

Finance Act 1974

Chapter III - Direct Taxes

In section 10 of the Income-tax Act, -

(a) in clause (10), -

(i) after the words "revised Pension Rules of the Central Government", the words, brackets and figures "or, as the case may be, the Central Civil Services (Pension) Rules, 1972" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1972;

(ii) for the words "or under any similar scheme of a State Government or a local authority", the following shall be substituted and shall be deemed always to have been substituted, namely :-

"or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the All-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority";

(b) for clause (10) as so amended, the following clause shall be substituted with effect from the 1st day of April, 1975, namely :-

(10)(i) any death-cum-retirement gratuity received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the All-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defence services;

(ii) any gratuity received under the Payment of Gratuity Act, 1972 (39 of 1972), to the extent it does not exceed an amount calculated in accordance with the provisions of sub-sections (2) and (3) of section 4 of that Act;

(iii) any other gratuity received by an employee on his retirement or on his becoming incapacitated prior to such retirement or on termination of his employment, or any

gratuity received by his widow, children or dependants on his death, to the extent it does not, in either case, exceed one-half months salary for each year of completed service, calculated on the basis of the average salary for the three years immediately preceding the year in which the gratuity is paid, subject to a maximum of thirty thousand rupees or twenty months salary so calculated, whichever is less :

Provided that where any gratuities referred to in this clause are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-tax under this clause shall not exceed thirty thousand rupees :

Provided further that where any such gratuity or gratuities was or were received in any one or more earlier previous years also and the whole or any part of the amount of such gratuity or gratuities was not included in the total income of the assessee of such previous year or years, the amount exempt from income-tax under this clause shall not exceed thirty thousand rupees as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.

Explanation : In this clause, "salary" shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;;

(c) in clause (10A), in sub-clause (i), for the words "or under any similar scheme applicable to the members of the Defence Services or to the employees of a State Government, a local authority", the following shall be substituted and shall be deemed always to have been substituted, namely :-

"or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the defence services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority";

(d) after clause (23A), the following clause shall be inserted with effect from the 1st day of June, 1974, namely :-

(23B) any income of an institution constituted as a public charitable trust or registered under the Societies Registration Act, 1860 (21 of 1860), or under any law corresponding to that Act in force in any part of India, and existing solely for the development of khadi or village industries or both, and not for purposes of profit, to the extent such income is attributable to the business of production, sale, or marketing, of khadi or products of village industries :

Provided that -

(i) the institution applies its income, or accumulates it for application, solely for the development of khadi or village industries or both; and

(ii) the institution is, for the time being, approved for the purpose of this clause by the Khadi and Village Industries Commission :

Provided further that the Commission shall not, at any one time, grant such approval for more than three assessment years beginning with the assessment year next following the financial year in which it is granted.

Explanation : For the purposes of this clause, -

(i) "Khadi and Village Industries Commission" means the Khadi and Village Industries Commission established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956);

(ii) "khadi" and "village industries" have the meanings respectively assigned to them in that Act;.

Section 4 - Amendment of Section 16

In section 16 of the Income-tax Act, with effect from the 1st day of April, 1975, -

(a) for clause (i), the following clause shall be substituted, namely :-

"(i) in respect of expenditure incidental to the employment of the assessee, a sum calculated on the basis provided hereunder, namely :-

(a) where the salary derived from such employment does not exceed Rs. 10,000	20 per cent. of such salary;
(b) where the salary derived from such employment exceeds Rs. 10,000	Rs. 2,000 plus 10 per cent. of the amount by which such salary exceeds Rs. 10,000 or Rs. 3,500, whichever is less;

Provided that -

(i) where the assessee is in receipt of a conveyance allowance from his employer; or

(ii) where any motor car, motor cycle, scooter or other moped is provided to the assessee by his employer for use by the assessee, otherwise than wholly and exclusively in the performance of his duties; or

(iii) where one or more motor cars are owned or hired by the employer of the assessee and the assessee is allowed the use of such motor car or all or any of such motor cars, otherwise than wholly and exclusively in the performance of his duties,

the deduction under this clause shall not exceed one thousand rupees;";

(b) clauses (iii), (iv) and (v) shall be omitted.

Section 5 - Amendment of Section 36

In section 36 of the Income-tax Act, in clause (viii) of sub-section (1), with effect from the 1st day of April, 1975, -

(a) for the portion beginning with the words "an amount not exceeding -" and ending with the words "ten per cent.", the following shall be substituted, namely :-

"an amount not exceeding, -

(a) in the case of a Financial Corporation or a Joint Financial Corporation established under the State Financial Corporations Act, 1951 (63 of 1951), or an institution deemed under section 46 of that Act to be a Financial Corporation established by the State Government for the State within the meaning of that Act, forty per cent.,

(b) in the case of any other financial corporation, -

(i) where the paid-up share capital of the corporation does not exceed three crores of rupees, twenty-five per cent.,

(ii) where the paid-up share capital of the corporation exceeds three crores of rupees, ten per cent.,";

(b) the Explanation shall be omitted.

Section 6 - Amendment of Section 74A

In section 74A of the Income-tax Act, with effect from the 1st day of April, 1975, -

(a) in sub-section (1), for the words "except against income, if any, from the same source", the words "against income, if any, from any other source under that head or against income under any other head" shall be substituted;

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

(3) Where for any assessment year, in the case of an assessee, being the owner of horses maintained by him for running in horse races (such horses being hereafter in this sub-section referred to as race horses), the net result of the computation in respect of the source specified in clause (c) of sub-section (2) is a loss, then, so much of the amount of such loss as does not exceed the amount of loss incurred by the assessee in the activity of owning and maintaining race horses shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year and -

(a) it shall be set off against the income, if any, from the source specified in clause (c) of sub-section (2) assessable for that assessment year :

Provided that the activity of owning and maintaining race horses is carried on by him in the previous year relevant for that assessment year; and

(b) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on; so, however, that no portion of the loss shall be carried forward for more than four assessment years immediately succeeding the assessment year for which the loss was first computed.

Explanation : For the purposes of this sub-section -

(a) "amount of loss incurred by the assessee in the activity of owning and maintaining race horses" means - (i) in a case where the assessee has no income by way of stake money, the amount of expenditure (not being in the nature of capital expenditure) laid out or expended by him wholly and exclusively for the purposes of maintaining the race horses;

(ii) in a case where the assessee has income by way of stake money, the amount by which such income falls short of the amount of expenditure (not being in the nature of capital expenditure) laid out or expended by the assessee wholly and exclusively for the purposes of maintaining race horses;

(b) "horse race" means a horse race upon which wagering or betting may be lawfully made;

(c) "income by way of stake money" means the gross amount of prize money received on a race horse or race horse by the owner thereof on account of the horse or horses or any one or more of the horses winning or being placed second or in any lower position in horse races..

Section 7 - Amendment of Section 80MM

In section 80MM of the Income-tax Act, with effect from the 1st day of April, 1975, -

(a) in sub-section (1), the words and brackets "or a person (other than a company) who is resident in India" shall be omitted;

(b) sub-section (2A) shall be omitted.

Section 8 - Amendment of Section 80N

In section 80N of the Income-tax Act, -

(a) the words and brackets "or a person (other than a company) who is resident in India" shall be omitted with effect from the 1st day of April, 1975;

(b) for the words "is included in the gross total income of the assessee, there shall be allowed a deduction of the whole of such income," the words "included in the gross total income of the assessee is received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, is brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange, there shall be allowed a deduction of the whole of the income so received in, or brought into, India," shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1969;

(c) the following Explanation shall be inserted, and shall be deemed to have been inserted, at the end, with effect from the 1st day of April, 1969, namely :-

Explanation : For the purposes of this section, -

(i) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the law for the time being in force for regulating payments and dealings in foreign exchange;

(ii) any income used by the assessee outside India in the manner permitted by the Reserve Bank of India shall be deemed to have been brought into India in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange, on the date on which such permission is given..

Section 9 - Amendment of Section 80-O

In section 80-O of the Income-tax Act, -

(a) in sub-section (1), -

(i) for the words "there shall be allowed, in accordance with and subject to the provisions of this section, a deduction of the whole of such income", the words "and such income is received in convertible foreign exchange in India, or having been received in convertible, foreign exchange outside India, or having been converted into convertible foreign exchange outside India, is brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange, there shall be allowed, in accordance with and subject to the provisions of this section, a deduction of the whole of the income so received in, or brought into, India" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1972;

(ii) the following Explanation shall be inserted and shall be deemed to have been inserted at the end, with effect from the 1st day of April, 1972, namely :-

"Explanation : The provisions of the Explanation to section 80N shall apply for the purposes of this section as they apply for the purposes of that section.";

(b) in sub-section (1), as so amended, for the brackets, figure and words "(1) Where the gross total income of an assessee, being an India company or a person (other than a company) who is resident in India," the words "Where the gross total income of an assessee, being an Indian company," shall be substituted with effect from the 1st day of April, 1975;

(c) sub-section (2) shall be omitted with effect from the 1st day of April, 1975.

Section 10 - Amendment of Section 139

In section 139 of the Income-tax Act, with effect from the 1st day of April, 1975, -

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

(1A) Notwithstanding anything contained in sub-section (1), no person need furnish under that sub-section a return of his income or the income of any other person in respect of whose total income he is assessable under this Act, if his income or, as the case may be, the income of such other person during the previous year consisted only of income chargeable under the head "Salaries" or of income chargeable under that head and also income of the nature referred to in any one or more of clauses (i) to (ix) of sub-section (1) of section 80L and the following conditions are fulfilled, namely :-

(a) where he or such other person was employed during the previous year by a company, he or such other person was at no time during the previous year a director of the company or a beneficial owner of shares in the company (not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits) carrying not less than twenty per cent. of the voting power;

(b) his salary or the salary of such other person, exclusive of the value of all benefits or amenities not provided for by way of monetary payment, does not exceed eighteen thousand rupees;

(c) the amount of income of the nature referred to in clauses (i) to (ix) of sub-section (1) of section 80L, if any, does not, in the aggregate, exceed three thousand rupees; and

(d) the tax deductible at source under section 192 from the income chargeable under the head "Salaries" has been deducted from that income.

Explanation : For the purposes of this sub-section, "salary" shall have the meaning assigned to it in clause (1) of section 17.;

(b) in sub-section (3), after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted.

Section 11 - Amendment of Section 209

In the Income-tax Act, section 209 shall be re-numbered as sub-section (1) thereof and -

(a) in sub-section (1) as so re-numbered, for the words "The amount of advance tax payable by an assessee in the financial year shall be computed as follows :-", the words, brackets and figures "The amount of advance tax payable by an assessee in the financial year shall, subject to the provisions of sub-sections (2) and (3), be computed as follows :-" shall be substituted;

(b) after sub-section (1) as so re-numbered, the following sub-sections shall be inserted, namely :-

"(2) Where the Finance Act of the relevant year provides that, in the case of any class of assessee, net agricultural income (as defined in that Act) shall be taken into account for the purposes of computing advance tax, then, the net agricultural income to be taken into account in the case of any assessee falling in that class, shall be -

(a) in cases where the Income-tax Officer makes an order under sub-section (1) or sub-section (3) of section 210, -

(i) if the total income of the latest previous year in respect of which the assessee has been assessed by way of regular assessment forms the basis of computation of advance tax payable by him, the net agricultural income which has been taken into account for the purposes of charging income-tax for the assessment year relevant to that previous year; or

(ii) if the total income of the previous year on the basis of which tax has been paid by the assessee under section 140A forms the basis of computation of advance tax, the net agricultural income as returned by the assessee in the return of income for the assessment year relevant to that previous year;

(b) in cases where an estimate is sent by the assessee under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) of section 212, the net agricultural income, as estimated by him, of the period which would be the previous year for the immediately following assessment year.

(3) Where the Finance Act of the relevant year specifies any separate rate or rates for the purposes of computing advance tax in the case of every Hindu undivided family which has at least one member whose total income of the previous year exceeds the maximum amount not chargeable to income-tax in his case, then, the Income-tax Officer shall, for making an order under section 210 in the case of any such Hindu undivided family, compute (subject to the provisions of section 164) the advance tax a

such rate or rates -

(a) in a case where the total income of the latest previous year in respect of which the Hindu undivided family has been assessed by way of regular assessment forms the basis of computation of advance tax, if the total income of any member of the family for the assessment year relevant to such latest previous year exceeds the maximum amount not chargeable to income-tax in his case;

(b) in a case where the total income of the previous year on the basis of which tax has been paid by the Hindu undivided family under section 140A forms the basis of computation of advance tax, if the total income of any member of the family for the assessment year relevant to such previous year exceeds the maximum amount not chargeable to income-tax in his case."

Section 12 - Amendment of fourth schedule

In the Fourth Schedule to the Income-tax Act, in Part A, -

(a) in sub-rule (3) of rule 5, after clause (b), the following clause shall be inserted, namely :-

"(c) the fund may also consist of any amount transferred from the individual account of an employee in any recognised provident fund maintained by his former employer and the interest in respect thereof.";

(b) in rule 8, with effect from the 1st day of April, 1975, -

(i) in clause (ii), the word "or" shall be inserted at the end;

(ii) after clause (ii), the following clause and Explanation shall be inserted, namely :-

(iii) if, on the cessation of his employment, the employee obtains employment with any other employer, to the extent the accumulated balance due and becoming payable to him is transferred to his individual account in any recognised provident fund maintained such other employer.

Explanation : Where the accumulated balance due and becoming payable to an employee participating in a recognised provident fund maintained by his employer includes any amount transferred from his individual account in any other recognised provident fund or funds maintained by his former employer or employers, then, in computing the period of continuous service for the purposes of clause (i) or clause (ii) the period or periods for which such employee rendered continuous service under his former employer or employers aforesaid shall be included."

Section 13 - Consequential amendments to certain sections

(1) The following amendment (being an amendment of a consequential nature) shall be made in the Income-tax Act, namely :-

In section 155, after sub-section (10), the following sub-sections shall be inserted, namely :-

"(11) Where in the assessment for any year, the deduction under section 80N in respect of any income, being the whole or any part of income by way of dividends as is referred to in that section, has not been allowed on the ground that such income has not been received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, has not been brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange and subsequently such income or part thereof is received in, or brought into, India in the manner aforesaid, the Income-tax Officer shall amend the order of assessment so as to allow deduction under section 80N in respect of such income or part thereof as is so received in, or brought into, India and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date on which such income is so received in, or brought into, India.

(12) Where in the assessment for any year, the deduction under section 80-O in respect of any income, being the whole or any part of income by way of royalty, commission, fees or any similar payment as is referred to in that section, has not been allowed on the ground that such income has not been received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, has not been brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange and subsequently such income or part thereof is received in, or brought into, India, in the manner aforesaid, the Income-tax Officer shall amend the order of assessment so as to allow deduction under section 80-O in respect of such income or part thereof, as is so received in, or brought into, India and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date on which such income is so received in, or brought into, India."

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1975, namely :-

(i) in sub-section (2) of section 75, for the words, brackets and figures "or sub-section (1) of section 74", the words, brackets, figures and letter ", sub-section (1) of section 74 or sub-section (3) of section 74A" shall be substituted;

(ii) in clause (b) of sub-section (2) of section 77, after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted;

(iii) in section 80, after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted;

(iv) in sub-section (3) of section 80A, the words, figures and letters "or section 80MM or section 80N or section 80-O" shall be omitted;

(v) in clause (iv) of sub-section (2) of section 141A, after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted;

(vi) in sub-clause (iv) of clause (b) of sub-section (1) of section 143, after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted;

(vii) in sub-section (4) of section 155, after the word and figures "section 74", the words, brackets, figures and letter "or sub-section (3) of section 74A" shall be inserted;

(viii) in section 157, for the words, brackets and figures "or sub-section (1) section 74", at both the places where they occur, the words, brackets, figures and letter ", sub-section (1) of section 74 or sub-section (3) of section 74A" shall be substituted.

Section 14 - Amendment of Act 27 of 1957

In the Wealth-tax Act, 1957, with effect from the 1st day of April, 1975, -

(1) in clause (e) of section 2, -

(a) in item (ii) of sub-clause (2), for the words "any annuity", the words and brackets "any annuity (not being an annuity purchased by the assessee or purchased by any other person in pursuance of a contract with the assessee)" shall be substituted;

(b) in the proviso, for the words, brackets and figures "items (i) to (iii)", the word, brackets and figures "item (i)" and for the words, brackets and figures "items (i) to (v)", the words, brackets and figures "items (i) to (iii)" shall be substituted;

(2) in section 5, -

(a) in sub-section (1), -

(i) for clause (iva), the following clause shall be substituted, namely :-

"(iva) agricultural land belonging to the assessee;"

(ii) in clause (ivb), in the proviso, for the words "as dwelling house, store house or outhouse", the words "as store house or for keeping livestock" shall be substituted;

(iii) in clause (vi), the following proviso shall be inserted at the end, namely :-

"Provided that in the case of a policy of insurance the premium or other payment whereon is payable during a period of less than ten years, the amount that shall not be included in the net wealth of the assessee under this clause shall be a sum that bears to the value of the right or interest of the assessee in the policy the same proportion as the number of years during which the premium or other payment on the policy is payable bears to ten;"

(b) in sub-section (1A), for the word, brackets and figures "clauses (xv)", the word, brackets, figures and letter "clauses (iva), (xv)," shall be substituted;

(3) in the Schedule, in Paragraph A of Part I, for items (1) and (1A), the following items shall be substituted, namely :-

"(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (1A) of this Paragraph applies -

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(a) where the net wealth does not exceed Rs. 5,00,000	1 per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 5,000 plus 3 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(c) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000	Rs. 20,000 plus 4 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000;
(d) where the net wealth exceeds Rs. 15,00,000	Rs. 40,000 plus 8 per cent. of amount by which the net wealth exceeds Rs. 15,00,000 :

Provided that for the purposes of this item, -

(i) no wealth-tax shall be payable where the net wealth does not exceed the following limit, namely :-

(A) Rs. 1,00,000, in the case of an individual;

(B) Rs. 2,00,000, in the case of a Hindu undivided family;

(ii) the wealth-tax payable shall, in no case, exceed 10 per cent. of the amount by which the net wealth exceeds the limit specified in sub-clause (A) or, as the case may be, sub-clause (B) of clause (i) of this proviso.

(1A) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 1,00,000 -

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(a) where the net wealth does not exceed Rs. 5,00,000	3 per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 15,000 plus 4 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(c) where the net wealth exceeds Rs. 10,00,000	Rs. 35,000 plus 8 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 :

Provided that for the purposes of this item, -

- (i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 2,00,000;
- (ii) the wealth-tax payable shall, in no case, exceed 10 per cent. of the amount by which the net wealth exceeds Rs. 2,00,000."

Section 15 - Amendment of Act 7 of 1964

In the Companies (Profits) Surtax Act, 1964, in the Third Schedule, with effect from the 1st day of April, 1975, -

- (a) for the figures and words "30 per cent.", the figures and words "40 per cent." shall be substituted;
- (b) the following proviso shall be inserted at the end, namely :-

"Provided that where in the case of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India

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- (i) which is such a company as is referred to in section 108 of the Income-tax Act, and
- (ii) whose paid-up share capital (subscribed and paid for in cash) as on the last day of the previous year, is not less than twenty-five per cent. of the amount of the capital as computed under the Second Schedule to this Act,

the aggregate of -

- (a) the amount of income-tax payable by the company in respect of its total income of the previous year under the provisions of the Income-tax Act after making allowance for any

relief, rebate or deduction in respect of income-tax to which the company is entitled under the provisions of the said Act or the annual Finance Act; and

(b) the amount of surtax computed in accordance with the foregoing provisions of this Schedule,

exceeds the amount calculated at seventy per cent. of the total income of the company, the amount of such excess shall be deducted from the amount of surtax referred to in clause (b) above and the balance shall be the amount of the surtax payable by the company.".

Section 16 - Continuance of development rebate in certain cases

The notification of the Government of India in the Ministry of Finance (Department of Revenue and Insurance) No. S.O. 2167, dated the 28th day of May, 1971, issued under sub-section (5) of section 33 of the Income-tax Act shall not apply in respect of -

(a) any ship acquired after the 31st day of May, 1974, but before the 1st day of June, 1975, by any assessee, if the assessee furnishes evidence to the satisfaction of the Income-tax Officer that he had, before the 1st day of December, 1973, entered into a contract for the purchase of such ship with the builder or owner thereof;

(b) any machinery or plant, being coal-fired equipment, or any machinery or plant for converting oil-fired equipment into coal-fired equipment, installed by any assessee after the 31st day of May, 1974, but before the 1st day of June, 1977.

Explanation : In this clause, "equipment" means a boiler, furnace, kiln, oven or the like;

(c) any machinery or plant [not being machinery or plant referred to in clause (b)] installed by any assessee after the 31st day of May, 1974, but before the 1st day of June, 1975, if the assessee furnishes evidence to the satisfaction of the Income-tax Officer that before the 1st day of December, 1973, he had purchased such machinery or plant or had entered into a contract for the purchase of such machinery or plant with the manufacturer or owner of, or a dealer in, such machinery or plant, or had, where such machinery or plant has been manufactured in an undertaking owned by the assessee, taken steps for the manufacture of such machinery or plant,

and accordingly the provisions of the Income-tax Act shall have effect in relation to such ship, machinery or plant, subject to the conditions specified in clauses (a), (b) and (c).

Section 17 - Amendment of Sections 80N and 80-O of the Income-Tax act as They Stood During Certain Periods

The provisions of section 80N of the Income-tax Act, as they stood immediately before the 1st day of April, 1969, and the provisions of section 80-O of that Act, as they stood from time to time before the 1st day of April, 1972, shall have and shall be deemed to have had effect subject to the modification

that the deduction under the said provisions shall be allowed only with reference to the income referred to therein which is received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange out-side India, is brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange.

Explanation : For the purposes of this section, -

(i) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the law for the time being in force for regulating payments and dealings in foreign exchange;

(ii) any income used by the assessee outside India in the manner permitted by the Reserve Bank of India shall be deemed to have been brought into India in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange, on the date on which such permission is given.