

Finance Bill, 2006

[16 OF 2006]

A Bill to give effect to the financial proposals of the Central Government for the financial year 2006-07.

BE it enacted by Parliament in the Fifty-seventh 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, 2006.

(2) Save as otherwise provided in this Act, sections 2 to 57 shall be deemed to have come into force on the 1st day of April, 2006.

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, 2006, 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 by a surcharge for purposes of the Union 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 five thousand rupees, in addition to total income, and the total income exceeds one lakh 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 one lakh 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 one lakh 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 in the case of every woman, resident in India and below the age of sixty-five years at any time during the previous year, referred to in item (II) of Paragraph A of Part I of the First Schedule, the provisions of this sub-section shall have effect as if for the words “one lakh rupees”, the words “one lakh thirty-five thousand rupees” had been substituted:

Provided further that in the case of every individual, being a resident in India, who is of the age of sixty-five years or more at any time during the previous year, referred to in item (III) of Paragraph A of Part I of the First Schedule, the provisions of this sub-section shall have effect as if for the words “one lakh rupees”, the words “one lakh eighty-five thousand rupees” had been substituted:

Provided also that the amount of income-tax so arrived at, as reduced by the amount of rebate of income-tax calculated under Chapter VIII-A of the Income-tax Act, 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 Chapter XII-H 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, 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 section 111A or section 112 shall be increased by a surcharge for purposes of the Union 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 sections 115A, 115AB, 115AC, 115ACA, 115AD, 115B, 115BB, 115BBA, 115E and 115JB or fringe benefits chargeable to tax under section 115WA of the Income-tax Act, the amount of income-tax computed under this sub-section shall be increased by a surcharge for purposes of the Union, calculated,—

- (a) in the case of every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent. of such income-tax where the total income or fringe benefits, as the case may be, exceeds ten lakh rupees;
- (b) in the case of every firm, artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, and domestic company at the rate of ten per cent. of such income-tax;
- (c) in the case of every company, other than a domestic company, at the rate of two and one-half per cent. of such income-tax.

(4) In cases in which tax has to be charged and paid under section 115-O or sub-section (2) of section 115R of the Income-tax Act, the tax shall be charged and paid at the rate as specified in those sections and shall be increased by a surcharge for purposes of the Union, 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 deductions shall be made at the rates specified in Part II of the First Schedule and shall be increased, by a surcharge for purposes of the Union, 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, 194H, 194-I, 194J, 194LA, 196B, 196C and 196D of the Income-tax Act, the deductions shall be made at the rates specified in those sections and shall be increased by a surcharge for purposes of the Union, calculated,—

- (a) in the case of every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent. of such tax where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten lakh rupees;
- (b) in the case of every firm, artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, and domestic company, at the rate of ten per cent. of such tax;
- (c) in the case of every company, other than a domestic company at the rate of two and one-half per cent. of such tax.

(7) In cases in which tax has to be collected under the proviso to section 194B of the Income-tax Act, the collection shall be made at the rates specified in Part II of the First Schedule, and shall be increased, by a surcharge for purposes of the Union, calculated in the manner provided therein.

(8) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rates specified in that section and shall be increased by a surcharge for purposes of the Union, calculated,—

- (a) in the case of every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent. of such tax where the amount or the aggregate of such amounts collected, and subject to the collection, exceeds ten lakh rupees;
- (b) in the case of every firm, artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, and domestic company, at the rate of ten per cent. of such tax;
- (c) in the case of every company, other than a domestic company, at the rate of two and one-half per cent. of such tax.

(9) Subject to the provisions of sub-section (10), 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 174A or section 175 or sub-section (2) of section 176 of the Income-tax Act or deducted from, or paid on, income chargeable under the head "Salaries" under section 192 of the said Act 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 by a surcharge for purposes of the Union, 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 Chapter XII-H 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 "advance tax" computed in accordance with the provisions of section 111A or section 112 of the Income-tax Act shall be increased by a surcharge for purposes of the Union 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, 115BBC, 115E and 115JB or fringe benefits chargeable to tax under section 115WA of the Income-tax Act, "advance tax" computed under the first proviso shall be increased by a surcharge for purposes of the Union, calculated,—

- (a) in the case of every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent. of "advance tax" where the total income or fringe benefits, as the case may be, exceeds ten lakh rupees;
- (b) in the case of every firm, artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, and domestic company, at the rate of ten per cent. of such "advance tax";
- (c) in the case of every company, other than a domestic company, at the rate of two and one-half per cent. of such "advance tax".

(10) In 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 five thousand rupees, in addition to total income and the total income exceeds one lakh rupees, then, in charging income-tax under sub-section (2) of section 174 or section 174A 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 one lakh 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 one lakh 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 in the case of every woman, resident in India and below the age of sixty-five years at any time during the previous year, referred to in item (II) of Paragraph A of Part III of the First Schedule, the provisions of this sub-section shall have effect as if for the words "one lakh rupees", the words "one lakh thirty-five thousand rupees" had been substituted:

Provided further that in the case of every individual, being a resident in India, who is of the age of sixty-five years or more at any time during the previous year, referred to in item (III) of Paragraph A of Part III of the First Schedule, the provisions of this sub-section shall have effect as if for the words "one lakh rupees", the words "one lakh eighty-five thousand rupees" had been substituted:

Provided also 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 be increased by a surcharge for purposes of the Union calculated in each case, in the manner provided therein.

(11) The amount of income-tax as specified in sub-sections (1) to (10) and as increased by a surcharge for purposes of the Union calculated in the manner provided therein, shall be further increased by an additional surcharge for purposes of the Union, to be called the "Education Cess on income-tax", so as to fulfil the commitment of the Government to provide and finance universalised quality basic education, calculated at the rate of two per cent. of such income-tax and surcharge.

(12) 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, 2006, 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 and 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.

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2.

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

- (i) in clause (24),—
 - (A) in sub-clause (iia),—
 - (a) after the words, brackets and figures "sub-clause (iv) or sub-clause (v)", the words, brackets, figures and letter "or by any university or other educational institution referred to in sub-clause (vi) or by any hospital or other institution referred to in sub-clause (via)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1999;
 - (b) for the words, brackets, figures and letter "or by any university or other educational institution referred to in sub-clause (vi) or by any hospital or other institution referred to in sub-clause (via)", as so inserted by sub-item (a), the words, brackets, figures and letters "or by any university or other educational institution referred to in sub-clause (iiia) or sub-clause (vi) or by any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via)" shall be substituted with effect from the 1st day of April, 2007;
 - (B) after sub-clause (vii), the following sub-clause shall be inserted with effect from the 1st day of April, 2007, namely:—
 - "(viiia) the profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members;"
- (ii) after clause (26), the following clauses shall be inserted, namely:—
 - (26A) "infrastructure capital company" means such company which makes investments by way of acquiring shares or providing long-term finance to any enterprise or undertaking wholly engaged in the

business referred to in sub-section (4) of section 80-IA or sub-section (1) of section 80-IAB or an undertaking developing and building a housing project referred to in sub-section (10) of section 80-IB or a project for constructing a hotel of not less than three-star category as classified by the Central Government or a project for constructing a hospital with at least one-hundred beds for patients;

(26B) “infrastructure capital fund” means such fund operating under a trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908) established to raise monies by the trustees for investment by way of acquiring shares or providing long-term finance to any enterprise or undertaking wholly engaged in the business referred to in sub-section (4) of section 80-IA or sub-section (1) of section 80-IAB or an undertaking developing and building a housing project referred to in sub-section (10) of section 80-IB or a project for constructing a hotel of not less than three-star category as classified by the Central Government or a project for constructing a hospital with at least one-hundred beds for patients;”;

(iii) in clause (37A), in sub-clause (iii), for the words and figures, “an agreement entered into by the Central Government under section 90, whichever is applicable by virtue of the provisions of section 90;”, the words, figures and letters “an agreement entered into by the Central Government under section 90, or an agreement notified by the Central Government under section 90A, whichever is applicable by virtue of the provisions of section 90, or section 90A, as the case may be;” shall be substituted with effect from the 1st day of June, 2006;

(iv) in clause (48), the *Explanation* shall be omitted.

Amendment of section 10.

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

(a) in clause (6BB), for the words, figures and letters “or entered into after the 31st day of March, 2006 and approved by the Central Government in this behalf”, the words, figures and letters “or entered into after the 31st day of March, 2007 and approved by the Central Government in this behalf” shall be substituted with effect from the 1st day of April, 2007;

(b) in clause (15A), in the proviso, for the words, figures and letters “the 1st day of April, 2006”, the words, figures and letters “the 1st day of April, 2007” shall be substituted with effect from the 1st day of April, 2007;

(c) in clause (17), for sub-clause (iii), the following sub-clause shall be substituted with effect from the 1st day of April, 2007, namely:—

“(iii) any constituency allowance received by any person by reason of his membership of any State Legislature under any Act or rules made by that State Legislature;”;

(d) in clause (23C),—

(i) after the eleventh proviso, the following proviso shall be inserted with effect from the 1st day of June, 2006, namely:—

“**Provided also** that in case the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in the first proviso makes an application on or after the 1st day of June, 2006 for the purposes of grant of exemption or continuance thereof, such application shall be made at any time during the financial year immediately preceding the assessment year from which the exemption is sought.”;

(ii) after the twelfth proviso as so inserted, the following proviso shall be inserted with effect from the 1st day of April, 2007, namely:—

“**Provided also** that any anonymous donation referred to in section 115BBC on which tax is payable in accordance with the provisions of the said section shall be included in the total income.”;

(e) in clause (23EA), for the words “any income”, the words “any income, by way of contributions received from recognised stock exchanges and the members thereof,” shall be substituted with effect from the 1st day of April, 2007;

(f) clause (23G) shall be omitted with effect from the 1st day of April, 2007;

(g) in clause (38),—

(i) before the *Explanation*, the following proviso shall be inserted with effect from the 1st day of April, 2007, namely:—

“**Provided** that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB.”;

(ii) in the *Explanation*, in clause (i), for the words “fifty per cent”, the words “sixty-five per cent” shall be substituted with effect from the 1st day of June, 2006;

(h) after clause (41), the following shall be inserted, namely:—

‘(42) any specified income arising to a body or authority which—

(a) has been established or constituted or appointed under a treaty or an agreement entered into by the Central Government with two or more countries or a convention signed by the Central Government;

(b) is established or constituted or appointed not for the purposes of profit;

(c) is notified by the Central Government in the Official Gazette for the purposes of this clause.

Explanation.—For the purposes of this clause, “specified income” means the income, of the nature and to the extent, arising to the body or authority referred to in this clause, which the Central Government may notify in this behalf.’

Amendment of section 10B.

5. In section 10B of the Income-tax Act, in sub-section (1),—

(a) in the second proviso, for the word “also”, the word “further” shall be substituted;

(b) after the third proviso, the following proviso shall be inserted, namely:—

“**Provided also** that no deduction under this section shall be allowed to an assessee who does not furnish a return of his income on or before the due date specified under sub-section (1) of section 139.”

Amendment of section 13.

6. In section 13 of the Income-tax Act, after sub-section (6) and before *Explanation 1*, the following sub-section shall be inserted with effect from the 1st day of April, 2007, namely:—

“(7) Nothing contained in section 11 or section 12 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof, any anonymous donation referred to in section 115BBC on which tax is payable in accordance with the provisions of that section.”

Amendment of section 14A.

7. Section 14A of the Income-tax Act shall be numbered as sub-section (1) thereof and after sub-section (1) as so numbered, the following sub-sections shall be inserted, with effect from the 1st day of April, 2007, namely:—

“(2) The Assessing Officer shall determine the amount of expenditure incurred in relation to such income which does not form part of the total income under this Act in accordance with such method as may be prescribed, if the Assessing Officer, having regard to the accounts of the assessee, is not satisfied with the correctness of the claim of the assessee in respect of such expenditure in relation to income which does not form part of the total income under this Act.

(3) The provisions of sub-section (2) shall also apply in relation to a case where an assessee claims that no expenditure has been incurred by him in relation to income which does not form part of the total income under this Act.”

Amendment of section 17.

8. In section 17 of the Income-tax Act, in clause (2), after sub-clause (vi), in the proviso, with effect from the 1st day of April, 2007,—

(i) in clause (iii), after the words “Central Government”, the words, brackets and figures “or the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999),” shall be inserted;

(ii) in clause (iv), after the words “Central Government”, the words, brackets and figures “or the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999),” shall be inserted.

Amendment of section 36.

9. In section 36 of the Income-tax Act, in sub-section (1),—

- (a) for clause (ib), the following clause shall be substituted with effect from the 1st day of April, 2007, namely:—
- “(ib) the amount of any premium paid by cheque by the assessee as an employer to effect or to keep in force an insurance on the health of his employees under a scheme framed in this behalf by—
- (A) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government; or
- (B) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);”;
- (b) in clause (iiia), in the *Explanation*, clause (iii) shall be omitted;
- (c) in clause (viii), in the *Explanation*, for clause (d), the following clause shall be substituted with effect from the 1st day of April, 2007, namely:—
- (d) “infrastructure facility” means—
- (i) an infrastructure facility as defined in the *Explanation* to clause (i) of sub-section (4) of section 80-IA, or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette and which fulfils the conditions as may be prescribed;
- (ii) an undertaking referred to in clause (ii) or clause (iii) or clause (iv) of sub-section (4) of section 80-IA; and
- (iii) an undertaking referred to in sub-section (10) of section 80-IB;’.

Amendment of section 40.

10. In section 40 of the Income-tax Act, in clause (a), after sub-clause (ii),—

- (a) the following *Explanation* shall be inserted, namely:—
- “*Explanation 1.*—For the removal of doubts, it is hereby declared that for the purposes of this sub-clause, any sum paid on account of any rate or tax levied includes and shall be deemed always to have included any sum eligible for relief of tax under section 90 or, as the case may be, deduction from the Indian income-tax payable under section 91.”;
- (b) after *Explanation 1* as so inserted, the following *Explanation* shall be inserted with effect from the 1st day of June, 2006, namely:—
- “*Explanation 2.*—For the removal of doubts, it is hereby declared that for the purposes of this sub-clause, any sum paid on account of any rate or tax levied includes any sum eligible for relief of tax under section 90A;”.

Amendment of section 43.

11. In section 43 of the Income-tax Act, in clause (5), in the proviso, in clause (d), for the brackets and letters “(aa)”, the brackets and letters “(ac)” shall be substituted.

Amendment of section 43B.

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

- (a) after *Explanation 3B*, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1989, namely:—
- “*Explanation 3C.*—For the removal of doubts, it is hereby declared that a deduction of any sum, being interest payable under clause (d) of this section, shall be allowed if such interest has been actually paid and any interest referred to in that clause which has been converted into a loan or borrowing shall not be deemed to have been actually paid.”;
- (b) after *Explanation 3C* as so inserted, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1997, namely:—
- “*Explanation 3D.*—For the removal of doubts, it is hereby declared that a deduction of any sum, being interest payable under clause (e) of this section, shall be allowed if such interest has been actually paid and any interest referred to in that clause which has been converted into a loan or advance shall not be deemed to have been actually paid.”.

Amendment of section 54EC.

13. In section 54EC of the Income-tax Act, after sub-section (3), in the *Explanation*, for clause (b), the following clause shall be substituted, namely:-

'(b) "long-term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April, 2006,—

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 (68 of 1988), and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956 (1 of 1956), and notified by the Central Government in the Official Gazette for the purposes of this section.'

Amendment of section 54ED.

14. In section 54ED of the Income-tax Act, in sub-section (1), for the words "from the transfer of a long-term capital asset," the words, figures and letters "from the transfer before the 1st day of April, 2006, of a long-term capital asset," shall be substituted with effect from the 1st day of April, 2007.

Insertion of new section 80AC.

15. After section 80AB of the Income-tax Act, the following section shall be inserted, namely:-

"80AC. *Deduction not to be allowed unless return furnished.*—Where in computing the total income of an assessee of the previous year relevant to the assessment year commencing on the 1st day of April, 2006 or any subsequent assessment year, any deduction is admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC, no such deduction shall be allowed to him unless he furnishes a return of his income for such assessment year on or before the due date specified under sub-section (1) of section 139."

Amendment of section 80C.

16. In section 80C of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2007,—

(a) in clause (xi), for the words, brackets, figures and letter "notified under clause (23D)", the words, brackets, figures and letter "referred to in clause (23D)" shall be substituted;

(b) in clause (xiii), for the words, brackets, figures and letter "notified under clause (23D)", the words, brackets, figures and letter "referred to in clause (23D)" shall be substituted;

(c) in clause (xiv), for the words, brackets, figures and letter "notified under clause (23D)", the words, brackets, figures and letter "referred to in clause (23D)" shall be substituted;

(d) after clause (xx), the following shall be inserted, namely:—

'(xxi) as term deposit for a fixed period of not less than five years with a scheduled bank.

Explanation.-For the purposes of this clause, "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), or a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).'

Amendment of section 80CCC.

17. In section 80CCC of the Income-tax Act, in sub-section (1), for the words "ten thousand rupees", the words "one lakh rupees" shall be substituted with effect from the 1st day of April, 2007.

Amendment of section 80-IA.

18. In section 80-IA of the Income-tax Act, in sub-section (4), with effect from the 1st day of April, 2007,—

(a) in clause (iii), after the proviso, the following proviso shall be inserted, namely:—

'Provided further that in the case of any undertaking which develops, develops and operates or maintains and operates an industrial park, the provisions of this clause shall have effect as if for the figures, letters and words "31st day of March, 2006", the figures, letters and words "31st day of March, 2009" had been

substituted;'

(b) in clause (iv),—

- (i) in sub-clause (a), for the words, figures and letters “the 31st day of March, 2006”, the words, figures and letters “the 31st day of March, 2010” shall be substituted;
- (ii) in sub-clause (b), for the words, figures and letters “the 31st day of March, 2006”, the words, figures and letters “the 31st day of March, 2010” shall be substituted;
- (iii) in sub-clause (c), for the words, figures and letters “the 31st day of March, 2006”, the words, figures and letters “the 31st day of March, 2010” shall be substituted.

Amendment of section 80P.

19. In section 80P of the Income-tax Act, after sub-section (3), the following shall be inserted with effect from the 1st day of April, 2007, namely:—

‘(4) The provisions of this section shall not apply in relation to any co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

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

- (a) “co-operative bank” and “primary agricultural credit society” shall have the meanings respectively assigned to them in Part V of the Banking Regulation Act, 1949 (10 of 1949);
- (b) “primary co-operative agricultural and rural development bank” means a society having its area of operation confined to a taluk and the principal object of which is to provide for long-term credit for agricultural and rural development activities.’

Insertion of new section 90A.

20. In Chapter IX of the Income-tax Act, after section 90, the following section shall be inserted with effect from the 1st day of June, 2006, namely:—

90A. Adoption by Central Government of agreements between specified associations for double taxation relief.— (1) Any specified association in India may enter into an agreement with any specified association in the specified territory outside India and the Central Government may, by notification in the Official Gazette, make such provisions as may be necessary for adopting and implementing such agreement—

- (a) for the granting of relief in respect of—
 - (i) income on which have been paid both income-tax under this Act and income-tax in any specified territory outside India; or
 - (ii) income-tax chargeable under this Act and under the corresponding law in force in that specified territory outside India to promote mutual economic relations, trade and investment, or
- (b) for the avoidance of double taxation of income under this Act and under the corresponding law in force in that specified territory outside India, or
- (c) for exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that specified territory outside India, or investigation of cases of such evasion or avoidance, or
- (d) for recovery of income-tax under this Act and under the corresponding law in force in that specified territory outside India.

(2) Where a specified association in India has entered into an agreement with a specified association of any specified territory outside India under sub-section (1) and such agreement has been notified under that sub-section, for granting relief of tax, or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of this Act shall apply to the extent they are more beneficial to that assessee.

(3) Any term used but not defined in this Act or in the agreement referred to in sub-section (1) shall, unless the context otherwise requires, and is not inconsistent with the provisions of this Act or the agreement, have the same meaning as assigned to it in the notification issued by the Central Government in the Official Gazette in this behalf.

Explanation 1.—For the removal of doubts, it is hereby declared that the charge of tax in respect of a company incorporated in the specified territory outside India at a rate higher than the rate at which a domestic company is chargeable, shall not be regarded as less favourable charge or levy of tax in respect of

such company.

Explanation 2.—For the purposes of this section, the expressions—

- (a) “specified association” means any institution, association or body, whether incorporated or not, functioning under any law for the time being in force in India or the laws of the specified territory outside India and which may be notified as such by the Central Government for the purposes of this section;
- (b) “specified territory” means any area outside India which may be notified as such by the Central Government for the purposes of this section.’.

Amendment of section 92C.

21. In section 92C of the Income-tax Act, in sub-section (4), in the first proviso, for the words, figures and letters “section 10A or section 10B”, the words, figures and letters “section 10A or section 10AA or section 10B” shall be substituted with effect from the 1st day of April, 2007.

Insertion of new section 115BBC.

22. In Chapter XII of the Income-tax Act, after section 115BBB, the following section shall be inserted with effect from the 1st day of April, 2007, namely:—

‘115BBC. *Anonymous donations to be taxed in certain cases.*— (1) Where the total income of an assessee, being a person in receipt of income on behalf of any university or other educational institution referred to in sub-clause (iiid) or sub-clause (vi) or any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via) or any fund or institution referred to in sub-clause (iv) or any trust or institution referred to in sub-clause (v) of clause (23C) of section 10 or any trust or institution referred to in section 11, includes any income by way of any anonymous donation, the income-tax payable shall be the aggregate of—

- (i) the amount of income-tax calculated on the income by way of any anonymous donation, at the rate of thirty per cent; and
 - (ii) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (i).
- (2) The provisions of sub-section (1) shall not apply to any anonymous donation received by—
- (a) any trust or institution created or established wholly for religious purposes;
 - (b) any trust or institution created or established wholly for religious and charitable purposes other than any anonymous donation made with a specific direction that such donation is for any university or other educational institution or any hospital or other medical institution run by such trust or institution.

(3) For the purposes of this section, “anonymous donation” means any voluntary contribution referred to in sub-clause (iia) of clause (24) of section 2, where a person receiving such contribution does not maintain a record of the identity indicating the name and address of the person making such contribution and such other particulars as may be prescribed.’.

Amendment of section 115JAA.

23. In section 115JAA of the Income-tax Act, for sub-sections (2) and (3), the following sub-sections shall be substituted with effect from the 1st day of April, 2007, namely:—

“(2) The tax credit to be allowed under sub-section (1) shall be the difference of the tax paid for any assessment year under sub-section (1) of section 115JA and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act:

Provided that no interest shall be payable on the tax credit allowed under sub-section (1).

(2A) The tax credit to be allowed under sub-section (1A) shall be the difference of the tax paid for any assessment year under sub-section (1) of section 115JB and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act:

Provided that no interest shall be payable on the tax credit allowed under sub-section (1A).

(3) The amount of tax credit determined under sub-section (2) shall be carried forward and set off in accordance with the provisions of sub-sections (4) and (5) but such carry forward shall not be allowed beyond the fifth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (1).

(3A) The amount of tax credit determined under sub-section (2A) shall be carried forward and set off in accordance with the provisions of sub-sections (4) and (5) but such carry forward shall not be allowed beyond the seventh assessment year immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (1A).”.

Amendment of section 115JB.

24. In section 115JB of the Income-tax Act, with effect from the 1st day of April, 2007,—

- (i) in sub-section (1),—
 - (a) for the words, figures and letters “the 1st day of April, 2001”, the words, figures and letters “the 1st day of April, 2007” shall be substituted;
 - (b) for the words “seven and one-half per cent”, at both the places where they occur, the words “ten per cent” shall be substituted;
- (ii) in the *Explanation* occurring after sub-section (2),—
 - (a) in clause (f), for the words, figures, brackets and letters “section 10 [other than the provisions contained in clause (23G) thereof] or section 10A or section 10B or section 11 or section 12 apply,”, the words, figures, brackets and letters “section 10 [other than the provisions contained in clause (38) thereof] or section 10A or section 10B or section 11 or section 12 apply; or” shall be substituted;
 - (b) after clause (f),—
 - (A) the following clause shall be inserted, namely:—

“(g) the amount of depreciation,”;
 - (B) for the portion beginning with the words “if any amount”, and ending with the words “as reduced by-”, the following shall be substituted, namely:—

“if any amount referred to in clauses (a) to (g) is debited to the profit and loss account, and as reduced by—”;
 - (c) in clause (ii), for the words, figures, brackets and letter “section 10 [other than the provisions contained in clause (23G) thereof]”, the words, figures and brackets “section 10 [other than the provisions contained in clause (38) thereof]” shall be substituted;
 - (d) after clause (ii), the following clauses shall be inserted, namely:—
 - “(iia) the amount of depreciation debited to the profit and loss account (excluding the depreciation on account of revaluation of assets); or
 - (iib) the amount withdrawn from revaluation reserve and credited to the profit and loss account, to the extent it does not exceed the amount of depreciation on account of revaluation of assets referred to in clause (iia); or”.

Amendment of section 115-O.

25. In section 115-O of the Income-tax Act, in sub-section (6), the words, brackets, figures and letter “not falling under clause (23G) of section 10” shall be omitted with effect from the 1st day of April, 2007.

Amendment of section 115R.

26. In section 115R of the Income-tax Act, in sub-section (2), in the proviso, in clause (b), the word “open-ended” shall be omitted with effect from the 1st day of June, 2006.

Amendment of section 115T.

27. In section 115T of the Income-tax Act, in the *Explanation*, in clause (b), with effect from the 1st day of June, 2006,—

- (i) the word “open-ended” shall be omitted;
- (ii) in sub-clause (i), for the words “fifty per cent”, the words “sixty-five per cent” shall be substituted.

Amendment of section 115WB.

28. In section 115WB of the Income-tax Act, with effect from the 1st day of April, 2007,—

- (a) in sub-section (2),—
 - (i) in clause (D), in the proviso,—
 - (A) in clause (v), the word “and” occurring at the end shall be omitted;
 - (B) after clause (vi), the following clauses shall be inserted, namely:—
 - “(vii) being the expenditure on distribution of free samples of medicines or of medical equipment to doctors; and
 - (viii) being the expenditure by way of payment to any person of repute for promoting the sale of goods or services of the business of the employer.”;
 - (ii) in clause (F), the words and brackets “tour and travel (including foreign travel)” shall be omitted;
 - (iii) after clause (P), the following clause shall be inserted, namely:—
 - “(Q) tour and travel (including foreign travel).”;
- (b) in sub-section (3), after the words “payable by the employee”, the words “or any benefit or amenity in the nature of free or subsidised transport or any such allowance provided by the employer to his employees for journeys by the employees from their residence to the place of work or such place of work to the place of residence” shall be inserted at the end.

Amendment of section 115WC.

29. In section 115WC of the Income-tax Act, with effect from the 1st day of April, 2007,—

- (a) in sub-section (1),—
 - (i) for clause (b), the following clause shall be substituted, namely:—
 - “(b) the amount of contribution, referred to in clause (c) of sub-section (1) of section 115WB, which exceeds one lakh rupees in respect of each employee.”;
 - (ii) after clause (d), the following clause shall be inserted, namely:—
 - “(e) five per cent of the expenses referred to in clause (Q) of sub-section (2) of section 115WB.”;
- (b) in sub-section (2),—
 - (i) after clause (a), the following clauses shall be inserted, namely:—
 - (aa) in the case of an employer engaged in the business of carriage of passengers or goods by aircraft, the value of fringe benefits for the purposes referred to in clause (B) of sub-section (2) of section 115WB shall be “five per cent” instead of “twenty per cent” referred to in clause (c) of sub-section (1);
 - (ab) in the case of an employer engaged in the business of carriage of passengers or goods by ship, the value of fringe benefits for the purposes referred to in clause (B) of sub-section (2) of section 115WB shall be “five per cent” instead of “twenty per cent” referred to in clause (c) of sub-section (1).”;
 - (ii) after clause (d), the following clauses shall be inserted, namely:—
 - (da) in the case of an employer engaged in the business of carriage of passengers or goods by aircraft, the value of fringe benefits for the purposes referred to in clause (G) of sub-section (2) of section 115WB shall be “five per cent” instead of “twenty per cent” referred to in clause (c) of sub-section (1);
 - (db) in the case of an employer engaged in the business of carriage of passengers or goods by ship, the value of fringe benefits for the purposes referred to in clause (G) of sub-section (2) of section 115WB shall be “five per cent” instead of “twenty per cent” referred to in clause (c) of sub-section (1).”;

Amendment of section 120.

30. In section 120 of the Income-tax Act, in sub-section (1), the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1988, namely:-

“*Explanation.*-For the removal of doubts, it is hereby declared that any income-tax authority, being an authority higher in rank, may, if so directed by the Board, exercise the powers and perform the functions of the income-tax authority lower in rank and any such direction issued by the Board shall be deemed to be a

direction issued under sub-section (1).”.

Amendment of section 139.

31. In section 139 of the Income-tax Act,—

- (I) in sub-section (1), in the first proviso, after clause (vi), for the words “during the previous year”, the words, figures and letters “during any previous year ending before the 1st day of April, 2005” shall be substituted;
- (II) in sub-section (9), in the *Explanation*,—
 - (A) in clause (c), in sub-clause (i),—
 - (a) for the words “deducted at source”, the words “deducted or collected at source” shall be substituted with effect from the 1st day of April, 2007;
 - (b) for the words, figures and letters “before the 1st day of April, 2006”, the words, figures and letters “before the 1st day of April, 2008” shall be substituted;
 - (c) in the proviso, with effect from the 1st day of April, 2007,—
 - (i) for the words “claimed to have been deducted at source”, the words “claimed to have been deducted or collected at source” shall be substituted;
 - (ii) for clause (a), the following clause shall be substituted, namely:—
 - “(a) a certificate for tax deducted or collected was not furnished under section 203 or section 206C to the person furnishing his return of income.”;
 - (B) after clause (f), the following proviso shall be inserted with effect from the 1st day of June, 2006, namely:—
 - “Provided that the Board may, by rules made by it,—
 - (a) dispense, for a class or classes of persons, with any of the conditions specified in clauses (a) to (f); or
 - (b) include any of the conditions specified in clauses (a) to (f) of this *Explanation* in the form of return prescribed under sub-section (1) or sub-section (6) of this section.”.

Amendment of section 139A.

32. In section 139A of the Income-tax Act,—

- (a) after sub-section (1A), the following sub-section shall be inserted with effect from the 1st day of June, 2006, namely:—
 - “(1B) Notwithstanding anything contained in sub-section (1), the Central Government may, for the purpose of collecting any information which may be useful for or relevant to the purposes of this Act, by notification in the Official Gazette, specify, any class or classes of persons who shall apply to the Assessing Officer for the allotment of the permanent account number 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.”;
- (b) for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of June, 2006, namely:—
 - “(2) The Assessing Officer, having regard to the nature of the transactions as may be prescribed, may also allot a permanent account number, to any other person (whether any tax is payable by him or not), in the manner and in accordance with the procedure as may be prescribed.”;
- (c) in sub-section (5B), after clause (iii), the following clause shall be inserted with effect from the 1st day of June, 2006, namely:—
 - “(iv) in all quarterly statements prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (3) of section 200.”;
- (d) in sub-section (5C), for the word “seller”, the words “person responsible for collecting tax” shall be substituted with effect from the 1st day of April, 2007;
- (e) in sub-section (5D),—
 - (A) in the opening portion, for the word “seller”, the word “person” shall be substituted with effect from the 1st day of April, 2007;

(B) after clause (ii), the following clause shall be inserted with effect from the 1st day of June, 2006, namely:

—
“(iii) in all quarterly statements prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (3) of section 206C.”.

Insertion of new section 139B.

33. After section 139A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2006, namely:—

“139B. *Scheme for submission of returns through Tax Return Preparers.*— (1) For the purpose of enabling any specified class or classes of persons in preparing and furnishing returns of income, the Board may, without prejudice to the provisions of section 139, frame a Scheme, by notification in the Official Gazette, providing that such persons may furnish their returns of income through a Tax Return Preparer authorised to act as such under the Scheme.

(2) Every Tax Return Preparer shall assist the persons furnishing the return of income in such manner as may be specified in the Scheme framed under this section and affix his signature on such return.

(3) For the purposes of this section,—

(a) “Tax Return Preparer” means any individual, [not being a person referred to in clause (ii) or clause (iii) or clause (iv) of sub-section (2) of section 288 or an employee of the “specified class or classes of persons”], who has been authorised to act as a Tax Return Preparer under the Scheme framed under this section;

(b) “specified class or classes of persons” means any person, other than a company or a person, whose accounts are required to be audited under section 44AB or under any other law for the time being in force, who is required to furnish a return of income under this Act.

(4) The Scheme framed by the Board under this section may provide for the following, namely:—

(a) the manner in which and the period for which the Tax Return Preparers shall be authorised under sub-section (3);

(b) the educational and other qualifications to be possessed, and the training and other conditions required to be fulfilled, by a person to act as a Tax Return Preparer;

(c) the code of conduct for the Tax Return Preparers;

(d) the duties and obligations of the Tax Return Preparers;

(e) the circumstances under which the authorisation given to a Tax Return Preparer may be withdrawn;

(f) any other matter which is required to be, or may be, specified by the Scheme for the purposes of this section.

(5) Every Scheme framed by the Board under this section shall be laid, as soon as may be after it is framed, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree that the Scheme should not be framed, the Scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that Scheme.’.

Amendment of section 140A.

34. In section 140A of the Income-tax Act, with effect from the 1st day of April, 2007,—

(a) in sub-section (1), for the words “after taking into account the amount of tax, if any, already paid under any provision of this Act”, the following shall be substituted, namely:—

“after taking into account,—

(i) the amount of tax, if any, already paid under any provision of this Act;

(ii) any tax deducted or collected at source;

(iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;

(iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside

India referred to in that section; and

- (v) any tax credit claimed to be set off in accordance with the provisions of section 115JAA;”;
- (b) in sub-section (1A), for clause (i), the following clause shall be substituted, namely:—
 - “(i) under section 234A shall be computed on the amount of the tax on the total income as declared in the return as reduced by the amount of,—
 - (a) advance tax, if any, paid;
 - (b) any tax deducted or collected at source;
 - (c) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;
 - (d) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section; and
 - (e) any tax credit claimed to be set off in accordance with the provisions of section 115JAA;”;
- (c) in sub-section (1B), for the *Explanation*, the following *Explanation* shall be substituted, namely:—

‘Explanation.—For the purposes of this sub-section, “assessed tax” means the tax on the total income as declared in the return as reduced by the amount of,—

 - (i) tax deducted or collected at source, in accordance with the provisions of Chapter XVII, on any income which is subject to such deduction or collection and which is taken into account in computing such total income;
 - (ii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;
 - (iii) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section; and
 - (iv) any tax credit claimed to be set off in accordance with the provisions of section 115JAA.’.

Amendment of section 142.

35. In section 142 of the Income-tax Act, in sub-section (1), in clause (i),—

- (a) for the words, brackets and figures “within the time allowed under sub-section (1) of section 139”, the words, brackets and figures “within the time allowed under sub-section (1) of section 139 or before the end of the relevant assessment year” shall be substituted;
- (b) the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1990, namely:—

“**Provided** that where any notice has been served under this sub-section for the purposes of this clause after the end of the relevant assessment year commencing on or after the 1st day of April, 1990 to a person who has not made a return within the time allowed under sub-section (1) of section 139 or before the end of the relevant assessment year, any such notice issued to him shall be deemed to have been served in accordance with the provisions of this sub-section.”.

Amendment of section 148.

36. In section 148 of the Income-tax Act, in sub-section (1),—

- (i) the following provisos shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1991, namely:—

“**Provided** that in a case—

 - (a) where a return has been furnished during the period commencing on the 1st day of October, 1991 and ending on the 30th day of September, 2005 in response to a notice served under this section, and
 - (b) subsequently a notice has been served under sub-section (2) of section 143 after the expiry of twelve months specified in the proviso to sub-section (2) of section 143, as it stood immediately before the amendment of said sub-section by the Finance Act, 2002 (20 of 2002) but before the expiry of the time limit for making the assessment, re-assessment or re-computation as specified in sub-section (2) of section 153, every such notice referred to in this clause shall be deemed to be a valid notice:

Provided further that in a case—

- (a) where a return has been furnished during the period commencing on the 1st day of October, 1991 and ending on the 30th day of September, 2005, in response to a notice served under this section, and
 - (b) subsequently a notice has been served under clause (ii) of sub-section (2) of section 143 after the expiry of twelve months specified in the proviso to clause (ii) of sub-section (2) of section 143, but before the expiry of the time limit for making the assessment, re-assessment or re-computation as specified in sub-section (2) of section 153, every such notice referred to in this clause shall be deemed to be a valid notice.”;
- (ii) after the second proviso as so inserted by clause (i), the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 2005, namely:—
- “*Explanation.*—For the removal of doubts, it is hereby declared that nothing contained in the first proviso or the second proviso shall apply to any return which has been furnished on or after the 1st day of October, 2005 in response to a notice served under this section.”.

Amendment of section 153.

37. In section 153 of the Income-tax Act, with effect from the 1st day of June, 2006,—

- (a) in sub-section (1), the following proviso shall be inserted, namely:—

‘**Provided** that in case the assessment year in which the income was first assessable is the assessment year commencing on the 1st day of April, 2004 or any subsequent assessment year, the provisions of clause (a) shall have effect as if for the words “two years”, the words “twenty-one months” had been substituted.’;
- (b) in sub-section (1A), for the words “two years”, the words “twenty-one months” shall be substituted;
- (c) in sub-section (1B), for the words “one year”, the words “nine months” shall be substituted;
- (d) in sub-section (2), after the proviso, the following proviso shall be inserted, namely:—

‘**Provided further** that where the notice under section 148 was served on or after the 1st day of April, 2005, the provisions of this sub-section shall have effect as if for the words “one year”, the words “nine months” had been substituted.’;
- (e) in sub-section (2A), after the proviso, the following proviso shall be inserted, namely:—

‘**Provided further** that where the order under section 254 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Commissioner on or after the 1st day of April, 2005, the provisions of this sub-section shall have effect as if for the words “one year”, the words “nine months” had been substituted.’.

Amendment of section 153B.

38. In section 153B 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 June, 2006, namely:—

- ‘**Provided further** that in the case where the last of the authorisations for search under section 132 or for requisition under section 132A was executed during the financial year commencing on the 1st day of April, 2004 or any subsequent financial year,—
- (i) the provisions of clause (a) or clause (b) of this sub-section shall have effect as if for the words “two years” the words “twenty-one months” had been substituted;
 - (ii) the period of limitation for making the assessment or re-assessment in case of other person referred to in section 153C, shall be the period of twenty-one months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed or nine months from the end of the financial year in which books of account or documents or assets seized or requisitioned are handed over under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later.’.

Amendment of section 155.

39. In section 155 of the Income-tax Act, in sub-section (14), with effect from the 1st day of April, 2007,—

- (a) for the words and figures “credit for tax deducted in accordance with the provisions of section 199”, the words, figures and letter “credit for tax deducted or collected in accordance with the provisions of section 199 or, as the case may be, section 206C” shall be substituted;
- (b) for the word and figures “section 203”, the words, figures and letter “section 203 or section 206C” shall be

substituted;

- (c) in the proviso, for the words "income from which the tax has been deducted", the words "income from which the tax has been deducted or income on which the tax has been collected" shall be substituted.

Amendment of section 194A.

40. In section 194A of the Income-tax Act, in sub-section (3), *Explanation 2* shall be omitted.

Amendment of section 199.

41. In section 199 of the Income-tax Act, in sub-section (3), for the figures, letters and words "1st day of April, 2006", the figures, letters and words "1st day of April, 2008" shall be substituted.

Amendment of section 201.

42. In section 201 of the Income-tax Act, in sub-section (1A), after the words "such tax is actually paid", occurring at the end, the words, brackets and figures "and such interest shall be paid before furnishing the quarterly statement for each quarter in accordance with the provisions of sub-section (3) of section 200" shall be inserted with effect from the 1st day of June, 2006.

Amendment of section 203.

43. In section 203 of the Income-tax Act, in sub-section (3), for the figures, letters and words "1st day of April, 2006", the figures, letters and words "1st day of April, 2008" shall be substituted.

Amendment of section 203A.

44. In section 203A of the Income-tax Act, in sub-section (2), after clause (b), the following clause shall be inserted with effect from the 1st day of June, 2006, namely:—

- "(ba) in all the quarterly statements prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (3) of section 200 or sub-section (3) of section 206C;"

Amendment of section 203AA.

45. In section 203AA of the Income-tax Act, for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2008" shall be substituted.

Amendment of section 206.

46. In section 206 of the Income-tax Act, in sub-section (1), for the words "responsible for deducting tax", the words, figures and letters "responsible for deducting tax before the 1st day of April, 2005" shall be substituted.

Amendment of section 206C.

47. In section 206C of the Income-tax Act,—

- (a) in sub-section (4), in the proviso, for the figures, letters and words "1st day of April, 2006", the figures, letters and words "1st day of April, 2008" shall be substituted;
- (b) in sub-section (5),—
- (i) in the first proviso, for the figures, letters and words "1st day of April, 2006", the figures, letters and words "1st day of April, 2008" shall be substituted;
- (ii) in the second proviso, for the words "after the end of each financial year", the words, figures and letters "after the end of each financial year beginning on or after the 1st day of April, 2008" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2005;
- (c) In sub-section (5A), for the words "collecting tax", the words, figures and letters "collecting tax before the 1st day of April, 2005" shall be substituted;
- (d) after sub-section (6), the following sub-section shall be inserted with effect from the 1st day of April, 2007, namely:—

"(6A) If any person responsible for collecting tax in accordance with the provisions of this section does not collect the whole or any part of the tax or after collecting, fails to pay the tax as required by or

under this Act, he shall, without prejudice to any other consequences which he may incur, be deemed to be an assessee in default in respect of the tax:

Provided that no penalty shall be charged under section 221 from such person unless the Assessing Officer is satisfied that the person has without good and sufficient reasons failed to collect and pay the tax.”;

(e) in sub-section (7),—

(i) for the word “seller”, the words “person responsible for collecting tax” shall be substituted with effect from the 1st day of April, 2007;

(ii) after the words “tax was actually paid”, occurring at the end, the words, brackets and figure “and such interest shall be paid before furnishing the quarterly statement for each quarter in accordance with the provisions of sub-section (3)” shall be inserted with effect from the 1st day of June, 2006;

(f) in sub-section (8), for the word “seller”, the words “person responsible for collecting tax” shall be substituted with effect from the 1st day of April, 2007.

Amendment of section 234A.

48. In section 234A of the Income-tax Act, in sub-section (1), after clause (b), for the words, brackets and figures “on the amount of the tax on the total income as determined under sub-section (1) of section 143 or on regular assessment as reduced by the advance tax, if any, paid and any tax deducted or collected at source”, the following shall be substituted with effect from the 1st day of April, 2007, namely:—

“on the amount of the tax on the total income as determined under sub-section (1) of section 143, and where a regular assessment is made, on the amount of the tax on the total income determined under regular assessment, as reduced by the amount of,—

- (i) advance tax, if any, paid;
- (ii) any tax deducted or collected at source;
- (iii) any relief of tax allowed under section 90 on account of tax paid in a country outside India;
- (iv) any relief of tax allowed under section 90A on account of tax paid in a specified territory outside India referred to in that section;
- (v) any deduction, from the Indian income-tax payable, allowed under section 91, on account of tax paid in a country outside India; and
- (vi) any tax credit allowed to be set off in accordance with the provisions of section 115JAA.”.

Amendment of section 234B.

49. In section 234B of the Income-tax Act, in sub-section (1), for *Explanation* 1, the following *Explanation* shall be substituted with effect from the 1st day of April, 2007, namely:—

‘Explanation 1.—In this section, “assessed tax” means the tax on the total income determined under sub-section (1) of section 143 and where a regular assessment is made, the tax on the total income determined under such regular assessment as reduced by the amount of,—

- (i) any tax deducted or collected at source in accordance with the provisions of Chapter XVII on any income which is subject to such deduction or collection and which is taken into account in computing such total income;
- (ii) any relief of tax allowed under section 90 on account of tax paid in a country outside India;
- (iii) any relief of tax allowed under section 90A on account of tax paid in a specified territory outside India referred to in that section;
- (iv) any deduction, from the Indian income-tax payable, allowed under section 91, on account of tax paid in a country outside India; and
- (v) any tax credit allowed to be set off in accordance with the provisions of section 115JAA.’.

Amendment of section 234C.

50. In section 234C of the Income-tax Act, in sub-section (1), for the *Explanation*, the following *Explanation* shall be substituted with effect from the 1st day of April, 2007, namely:—

‘Explanation.—In this section, “tax due on the returned income” means the tax chargeable on the total income

declared in the return of income furnished by the assessee for the assessment year commencing on the 1st day of April immediately following the financial year in which the advance tax is paid or payable, as reduced by the amount of,—

- (i) any tax deductible or collectible at source in accordance with the provisions of Chapter XVII on any income which is subject to such deduction or collection and which is taken into account in computing such total income;
- (ii) any relief of tax allowed under section 90 on account of tax paid in a country outside India;
- (iii) any relief of tax allowed under section 90A on account of tax paid in a specified territory outside India referred to in that section;
- (iv) any deduction, from the Indian income-tax payable, allowed under section 91, on account of tax paid in a country outside India; and
- (v) any tax credit allowed to be set off in accordance with the provisions of section 115JAA.’

Amendment of section 246A.

51. In section 246A of the Income-tax Act, in sub-section (1), in clause (n), for the word, figures and letter “section 271C”, the words, figures and letters “section 271C, section 271CA” shall be substituted with effect from the 1st day of April, 2007.

Insertion of new section 271CA.

52. After section 271C of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2007, namely:—

“271CA. *Penalty for failure to collect tax at source.*— (1) If any person fails to collect the whole or any part of the tax as required by or under the provisions of Chapter XVII-BB, then, such person shall be liable to pay, by way of penalty, a sum equal to the amount of tax which such person failed to collect as aforesaid.

(2) Any penalty imposed under sub-section (1) shall be imposed by the Joint Commissioner.”.

Amendment of section 272A.

53. In section 272A of the Income-tax Act, in sub-section (2), in the proviso, after the words, figures and letter “returns under sections 206 and 206C”, the words, brackets, figures and letter “and statements under sub-section (3) of section 200 or the proviso to sub-section (3) of section 206C” shall be inserted with effect from the 1st day of June, 2006.

Amendment of section 272BB.

54. In section 272BB of the Income-tax Act, with effect from the 1st day of June, 2006,—

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

‘(1A) If a person who is required to quote his “tax deduction account number” or, as the case may be, “tax collection account number” or “tax deduction and collection account number” in the challans or certificates or statements or other documents referred to in sub-section (2) of section 203A, quotes a number which is false, and which he either knows or believes to be false or does not believe to be true, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of ten thousand rupees.’;

- (ii) in sub-section (2), after the word, brackets and figure “sub-section (1)”, the words, brackets, figure and letter “or sub-section (1A)” shall be inserted.

Amendment of section 273B.

55. In section 273B of the Income-tax Act,—

- (a) for the word, figures and letter “section 271C”, the words, figures and letters “section 271C, section 271CA” shall be substituted with effect from the 1st day of April, 2007;
- (b) for the words, brackets, figures and letters “sub-section (1) of section 272BB”, the words, brackets, figures and letters “sub-section (1) or sub-section (1A) of section 272BB” shall be substituted with effect from the 1st day of June, 2006.

Amendment of Fourth Schedule.

56. In the Fourth Schedule to the Income-tax Act, in Part A, with effect from the 1st day of April, 2007,—

(a) in rule 3, after sub-rule (1), the following proviso shall be inserted, namely:—

“**Provided** that in a case where recognition has been accorded to any provident fund on or before the 31st day of March, 2006 and such provident fund does not satisfy the conditions set out in clause (ea) of rule 4, the recognition to such fund shall be withdrawn, if such fund does not satisfy, on or before the 31st day of March, 2007, the conditions set out in the said clause and any other condition which the Board may, by rules specify, in this behalf.”;

(b) in rule 4, after clause (e), the following clause shall be inserted, namely:—

“(ea) the fund of an establishment to which the provisions of sub-section (3) or sub-section (4) of section 1 of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952) apply, and such establishment has been exempted under section 17 of the said Act from the operation of all or any of the provisions of any Scheme referred to in that section;”.

Wealth-tax

Amendment of Act 27 of 1957.

57. In section 17A of the Wealth-tax Act, with effect from the 1st day of June, 2006,—

(a) in sub-section (1), after the proviso, the following proviso shall be inserted, namely:—

‘**Provided further** that in case the assessment year in which the net wealth was first assessable is the assessment year commencing on the 1st day of April, 2004 or any subsequent year, the provisions of this sub-section shall have effect as if for the words “two years”, the words “twenty- one months” had been substituted.’;

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

‘**Provided further** that where the notice under sub-section (1) of section 17 was served on or after the 1st day of April, 2005, the provisions of this sub-section shall have effect as if for the words “one year”, the words “nine months” had been substituted.’;

(c) in sub-section (3), after the proviso, the following proviso shall be inserted, namely:—

‘**Provided further** that where the order under section 23A or section 24 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 25 is passed by the Commissioner, on or after the 1st day of April, 2005, the provisions of this sub- section shall have effect as if for the words “one year”, the words “nine months” had been substituted.’.

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Service tax

Amendment of Act 32 of 1994.

68. In the Finance Act, 1994,—

(A) in section 65, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint,—

(1) in clause (3), for the words “commercial concern”, the word “person” shall be substituted;

(2) for clause (3b), the following clause shall be substituted, namely:—

‘(3b) “aircraft operator” means any person who provides the service of transport of goods or passengers by aircraft;’;

(3) after clause (7), the following clause shall be inserted, namely:—

‘(7a) “auction of property” includes calling the auction or providing a facility, advertising or illustrating services, pre-auction price estimates, short-term storage services, repair or restoration services in relation to auction of property;’;

(4) after clause (9), the following clauses shall be inserted, namely:—

‘(9a) “automated teller machine” means an interactive automatic machine designed to dispense cash, accept deposit of cash, transfer money between bank accounts and facilitate other financial transactions;

- (9b) “automated teller machine operations, maintenance or management service” means any service provided in relation to automated teller machines and includes site selection, contracting of location, acquisition, financing, installation, certification, connection, maintenance, transaction processing, cash forecasting, replenishment, reconciliation and value-added services;
- (9c) “banker to an issue” means a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934), carrying on the activities relating to an issue including acceptance of application, application money, allotment money and call money, refund of application money, payment of dividend and interest warrants;’;
- (5) in clause (12), in sub-clause (a),—
- (a) for the words “commercial concern”, the words “any other person” shall be substituted;
 - (b) item (ii) shall be omitted;
 - (c) for item (viii), the following items shall be substituted, namely:—
 - “(viii) banker to an issue services; and
 - (ix) other financial services, namely, lending, issue of pay order, demand draft, cheque, letter of credit and bill of exchange, transfer of money including telegraphic transfer, mail transfer and electronic transfer, providing bank guarantee, overdraft facility, bill discounting facility, safe deposit locker, safe vaults, operation of bank accounts;”;
- (6) in clause (19), in the *Explanation*, in clause (b), for the words “developing or maintaining of computer software, or computerised data processing”, the words “or developing of computer software” shall be substituted;
- (7) in clause (31), for the words “an engineering firm”, the words “any body corporate or any other firm” shall be substituted;
- (8) in clause (33), for the words “a commercial concern”, the words “any person” shall be substituted;
- (9) after clause (33), the following clause shall be inserted, namely:—
- (33a) “credit card, debit card, charge card or other payment card service” includes any service provided,—
- (i) by a banking company, financial institution including non-banking financial company or any other person (hereinafter referred to as the issuing bank), issuing such card to a card holder;
 - (ii) by any person to an issuing bank in relation to such card business, including receipt and processing of application, transfer of embossing data to issuing bank’s personalisation agency, automated teller machine personal identification number generation, renewal or replacement of card, change of address, enhancement of credit limit, payment updation and statement generation;
 - (iii) by any person, including an issuing bank and an acquiring bank, to any other person in relation to settlement of any amount transacted through such card.

Explanation.—For the purposes of this sub-clause, “acquiring bank” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card;
 - (iv) in relation to joint promotional cards or affinity cards or co-branded cards;
 - (v) in relation to promotion and marketing of goods and services through such card;
 - (vi) by a person, to an issuing bank or the holder of such card, for making use of automated teller machines of such person; and
 - (vii) by the owner of trade marks or brand name to the issuing bank under an agreement, for use of the trade mark or brand name and other services in relation to such card, whether or not such owner is a club or association and the issuing bank is a member of such club or association.

Explanation.—For the purposes of this sub-clause, an issuing bank and the owner of trade marks or brand name shall be treated as separate persons;’;
- (10) in clause (34), for the words “commercial concern”, the word “person” shall be substituted;
- (11) after clause (35), the following clause shall be inserted, namely:—

- '(35a) "customs airport" means an airport appointed as such under clause (a) of sub-section (1) of section 7 of the Customs Act, 1962 (52 of 1962);';
- (12) in clause (38), for the words "commercial concern", the word "person" shall be substituted;
- (13) in clause (39a), in sub-clause (i), for the words "machinery or equipment", the words "machinery, equipment or structures, whether pre-fabricated or otherwise" shall be substituted;
- (14) in clause (50b), for the words "commercial concern which", the words "person who" shall be substituted;
- (15) after clause (56), the following clauses shall be inserted, namely:—
- '(56a) "international journey", in relation to a passenger, means his journey from any customs airport on board any aircraft to a place outside India;
- (56b) "internet" means a global information system which is logically linked together by a globally unique address, based on Internet Protocol or its subsequent enhancements or upgradations and is able to support communications using the Transmission Control Protocol or Internet Protocol suite or its subsequent enhancements or upgradations and all other Internet Protocol compatible protocols;';
- (16) after clause (57), the following clause shall be inserted, namely:—
- '(57a) "internet telephony" means telecommunication service through internet and includes fax, audio conferencing and video conferencing;';
- (17) in clause (58), for the words "in India", the words "and includes a re-insurer" shall be substituted;
- (18) after clause (59), the following clause shall be inserted, namely:—
- '(59a) "issue" means an offer of sale or purchase of securities to, or from, the public or the holder of securities;';
- (19) for clause (64), the following clause shall be substituted, namely:—
- '(64) "management, maintenance or repair" means any service provided by—
- (i) any person under a contract or an agreement; or
- (ii) a manufacturer or any person authorised by him, in relation to,—
- (a) management of properties, whether immovable or not;
- (b) maintenance or repair of properties, whether immovable or not; or
- (c) maintenance or repair including reconditioning or restoration, or servicing of any goods, excluding a motor vehicle;';
- (20) in clause (65), for the words "relating to conceptualising, devising, development, modification, rectification or upgradation of any working system of any organisation", the words "in relation to financial management, human resources management, marketing management, production management, logistics management, procurement and management of information technology resources or other similar areas of management" shall be substituted;
- (21) in clauses (68) and (69), for the words "commercial concern" wherever they occur, the word "person" shall be substituted;
- (22) after clause (77b), the following clause shall be inserted, namely:—
- '(77c) "passenger" means any person boarding, at any customs airport, an aircraft for performing an international journey, but does not include—
- (i) a person who has arrived at such customs airport from a place outside India and is in transit through India, provided that he does not pass through immigration and does not leave customs area and continues his journey to a place outside India; and
- (ii) a person employed or engaged by the aircraft operator in any capacity on board the aircraft;';
- (23) in clause (79), for the words "a commercial concern", the words "any person" shall be substituted;
- (24) in clause (86b), for the words "a commercial concern which", the words "any person who" shall be substituted;
- (25) after clause (86b), the following clause shall be inserted, namely:—

- (86c) “public relations” includes strategic counselling based on industry, media and perception research, corporate image management, media relations, media training, press release, press conference, financial public relations, brand support, brand launch, retail support and promotions, events and communications and crisis communications;’;
- (26) after clause (89b), the following clause shall be inserted, namely:—
- (89c) “registrar to an issue” means any person carrying on the activities in relation to an issue including collecting application forms from investors, keeping a record of applications and money received from investors or paid to the seller of securities, assisting in determining the basis of allotment of securities, finalising the list of persons entitled to allotment of securities and processing and despatching allotment letters, refund orders or certificates and other related documents;’;
- (27) in clause (94), for the words “commercial concern”, the word “person” shall be substituted;
- (28) after clause (95), the following clause shall be inserted, namely:—
- (95a) “share transfer agent” means any person who maintains the record of holders of securities and deals with all matters connected with the transfer or redemption of securities or activities incidental thereto;’;
- (29) after clause (96), the following clause shall be inserted, namely:—
- (96a) “ship management service” includes,—
- (i) the supervision of the maintenance, survey and repair of ship;
 - (ii) engagement or providing of crews;
 - (iii) receiving the hire or freight charges on behalf of the owner;
 - (iv) arrangements for loading and unloading;
 - (v) providing for victualling or storing of ship;
 - (vi) negotiating contracts for bunker fuel and lubricating oil;
 - (vii) payment, on behalf of the owner, of expenses incurred in providing services or in relation to the management of ship;
 - (viii) the entry of ship in a protection or indemnity association;
 - (ix) dealing with insurance, salvage and other claims; and
 - (x) arranging of insurance in relation to ship;’;
- (30) in clause (99), for the words “commercial concern”, the word “person” shall be substituted;
- (31) after clause (99), the following clause shall be inserted, namely:—
- (99a) “sponsorship” includes naming an event after the sponsor, displaying the sponsor’s company logo or trading name, giving the sponsor exclusive or priority booking rights, sponsoring prizes or trophies for competition; but does not include any financial or other support in the form of donations or gifts, given by the donors subject to the condition that the service provider is under no obligation to provide anything in return to such donors;’;
- (32) after clause (104b), the following shall be inserted, namely:—
- (104c) “support services of business or commerce” means services provided in relation to business or commerce and includes evaluation of prospective customers, telemarketing, processing of purchase orders and fulfilment services, information and tracking of delivery schedules, managing distribution and logistics, customer relationship management services, accounting and processing of transactions, operational assistance for marketing, formulation of customer service and pricing policies, infrastructural support services and other transaction processing.
- Explanation.*—For the purposes of this clause, the expression “infrastructural support services” includes providing office along with office utilities, lounge, reception with competent personnel to handle messages, secretarial services, internet and telecom facilities, pantry and security;’;
- (33) in clause (105),—
- (a) for the words “policy holder” wherever they occur, the words “policy holder or any person” shall be substituted;

- (b) for the word “insurer” wherever it occurs, the words “insurer, including re-insurer” shall be substituted;
- (c) in sub-clause (zc), for the words “commercial concern”, the word “person” shall be substituted;
- (d) in sub-clause (zh), for the words “a commercial concern”, the words “any person” shall be substituted;
- (e) in sub-clause (zm), for the words “commercial concern”, the words “any other person” shall be substituted;
- (f) in sub-clause (zzb), for the words “a commercial concern”, the words “any person” shall be substituted;
- (g) in sub-clause (zzg), for the words “maintenance or repair”, the words “management, maintenance or repair” shall be substituted;
- (h) in sub-clause (zzq), for the words “a commercial concern”, the words “any other person” shall be substituted;
- (i) after sub-clause (zzzh), the following shall be inserted, namely:—

(zzzi) to any person, by a registrar to an issue, in relation to sale or purchase of securities;

(zzzj) to any person, by a share transfer agent, in relation to securities;

(zzzk) to any person, by any other person, in relation to automated teller machine operations, maintenance or management service, in any manner;

(zzzl) to a banking company or a financial institution including a non-banking financial company or any other body corporate or a firm, by any person, in relation to recovery of any sums due to such banking company or financial institution, including a non-banking financial company, or any other body corporate or a firm, in any manner;

(zzzm) to any person, by any other person, in relation to sale of space or time for advertisement, in any manner; but does not include sale of space for advertisement in print media and sale of time slots by a broadcasting agency or organisation.

Explanation 1. - For the purposes of this sub-clause, “sale of space or time for advertisement” includes,—

(i) providing space or time, as the case may be, for display, advertising, showcasing of any product or service in video programmes, television programmes or motion pictures or music albums, or on billboards, public places, buildings, conveyances, cell phones, automated teller machines, internet;

(ii) selling of time slots on radio or television by a person, other than a broadcasting agency or organisation; and

(iii) aerial advertising.

Explanation 2. —For the purposes of this sub-clause, “print media” means “book” and “newspaper” as defined in sub-section (1) of section 1 of the Press and Registration of Books Act, 1867 (25 of 1867);

(zzzn) to any body corporate or firm, by any person receiving sponsorship, in relation to such sponsorship, in any manner, but does not include services in relation to sponsorship of sports events;

(zzzo) to any passenger, by an aircraft operator, in relation to scheduled or non-scheduled air transport of such passenger embarking in India for international journey, in any class other than economy class.

Explanation 1.—For the purposes of this sub-clause, economy class in an aircraft meant for scheduled air transport of passengers means,—

(i) where there is more than one class of travel, the class attracting the lowest standard fare; or

(ii) where there is only one class of travel, that class.

Explanation 2.—For the purposes of this sub-clause, in an aircraft meant for non-scheduled air transport of passengers, no class of travel shall be treated as economy class;

(zzzp) to any person, by any other person other than Government railway as defined in clause (20)

of section 2 of the Railways Act, 1989 (24 of 1989), in relation to transport of goods in containers by rail, in any manner;

(zzzq) to any person, by any other person, in relation to support services of business or commerce, in any manner;

(zzzr) to any person, by any other person, in relation to auction of property, movable or immovable, tangible or intangible, in any manner, but does not include auction of property under the directions or orders of a court of law or auction by the Government;

(zzzs) to any person, by any other person, in relation to managing the public relations of such person, in any manner;

(zzzt) to any person, under a contract or an agreement, by any other person, in relation to ship management service;

(zzzu) to any person, by any other person, in relation to internet telephony;

(zzzv) to any person, by any other person, in relation to transport of such person embarking from any port or other port in India, by a cruise ship.

Explanation. - For the purposes of this sub-clause, "cruise ship" means a ship or vessel used for providing recreational or pleasure trips, but does not include a ship or vessel used for private purposes or a ship or vessel of, or less than, fifteen net tonnage;

(zzzw) to any person, by any other person, in relation to credit card, debit card, charge card or other payment card service, in any manner;';

(j) the *Explanation* occurring at the end shall be omitted;

(34) in clause (106), the following *Explanation* shall be inserted, namely:—

'*Explanation.*- For the removal of doubts, it is hereby declared that for the purposes of this clause, "technical testing and analysis" includes testing and analysis undertaken for the purpose of clinical testing of drugs and formulations; but does not include testing or analysis for the purpose of determination of the nature of diseased condition, identification of a disease, prevention of any disease or disorder in human beings or animals;';

(35) after clause (121), the following *Explanation* shall be inserted, namely:—

"*Explanation.* - For the purposes of this section, taxable service includes any taxable service provided or to be provided by any unincorporated association or body of persons to a member thereof, for cash, deferred payment or any other valuable consideration.";

(B) in section 66,—

(1) for the words "ten per cent", the words "twelve per cent" shall be substituted;

(2) with effect from such date as the Central Government may, by notification in the Official Gazette, appoint, for the word, brackets and letters "and (zzzh)", the brackets, letters and word "(zzzh), (zzzi), (zzzj), (zzzk), (zzzl), (zzzm), (zzzn), (zzzo), (zzzp), (zzzq), (zzzr), (zzzs), (zzzt), (zzzu), (zzzv) and (zzzw)" shall be substituted;

(C) after section 66, the following section shall be inserted, namely:—

'66A. *Charge of service tax on services received from outside India.*— (1) Where any service specified in clause (105) of section 65 is,—

(a) provided or to be provided by a person who has established a business or has a fixed establishment from which the service is provided or to be provided or has his permanent address or usual place of residence, in a country other than India, and

(b) received by a person (hereinafter referred to as the recipient) who has his place of business, fixed establishment, permanent address or usual place of residence, in India,

such service shall, for the purposes of this section, be taxable service, and such taxable service shall be treated as if the recipient had himself provided the service in India, and accordingly all the provisions of this Chapter shall apply:

Provided that where the recipient of the service is an individual and such service received by him is otherwise than for the purpose of use in any business or commerce, the provisions of this sub-section shall not apply:

Provided further that where the provider of the service has his business establishment both in that country

and elsewhere, the country, where the establishment of the provider of service directly concerned with the provision of service is located, shall be treated as the country from which the service is provided or to be provided.

(2) Where a person is carrying on a business through a permanent establishment in India and through another permanent establishment in a country other than India, such permanent establishments shall be treated as separate persons for the purposes of this section.

Explanation 1.- A person carrying on a business through a branch or agency in any country shall be treated as having a business establishment in that country.

Explanation 2.- Usual place of residence, in relation to a body corporate, means the place where it is incorporated or otherwise legally constituted.’;

(D) for section 67, the following section shall be substituted, namely:—

‘67. Valuation of taxable services for charging service tax.— (1) Subject to the provisions of this Chapter, service tax chargeable on any taxable service with reference to its value shall,—

- (i) in a case where the provision of service is for a consideration in money, be the gross amount charged by the service provider for such service provided or to be provided by him;
- (ii) in a case where the provision of service is for a consideration not wholly or partly consisting of money, be such amount in money, with the addition of service tax charged, is equivalent to the consideration;
- (iii) in a case where the provision of service is for a consideration which is not ascertainable, be the amount as may be determined in the prescribed manner.

(2) Where the gross amount charged by a service provider, for the service provided or to be provided is inclusive of service tax payable, the value of such taxable service shall be such amount as, with the addition of tax payable, is equal to the gross amount charged.

(3) The gross amount charged for the taxable service shall include any amount received towards the taxable service before, during or after provision of such service.

(4) Subject to the provisions of sub-sections (1), (2) and (3), the value shall be determined in such manner as may be prescribed.

Explanation.- For the purposes of this section,—

- (a) “consideration” includes any amount that is payable for the taxable services provided or to be provided;
- (b) “money” includes any currency, cheque, promissory note, letter of credit, draft, pay order, travellers cheque, money order, postal remittance and other similar instruments but does not include currency that is held for its numismatic value;
- (c) “gross amount charged” includes payment by cheque, credit card, deduction from account and any form of payment by issue of credit notes or debit notes and book adjustment.’;

(E) in section 73,—

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

“(1A) Where any service tax has not been levied or paid or has been short-levied or short- paid or erroneously refunded, by reason of fraud, collusion or any wilful mis-statement or suppression of facts, or contravention of any of the provisions of this Chapter or the rules made thereunder, with intent to evade payment of service tax, by such person or his agent, to whom a notice is served under the proviso to sub-section (1) by the Central Excise Officer, such person or agent may pay service tax in full or in part as may be accepted by him, and the interest payable thereon under section 75 and penalty equal to twenty-five per cent of the service tax specified in the notice or the service tax so accepted by such person within thirty days of the receipt of the notice.”;

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

“**Provided** that where such person has paid the service tax in full together with interest and penalty under sub-section (1A), the proceedings in respect of such person and other persons to whom notices are served under sub-section (1) shall be deemed to be concluded:

Provided further that where such person has paid service tax in part along with interest and penalty under sub-section (1A), the Central Excise Officer shall determine the amount of service tax or interest not being in excess of the amount partly due from such person.”;

(F) after section 73, the following sections shall be inserted, namely:—

“73A. Service tax collected from any person to be deposited with Central Government — (1) Any person who is liable to pay service tax under the provisions of this Chapter or the rules made thereunder, and has collected any amount in excess of the service tax assessed or determined and paid on any taxable service under the provisions of this Chapter or the rules made thereunder from the recipient of taxable service in any manner as representing service tax, shall forthwith pay the amount so collected to the credit of the Central Government.

(2) Where any person who has collected any amount, which is not required to be collected, from any other person, in any manner as representing service tax, such person shall forthwith pay the amount so collected to the credit of the Central Government.

(3) Where any amount is required to be paid to the credit of the Central Government under sub-section (1) or sub-section (2) and the same has not been so paid, the Central Excise Officer shall serve, on the person liable to pay such amount, a notice requiring him to show cause why the said amount, as specified in the notice, should not be paid by him to the credit of the Central Government.

(4) The Central Excise Officer shall, after considering the representation, if any, made by the person on whom the notice is served under sub-section (3), determine the amount due from such person, not being in excess of the amount specified in the notice, and thereupon such person shall pay the amount so determined.

(5) The amount paid to the credit of the Central Government under sub-section (1) or sub-section (2) or sub-section (4), shall be adjusted against the service tax payable by the person on finalisation of assessment or any other proceeding for determination of service tax relating to the taxable service referred to in sub-section (1).

(6) Where any surplus amount is left after the adjustment under sub-section (5), such amount shall either be credited to the Consumer Welfare Fund referred to in section 12C of the Central Excise Act, 1944 (1 of 1944) or, as the case may be, refunded to the person who has borne the incidence of such amount, in accordance with the provisions of section 11B of the said Act and such person may make an application under that section in such cases within six months from the date of the public notice to be issued by the Central Excise Officer for the refund of such surplus amount.

73B. Interest on amount collected in excess— Where an amount has been collected in excess of the tax assessed or determined and paid for any taxable service under this Chapter or the rules made thereunder from the recipient of such service, the person who is liable to pay such amount as determined under sub-section (4) of section 73A, shall, in addition to the amount, be liable to pay interest at such rate not below ten per cent. and not exceeding twenty-four per cent per annum, as is for the time being fixed by the Central Government, by notification in the Official Gazette, from the first day of the month succeeding the month in which the amount ought to have been paid under this Chapter, but for the provisions contained in sub-section (4) of section 73A, till the date of payment of such amount:

Provided that in such cases where the amount becomes payable consequent to issue of an order, instruction or direction by the Board under section 37B of the Central Excise Act, 1944 (1 of 1944), and such amount payable is voluntarily paid in full, without reserving any right to appeal against such payment at any sub-sequent stage, within forty-five days from the date of issue of such order, instruction or direction, as the case may be, no interest shall be payable and in other cases, the interest shall be payable on the whole amount, including the amount already paid.

Explanation 1.- Where the amount determined under sub-section (4) of section 73A is reduced by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest payable thereon under this section shall be on such reduced amount.

Explanation 2.- Where the amount determined under sub-section (4) of section 73A is increased by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest payable thereon under this section shall be on such increased amount.

73C. Provisional attachment to protect revenue in certain cases.— (1) Where, during the pendency of any proceeding under section 73 or section 73A, the Central Excise Officer is of the opinion that for the purpose of protecting the interests of revenue, it is necessary so to do, he may, with the previous approval of the Commissioner of Central Excise, by order in writing, attach provisionally any property belonging to the person on whom notice is served under sub-section (1) of section 73 or sub-section (3) of section 73A, as the case may be, in such manner as may be prescribed.

(2) Every such provisional attachment shall cease to have effect after the expiry of a period of six months from the date of the order made under sub-section (1):

Provided that the Chief Commissioner of Central Excise may, for reasons to be recorded in writing, extend the aforesaid period by such further period or periods as he thinks fit, so, however, that the total period of extension shall not in any case exceed two years.

73D. Publication of information in respect of persons in certain cases.— (1) If the Central Government is of the opinion that it is necessary or expedient in the public interest to publish the name of any person and any other particulars relating to any proceedings under this Chapter in respect of such person, it may cause to be published such names and particulars in such manner as may be prescribed.

(2) No publication under this section shall be made in relation to any penalty imposed under this Chapter until the time for presenting an appeal to the Commissioner (Appeals) under section 85 or the Appellate Tribunal under section 86, as the case may be, has expired without an appeal having been presented or the appeal, if presented, has been disposed of.

Explanation.- In the case of a firm, company or other association of persons, the names of the partners of the firm, directors, managing agents, secretaries and treasurers or managers of the company, or the members of the association, as the case may be, shall also be published if, in the opinion of the Central Government, circumstances of the case justify it.”;

(G) for section 76, the following section shall be substituted, namely:—

“76. Penalty for failure to pay service tax.— Any person, liable to pay service tax in accordance with the provisions of section 68 or the rules made under this Chapter, who fails to pay such tax, shall pay, in addition to such tax and the interest on that tax amount in accordance with the provisions of section 75, a penalty which shall not be less than two hundred rupees for every day during which such failure continues or at the rate of two per cent of such tax, per month, whichever is higher, starting with the first day after the due date till the date of actual payment of the outstanding amount of service tax:

Provided that the total amount of the penalty payable in terms of this section shall not exceed the service tax payable.

Illustration

X, an assessee, fails to pay service tax of Rs. 10 lakhs payable by 5th March. X pays the amount on 15th March. The default has continued for 10 days. The penalty payable by X is computed as follows:

—

2% of the amount of default for 10 days = $2 \times 10,00,000 \times 10/31 = \text{Rs. } 6,451.61$

Penalty calculated @ Rs. 200 per day for 10 days = Rs. 2,000

Penalty liable to be paid is Rs. 6,452.00.”;

(H) in section 83, the figures and letter “11” and “11D” shall be omitted;

(I) after section 86, the following section shall be inserted, namely:—

“87. Recovery of any amount due to Central Government.— Where any amount payable by a person to the credit of the Central Government under any of the provisions of this Chapter or of the rules made thereunder is not paid, the Central Excise Officer shall proceed to recover the amount by one or more of the modes mentioned below:—

- (a) the Central Excise Officer may deduct or may require any other Central Excise Officer or any officer of customs to deduct the amount so payable from any money owing to such person which may be under the control of the said Central Excise Officer or any officer of customs;
- (b) (i) the Central Excise Officer may, by notice in writing, require any other person from whom money is due or may become due to such person, or who holds or may subsequently hold money for or on account of such person, to pay to the credit of the Central Government either forthwith upon the money becoming due or being held or at or within the time specified in the notice, not being before the money becomes due or is held, so much of the money as is sufficient to pay the amount due from such person or the whole of the money when it is equal to or less than that amount;
- (ii) every person to whom a notice is issued under this section shall be bound to comply with such notice, and, in particular, where any such notice is issued to a post office, banking company or an insurer, it shall not be necessary to produce any pass book, deposit receipt, policy or any

other document for the purpose of any entry, endorsement or the like being made before payment is made, notwithstanding any rule, practice or requirement to the contrary;

(iii) in a case where the person to whom a notice under this section is sent, fails to make the payment in pursuance thereof to the Central Government, he shall be deemed to be an assessee in default in respect of the amount specified in the notice and all the consequences of this Chapter shall follow;

(c) the Central Excise Officer may, on an authorisation by the Commissioner of Central Excise, in accordance with the rules made in this behalf, distrain any movable or immovable property belonging to or under the control of such person, and detain the same until the amount payable is paid; and in case, any part of the said amount payable or of the cost of the distress or keeping of the property, remains unpaid for a period of thirty days next after any such distress, may cause the said property to be sold and with the proceeds of such sale, may satisfy the amount payable and the costs including cost of sale remaining unpaid and shall render the surplus amount, if any, to such person;

(d) the Central Excise Officer may prepare a certificate signed by him specifying the amount due from such person and send it to the Collector of the district in which such person owns any property or resides or carries on his business and the said Collector, on receipt of such certificate, shall proceed to recover from such person the amount specified thereunder as if it were an arrear of land revenue.”;

(J) in section 94, in sub-section (2),—

(1) after clause (a), the following clause shall be inserted, namely:—

“(aa) the determination of amount and value of taxable service under section 67;”;

(2) after clause (c), the following clauses shall be inserted, namely:—

“(cc) the manner of provisional attachment of property under sub-section (1) of section 73C;

(ccc) publication of name of any person and particulars relating to any proceeding under sub-section (1) of section 73D;”;

(3) after clause (eee), the following clause shall be inserted, namely:—

“(eeee) the manner of recovery of any amount due to the Central Government under section 87;”;

(K) in section 95, after sub-section (1B), the following sub-section shall be inserted, namely:—

“(1C) If any difficulty arises in respect of implementing, classifying or assessing the value of any taxable service incorporated in this Chapter by the Finance Act, 2006, the Central Government may, by order published in the Official Gazette, not inconsistent with the provisions of this Chapter, remove the difficulty :

Provided that no such order shall be made after the expiry of a period of one year from the date on which the Finance Bill, 2006 receives the assent of the President.”;

(L) in section 96C, in sub-section (2), after clause (e), the following clause shall be inserted, namely:—

“(f) determination of the liability to pay service tax on a taxable service under the provisions of Chapter V.”.

CHAPTER V

MISCELLANEOUS

Amendment of Act 2 of 1899.

69. In the Indian Stamp Act, 1899,—

(a) in section 9, in sub-section (2), in clause (a), for the words “Seventh Schedule to the Constitution”, the words, brackets, letter and figure “Seventh Schedule to the Constitution, except the subject matters referred to in clause (b) of sub-section (1)” shall be substituted;

(b) in section 35, in clause (a), in the proviso, for the words “not being an instrument chargeable with a duty not exceeding ten naye paise only, or a bill of exchange or promissory note, shall, subject to all just exceptions,”, the word “shall” shall be substituted.

Repeal of Act 11 of 1926.

70. The Promissory Notes (Stamp) Act, 1926, is hereby repealed:

Provided that such repeal shall not affect—

- (a) the previous operation of the said Act or anything duly done or suffered thereunder;
- (b) any right, privilege, obligation or liability acquired, accrued or incurred under the said Act; and
- (c) the validation of execution of any promissory note under the said Act.

Amendment of section 14 of Act 74 of 1956.

71. In the Central Sales Tax Act, 1956, in section 14, after clause (v), the following clause shall be inserted, namely:—

“(va) liquefied petroleum gas for domestic use;”.

Amendment of First Schedule to Act 58 of 1957.

72. In the Additional Duties of Excise (Goods of Special Importance) Act, 1957, with effect from the 1st day of January, 2007, the First Schedule shall be amended in the manner specified in the Eighth Schedule.

Amendment of Schedule to Act 47 of 1974.

73. In the Oil Industry (Development) Act, 1974, in the Schedule, against Sl. No.1, relating to crude oil, for the entry in column 3, the entry “Rupees two thousand five hundred per tonne.” shall be substituted.

Amendment of Schedule to Act 40 of 1978.

74. In the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, with effect from the 1st day of January, 2007, the Schedule shall be amended in the manner specified in the Ninth Schedule.

Amendment of Seventh Schedule to Act 14 of 2001.

75. In the Finance Act, 2001, with effect from the 1st day of January, 2007, the Seventh Schedule shall be amended in the manner specified in the Tenth Schedule.

Amendment of Act 23 of 2004.

76. In Finance (No. 2) Act, 2004, with effect from the 1st day of June, 2006,—

- (a) in section 97, in clause (5), in sub-clause (i), for the words “fifty per cent”, the words “sixty- five per cent” shall be substituted;
- (b) in section 98, in the Table,—
 - (i) against Sl. No. 1, under column (3) relating to rate, for the figures and words “0.1 per cent”, the figures and words “0.125 per cent” shall be substituted;
 - (ii) against Sl. No. 2, under column (3) relating to rate, for the figures and words “0.1 per cent”, the figures and words “0.125 per cent” shall be substituted;
 - (iii) against Sl. No. 3, under column (3) relating to rate, for the figures and words “0.02 per cent”, the figures and words “0.025 per cent” shall be substituted;
 - (iv) against Sl. No. 4, under column (3) relating to rate, for the figures and words “0.0133 per cent”, the figures and words “0.017 per cent” shall be substituted;
 - (v) against Sl. No. 5, under column (3) relating to rate, for the figures and words “0.2 per cent”, the figures and words “0.25 per cent” shall be substituted.

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 clauses 63(a), 67(a) and 73 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

(I) In the case of every individual other than the individual referred to in items (II) and (III) of this Paragraph 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. 1,00,000 | <i>Nil</i> ; |
| (2) | where the total income exceeds Rs.1,00,000 but does not exceed Rs. 1,50,000 | 10 per cent of the amount by which the total income exceeds Rs. 1,00,000; |
| (3) | where the total income exceeds Rs. 1,50,000 but does not exceed Rs. 2,50,000 | Rs. 5,000 plus 20 per cent of the amount by which the total income exceeds Rs. 1,50,000; |
| (4) | where the total income exceeds Rs. 2,50,000 | Rs. 25,000 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

(II) In the case of every individual, being a woman resident in India, and below the age of sixty-five years at any time during the previous year,—

Rates of income-tax

- | | | |
|-----|--|---|
| (1) | where the total income does not exceed Rs. 1,35,000 | <i>Nil</i> ; |
| (2) | where the total income exceeds Rs. 1,35,000 but does not exceed Rs. 1,50,000 | 10 per cent of the amount by which the total income exceeds Rs. 1,35,000; |
| (3) | where the total income exceeds Rs. 1,50,000 but does not exceed Rs. 2,50,000 | Rs. 1,500 plus 20 per cent of the amount by which the total income exceeds Rs. 1,50,000; |
| (4) | where the total income exceeds Rs. 2,50,000 | Rs. 21,500 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

(III) In the case of every individual, being a resident in India, who is of the age of sixty-five years or more at any time during the previous year,—

Rates of income-tax

- | | | |
|-----|--|---|
| (1) | where the total income does not exceed Rs. 1,85,000 | <i>Nil</i> ; |
| (2) | where the total income exceeds Rs. 1,85,000 but does not exceed Rs. 2,50,000 | 20 per cent of the amount by which the total income exceeds Rs. 1,85,000; |
| (3) | where the total income exceeds Rs. 2,50,000 | Rs. 13,000 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph, or in section 111A or section 112, 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 ten lakh 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 at the rate of ten per cent of such income-tax;

(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 item (i) above having a total income exceeding ten lakh 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 ten lakh rupees by more than the amount of income that exceeds ten lakh 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 30 per cent of the amount by which the total income exceeds Rs. 20,000. |

Paragraph C

In the case of every firm,—

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 111A or section 112, 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

Paragraph E

In the case of a company,—

Rates of income-tax

- I. In the case of a domestic company 30 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

(ii) on the balance, if any, of the total income 40 per cent

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph, or in section 111A or section 112, shall, in the case of every company, be increased by a surcharge for purposes of the Union calculated,—

- (i) in the case of every domestic company at the rate of ten per cent of such income-tax;
- (ii) in the case of every company other than a domestic company at the rate of two and one-half per cent.

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:—

Rate of income-tax

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” 10 per cent;
 - (ii) on income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort 30 per cent;
 - (iii) on income by way of winnings from horse races 30 per cent;
 - (iv) on income by way of insurance commission 10 per cent;
 - (v) on income by way of interest payable on—
 - (A) any debentures or securities other than a security of the Central or State Government for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;
 - (B) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder
 - (vi) on any other income 20 per cent;
 - (b) where the person is not resident in India—
 - (i) in the case of a non-resident Indian—
 - (A) on any investment income 20 per cent;
 - (B) on income by way of long-term capital gains referred to in section 115E 10 per cent;
 - (C) on income by way of short-term capital gains referred to in section 111A 10 per cent;
 - (D) on other income by way of long-term capital gains [not being long-term capital gains referred to in clauses (33), (36) and (38) of section 10] 20 per cent;
 - (E) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency 20 per cent;

- (F) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of section 115A of the Income-tax Act, to a person resident in India—
- (I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
- (II) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (G) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(i)(F)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—
- (I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
- (II) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (H) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—
- (I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
- (II) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (I) on income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort 30 per cent;
- (J) on income by way of winnings from horse races 30 per cent;
- (K) on the whole of the other income 30 per cent;
- (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 debt incurred by Government or the Indian concern in foreign currency 20 per cent;
- (B) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of section 115A of the Income-tax Act, to a person resident in India—
- (I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
- (II) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (C) on income by way of royalty [not being royalty of the nature referred to in sub-

item (b) (ii) (B)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

(I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;

(II) where the agreement is made on or after the 1st day of June, 2005 10 per cent.;

(D) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

(I) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;

(II) where the agreement is made on or after the 1st day of June, 2005 10 per cent;

(E) on income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort 30 per cent;

(F) on income by way of winnings from horse races 30 per cent;

(G) on income by way of short-term capital gains referred to in section 111A 10 per cent;

(H) on income by way of long-term capital gains [not being long-term capital gains referred to in clauses (33), (36) and (38) of section 10] 20 per cent;

(I) on the whole of the other income 30 per cent

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” 20 per cent;

(ii) on income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort 30 per cent;

(iii) on income by way of winnings from horse races 30 per cent;

(iv) on any other income 20 per cent;

(b) where the company is not a domestic company—

(i) on income by way of winnings from lotteries, crossword puzzles, card games and other games of any sort 30 per cent;

(ii) on income by way of winnings from horse races 30 per cent;

(iii) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency 20 per cent;

(iv) on income by way of royalty payable by 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, 1976 where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second

proviso to sub-section (1A) of section 115A of the Income-tax Act, to a person resident in India—

- (A) where the agreement is made before the 1st day of June, 1997 30 per cent;
- (B) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
- (C) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (v) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(iv)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in 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 50 per cent;
 - (B) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997 30 per cent;
 - (C) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
 - (D) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (vi) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—
 - (A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976 50 per cent;
 - (B) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997 30 per cent;
 - (C) where the agreement is made on or after the 1st day of June, 1997 but before the 1st day of June, 2005 20 per cent;
 - (D) where the agreement is made on or after the 1st day of June, 2005 10 per cent;
- (vii) on income by way of short-term capital gains referred to in section 111A 10 per cent;
- (viii) on income by way of long-term capital gains [not being long-term capital gains referred to in clauses (33), (36) and (38) of section 10] 20 per cent;
- (ix) on any other income 40 per cent

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 every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent of such tax where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten lakh rupees;
 - (ii) in the case of every firm and artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, at the rate of ten per cent of such tax;

- (B) item 2 of this Part, shall be increased by a surcharge, for purposes of the Union, calculated,—
- (i) in the case of every domestic company at the rate of ten per cent. of such income-tax;
 - (ii) in the case of every company other than a domestic company at the rate of two and one-half 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 174A or section 175 or sub-section (2) of section 176 of the said Act or deducted from, or paid on, from income chargeable under the head “Salaries” under section 192 of the said Act 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 fringe benefits chargeable to tax under Chapter XII-H or income chargeable to tax under 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 115BBC or section 115E or section 115JB or fringe benefits chargeable to tax under section 115WA] shall be charged, deducted or computed at the following rate or rates:—

Paragraph A

(I) In the case of every individual other than the individual referred to in items (II) and (III) of this Paragraph 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. 1,00,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs.1,00,000 but does not exceed Rs. 1,50,000 | 10 per cent of the amount by which the total income exceeds Rs. 1,00,000; |
| (3) where the total income exceeds Rs. 1,50,000 but does not exceed Rs. 2,50,000 | Rs. 5,000 plus 20 per cent of the amount by which the total income exceeds Rs. 1,50,000; |
| (4) where the total income exceeds Rs. 2,50,000 | Rs. 25,000 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

(II) In the case of every individual, being a woman resident in India, and below the age of sixty-five years at any time during the previous year,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 1,35,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 1,35,000 but does not exceed Rs. 1,50,000 | 10 per cent of the amount by which the total income exceeds Rs. 1,35,000; |
| (3) where the total income exceeds Rs. 1,50,000 but does not exceed Rs. 2,50,000 | Rs. 1,500 plus 20 per cent of the amount by which the total income exceeds Rs. 1,50,000; |
| (4) where the total income exceeds Rs. 2,50,000 | Rs. 21,500 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

(III) In the case of every individual, being a resident in India, who is of the age of sixty-five years or more at any time during the previous year,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 1,85,000 | Nil; |
| (2) where the total income exceeds Rs. 1,85,000 but does not exceed Rs. 2,50,000 | 20 per cent of the amount by which the total income exceeds Rs. 1,85,000; |
| (3) where the total income exceeds Rs. 2,50,000 | Rs. 13,000 plus 30 per cent of the amount by which the total income exceeds Rs. 2,50,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph or in section 111A or section 112 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 ten lakh 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 at the rate of ten per cent. of such income-tax;
- (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 item (i) above having a total income exceeding ten lakh 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 ten lakh rupees by more than the amount of income that exceeds ten lakh 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 30 per cent of the amount by which the total income exceeds Rs. 20,000. |

Paragraph C

In the case of every firm,—

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 111A or section 112, 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.

Paragraph E

In the case of a company,—

Rates of income-tax

- I. In the case of a domestic company 30 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 40 per cent

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph, or in section 111A or section 112, shall, in the case of every company, be increased by a surcharge for purposes of the Union calculated,—

- (i) in the case of every domestic company at the rate of ten per cent. of such income-tax;
- (ii) in the case of every company other than a domestic company at the rate of two and one-half per cent.

PART IV

[See section 2(12)(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—

- (a) 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;
- (b) where the assessee derives income from sale of centrifuged latex or cenex or latex based crepes (such as pale latex crepe) or brown crepes (such as estate brown crepe, re-milled crepe, smoked blanket crepe or flat bark crepe) of technically specified block rubbers manufactured or processed by him from rubber plants grown by him in India, such income shall be computed in accordance with rule 7A of the Income-tax Rules, 1962, and sixty-five per cent. of such income shall be regarded as the agricultural income of the assessee;
- (c) where the assessee derives income from sale of coffee grown and manufactured by him in India, such income shall be computed in accordance with rule 7B of the Income-tax Rules, 1962, and sixty per cent. or seventy-five per cent., as the case may be, 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, 2006, 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, 1998 or the 1st day of April, 1999 or the 1st day of April, 2000 or the 1st day of April, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005, 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, 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 or the 1st day of April, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005,
- (ii) 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 or the 1st day of April, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005,
- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2000, 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, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2001, 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, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005,

- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2002, 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, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2003, 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, 2004 or the 1st day of April, 2005,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2004, 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, 2005,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2005,

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, 2006.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 2007, 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 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, 1999 or the 1st day of April, 2000 or the 1st day of April, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006, is a loss, then, for the purposes of sub-section (10) 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, 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 or the 1st day of April, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006,
- (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2000, 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, 2001 or the 1st day of April, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006,
- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2001, 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, 2002 or the 1st day of April, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2002, 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, 2003 or the 1st day of April, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006,
- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2003, 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, 2004 or the 1st day of April, 2005 or the 1st day of April, 2006,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2004, 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, 2005 or the 1st day of April, 2006,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April 2005, 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, 2006,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 2006, 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, 2007.

(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 (No. 2) Act, 1998 (21 of 1998), or of the First Schedule to the Finance Act, 1999 (27 of 1999), or of the First Schedule to the Finance Act, 2000 (10 of 2000), or of the First Schedule to the Finance Act, 2001 (14 of 2001), or of the First Schedule to the Finance Act, 2002 (20 of 2002), or of the First Schedule to the Finance Act, 2003 (32 of 2003), or of the First Schedule to the Finance (No. 2) Act, 2004 (23 of 2004), or of the First Schedule to the Finance Act, 2005 (18 of 2005) 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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