relation to any long-term specified asset, means the amount invested in such specified asset out of capital gains received or accruing as a result of the transfer of the original asset;

(*b*) "long-term specified asset" means any bond redeemable after five years issued, on or after the 1st day of April, 2000, by the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981) or by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 (68 of 1988).'.

NOTES

Clause 24 seeks to insert a new section 54EC relating to capital gain not to be charged on investment in certain bonds.

It is proposed to provide that the capital gain arising from transfer of a long-term capital asset shall be exempt from tax if such capital gain is invested in a long-term specified asset, being any bond redeemable after five years, issued on or after 1st April, 2000 by the National Bank for Agriculture and Rural Development or the National Highways Authority of India. If part of the capital gain is so invested in the long-term specified assets, proportionate exemption will be available. The exemption will be subject to the condition that the long-term specified asset is held for a minimum period of five years, failing which the exemption will be disallowed and the amount so disallowed will be deemed to be income chargeable to tax under the head "Capital gains" of the previous year in which such long-term specified asset is transferred or converted.

It is further provided that where the assessee takes any loan or advance on the security of such long-term specified asset, he shall be deemed to have converted such asset into money on the date on which such loan or advance is taken. Further, where the exemption from capital gain is availed of in respect of investment in long term specified asset, rebate under section 88 will not be available.

The proposed amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 54F.

25. In section 54F of the Income-tax Act, in sub-section (1), for the proviso, the following proviso shall be substituted with effect from the 1st day of April, 2001, namely:—

'**Provided** that nothing contained in this sub-section shall apply where—

(*a*) the assessee,—

(*i*) owns more than one residential house, other than the new asset, on the date of transfer of the

original asset; or

(*ii*) purchases any residential house, other than the new asset, within a period of one year after the date of transfer of the original asset; or

(*iii*) constructs any residential house, other than the new asset, within a period of three years after the date of transfer of the original asset; and

(*b*) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".'.

NOTES

Clause 25 seeks to amend section 54F of the Income-tax Act relating to capital gain on transfer of certain capital assets not to be charged in case of investment in residential house.

Under the existing provisions, in the case of an assessee being an individual or Hindu undivided family the long-term capital gains arising from the transfer of an asset will be exempt from income-tax if such individual or family has, within a period of one year before or two years after the date on which the transfer took place, purchased, or within a period of three years after that date, constructed a residential house. The exemption of the long-term capital gains will be granted proportionately on the basis of the investment of net consideration either for the purchase or construction of the residential house. This exemption will not be available in a case where the assessee owns, on the date of transfer of the original asset, any residential house, or purchases, within the period of one year after such date or constructs, within a period of three years after such date, any other residential house. Where the assessee so purchases or constructs a residential house, the capital gains, if not charged to tax, will be charged to tax as long-term capital gains of the year in which the house is so purchased or constructed.

It is proposed to amend the proviso to sub-section (1) so as to provide that the said exemption will be available in a case where the assessee owns only one residential house, other than the new asset, on the date of transfer of the original asset and does not acquire within one year or constructs within three years any residential house other than new asset, the income from which is chargeable under the head "Income from house property".

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 72A.

26. In section 72A of the Income-tax Act, in sub-section (2), in clause (*i*), for the words "value of assets", the words "book value of fixed assets" shall be substituted.

NOTES

Clause 26 seeks to amend section 72A of the Income-tax Act which contains provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger, etc.

It is proposed to amend clause (*i*) of sub-section (2) so as to provide that the amalgamated company is required to hold at least three-fourths in the book value of fixed assets instead of three-fourths in the value of assets of the amalgamating company continuously for a minimum period of five years.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 80E.

27. In section 80E of the Income-tax Act, in sub-section (1), in the proviso, for the words "twenty-five thousand rupees", the words "forty thousand rupees" shall be substituted with effect from the 1st day of April, 2001.

NOTES

Clause 27 seeks to amend section 80E of the Income-tax Act relating to deduction in respect of repayment of loan taken for higher education.

This section allows a deduction of an amount not exceeding twenty-five thousand rupees, actually paid by an

individual by way of repayment of loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education, or interest on such loan, in accordance with the provisions contained in that section.

It is proposed to enhance the said limit of deduction from twenty-five thousand rupees to forty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80G.

28. In section 80G of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), in clause (*i*), after the words, brackets, figures and letter "sub-clause (*vii*) of clause (*a*)", the words, brackets and letter "or in clause (*c*)" shall be inserted;

(*b*) in sub-section (2), after clause (*b*), the following clause shall be inserted, namely:—

"(*c*) any sums paid by the assessee, being a company, in the previous year as donations to the Indian Olympic Association for—

(*i*) the development of infrastructure for sports and games; or

(*ii*) the sponsorship of sports and games,

in India.";

(*c*) in sub-section (4), for the word, brackets and letter "clause (*b*)", the words, brackets and letters "clauses (*b*) and (*c*)" shall be substituted.

NOTES

Clause 28 seeks to amend section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions, etc.

Under the existing provisions, an assessee is allowed a deduction from his total income in respect of donations made by him. In respect of donations to certain funds, hundred per cent deduction is allowed.

It is proposed that in case of an assessee, being a company, deduction of an amount equal to hundred per cent of the sum donated to Indian Olympic Association for the development of infrastructure for sports and games or for sponsorship of sports and games in India shall be allowed.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80HHB.

29. In section 80HHB of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), for the words "a deduction from such profits and gains of an amount equal to fifty per cent thereof", the following shall be substituted, namely:—

"a deduction from such profits and gains of an amount equal to—

(*i*) forty per cent thereof for an assessment year beginning on the 1st day of April, 2001;

(*ii*) thirty per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) twenty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) ten per cent thereof for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year";

(*b*) in sub-section (3),—

(*i*) in clauses (*ii*) and (*iii*), for the words, brackets and figure "fifty per cent of the profits and gains referred to in sub-section (1)", the words, brackets and figure "such percentage of the profits and gains as is referred to in sub-section (1) in relation to the relevant assessment year" shall be substituted;

(*ii*) in the proviso, for the words, brackets and figure "fifty per cent of the profits and gains referred to in sub-

section (1)", the words, brackets and figure "such percentage of the profits and gains as is referred to in sub-section (1) in relation to the relevant assessment year" shall be substituted.

NOTES

Clause 29 seeks to amend section 80HHB of the Income-tax Act relating to deduction in respect of profits and gains from projects outside India.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) who is resident in India, deriving income from the business of execution of a foreign project undertaken by him in pursuance of a contract entered into by him with the Government of a foreign State or any statutory or other public authority or agency in a foreign State, or a foreign enterprise, is entitled to a deduction of an amount equal to fifty per cent of the income so received, or brought into India in convertible foreign exchange, within a period of six months. This deduction is also available for the execution of any work undertaken by the assessee and forming part of a foreign project undertaken by any other person in pursuance of a contract entered into by such other person.

Sub-clause (*a*) seeks to amend sub-section (1) so as to phase out the deduction over a period of five years by allowing deduction at forty per cent for an assessment year 2001-2002, thirty per cent for an assessment year 2002-2003, twenty per cent for an assessment year 2003-2004 and ten per cent for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

Sub-clause (*b*) seeks to amend sub-section (3) so as to specify that the percentage of amount specified under this section to be allowed and credited to a reserve account (to be called the "Foreign Projects Reserve Account") shall also be equal to such percentage of deduction as is allowed under this section for that particular assessment year. Where the amount so credited is less than the amount specified, the deduction shall be limited to the amount so credited or the amount brought into India, whichever is less.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80HHBA.

30. In section 80HHBA of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), for the words "a deduction from such profits and gains of an amount equal to fifty per cent thereof", the following shall be substituted, namely:—

"a deduction from such profits and gains of an amount equal to—

(*i*) forty per cent thereof for an assessment year beginning on the 1st day of April, 2001;

(*ii*) thirty per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) twenty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) ten per cent thereof for an assessment year beginning on the 1st day of April, 2004;

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year";

(*b*) in sub-section (2),—

(*i*) in clause (*ii*), for the words, brackets and figure "fifty per cent of the profits and gains referred to in sub-section (1)", the words, brackets and figure "such percentage of the profits and gains as is referred to in sub-section (1) in relation to the relevant assessment year" shall be substituted;

(*ii*) in the proviso, for the words, brackets and figure "fifty per cent of the profits and gains referred to in sub-section (1)", the words, brackets and figure "such percentage of the profits and gains as is referred to in sub-section (1) in relation to the relevant assessment year" shall be substituted.

NOTES

Clause 30 seeks to amend section 80HHBA of the Income-tax Act relating to deduction in respect of profits and gains from housing projects in certain cases.

Under the existing provisions, where the income of an assessee, being an Indian company or a person (other than a company) who is a resident in India includes any profits and gains derived from the execution of a housing project awarded to the assessee on the basis of global tender and such project is aided by the World Bank, he shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total taxable income of the assessee, a deduction from such profits and gains of an amount equal to fifty per cent thereof.

It is proposed to amend section 80HHBA so as to phase out the deduction over a period of five years by allowing deduction at forty per cent for an assessment year 2001-2002, thirty per cent for an assessment year 2002-2003, twenty per cent for an assessment year 2003-2004 and ten per cent for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

It is also proposed that the percentage of amount specified under this section to be allowed and credited to a reserve account (to be called the "Housing Projects Reserve Account") be also equal to such percentage of deduction as is allowed under this section for that particular assessment year. Where the amount credited by the assessee is less than the amount specified, the deduction shall be limited to such lower amount.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80HHC.

31. In section 80HHC of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), for the words "a deduction of the profits", the words, brackets, figure and letter "a deduction to the extent of profits, referred to in sub-section (1B)," shall be substituted;

(*b*) in sub-section (1A), for the words "a deduction of the profits", the words, brackets, figure and letter "a deduction to the extent of profits, referred to in sub-section (1B)," shall be substituted;

(*c*) after sub-section (1A), the following sub-section shall be inserted, namely:—

"(1B) For the purposes of sub-sections (1) and (1A), the extent of deduction of the profits shall be an amount equal to—

(*i*) eighty per cent thereof for an assessment year beginning on the 1st day of April, 2001;

(*ii*) sixty per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) forty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) twenty per cent thereof for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.".

NOTES

Clause 31 seeks to amend section 80HHC of the Income-tax Act relating to deduction in respect of profits retained for export business.

Under the existing provisions, an assessee, being an Indian company or a person resident in India, engaged in the business of export out of India of any goods or merchandise to which this section applies, is allowed a deduction of the profits derived by the assessee from the export of such goods or merchandise.

It is proposed to amend section 80HHC so as to phase out the deduction over a period of five years by allowing eighty per cent deduction for an assessment year 2001-2002, sixty per cent deduction for an assessment year 2002-2003, forty per cent deduction for an assessment year 2003-2004 and twenty per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80HHD.

32. In section 80HHD of the Income-tax Act, in sub-section (1), for the portion beginning with the words "in

computing the total income of the assessee, a deduction of a sum equal to the aggregate of-" and ending with the words, brackets and figure "manner laid down in sub-section (4)", the following shall be substituted with effect from the 1st day of April, 2001, namely:—

"in computing the total income of the assessee—

(*a*) for an assessment year beginning on the 1st day of April, 2001, a deduction of a sum equal to the aggregate of—

(*i*) forty per cent of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding forty per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (4);

(*b*) for an assessment year beginning on the 1st day of April, 2002, a deduction of a sum equal to the aggregate of—

(*i*) thirty per cent of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding thirty per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (4);

(*c*) for an assessment year beginning on the 1st day of April, 2003, a deduction of a sum equal to the aggregate of—

(*i*) twenty per cent of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding twenty per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (4);

(*d*) for an assessment year beginning on the 1st day of April, 2004, a deduction of a sum equal to the aggregate of—

(*i*) ten per cent of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding ten per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (4),

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year".

NOTES

Clause 32 seeks to amend section 80HHD of the Income-tax Act relating to deduction in respect of earnings in convertible foreign exchange.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) resident in India, engaged in the business of a hotel or of a tour operator or a "travel agent" is allowed a deduction, in computing its total income, of a sum equal to—

(*i*) fifty per cent of the profits derived from services provided to foreign tourists; and

(*ii*) so much of the profits as are credited to a reserve fund to be utilised in the manner specified in sub-section (4).

It is proposed to amend section 80HHD so as to phase out the deduction over a period of five years by allowing forty per cent deduction for an assessment year 2001-2002, thirty per cent deduction for an assessment year 2002-2003, twenty per cent deduction for an assessment year 2003-2004 and ten per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year

2001-2002 and subsequent years.

Amendment of section 80HHE.

33. In section 80HHE of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), for the words "a deduction of the profits", the words, brackets, figure and letter "a deduction to the extent of the profits, referred to in sub-section (1B)," shall be substituted;

(*b*) in sub-section (1A), after the words "in respect of which the certificate has been issued by the said company", the words, brackets, figure and letter "to such extent and for such years as specified in sub-section (1B)," shall be inserted;

(*c*) after sub-section (1A), the following sub-section shall be inserted, namely:—

"(1B) For the purposes of sub-sections (1) and (1A), the extent of deduction of profits shall be an amount equal to-

(*i*) eighty per cent of such profits for an assessment year beginning on the 1st day of April, 2001;

(*ii*) sixty per cent of such profits for an assessment year beginning on the 1st day of April, 2002;

(*iii*) forty per cent of such profits for an assessment year beginning on the 1st day of April, 2003;

(*iv*) twenty per cent of such profits for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.".

NOTES

Clause 33 seeks to amend section 80HHE of the Income-tax Act relating to deduction in respect of profits from export of computer software, etc.

Under the existing provisions, hundred per cent deduction is allowed to a resident tax-payer on profits derived from export of computer software, provided the sale consideration is received in or brought into India, in convertible foreign exchange.

It is proposed to amend section 80HHE so as to phase out the deduction over a period of five years by allowing eighty per cent deduction for an assessment year 2001-2002, sixty per cent deduction for an assessment year 2002-2003, forty per cent deduction for an assessment year 2003-2004 and twenty per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80HHF.

34. In section 80HHF of the Income-tax Act,—

(*a*) in sub-section (1),—

(*i*) after the words "an Indian company", the words and brackets "or a person (other than a company) resident in India" shall be inserted;

(*ii*) for the words "a deduction of the profits", the words, brackets, figure and letter "a deduction to the extent of profits, referred to in sub-section (1A)," shall be substituted with effect from the 1st day of April, 2001;

(*b*) after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of April, 2001, namely:—

"(1A) For the purposes of sub-section (1), the extent of deduction of profits shall be an amount equal to—

(*i*) eighty per cent of such profits for an assessment year beginning on the 1st day of April, 2001;

(*ii*) sixty per cent of such profits for an assessment year beginning on the 1st day of April, 2002;

(*iii*) forty per cent of such profits for an assessment year beginning on the 1st day of April, 2003;

(*iv*) twenty per cent of such profits for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.".

NOTES

Clause 34 seeks to amend section 80HHF of the Income-tax Act relating to deduction in respect of profits and gains from export or transfer of film software, etc.

Under the existing provisions, hundred per cent deduction is allowed to an assessee, being an Indian company, engaged in the business of export or transfer of film software, television software, music software and television news software including telecast rights, provided the sale consideration is received in or brought into India in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80HHF so as to extend the benefit to an assessee, other than a company, who is resident in India.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to phase out the deduction allowable under this section over a period of five years by allowing a deduction of eighty per cent for an assessment year 2001-2002, sixty per cent for an assessment year 2002-2003, forty per cent for an assessment year 2003-2004 and twenty per cent for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80-IA.

35. In section 80-IA of the Income-tax Act,—

(*a*) in sub-section (3), for the words "any industrial undertaking", the words, brackets and figures "an industrial undertaking referred to in clause (*iv*) of sub-section (4)" shall be substituted;

(*b*) in sub-section (4), in clause (*i*), in the *Explanation*, for clause (*c*), the following clause shall be substituted with effect from the 1st day of April, 2001, namely:—

"(*c*) a water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system;".

NOTES

Clause 35 seeks to amend section 80-IA of the Income-tax Act relating to deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.

It is proposed to amend sub-section (3) so as to provide that the deductions under section 80-IA will be available to an industrial undertaking if such industrial undertaking is an industrial undertaking referred to in clause (*iv*) of sub-section (4).

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to substitute clause (*c*) of the *Explanation* below clause (*i*) of sub-section (4) so as to amend the definition of "infrastructure facility" to include therein water treatment system and solid waste management system.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80-IB.

36. In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (3), in clause (*ii*), for the figures, letters and words "31st day of March, 2000", the figures, letters and words "31st day of March, 2002" shall be substituted;

(*b*) in sub-section (4), in the first proviso, for the figures, letters and words "31st day of March, 2000", the figures, letters and words "31st day of March, 2002" shall be substituted;

(*c*) in sub-section (5), in the second proviso to clauses (*i*) and (*ii*), for the figures, letters and words "31st day of March, 2000", the figures, letters and words "31st day of March, 2002" shall be substituted;

(*d*) in sub-section (10),—

(*i*) in the opening portion, for the words "approved by a local authority", the words, letters and figures "approved before the 31st day of March, 2001 by a local authority" shall be substituted;

(*ii*) in clause (*a*), for the figures, letters and words "31st day of March, 2001", the figures, letters and words "31st day of March, 2003" shall be substituted.

NOTES

Clause 36 seeks to amend section 80-IB of the Income-tax Act relating to deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings.

Under the existing provisions, an industrial undertaking, being a small-scale industrial undertaking, is entitled to a deduction of twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains derived from such industrial undertaking for a period of ten consecutive assessment years beginning with the assessment year in which it begins to manufacture or produce articles or things or to operate its cold storage plant at any time during the period beginning on 1st April, 1995 and ending on 31st March, 2000.

Sub-clause (*a*) seeks to amend sub-section (3) so as to extend the time-limit for setting up a small scale industry from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (4), an industrial undertaking in an industrially backward State specified in the Eighth Schedule is allowed hundred per cent deduction of the profits and gains derived from such industrial undertaking for five assessment years beginning with the initial assessment year and thereafter twenty-five per cent (thirty per cent where the assessee is a company) of the profits and gains derived from such industrial undertaking. The deduction under this sub-section is allowed subject to fulfilment of the condition that the said industrial undertaking begins to manufacture or produce articles or things or to operate its cold storage plant or plants during the period 1st April, 1993 to 31st March, 2000.

Sub-clause (*b*) proposes to extend the said period from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (5), tax holiday is available to an industrial undertaking located in such backward districts of category 'A' and category 'B', as are notified by the Central Government. The tax holiday is available to an under-taking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants at any time during the period 1st October, 1998 to 31st March, 2000.

Sub-clause (*c*) proposes to extend the said period from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (10), hundred per cent deduction of the profits of an undertaking developing and building housing projects approved by a local authority is allowed, if such undertaking has commenced or commences development and construction of the housing project on or after 1st October, 1998 and completes the same before 31st March, 2001.

Sub-clause (*d*) proposes to provide that the housing project approved by a local authority before 31st March, 2001 and completed before 31st March, 2003 will be allowed deduction under this sub-section.

These amendments will take effect from the 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80L.

37. In section 80L of the Income-tax Act, in sub-section (1),—

(*a*) in clause (*vii*),—

(*i*) after the words "industrial development in India:", the words, brackets and figures "and which is eligible

for deduction under clause (*viii*) of sub-section (1) of section 36;" shall be inserted;

(*ii*) the proviso shall be omitted;

(*b*) in clause (*x*), for the words "for residential purposes:", the words, brackets and figures "for residential purposes and which is eligible for deduction under clause (*viii*) of sub-section (1) of section 36," shall be substituted.

NOTES

Clause 37 seeks to amend section 80L of the Income-tax Act relating to deductions in respect of interest on certain securities, dividends, etc.

Under the existing provisions contained in clause (*vii*) of sub-section (1), approval of the Central Government is required by a financial corporation referred to in the said clause for the purposes of clause (*viii*) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government.

It is also proposed to insert a reference of clause (*viii*) of sub-section (1) of section 36 in clause (*x*) so as to provide that the public company referred to in the said clause is a public company which is eligible for deduction under said clause (*viii*).

These amendments are consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 80-O.

38. In section 80-O of the Income-tax Act, for the portion beginning with the words "a deduction of an amount" and ending with the words "total income of the assessee", the following shall be substituted with effect from the 1st day of April, 2001, namely:—

"a deduction of an amount equal to—

(*i*) forty per cent for an assessment year beginning on the 1st day of April, 2001;

(*ii*) thirty per cent for an assessment year beginning on the 1st day of April, 2002;

(*iii*) twenty per cent for an assessment year beginning on the 1st day of April, 2003;

(*iv*) ten per cent for an assessment year beginning on the 1st day of April, 2004,

of the income so received in, or brought into, India, in computing the total income of the assessee and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year".

NOTES

Clause 38 seeks to amend section 80-O of the Income-tax Act relating to deduction in respect of royalties, etc., from certain foreign enterprises.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) who is resident in India, deriving income from the Government of a foreign State or a foreign enterprise in consideration for the use outside India of any patent, invention, design or registered trade mark is entitled to a deduction of an amount equal to fifty per cent of the income so received, or brought into India in convertible foreign exchange within a period of six months.

It is proposed to amend section 80-O so as to phase out the deduction over a period of five years by allowing forty per cent deduction for an assessment year 2001-2002, thirty per cent deduction for an assessment year 2002-2003, twenty per cent deduction for an assessment year 2003-2004 and ten per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80R.

39. In section 80R of the Income-tax Act, for the portion beginning with the words "a deduction from such remuneration of an amount" and ending with the words "competent authority may allow in this behalf", the following shall be substituted with effect from the 1st day of April, 2001, namely:—

"a deduction from such remuneration of an amount equal to—

(*i*) sixty per cent of such remuneration for an assessment year beginning on the 1st day of April, 2001;

(*ii*) forty-five per cent of such remuneration for an assessment year beginning on the 1st day of April, 2002;

(*iii*) thirty per cent of such remuneration for an assessment year beginning on the 1st day of April, 2003;

(*iv*) fifteen per cent of such remuneration for an assessment year beginning on the 1st day of April, 2004,

as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year".

NOTES

Clause 39 seeks to amend section 80R of the Income-tax Act relating to deduction in respect of remuneration from certain foreign sources in the case of professors, teachers, etc.

Under the existing provisions, a professor, teacher or a research worker rendering service abroad, is entitled to a deduction from the remuneration received from a foreign university, institution, etc., while computing his income chargeable to tax. This deduction is available to a resident, being an Indian citizen. The existing provision provides for a deduction equal to seventy-five per cent of such income or remuneration as is brought into India within a period of six months from the end of the previous year.

It is proposed to amend section 80R so as to phase out the deduction over a period of five years by allowing sixty per cent deduction for an assessment year 2001-2002, forty-five per cent deduction for an assessment year 2002-2003, thirty per cent deduction for an assessment year 2003-2004 and fifteen per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80RR.

40. In section 80RR of the Income-tax Act, for the portion beginning with the words "a deduction from such income of an amount" and ending with the words "competent authority may allow in this behalf", the following shall be substituted with effect from the 1st day of April, 2001, namely:—

"a deduction from such income of an amount equal to—

(*i*) sixty per cent of such income for an assessment year beginning on the 1st day of April, 2001;

(*ii*) forty-five per cent of such income for an assessment year beginning on the 1st day of April, 2002;

(*iii*) thirty per cent of such income for an assessment year beginning on the 1st day of April, 2003;

(*iv*) fifteen per cent of such income for an assessment year beginning on the 1st day of April, 2004,

as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year".

NOTES

Clause 40 seeks to amend section 80RR of the Income-tax Act relating to deduction in respect of professional

income from foreign sources in certain cases.

Under the existing provisions, an individual resident in India, being an author, playwright, artist, musician, actor, etc., deriving income in the exercise of his profession from the Government of a foreign State or any person not resident in India is allowed deduction from such income of an amount equal to seventy-five per cent of such income as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80RR so as to phase out the deduction over a period of five years by allowing sixty per cent deduction for an assessment year 2001-2002, forty-five per cent deduction for an assessment year 2002-2003, thirty per cent deduction for an assessment year 2003-2004 and fifteen per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 80RRA.

41. In section 80RRA of the Income-tax Act, for the portion beginning with the words "a deduction from such remuneration" and ending with the words "authority may allow in this behalf", the following shall be substituted with effect from the 1st day of April, 2001, namely:—

"a deduction from such remuneration of an amount equal to—

(*i*) sixty per cent of such remuneration for an assessment year beginning on the 1st day of April, 2001;

(*ii*) forty-five per cent of such remuneration for an assessment year beginning on the 1st day of April, 2002;

(*iii*) thirty per cent of such remuneration for an assessment year beginning on the 1st day of April, 2003;

(*iv*) fifteen per cent of such remuneration for an assessment year beginning on the 1st day of April, 2004,

as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year".

NOTES

Clause 41 seeks to amend section 80RRA of the Income-tax Act relating to deduction in respect of remuneration received for services rendered outside India.

Under the existing provisions, an individual, being resident in India, whose gross total income includes any remuneration in foreign currency from any employer (being a foreign employer or an Indian concern) for any service rendered by him outside India, is allowed in computing his total income a deduction from such remuneration of an amount equal to seventy-five per cent of such remuneration as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80RRA so as to phase out the deduction over a period of five years by allowing sixty per cent deduction for an assessment year 2001-2002, forty-five per cent deduction for an assessment year 2002-2003, thirty per cent deduction for an assessment year 2003-2004 and fifteen per cent deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 87.

42. In section 87 of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*a*) in sub-section (1), for the word, figures and letter "and 88B", the figures, letters and word ", 88B and 88C" shall be substituted;

(*b*) in sub-section (2), after the words, figures and letter "or section 88B", the words, figures and letter "or section 88C" shall be inserted.

NOTES

Clause 42 seeks to amend section 87 of the Income-tax Act relating to rebate to be allowed in computing income-tax.

It is proposed to insert a new section 88C relating to rebate of income-tax in case of women below sixty-five years *vide* clause 45 of the Bill. It is proposed to incorporate a reference of that section in section 87. The proposed amendment is of consequential nature.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 88.

43. In section 88 of the Income-tax Act,—

(*a*) in sub-section (2), in clause (*xv*), in sub-clause (*c*), in item (5), for the words, brackets and figures "which is approved for the purposes of clause (*viii*) of sub-section (1) of section 36", the words, brackets and figures "which is eligible for deduction under clause (*viii*) of sub-section (1) of section 36" shall be substituted;

(*b*) in sub-section (5), for the words "ten thousand rupees", at both the places where they occur, the words "twenty thousand rupees" shall be substituted with effect from the 1st day of April, 2001.

NOTES

Clause 43 seeks to amend section 88 of the Income-tax Act relating to rebate on life insurance premia, contribution to provident fund, etc.

Under the existing provisions contained in item (5) of sub-clause (*c*) of clause (*xv*) of sub-section (2), approval of the Central Government is required by the public company referred to in the said item for the purposes of clause (*viii*) of sub-section (1) of section 36.

Sub-clause (*a*) proposes to amend the said item so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Under the existing provisions, an assessee, being an individual or a Hindu undivided family, is entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable for any assessment year, of an amount equal to twenty per cent of the aggregate of the investments made in provident funds, national saving certificates, premium paid for life insurance policy or any pension fund, etc. This aggregate also includes repayment of amount upto rupees ten thousand, borrowed by the assessee from some specified institutions like banks, Life Insurance Corporation of India, National Housing Bank, etc. for the purposes of purchase or construction of his own residential house.

Sub-clause (*b*) seeks to amend sub-section (5) so as to raise the limit of aggregate of sums specified in clause (*xv*) of sub-section (2) of the said section for repayment of loan from ten thousand rupees to twenty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 88B.

44. In section 88B of the Income-tax Act, for the words "ten thousand rupees", the words "fifteen thousand rupees" shall be substituted with effect from the 1st day of April, 2001.

NOTES

Clause 44 seeks to amend section 88B of the Income-tax Act relating to rebate of income-tax in case of individuals of sixty-five years or above.

Under the existing provisions, individuals in the age group of sixty-five years or more are entitled to a deduction from the amount of income-tax on their total income in any assessment year with which they are chargeable to tax for that assessment year of an amount equal to hundred per cent of such income-tax or an amount of ten thousand rupees, whichever is less.

It is proposed to enhance the said limit of rebate from ten thousand rupees to fifteen thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Insertion of new section 88C.

45. After section 88B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2001, namely:—

"88C. *Rebate of income-tax in case of women below sixty-five years.*—An assessee,—

(*a*) being a woman resident in India; and

(*b*) below the age of sixty-five years, at any time during the previous year,

shall be entitled to a deduction from the amount of income-tax (as computed before allowing the deductions under this Chapter) on her total income, with which she is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of five thousand rupees, whichever is less.".

NOTES

Clause 45 seeks to insert section 88C in the Income-tax Act relating to rebate of income-tax in case of women below the age of sixty-five years.

It is proposed to insert a new section 88C in the Income-tax Act so as to provide that an assessee being a woman resident in India and who is below the age of sixty-five years at any time during the previous year, shall be entitled to a deduction from the amount of income-tax (as computed before allowing a deduction under Chapter VIII-A) on her total income, with which she is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of five thousand rupees, whichever is less.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 112.

46. In section 112 of the Income-tax Act, in sub-section (1),—

(*a*) in the proviso, for the words "being listed securities", the words "being listed securities or unit" shall be substituted;

(*b*) for the *Explanation*, the following *Explanation* shall be substituted, namely:—

'*Explanation*.—For the purposes of this sub-section,—

(*a*) "listed securities" means the securities—

(*i*) as defined in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (32 of 1956); and

(*ii*) listed in any recognised stock exchange in India;

(*b*) "unit" shall have the meaning assigned to it in clause (*b*) of *Explanation* to section 115AB.'.

NOTES

Clause 46 seeks to amend section 112 of the Income-tax Act relating to tax on long-term capital gains.

Under the existing provisions contained in the proviso to sub-section (1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities, exceeds ten per cent of the

amount of capital gains, before giving effect to the provisions of the second proviso to section 48, then, the amount of such excess shall be ignored for the purpose of computing the tax payable by the assessee. The *Explanation* below sub-section (1) defines the expression "listed securities".

It is proposed to amend the said proviso to include therein units of Unit Trust of India and Mutual Funds also. It is also proposed to amend the *Explanation* to sub-section (1) to define the expression "unit".

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 115JA.

47. In section 115JA of the Income-tax Act, with effect from the 1st day of April, 2001,—

(*i*) in sub-section (1), after the words, figures and letters "the 1st day of April, 1997", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(*ii*) in sub-section (2), in the *Explanation*, in item (*i*) below clause (*f*), in the proviso, after the words, figures and letters "the 1st day of April, 1997", the words, figures and letters "but ending before the 1st day of April, 2001" shall be inserted.

NOTES

Clause 47 seeks to amend section 115JA of the Income-tax Act relating to deemed income relating to certain companies.

The proposed amendment seeks to provide that the provisions of this section shall not apply to an assessment year commencing on or after 1st April, 2001.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 115JAA.

48. In section 115JAA of the Income-tax Act, in sub-sections (4) and (5), after the words, figures and letters "section 115JA", the words, figures and letters "or section 115JB, as the case may be" shall be inserted with effect from the 1st day of April, 2001.

NOTES

Clause 48 seeks to amend section 115JAA of the Income-tax Act relating to tax credit in respect of tax paid on deemed income relating to certain companies.

It is proposed to amend the said section to provide that in case of an assessee, being a company, the tax credit shall be allowed to be set off when tax becomes payable on the total income computed in accordance with the provisions of the Act other than the provisions of section 115JB.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Insertion of new section 115JB.

49. After section 115JAA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2001, namely:—

'115JB. *Special provision for payment of tax by certain companies.*—(1) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee, being a company, the income-tax, payable on the total income as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 2001, is less than seven and one-half per cent of its book profit, the tax payable for the relevant previous year shall be deemed to be seven and one-half per cent of such book profit.

(2) Every assessee, being a company, shall, for the purposes of this section, prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 (1 of 1956):

Provided that while preparing the annual accounts including profit and loss account,—

(*i*) the accounting policies;

(*ii*) the accounting standards adopted for preparing such accounts including profit and loss account;

(*iii*) the method and rates adopted for calculating the depreciation,

shall be the same as have been adopted for the purpose of preparing such accounts including profit and loss account and laid before the company at its annual general meeting in accordance with the provisions of section 210 of the Companies Act, 1956 (1 of 1956):

Provided further that where the company has adopted or adopts the financial year under the Companies Act, 1956 (1 of 1956), which is different from the previous year under this Act,—

(*i*) the accounting policies;

(*ii*) the accounting standards adopted for preparing such accounts including profit and loss account;

(*iii*) the method and rates adopted for calculating the depreciation,

shall correspond to the accounting policies, accounting standards and the method and rates for calculating the depreciation which have been adopted for preparing such accounts including profit and loss account for such financial year or part of such financial year falling within the relevant previous year.

Explanation.—For the purposes of this section, "book profit" means the net profit as shown in the profit and loss account for the relevant previous year prepared under sub-section (2), as increased by—

(*a*) the amount of income-tax paid or payable, and the provision therefor; or

(*b*) the amounts carried to any reserves, by whatever name called; or

(*c*) the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities; or

(*d*) the amount by way of provision for losses of subsidiary companies; or

(*e*) the amount or amounts of dividends paid or proposed ; or

(*f*) the amount or amounts of expenditure relatable to any income to which section 10 or section 10A or section 10B apply,

if any amount referred to in clauses (*a*) to (*f*) is debited to the profit and loss account, and as reduced by—

(*i*) the amount withdrawn from any reserves or provisions if any such amount is credited to the profit and loss account:

Provided that, where this section is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made in a previous year relevant to the assessment year commencing on or after the 1st day of April, 2001 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation*; or

(*ii*) the amount of income to which any of the provisions of section 10 or section 10A or section 10B apply, if any such amount is credited to the profit and loss account; or

(*iii*) the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account.

Explanation.—For the purposes of this clause, the loss shall not include depreciation; or

(*iv*) the amount of profits eligible for deduction under section 80HHC, computed under clause (*a*) or clause (*b*) or clause (*c*) of sub-section (3) or sub-section (3A), as the case may be, of that section, and subject to the conditions specified in that section; or

(*v*) the amount of profits eligible for deduction under section 80HHE computed under sub-section (3) or sub-section (3A), as the case may be, of that section, and subject to the conditions specified in that section; or

(*vi*) the amount of profits eligible for deduction under section 80HHF computed under sub-section (3) of that section, and subject to the conditions specified in that section; or

(*vii*) the amount of profits of sick industrial company for the assessment year commencing on and from the assessment year relevant to the previous year in which the said company has become a sick industrial company under sub-section (1) of section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) and ending with the assessment year during which the entire net worth of such company becomes equal to or exceeds the accumulated losses.

Explanation.—For the purposes of this clause, "net worth" shall have the meaning assigned to it in clause (*ga*)

of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

(3) Nothing contained in sub-section (1) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-section (2) of section 32 or sub-section (3) of section 32A or clause (*ii*) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A.

(4) Every company to which this section applies, shall furnish a report in the prescribed form from an accountant as defined in the *Explanation* below sub-section (2) of section 288, certifying that the book profit has been computed in accordance with the provisions of this section along with the return of income filed under sub-section (1) of section 139 or along with the return of income furnished in response to a notice under clause (*i*) of sub-section (1) of section 142.

(5) Save as otherwise provided in this section, all other provisions of this Act shall apply to every assessee, being a company, mentioned in this section.'.

NOTES

Clause 49 seeks to insert a new section 115JB relating to special provisions for payment of tax by certain companies.

It is proposed to provide that in case of a company, if the income-tax payable on the total income as computed under the Income-tax Act in respect of any previous year relevant to the assessment year commencing on or after 1st April, 2001 is less than seven and one-half per cent of its book profit, the tax payable for the relevant previous year shall be deemed to be seven and one-half per cent of such book profit. The book profit shall mean the net profit as shown in the profit and loss account prepared in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 as reduced by certain adjustments, as specified. The profits received in convertible foreign exchange and eligible for deduction under section 80HHC or section 80HHE or section 80HHF or the income referred to in section 10 or section 10A or section 10B shall be excluded while working out 'book profits'. It is also proposed to provide that in respect of the relevant previous year, the amounts determined under the provisions of sub-section (2) of section 32 or sub-section (3) of section 32A or clause (*ii*) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A, shall be allowed to be carried forward to the subsequent year or years.

This amendment will take effect from 1st April, 2001 and will accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Amendment of section 115-O.

50. In section 115-O of the Income-tax Act, in sub-section (1), for the words "ten per cent", the words "twenty per cent" shall be substituted with effect from the 1st day of June, 2000.

NOTES

Clause 50 seeks to amend section 115-O of the Income-tax Act relating to tax on distributed profits of domestic companies.

Under the existing provisions the amount declared, distributed or paid by way of dividends by a domestic company shall be charged to additional income-tax at a flat rate of ten per cent., in addition to the normal income-tax chargeable in respect of the total income of the company.

It is proposed to enhance the said rate of additional income-tax from ten per cent to twenty per cent.

This amendment will take effect from 1st June, 2000.

Amendment of section 115P.

51. In section 115P of the Income-tax Act, for the words "two per cent", the words "one and one-half per cent" shall be substituted with effect from the 1st day of June, 2000.

NOTES

Clause 51 seeks to amend section 115P of the Income-tax Act relating to interest payable for non-payment of tax

by domestic companies.

Under the existing provisions, the principal officer of a domestic company and the company is liable to pay simple interest at the rate of two per cent for every month or part thereof if he or it fails to pay the whole or part of the tax in accordance with the provisions contained in section 115-O.

The proposed amendment seeks to reduce the rate of interest from two per cent to one and one-half per cent for every month or part thereof, as the case may be.

This amendment will take effect from 1st June, 2000.

Amendment of section 115R.

52. In section 115R of the Income-tax Act, with effect from the 1st day of June, 2000,—

(*a*) in sub-sections (1) and (2), for the words "ten per cent", the words "twenty per cent" shall be substituted;

(*b*) after sub-section (3), the following sub-section shall be inserted, namely:—

"(*3A*) The person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall on or before the 15th day of September in each year, furnish to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving the details of the amount of income distributed to unit holders during the previous year, the tax paid thereon and such other relevant details as may be prescribed.".

NOTES

Clause 52 seeks to amend section 115R of the Income-tax Act relating to tax on distributed income to unit holders.

Under the existing provisions, the income distributed by the Unit Trust of India or a Mutual Fund to its unit holders shall be chargeable to tax at a flat rate of ten per cent to be payable by the Unit Trust of India or the Mutual Fund, as the case may be.

Sub-clause (*a*) seeks to amend sub-sections (1) and (2) of section 115R so as to enhance the said rate of tax from existing ten per cent to twenty per cent.

Sub-clause (*b*) seeks to insert a new sub-section (3A) in section 115R so as to provide that the person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall be liable to file a statement before the 15th September each year to the prescribed income-tax authority in the prescribed form and verified in the prescribed manner, giving the details of the amount of income distributed to unit holders during the previous year, the tax paid thereon and other relevant details.

These amendments will take effect from 1st June, 2000.

Amendment of section 115S.

53. In section 115S of the Income-tax Act, for the words "two per cent", the words "one and one-half per cent" shall be substituted with effect from the 1st day of June, 2000.

NOTES

Clause 53 seeks to amend section 115S of the Income-tax Act relating to interest payable for non-payment of tax.

Under the existing provisions, the person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund is liable to pay simple interest at the rate of two per cent for every month or part thereof if he or it fails to pay the tax in accordance with the provisions contained in section 115R.

The proposed amendment seeks to reduce the rate of interest from two per cent to one and one-half per cent for every month or part thereof, as the case may be.

This amendment will take effect from 1st June, 2000.

Insertion of new Chapter XII-F.

54. After Chapter XII-E of the Income-tax Act, the following Chapter shall be inserted with effect from the 1st day of June, 2000, namely:—

'CHAPTER XII-F

SPECIAL PROVISIONS RELATING TO TAX ON INCOME DISTRIBUTED BY VENTURE CAPITAL COMPANIES AND VENTURE CAPITAL FUNDS

115U. *Tax on distributed income.*—(1) Notwithstanding anything contained in any other provisions of this Act, any amount of income distributed by a venture capital company or venture capital fund to the investors shall be chargeable to tax and such company or fund shall be liable to pay income-tax on such distributed income at the rate of twenty per cent.

(2) Notwithstanding anything contained in any other provisions of this Act, a venture capital company or venture capital fund shall be liable to pay income-tax at the rate of twenty per cent on any income which is not distributed to the investors within such time as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf.

(3) The person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

(4) The person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund, shall, on or before the 15th day of September in each year, furnish to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving details of amount of income distributed to the investors during the previous year, the tax paid thereon and such other relevant details as may be prescribed.

(5) No deduction under any other provisions of this Act shall be allowed to the venture capital company or venture capital fund or to an investor in respect of the income which has been charged to tax under sub-section (1) or sub-section (2).

115V. *Interest payable for non-payment of tax.*—Where the person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund fails to pay the whole or any part of the tax referred to in sub-section (1) or sub-section (2) of section 115U, within the time allowed under sub-section (3) of that section, he or it shall be liable to pay simple interest at the rate of one and one-half per cent every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115W. *Venture capital company and venture capital fund to be assessee in default.*—If any person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund, as the case may be, does not pay tax, as is referred to in sub-section (1) or sub-section (2) of section 115U, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

Explanation.—For the purposes of this Chapter, "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (*23FB*) of section 10.'.

NOTES

Clause 54 seeks to insert a new Chapter XII-F in the Income-tax Act relating to special provisions with regard to the tax on the income distributed by venture capital companies and venture capital funds.

The new Chapter contains sections 115U, 115V and 115W.

Under the provisions of the newly inserted section 115U, it is proposed that the income distributed to investors of the venture capital company and the venture capital fund shall be charged to tax at a flat rate of twenty per cent to be payable by such company and such fund. This tax liability of the company and fund is notwithstanding the provisions of clauses (23FB) and (33) of section 10 of the Act which exempts the income of a venture capital company and a venture capital fund and its investors from income-tax.

It is further proposed that the venture capital company and venture capital fund will be liable to pay income-tax at the rate of twenty per cent in respect of any income which is not distributed to its investors within such time as may be prescribed by the Securities and Exchange Board of India, with the approval of the Central Government, by notification in the Official Gazette.

Sub-section (3) of the proposed new section seeks to provide that the person responsible for making the payment of income distributed by the venture capital company or venture capital fund and such company or fund, shall be liable to pay the tax under this provision to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

Sub-section (4) of the proposed new section seeks to provide that the person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the company or fund shall furnish a statement giving the details of amount of income distributed, the tax paid and such other relevant details as may be prescribed, to the prescribed income-tax Authority before the 15th September, each year.

Sub-section (5) of the proposed new section seeks to provide that no deduction under any other provisions of the Act shall be allowed to the venture capital company or venture capital fund or the investor in respect of the income on which tax has been paid under sub-section (1) or sub-section (2).

The proposed new section 115V seeks to provide that if the person or venture capital company or the venture capital fund liable to make the payment fails to so pay the income-tax to the credit of Central Government, he or it shall be liable to pay simple interest at the rate of one and one-half per cent every month or part thereof on such amount of tax which has not been paid or was not paid in time.

The proposed new section 115W seeks to provide that if the person responsible for making the payment of tax or the venture capital company or the venture capital fund liable to make the payment fails to so pay the income-tax to the credit of the Central Government, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable and all the provisions of this Act for the collection and recovery of income-tax shall apply.

It is also proposed to define the expressions “venture capital company”, “venture capital fund” and “venture capital undertaking” for the purposes of the newly inserted Chapter XII-F of the Income-tax Act.

These amendments will take effect from 1st June, 2000.

Amendment of section 139A.

55. In section 139A of the Income-tax Act, after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of June, 2000, namely:—

> “(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, by notification in the Official Gazette, specify, any class or classes of persons by whom tax is payable under this Act or any tax or duty is payable under any other law for the time being in force and such persons shall, within such time as mentioned in that notification, apply to the Assessing Officer for the allotment of a permanent account number.”.

NOTES

Clause 55 seeks to amend section 139A of the Income-tax Act relating to permanent account number.

Under the existing provisions, it is obligatory for certain categories of persons to apply for allotment of permanent account numbers.

It is proposed to insert a new sub-section (1A) so as to empower the Central Government to specify, by notification in the Official Gazette, any class or classes of persons by whom tax is payable under the Income-tax Act or any tax or duty is payable under any other law for the time being in force, and such persons shall be required to apply within such time as may be mentioned in that notification to the Assessing Officer for the

allotment of a permanent account number.

This amendment will take effect from 1st June, 2000.

Amendment of section 158BFA.

56. In section 158BFA of the Income-tax Act, in sub-section (3), in clause (*c*), after the words, brackets and figures "the Commissioner (Appeals) under section 246", the words, figures and letter "or section 246A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 56 seeks to amend section 158BFA of the Income-tax Act relating to levy of interest and penalty in certain cases.

It is proposed to amend clause (*c*) of sub-section (3) so as to insert in that clause a reference of section 246A relating to appealable orders before Commissioner (Appeals). The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Amendment of section 194A.

57. In section 194A of the Income-tax Act, in sub-section (3), in clause (*i*), in the proviso, in clause (*c*), for the words "for residential purposes", the words, brackets and figures "for residential purposes and which is eligible for deduction under clause (*viii*) of sub-section (1) of section 36" shall be substituted.

NOTES

Clause 57 seeks to amend section 194A of the Income-tax Act relating to interest other than "Interest on securities".

It is proposed to insert a reference of clause (*viii*) of sub-section (1) of section 36 in clause (*c*) of the proviso to clause (*i*) of sub-section (3) of section 194A. The proposed amendment seeks to provide that the provisions of the said clause (*c*) shall apply to a public company which is also eligible for deduction under clause (*viii*) of sub-section (1) of section 36. This amendment is consequential to the omission of first proviso to clause (*viii*) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly apply in relation to the assessment year 2000-2001 and subsequent years.

Amendment of section 220.

58. In section 220 of the Income-tax Act, in sub-section (6), after the words and figures "under section 246", the words, figures and letter "or section 246A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 58 seeks to amend section 220 of the Income-tax Act relating to when tax payable and when assessee deemed in default.

It is proposed to amend sub-section (6) so as to insert therein a reference of section 246A relating to appealable orders before the Commissioner (Appeals). The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Amendment of section 245N.

59. In section 245N of the Income-tax Act, for clauses (*a*) and (*b*), the following clauses shall be substituted with effect from the 1st day of June, 2000, namely:—

'(*a*) "advance ruling" means—

(*i*) a determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a non-resident applicant; or

(*ii*) a determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a resident applicant with a non-resident,

and such determination shall include the determination of any question of law or of fact specified in the application;

(*iii*) a determination or decision by the Authority in respect of an issue relating to computation of total income which is pending before any income-tax authority or the Appellate Tribunal and such determination or decision shall include the determination or decision of any question of law or of fact relating to such computation of total income specified in the application;

(*b*) "applicant" means any person who-

(*i*) is a non-resident referred to in sub-clause (*i*) of clause (*a*); or

(*ii*) is a resident referred to in sub-clause (*ii*) of clause (*a*); or

(*iii*) is a resident falling within any such class or category of persons as the Central Government may, by notification in the Official Gazette, specify in this behalf; and

(*iv*) makes an application under sub-section (1) of section 245Q;'.

NOTES

Clause 59 seeks to amend section 245N of the Income-tax Act relating to definitions.

Clause (*a*) defines the expression "advance ruling". It is proposed to substitute the said clause (*a*) so as to provide that advance ruling means a determination by the Authority in relation to transaction which has been undertaken or proposed to be undertaken by a non-resident applicant or by a resident applicant with a non-resident and such determination includes determination of any question of law or fact specified in the application. It is also proposed to provide that the advance ruling shall include determination or decision (including any question of law or fact) by the Authority in respect of an issue relating to computation of total income which is pending before an income-tax authority or the Appellate Tribunal.

It is also proposed to substitute clause (*b*) relating to definition of "applicant". Under the new definition, applicant means any person who is a non-resident or a resident referred to in sub-clauses (*i*) and (*ii*) of clause (*a*) of section 245N or a resident notified by the Central Government.

These amendments will take effect from 1st June, 2000.

Amendment of section 245R.

60. In section 245R of the Income-tax Act, in sub-section (2), for the first proviso, the following proviso shall be substituted with effect from the 1st day of June, 2000, namely:—

"**Provided** that the Authority shall not allow the application where the question raised in the application,—

(*i*) is already pending before any income-tax authority or Appellate Tribunal [except in the case of a resident applicant falling in sub-clause (*iii*) of clause (*b*) of section 245N] or any court;

(*ii*) involves determination of fair market value of any property;

(*iii*) relates to a transaction or issue which is designed *prima facie* for the avoidance of income-tax [except in the case of a resident applicant falling in sub-clause (*iii*) of clause (*b*) of section 245N]:".

NOTES

Clause 60 seeks to amend section 245R of the Income-tax Act relating to procedure on receipt of application.

It is proposed to substitute the first proviso to sub-section (2) to provide that the Authority shall not allow the application where the question raised in the application is already pending before any income-tax authority or the Appellate Tribunal or any court. However, such exclusion will not be applicable in the case of a resident applicant falling in sub-clause (*iii*) of clause (*b*) of section 245N insofar as it relates to a question pending before an income-tax authority or the Appellate Tribunal. Further, the Authority shall not allow the application where the question raised in the application involves determination of fair market value of any property. The Authority shall also not

proceed if the question relates to a transaction or issue which is designed *prima facie* for the avoidance of income-tax. The said condition, however, will not apply in the case of a resident applicant falling in sub-clause (*iii*) of clause (*b*) of section 245N.

This amendment will take effect from 1st June, 2000.

Amendment of section 246.

61. In section 246 of the Income-tax Act, with effect from the 1st day of June, 2000,—

(*a*) in sub-section (1), after the words and brackets "Deputy Commissioner (Appeals)", the words, figures and letters "before the 1st day of June, 2000" shall be inserted;

(*b*) after sub-section (1), the following sub-section shall be inserted, namely:—

"(*1a*) Notwithstanding anything contained in sub-section (1), every appeal filed, on or after the 1st day of October, 1998 but before the 1st day of June, 2000, before the Deputy Commissioner (Appeals) and any matter arising out of or connected with such appeal and which is so pending shall stand transferred to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day.";

(*c*) in sub-section (2), after the words and brackets "Commissioner (Appeals)", the words, figures and letters "before the 1st day of June, 2000" shall be inserted.

NOTES

Clause 61 seeks to amend section 246 of the Income-tax Act relating to appealable orders.

It is proposed to amend sub-section (1) and sub-section (2) so as to provide that any assessee aggrieved by any of the orders may appeal before 1st June, 2000 to the Deputy Commissioner (Appeals) or to the Commissioner (Appeals).

It is also proposed to provide that every appeal filed under sub-section (1) on or after 1st October, 1998 but which is pending before 1st June, 2000 shall be transferred to the Commissioner (Appeals).

These amendments will take effect from 1st June, 2000.

Amendment of section 246A.

62. In section 246A of the Income-tax Act, with effect from the 1st day of June, 2000,—

(*i*) in sub-section (1), after clause (*h*), the following clause shall be inserted, namely:—

"(*ha*) an order made under section 201;";

(*ii*) after sub-section (1), the following sub-section shall be inserted, namely:—

"(*1A*) Every appeal filed by an assessee in default against an order under section 201 on or after the 1st day of October, 1998 but before the 1st day of June, 2000 shall be deemed to have been filed under this section.".

NOTES

Clause 62 seeks to amend section 246A of the Income-tax Act relating to appealable orders before the Commissioner (Appeals).

It is proposed to insert clause (*ha*) in sub-section (1) of section 246A to provide that an order made under section 201 is appealable before the Commissioner (Appeals).

It is also proposed to insert a new sub-section (1A) to provide that any appeal filed by an assessee in default against an order made under section 201 on or after the 1st October, 1998 but before 1st June, 2000 shall be deemed to have been filed before the Commissioner (Appeals).

These amendments will take effect from 1st June, 2000.

Amendment of section 249.

63. In section 249 of the Income-tax Act, after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of June, 2000, namely:—

"(2A) Notwithstanding anything contained in sub-section (2), where an order has been made under section 201 on or after the 1st day of October, 1998 but before the 1st day of June, 2000 and the assessee in default has not presented any appeal within the time specified in that sub-section, he may present such appeal before the 1st day of July, 2000.".

NOTES

Clause 63 seeks to amend section 249 of the Income-tax Act relating to form of appeal and limitation.

It is proposed to insert a new sub-section (2A) so as to enable an assessee in default to present an appeal before 1st July, 2000 against an order made under section 201, on and after 1st October, 1998 but before 1st June, 2000, if he has not presented any appeal.

This amendment will take effect from 1st June, 2000.

Amendment of section 254.

64. In section 254 of the Income-tax Act, in sub-section (2A), after the words, brackets and figure "under sub-section (1)", the words, brackets and figure "or sub-section (2)" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 64 seeks to amend section 254 of the Income-tax Act relating to orders of Appellate Tribunal.

Under the existing provisions under sub-section (2A), the Appellate Tribunal, where it is possible, may hear and decide appeals within a period of four years from the end of the financial year in which such appeal is filed by an assessee under sub-section (1) of section 253.

It is proposed to amend the said sub-section so as to include appeals referred to in sub-section (2) of section 253 also within the time-limit specified in that sub-section.

This amendment will take effect from 1st June, 2000.

Amendment of section 267.

65. In section 267 of the Income-tax Act, after the words and figures "an appeal under section 246", the words, figures and letter "or section 246A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 65 seeks to amend section 267 of the Income-tax Act relating to amendment of assessment on appeal.

It is proposed to include reference of section 246A relating to appealable orders before the Commissioner (Appeals) in section 267. The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Amendment of section 275.

66. In section 275 of the Income-tax Act, in sub-section (1), in clause (*a*), after the words, brackets and figures "Commissioner (Appeals) under section 246", the words, figures and letter "or section 246A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 66 seeks to amend section 275 of the Income-tax Act relating to bar of limitation for imposing penalties.

It is proposed to amend clause (*a*) of sub-section (1) so as to insert in that clause a reference of section 246A

relating to appealable orders before Commissioner (Appeals). The amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Amendment of section 285B.

67. In section 285B of the Income-tax Act, for the words "twenty-five thousand rupees", the words "fifty thousand rupees" shall be substituted with effect from the 1st day of April, 2001.

NOTES

Clause 67 seeks to amend section 285B of the Income-tax Act relating to submission of statements by producers of cinematograph films.

Under the existing provisions, any person carrying on the production of a cinematograph film is required to prepare and deliver within the time specified in the said section to the Assessing Officer a statement in the prescribed form containing particulars of all payments of over twenty-five thousand rupees in the aggregate made by him or due from him to each such person as is engaged by him in such production.

It is proposed to increase the said monetary ceiling from twenty-five thousand rupees to fifty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Wealth-tax

Amendment of section 23.

68. In section 23 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), with effect from the 1st day of June, 2000, namely:—

(*a*) in sub-section (1), after the words and brackets "Deputy Commissioner (Appeals)", the words, figures and letters "before the 1st day of June, 2000," shall be inserted;

(*b*) in sub-section (1A), after the words and brackets "Commissioner (Appeals)", the words, figures and letters "before the 1st day of June, 2000," shall be inserted;

(*c*) after sub-section (1A), the following sub-section shall be inserted, namely:—

"(1AA) Notwithstanding anything contained in sub-section (1), every appeal filed, on or after the 1st day of October, 1998, but before the 1st day of June, 2000, before the Deputy Commissioner (Appeals) and any matter arising out of or connected with such appeal and which is so pending shall stand transferred to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day.".

NOTES

Clause 68 seeks to amend section 23 of the Wealth-tax Act relating to appeal to the Deputy Commissioner (Appeals) from orders of Assessing Officer.

It is proposed to amend sub-sections (1) and (1A) so as to provide that the appeals under these sub-sections can be filed before the Deputy Commissioner (Appeals) or the Commissioner (Appeals) only on or before 1st June, 2000.

It is proposed to insert a new sub-section (1AA) to provide that every appeal filed under sub-section (1) on or after 1st October, 1998 but before 1st June, 2000 before the Deputy Commissioner (Appeals) and pending before him shall stand transferred to the Commissioner (Appeals).

These amendments will take effect from 1st June, 2000.

Amendment of section 24.

69. In section 24 of the Wealth-tax Act, in sub-section (5A), after the words, brackets and figure "under sub-section (1)", the words, brackets and figure "or sub-section (2)" shall be inserted with effect from the 1st day of

June, 2000.

NOTES

Clause 69 seeks to amend section 24 of the Wealth-tax Act relating to appeal to the Appellate Tribunal from orders of the Deputy Commissioner (Appeals).

Under the existing provisions, the Appellate Tribunal, where it is possible, may hear and decide appeals within a period of four years from the end of the financial year in which such appeal is filed by an assessee under sub-section (1) of section 24 and the appeals filed by the Commissioner are not covered.

It is proposed to amend sub-section (5A) so as to include appeals filed by the Commissioner under sub-section (2) for which the time-limit as above shall be applicable.

This amendment will take effect from 1st June, 2000.

Amendment of section 31.

70. In section 31 of the Wealth-tax Act, with effect from the 1st day of June, 2000,—

(*a*) in sub-section (2), in the first proviso, after the words and figures "where as a result of an order under section 23,", the words, figures and letter "or section 23A," shall be inserted;

(*b*) in sub-section (6), after the words and figures "an appeal under section 23", the words, figures and letter "or section 23A" shall be inserted.

NOTES

Clause 70 seeks to amend section 31 of the Wealth-tax Act relating to when tax etc., payable and when assessee deemed in default.

It is proposed to amend the first proviso to sub-section (2) so as to insert a reference of section 23A relating to appealable orders before the Commissioner (Appeals).

It is also proposed to amend sub-section (6) so as to insert a reference of section 23A relating to appealable orders before the Commissioner (Appeals). The proposed amendments are consequential in nature.

These amendments will take effect from 1st June, 2000.

Amendment of section 34A.

71. In section 34A of the Wealth-tax Act, in sub-section (4B), in clause (*c*), after the words and figures "or section 23", the words, figures and letter "or section 23A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 71 seeks to amend section 34A of the Wealth-tax Act relating to refunds.

It is proposed to amend clause (*c*) of sub-section (4B) to insert a reference of section 23A relating to appealable orders before the Commissioner (Appeals). The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Amendment of section 35.

72. In section 35 of the Wealth-tax Act, in sub-section (1), in clause (*c*), after the words and figures "under section 23", the words, figures and letter "or section 23A" shall be inserted with effect from the 1st day of June, 2000.

NOTES

Clause 72 seeks to amend section 35 of the Wealth-tax Act relating to rectification of mistakes.

Under the existing provisions contained in clause (*c*) of sub-section (1) of section 35, the Deputy Commissioner (Appeals) or the Commissioner (Appeals) is empowered to amend any order passed by him under section 23.

It is proposed to amend the said clause (*c*) to insert a reference of section 23A relating to appealable orders before the Commissioner (Appeals) in the said clause. The proposed amendment is of consequential nature.

This amendment will take effect from 1st June, 2000.

Interest-tax

Amendment of section 4 of the Act.

73. In the Interest-tax Act, 1974 (45 of 1974), in section 4, after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of April, 2001, namely:—

"(3) Notwithstanding anything contained in sub-sections (1) and (2), no interest-tax shall be charged in respect of any chargeable interest accruing or arising after the 31st day of March, 2000.".

NOTES

Clause 73 seeks to amend section 4 of the Interest-tax Act, 1974 relating to charge of tax.

It is proposed to insert a new sub-section (3) in section 4 so as to provide that no interest-tax shall be charged in respect of any chargeable interest accruing or arising after 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

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CHAPTER V

SERVICE TAX

Amendment of Act 32 of 1994.

112. During the period commencing on and from the 16th day of July, 1997 and ending with the 1st day of August, 1998, the provisions of Chapter V of the Finance Act, 1994 shall be deemed to have had effect subject to the following modifications, namely:—

(*a*) in section 65,-

(*i*) for clause (*6*), the following clause had been substituted, namely:-

'(6) "assessee" means a person liable for collecting the service tax and includes—

(*i*) his agent; or

(*ii*) in relation to services provided by a clearing and forwarding agent, every person who engages a clearing and forwarding agent and by whom remuneration or commission (by whatever name called) is paid for such services to the said agent; or

(*iii*) in relation to services provided by a goods transport operator, every person who pays or is liable to pay the freight either himself or through his agent for the transportation of goods by road in a goods carriage.';

(*ii*) after clause (*18*), the following clauses had been substituted, namely:—

'(*18A*) "goods carriage" has the meaning assigned to it in clause (*14*) of section 2 of the Motor Vehicles Act, 1988 (59 of 1988);

(*18B*) "goods transport operator" means any commercial concern engaged in the transportation of goods but does not include a courier agency;';

(*iii*) in clause (48), after sub-clause (*m*), the following sub-clause had been inserted, namely:—

"(*ma*) to a customer, by a goods transport operator in relation to carriage of goods by road in a goods carriage;";

(*b*) in section 66, for sub-section (3), the following sub-section had been substituted, namely:—

"(3) On and from the 16th day of July, 1997, there shall be levied a tax at the rate of five per cent of the

value of taxable services referred to in sub-clauses (*g*), (*h*), (*i*), (*j*), (*k*), (*l*), (*m*), (*ma*), (*n*) and (*o*) of clause (*48*) of section 65 and collected in such manner as may be prescribed.";

(*c*) in section 67, after clause (*k*), the following clause had been inserted, namely:-

"(*ka*) in relation to service provided by goods transport operator to a customer, shall be the gross amount charged by such operator for services in relation to carrying goods by road in a goods carriage and includes the freight charges but does not include any insurance charges;".

NOTES

Clause 112 seeks to give retrospective effect from 16th July, 1997 to the 1st August, 1998 to specified provisions of sections 65, 66 and 67 of the Finance Act, 1994 relating to the levy and collection of Service tax on the services rendered by goods transport operators and clearing and forwarding agents from the users of such services.

Validation of certain action taken under Service Tax Rules.

113. Notwithstanding anything contained in any judgment, decree or order of any court, Tribunal or other authority, sub-clauses (*xii*) and (*xvii*) of clause (*d*) of sub-rule (1) of rule 2 of the Service Tax Rules, 1994 as they stood immediately before the commencement of the Service Tax (Amendment) Rules, 1998 shall be deemed to be valid and to have always been valid as if the said sub-clauses had been in force at all material times and accordingly,—

(*i*) any action taken or anything done or purported to have been taken or done at any time during the period commencing on and from the 16th day of July, 1997 and ending with the day, the Finance Act, 2000 receives the assent of the President shall be deemed to be valid and always to have been valid for all purposes, as validly and effectively taken or done;

(*ii*) any service tax refunded in pursuance of any judgment, decree or order of any court striking down sub-clauses (*xii*) and (*xvii*) of clause (*d*) of sub-rule (1) of rule 2 of the Service Tax Rules, 1994 before the date on which the Finance Act, 2000 receives the assent of the President shall be recoverable within a period of thirty days from the date on which the Finance Act, 2000 receives the assent of the President, and in the event of non-payment of such service tax refunded within this period, in addition to the amount of service tax recoverable, interest at the rate of twenty-four per cent per annum shall be payable, from the date immediately after the expiry of the said period of thirty days till the date of payment.

Explanation.—For the removal of doubts, it is hereby declared that no act or omission on the part of any person shall be punishable as an offence which would not have been so punishable if this section had not come into force.

NOTES

Clause 113 seeks to give retrospective effect from 16th July, 1997 to sub-clauses (*xii*) and (*xvii*) of clause (*d*) of sub-rule (1) of rule 2, of the Service Tax Rules,1994, so as to validate the levy and collection of Service tax on services rendered by goods transport operators and clearing and forwarding agents from the users of such services. The section also seeks to deny refund of service tax to the users of such services consequent to overcome certain judicial pronouncements and for recovery of refunds already granted consequent thereto.

CHAPTER VI

MISCELLANEOUS

Substitution of new section for section 8A of Act 2 of 1899.

114. In the Indian Stamp Act, 1899, for section 8A, the following section shall be substituted, namely:—

'8A. *Securities dealt in depository not liable to stamp duty.* - (1) Notwith-standing anything contained in this Act or any other law for the time being in force,-

(*a*) an issuer, by the issue of securities to one or more depositories, shall, in respect of such issue, be chargeable with duty on the total amount of security issued by it and such securities need not be stamped;

(*b*) where an issuer issues certificate of security under sub-section (3) of section 14 of the Depositories Act, 1996 (22 of 1996), on such certificate duty shall be payable as is payable on the issue of duplicate certificate

under this Act;

(*c*) the transfer of-

(*i*) registered ownership of securities from a person to a depository or from a depository to a beneficial owner;

(*ii*) beneficial ownership of securities, dealt with by a depository;

(*iii*) beneficial ownership of units, such units being units of a Mutual Fund including units of the Unit Trust of India established under sub-section (1) of section 3 of the Unit Trust of India Act, 1963 (52 of 1963), dealt with by a depository,

shall not be liable to duty under this Act or any other law for the time being in force.

Explanation 1.—For the purposes of this section, the expressions "beneficial ownership", "depository" and "issuer" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*f*) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996).

Explanation 2.—For the purposes of this section, the expression "securities" shall have the meaning assigned to it in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956.'.

NOTES

Clause 114 seeks to substitute section 8A of the Indian Stamp Act, 1899 relating to securities not liable to stamp duty.

Under the existing provisions, certain securities, shares or units specified in that section are not liable to stamp duty. It is proposed to substitute the existing provision so as to provide that transfer of registered ownership of securities from a person to a depository or from a depository to a beneficial owner and transfer of beneficial ownership of securities dealt with by a depository and transfer of beneficial ownership of units of mutual fund including units of the Unit Trust of India dealt with by a depository shall not be liable to any stamp duty under the Stamp Act, 1899 or any other law for the time being in force. It is also proposed to define the expression "securities" which shall have the meaning assigned to it in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956.

This amendment will take effect from the date on which the Finance Bill, 2000 receives the assent of the President.

Amendment of section 9 of Act 74 of 1956.

115. In the Central Sales Tax Act, 1956 (42 of 1956), in section 9,—

(*a*) in sub-section (2), for the word "penalty", wherever it occurs, the words "interest or penalty" shall be substituted;

(*b*) in sub-section (2A), for the words "provisions relating to offences and penalties", the words "provisions relating to offences, interest and penalties" shall be substituted;

(*c*) after sub-section (2A), the following sub-section shall be inserted, namely:—

"(2B) If the tax payable by any dealer under this Act is not paid in time, the dealer shall be liable to pay interest for delayed payment of such tax and all the provisions for delayed payment of such tax and all the provisions relating to due date for payment of tax, rate of interest for delayed payment of tax and assessment and collection of interest for delayed payment of tax, of the general sales tax law of each State, shall apply in relation to due date for payment of tax, rate of interest for delayed payment of tax, and assessment and collection of interest for delayed payment of tax under this Act in such States as if the tax and the interest payable under this Act were a tax and an interest under such sales tax law.";

(*d*) in sub-section (3), for the words "including any penalty", the words "including any interest or penalty" shall be substituted.

NOTES

Clause 115 seeks to amend section 9 of the Central Sales Tax Act, 1956 relating to levy and collection of tax and penalties.

Sub-clause (*a*) seeks to amend sub-section (2) as consequential to the amendment proposed in sub-clause (*c*).

Sub-clause (*b*) seeks to amend sub-section (2A) so as to provide for payment of interest on delayed payment of tax.

Sub-clause (*c*) seeks to insert a new sub-section (2B) in section 9. The proposed sub-section (2B) provides for levy and collection of interest in case the dealer fails to pay tax payable by him in time.

Sub-clause (*d*) seeks to provide for assignment of interest collected.

These amendments will take effect from the date on which the Finance Bill, 2000 receives the assent of the President.

Validation.

116. (1) The provisions of section 9 of the Central Sales Tax Act, 1956 (74 of 1956) (hereafter in this section referred to as the Central Sales Tax Act), shall have effect, and shall be deemed always to have had effect, as if that section also provided—

(*a*) that all the provisions relating to interest of the general sales tax law of each State shall, with necessary modifications, apply in relation to—

(*i*) the assessment, re-assessment, collection and enforcement of payment of any tax required to be collected under the Central Sales Tax Act, in such State; and

(*ii*) any process connected with such assessment, re-assessment, collection or enforcement of payment; and

(*b*) that for the purposes of the application of the provisions of such law, the tax under the Central Sales Tax Act shall be deemed to be tax under such law.

(2) Notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority, general sales tax law of any State imposed or purporting to have been imposed in pursuance of the provisions of section 9 of the Central Sales Tax Act, and all proceedings, acts or things taken or done for the purposes of, or in relation to, the imposition or collection of such interest, before the commencement of this Act, shall, for all purposes, be deemed to be and to have always been imposed, taken or done as validly and effectively as if the provisions of sub-section (1) had been in force when such interest was imposed or proceedings or acts or things were taken or done and, accordingly,—

(*a*) no suit or other proceedings shall be maintained or continued in, or before, any court, tribunal or other authority for the refund of any amount received or realised by way of such interest;

(*b*) no court, tribunal or other authority shall enforce any decree or order directing the refund of any amount received or realised by way of such interest;

(*c*) where any amount which had been received or realised by way of such interest is refunded before the date on which the Finance Act, 2000 receives the assent of the President and such refund would not have been allowed if the provisions of sub-section (1) had been in force on the date on which the order for such refund was passed, the amount so refunded may be recovered as an arrear of tax under the Central Sales Tax Act;

(*d*) any proceeding, act or thing which could have been validly taken, continued or done for the imposition or collection of such interest at any time before the commencement of this section if the provisions of sub-section (1) had then been in force but which had not been taken, continued or done, may, after such commencement, be taken, continued or done.

(3) Nothing in sub-section (2) shall be construed as preventing any person—

(*a*) from questioning the imposition or collection of any interest or any proceedings, act or thing in connection therewith; or

(*b*) from claiming any refund,

in accordance with the provisions of the Central Sales Tax Act, read with sub-section (1).

Explanation.—For the purposes of this section, "general sales tax law" shall have the same meaning assigned to it in the Central Sales Tax Act.

NOTES

Clause 116 seeks to provide for validation of the provisions of section 9 of the Central Sales Tax Act, 1956 as amended by clause 115.

Amendment of Act 21 of 1998.

117. In the Finance (No. 2) Act, 1998, with effect from the 1st day of September, 1998,—

(*a*) in section 88, in clause (*e*), in sub-clause (*ii*), for the words "two per cent of the tax arrear", the words "two per cent of the disputed chargeable interest" shall be substituted and shall be deemed to have been substituted;

(*b*) in section 90, in sub-section (2), for the words "within thirty days of the passing of an order by the designated authority", the words "within thirty days from the date of receipt of an order passed by the designated authority" shall be substituted and shall be deemed to have been substituted.

NOTES

Clause 117 seeks to amend Chapter IV of the Finance (No.2) Act, 1998 relating to Kar Vivad Samadhan Scheme, 1998.

It is proposed to amend sub-clause (*ii*) of clause (*e*) of section 88 so as to provide that the amount payable under Chapter IV shall be determined at the rate of two per cent. of the disputed chargeable interest instead of two percent of the tax arrear.

It is also proposed to amend sub-section (2) of section 90 so as to provide that the declarant shall pay the sum specified in that section within thirty days of receipt of an order made by the designated authority instead of within thirty days of passing of an order by such authority.

These amendments will take effect retrospectively from 1st September, 1998.

Amendment of Act 27 of 1999.

118. In the Finance Act, 1999, in the First Schedule, in Part III, in the opening portion, for the word, figures and letters "section 115AC", the word, figures and letters "section 115ACA" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999.

NOTES

Clause 118 seeks to amend Part III of the First Schedule to the Finance Act, 1999 relating to rates for charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" and computing "advance tax".

Part III of the First Schedule to the Act specifies the rates at which income-tax is to be deducted at source from "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1999-2000.

It is proposed to amend Part III of the First Schedule to the Finance Act, 1999 so as to provide that surcharge shall be charged on the income computed under section 115ACA. The proposed amendment is of a clarificatory nature.

This amendment will take effect retrospectively from 1st April, 1999.

DECLARATION UNDER THE PROVISIONAL COLLECTION OF TAXES ACT, 1931

It is hereby declared that it is expedient in the public interest that the provisions of sub-clause (*c*) of clause 85, clauses 86, 109 and 110 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931 (16 of 1931).

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 50,000	*Nil;*
(2) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000	10 per cent of the amount by which the total income exceeds Rs. 50,000;
(3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,50,000	Rs. 1,000 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 60,000;
(4) where the total income exceeds Rs. 1,50,000	Rs. 19,000 *plus* 30 per cent of the amount by which the total income exceeds Rs. 1,50,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph or in section 112 or section 113 shall,-

(*i*) in the case of every individual or Hindu undivided family or association of persons or body of individuals having a total income exceeding sixty thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income-tax as so reduced,

(*ii*) in the case of every person, other than those mentioned in item (*i*),

be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax:

Provided that no such surcharge shall be payable by a non-resident:

Provided further that in case of persons mentioned in item (*i*) above having a total income exceeding sixty thousand rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of sixty thousand rupees by more than the amount of income that exceeds sixty thousand rupees.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	10 per cent of the total income;
(2) where the total income exceeds Rs.10,000 but does not exceed Rs. 20,000	Rs. 1,000 *plus* 20 per cent of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 3,000 *plus* 35 per cent of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph or in section 112 or section 113, shall, in the case of every co-operative society, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph C

In the case of every firm,—

Rate of income-tax

On the whole of the total income 35 per cent

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified or in section 112 or section 113, shall, in the case of every firm, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax:

Provided that no such surcharge shall be payable by a non-resident.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 30 per cent

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified, or in section 112 or section 113, shall, in the case of every local authority, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company 35 per cent of the total income;

II. In the case of a company other than a domestic company,—

(*i*) on so much of the total income as consists of,—

(*a*) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(*b*) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent;

(*ii*) on the balance, if any, of the total income 48 per cent

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of item I of this Paragraph, or in section 112 or section 113, shall, in the case of every domestic company, be increased by a surcharge calculated

at the rate of ten per cent of such income-tax.

PART II

RATES FOR DEDUCTION OF TAX AT SOURCE
IN CERTAIN CASES

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to the deduction at the following rates:-

1. In the case of a person other than a company— (*a*) where the person is resident in India—
(*i*) on income by way of interest other than "Interest on securities"
(*ii*) on income by way of winnings from lotteries and crossword puzzles
(*iii*) on income by way of winnings from horse races
(*iv*) on income by way of insurance commission
(*v*) on income by way of interest payable on—
(*A*) any debentures or secu-rities other than a security of the Central or State Government for money i corporation established by a Central, State or Provi-ncial Act;
(*B*) any debentures issued by a company where such debentures are listed on a recognised stock exch Contracts (Regulation) Act, 1956 and any rules made thereunder
(*vi*) on any other income
(*b*) where the person is not resident in India—
(*i*) in the case of a non-resident Indian—
(*A*) on any investment income
(*B*) on income by way of long-term capital gains referred to in section 115E
(*C*) on other income by way of long-term capital gains
(*D*) on income by way of interest payable by Government or an Indian concern on moneys borrowed or deb foreign currency
(*E*) on income by way of winnings from lotteries and crossword puzzles
(*F*) on income by way of winnings from horse races
(*G*) on the whole of the other income
(*ii*) in the case of any other person—
(*A*) on income by way of interest payable by Government or an Indian concern on moneys borrowed or deb foreign currency
(*B*) on income by way of winnings from lotteries and crossword puzzles
(*C*) on income by way of winnings from horse races
(*D*) on income by way of long-term capital gains

(*E*) on the whole of the other income
2. In the case of a company—
(*a*) where the company is a domestic company-
(*i*) on income by way of interest other than “Interest on securities”
(*ii*) on income by way of winnings from lotteries and crossword puzzles
(*iii*) on income by way of winnings from horse races
(*iv*) on any other income
(*b*) where the company is not a domestic company—
(*i*) on income by way of winnings from lotteries and crossword puzzles
(*ii*) on income by way of winnings from horse races
(*iii*) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt foreign currency
(*iv*) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement ma after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any right copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the I of any computer software referred to in the second proviso to sub-section (1A) of section 115A of the Incom
(*A*) where the agreement is made before the 1st day of June, 1997
(*B*) where the agreement is made on or after the 1st day of June, 1997
(*v*) on income by way of royalty [not being royalty of the nature referred to in sub-item (*b*)(*iv*)] payable by Gov agreement made by it with the Government or the Indian concern and where such agreement is with an Central Government or where it relates to a matter included in the industrial policy, for the time being in for accordance with that policy—
(*A*) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976
(*B*) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997
(*C*) where the agreement is made on or after the 1st day of June, 1997
(*vi*) on income by way of fees for technical services payable by Government or an Indian concern in pursuance o the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the included in the industrial policy, for the time being in force, of the Government of India, the agreement is in a
(*A*) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976
(*B*) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997
(*C*) where the agreement is made on or after the 1st day of June, 1997
(*vii*) on income by way of long-term capital gains
(*viii*) on any other income

Explanation.—For the purpose of item 1(*b*)(*i*) of this Part, “investment income” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of—

(*a*) item 1 of this Part shall be increased by a surcharge, for purposes of the Union, calculated,—

(*i*) in the case of a co-operative society, firm and local authority, at the rate of ten per cent of such income-tax,

(*ii*) in the case of every person other than those mentioned in (*i*) above,—

(*A*) at the rate of ten per cent of such income-tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees; or

(*B*) at the rate of fifteen per cent of such income-tax where the total income exceeds one lakh fifty thousand rupees; and

(*b*) sub-item (*a*) of item 2 of this Part shall be increased by a surcharge calculated at the rate of ten per cent of such income-tax.

PART III

RATES FOR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES” AND COMPUTING “ADVANCE TAX”

In cases in which income-tax has to be charged under sub-section (4) of section 172 of the Income-tax Act or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head “Salaries” or in which the “advance tax” payable under Chapter XVII-C of the said Act has to be computed at the rate or rates in force, such income-tax or, as the case may be, “advance tax” [not being “advance tax” in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or section 115JB or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or section or surcharge on such “advance tax” in respect of any income chargeable to tax under section 115A or section 115AB or section 115AC or section 115ACA or section 115AD or section 115B or section 115BB or section 115BBA or section 115E or section 115JB] shall be charged, deducted or computed at the following rate or rates:—

Paragraph A

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 50,000	*Nil;*
(2) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000	10 per cent of the amount by which the total income exceeds Rs. 50,000;
(3) Where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,50,000	Rs. 1,000 *plus* 20 per cent of the amount by which the total income exceeds Rs. 60,000;
(4) where the total income exceeds Rs. 1,50,000	Rs. 19,000 plus 30 per cent of the amount by which the total income exceeds Rs. 1,50,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph or in section 112 or section 113 shall,—

(*i*) in the case of every individual or Hindu undivided family, or association of persons or body of individuals having a total income exceeding sixty thousand rupees, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income-tax as so reduced, be increased by a surcharge for

purposes of the Union calculated—

(*A*) at the rate of ten per cent of such income-tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees; or

(*B*) at the rate of fifteen per cent of such income-tax where the total income exceeds one lakh fifty thousand rupees;

(*ii*) in the case of every person other than those mentioned in item (*i*), be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax:

Provided that in case of persons mentioned in sub-item (A) of item (*i*) above having a total income exceeding sixty thousand rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of sixty thousand rupees by more than the amount of income that exceeds sixty thousand rupees:

Provided further that in case of persons mentioned in sub-item (B) of item (*i*) above having a total income exceeding one lakh fifty thousand rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on a total income of one lakh fifty thousand rupees by more than the amount of income that exceeds one lakh fifty thousand rupees.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	10 per cent of the total income;
(2) where the total income exceeds Rs. 10,000 but does does not exceed Rs. 20,000	Rs. 1,000 *plus* 20 per cent of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 3,000 plus 35 per cent of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph, or in section 112 or section 113, shall, in the case of every co-operative society, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph C

In the case of every firm,—

Rate of income-tax

On the whole of the total income	35 per cent

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified, or in section 112 or section 113, shall, in the case of every firm, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	30 per cent

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified, or in section 112 or section 113, shall, in the case of every local authority, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company	35 per cent of the total income.
II. In the case of a company other than a domestic company—	
(*i*) on so much of the total income as consists of—	
(*a*) royalties received from Govern-ment or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	
(*b*) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent;
(*ii*) on the balance, if any, of the total income	48 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of item I of this Paragraph, or in section 112 or section 113, shall, in the case of every domestic company, be increased by a surcharge calculated at the rate of ten per cent of such income-tax.

PART IV

[*See* section 2(10)(*c*)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.—Agricultural income of the nature referred to in sub-clause (*a*) of clause (*1A*) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (*b*) or sub-clause (*c*) of clause (*1A*) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue of the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (*c*)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43, 43A, 43B and 43C of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.–Agricultural income of the nature referred to in sub-clause (*c*) of clause (*1A*) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (*c*) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 7.—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 8.—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 2000, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1992, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999,

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1993, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999,

(*iii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1994, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999,

(*iv*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1995, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999,

(*v*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1996, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999,

(*vi*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1997, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1998 or the 1st day of April, 1999,

(*vii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1998, to the extent, if any, such loss has not been set off against the agricultural income for the

previous year relevant to the assessment year commencing on the 1st day of April, 1999,

(*viii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1999,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 2000.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 2001 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000, is a loss, then, for the purposes of sub-section (9) of section 2 of this Act, —

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1993, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000,

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1994, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1995 or the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000,

(*iii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1995, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1996 or the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000,

(*iv*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1996, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1997 or the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000,

(*v*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1997, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000,

(*vi*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1998, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1999 or the 1st day of April, 2000,

(*vii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1999, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 2000,

(*viii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2000,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 2001.

(3) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(4) Notwithstanding anything contained in this rule, no loss which has not been determined by the Assessing Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1992 (18 of 1992), or of the First Schedule to the Finance Act, 1993 (38 of 1993), or of the First Schedule to

the Finance Act, 1994 (32 of 1994), or of the First Schedule to the Finance Act, 1995 (22 of 1995), or of the First Schedule to the Finance (No. 2) Act, 1996 (33 of 1996), or of the First Schedule to the Finance Act, 1997 (26 of 1997), or of the First Schedule to the Finance (No. 2) Act, 1998 (21 of 1998), or of the First Schedule to the Finance Act, 1999 (27 of 1999), shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

Rule 9.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 10.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 11.—For the purposes of computing the net agricultural income of the assessee, the Assessing Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

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