Finance Act, 2000

Chapter III - Direct Taxes

In section 2 of the Income-tax Act,-

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

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

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

Section 4 - Amendment of section 9

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

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

Section 5 - Amendment of section 10

In section 10 of the Income-tax Act,-

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

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

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

(b) in clause (15),-

(i) in sub-clause (iv),-

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

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

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

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

"(vii) interest on bonds-

(a) issued by a local authority; and

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

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

"(a) applies the amount received by way of donations referred to in clause (c) of sub-section (2) of section 80G for purposes of development of infrastructure for games or sports in India or for sponsoring games and sports in India."

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

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

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

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

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

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

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

Explanation.-For the purposes of this clause,-

(a) "venture capital company" means such company-

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

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

Gazette, in this behalf;

(b) "venture capital fund" means such fund-

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

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

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

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

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

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

(g) in clause (23G), in Explanation 1,-

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

"in the business of-

(i) developing; or

(ii) maintaining and operating; or

(iii) developing, maintaining and operating,

any infrastructure facility;";

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

"in the business of-

(i) developing; or

(ii) maintaining and operating; or

(iii) developing, maintaining and operating,

any infrastructure facility;";

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

Section 6 - Substitution of new section for section 10A

For section 10A of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2001, namely :-

"10A. Special provision in respect of newly established undertakings in free trade zone, etc.-(1) Subject to the provisions of this section, a deduction of such profits and gains as are derived by an undertaking from the export of articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or computer software, as the case may be, shall be allowed from the total income of the assessee :

Provided that where in computing the total income of the undertaking for any assessment year, its profits and gains had not been included by application of the provisions of this section as it stood immediately before its substitution by the Finance Act, 2000, the undertaking shall be entitled to deduction referred to in this sub- section only for the unexpired period of the aforesaid ten consecutive assessment years :

Provided further that where an undertaking initially located in any free trade zone or export processing zone is subsequently located in a special economic zone by reason of conversion of such free trade zone or export processing zone into a special economic zone, the period of ten consecutive assessment years referred to in this sub-section shall be reckoned from the assessment year relevant to the previous year in which the undertaking was first set up in such free trade zone or export processing zone :

Provided also that the profits and gains derived from such domestic sales of articles or things or computer software as do not exceed twenty-five per cent of total sales shall be deemed to be the profits and gains derived from the export of articles or things or computer software :

Provided also that no deduction under this section shall be allowed to any undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years.

(2) This section applies to any undertaking which fulfils all the following conditions, namely :-

(i) it has begun or begins to manufacture or produce articles or things or computer software during the previous year relevant to the assessment year-

(a) commencing on or after the 1st day of April, 1981, in any free trade zone; or

(b) commencing on or after the 1st day of April, 1994, in any electronic hardware technology park or, as the case may be, software technology park;

(c) commencing on or after the 1st day of April, 2001 in any special economic zone;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence :

Provided that this condition shall not apply in respect of any undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

Explanation.-The provisions of Explanation 1 and Explanation 2 to sub- section (2) of section 80-I shall apply for the purposes of clause (iii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(3) This section applies to the undertaking, if the sale proceeds to articles or things or computer software exported out of India are received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.

Explanation 1.-For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.

Explanation 2.-The sale proceeds referred to in this sub-section shall be deemed to have been received in India where such sale proceeds are credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.

(4) For the purposes of sub-section (1), the profits derived from export of articles or things or computer software shall be the amount which bears to the profits of the business, the same proportion as the export turnover in respect of such articles or things or computer software bears into the total turnover of the business carried on by the assessee.

(5) the deduction under sub-section (1) shall not be admissible for any assessment year beginning on or after the 1st day of April, 2001, unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

(6) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee of the previous year relevant to the assessment year immediately succeeding the last of the relevant assessment years, or of any previous year, relevant to any subsequent assessment year,-

(i) section 32, section 32A, section 33, section 35 and clause (ix) of sub-section (1) of section 36 shall apply as if every allowance or deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the undertaking in the previous year relevant to such assessment year or any expenditure incurred for the purposes of such business in such previous year had been given full effect to for that assessment year itself and accordingly sub-section (2) of section 32, clause (ii) of sub-section (3) of section 32A, clause (ii) of sub-section (2) of section 33, sub-section (4) of section 35 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such allowance or deduction;

(ii) no loss referred to in sub-section (1) of section 72 or sub- section (1) or sub-section (3) or section 74 insofar as such loss relates to the business of the undertaking, shall be carried forward or set off where such loss relates to any of the relevant assessment years;

(iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I or section 80-IA or section 80-IB in relation to the profits and gains of the undertaking; and

(iv) in computing the depreciation allowance under section 32, the written down value of any asset used for the purpose of the business of the undertaking shall be computed as if the assessee had claimed and been actually allowed the deduction in respect of depreciation for each of the relevant assessment year.

(7) The provisions of sub-section (8) and sub-section (10) of section 80-IA shall, so far as may be, apply in relation to the undertaking referred to in this section as they apply for the purposes of the

undertaking referred to in section 80-IA.

(8) Notwithstanding anything contained in the foregoing provisions of this section, where the assessee, before the due date for furnishing the return of income under sub-section (1) of section 139, furnishes to the Assessing Officer a declaration in writing that the provisions of this section may not be made applicable to him, the provisions of this section shall not apply to him for any of the relevant assessment years.

(9) Where during any previous year, the ownership or the beneficial interest in the undertaking is transferred by any means, the deduction under sub-section (1) shall not be allowed to the assessee for the assessment year relevant to such previous year and the subsequent years.

Explanation 1.-For the purposes of this section, in the case of a company, where on the last day of any previous year, the shares of the company carrying not less than fifty-one per cent of the voting power are not beneficially held by persons who held the shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year in which the undertaking was set up, the company shall be presumed to have transferred its ownership or the beneficial interest in the undertaking.

Explanation 2.-For the purposes of this section,-

(i) "computer software" means,-

(a) any computer programme recorded on any disc, tape, perforated media or other information storage device; or

(b) any customized electronic data or any product or service of similar nature, as may be notified by the Board, which is transmitted or exported from India to any place outside India by any means;

(ii) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserved Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made there under or any other corresponding law for the time being in force;

(iii) "electronic hardware technology park" means any park set up in accordance with the Electronic Hardware Technology Park (EHTP) Scheme notified by the Government of India in the Ministry of Commerce and Industry;

(iv) "export turnover" means the consideration in respect of export of articles or things or computer software received in, or brought into India by the assessee in convertible foreign exchange in accordance with sub-section (3), but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things or computer software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India;

(v) "free trade zone" means the Kandla Free Trade Zone and the Santacruz Electronics Export Processing Zone and includes any other free trade zone, which the Central Government may, by notification in the Official Gazette, specify for the purposes of this section;

(vi) "relevant assessment year" means any assessment year falling within a period of ten consecutive assessment years referred to in this section;

(vii) "software technology park" means any park set up in accordance with the Software Technology Park Scheme notified by the Government of India in the Ministry of

Commerce and Industry;

(viii) "special economic zone" means a zone which the Central Government may, by notification in the Official Gazette, specify as a special economic zone for the purposes of this section.".

Section 7 - Substitution of new section for section 10B

For section 10B of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2001, namely :-

"10B. Special provisions in respect of newly established hundred per cent export-oriented undertakings.-(1) Subject to the provisions of this section, a deduction of such profits and gains as are derived by a hundred per cent export-oriented undertaking from the export for articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or computer software, as the case may be, shall be allowed from the total income of the assessee :

Provided that where in computing the total income of the undertaking for any assessment year, its profits and gains had not been included by application of the provisions of this section as it stood immediately before its substitution by the Finance Act, 2000, the undertaking shall be entitled to the deduction referred to in this sub-section only for the unexpired period of aforesaid ten consecutive assessment years :

Provided further that the profits and gains derived from such domestic sales of articles or things or computer software as do not exceed twenty-five per cent of total sales shall be deemed to be the profits and gains derived from the export of articles or things or computer software :

Provided also that no deduction under this section shall be allowed to any undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years.

(2) This section applies to any undertaking which fulfils all the following conditions, namely :-

(i) it manufactures or produces any articles or things or computer software;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence :

Provided that this condition shall not apply in respect of any undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

Explanation.-The provisions of Explanation 1 and Explanation 2 of sub- section (2) of section 80-I shall apply for the purposes of clause (iii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(3) This section applies to the undertaking, if the sale proceeds of articles or things or computer software exported out of India are received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such

further period as the competent authority may allow in this behalf.

Explanation 1.-For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.

Explanation 2.-The sale proceeds referred to in this sub-section shall be deemed to have been received in India where such sale proceeds are credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.

(4) For the purposes of sub-section (1), the profits derived from export of articles or things or computer software shall be the amount which bears to the profits of the business, the same proportion as the export turnover in respect of such articles or things or computer software bears to the total turnover of the business carried on by the assessee.

(5) The deduction under sub-section (1) shall not be admissible for any assessment year beginning on or after the 1st day of April, 2001, unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

(6) Notwithstanding anything contained in any other provisions of this Act, in computing the total income of the assessee of the previous year relevant to the assessment year immediately succeeding the last of the relevant assessment years, or of any previous year, relevant to any subsequent assessment year,-

(i) section 32, section 32A, section 33, section 35 and clause (ix) of sub-section (1) of section 36 shall apply as if every allowance or deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the undertaking in the previous year relevant to such assessment year or any expenditure incurred for the purposes of such business in such previous year had been given full effect to for that assessment year itself and accordingly sub-section (2) of section 32, clause (ii) of sub-section (3) of section 32A, clause (ii) of sub-section (2) of section 33, sub-section (4) of section 35 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such allowances or deduction;

(ii) no loss referred to in sub-section (1) of section 72 or sub- section (1) or sub-section (3) of section 74, insofar as such loss relates to the business of the undertaking, shall be carried forward or setoff where such loss relates to any of the relevant assessment years;

(iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I or section 80-IA or section 80-IB in relation to the profits and gains of the undertaking; and

(iv) in computing the depreciation allowance under section 32, the written down value of any asset used for the purposes of the business of the undertaking shall be computed as if the assessee had claimed and been actually allowed the deduction in respect of depreciation for each of the relevant assessment year.

(7) The provisions of sub-section (8) and sub-section (10) of section 80-IA shall, so far as may be, apply in relation to the undertaking referred to in this section as they apply for the purposes of the undertaking referred to in section 80-IA.

(8) Notwithstanding anything contained in the foregoing provisions of this section, where the assessee, before the due date for furnishing the return of income under sub-section (1) of section 139, furnishes to the Assessing Officer a declaration in writing that the provisions of this section may not be made applicable to him, the provisions of this section shall not apply to him for any of the relevant assessment years.

(9) Where during any previous year, the ownership or the beneficial interest in the undertaking is transferred by any means, the deduction under sub-section (1) shall not be allowed to the assessee for the assessment year relevant to such previous year and the subsequent years.

Explanation 1.-For the purposes of this section, in the case of a company, where on the last day of any previous year, the shares of the company carrying not less than fifty-one per cent of the voting power are not beneficially held by persons who held the shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year in which the undertaking was set up, the company shall be presumed to have transferred its ownership or the beneficial interest in the undertaking.

Explanation 2.-For the purposes of this section,-

(i) "computer software" means-

(a) any computer programme recorded on any disc, tape, perforated media or other information storage device; or

(b) any customized electronic data or any product or service of similar nature as may be notified by the Board,

which is transmitted or exported from India to any place outside India by any means;

(ii) "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 Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made there under or any other corresponding law for the time being in force;

(iii) "export turnover" means the consideration in respect of export of articles or things or computer software received in, or brought into, India by the assessee in convertible foreign exchange in accordance with sub-section (3), but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things or computer software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India;

(iv) "hundred per cent export-oriented undertaking" means an undertaking which has been approved as a hundred per cent export oriented undertaking by the Board appointed in this behalf by the Central Government in exercise of the powers conferred by section 14 of the Industries (Development and Regulation) Act, 1951 (65 of 1951), and the rules made under that Act;

(v) "relevant assessment years" means any assessment year falling within a period of ten consecutive assessment years, referred to in this section.".

Section 8 - Amendment of section 11

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

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

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

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

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

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

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

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

Explanation : For the purposes of this clause,-

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

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

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

Section 9 - Amendment of section 12

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

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

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

Section 10 - Amendment of section 13

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

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

Section 11 - Amendment of section 17

In section 17 of the Income-tax Act, in clause (2), with effect from the 1st day of April, 2001,-

(a) in sub-clause (iii) but before the Explanation, the following proviso shall be inserted, namely :-

"Provided that nothing contained in this sub-clause shall apply to the value of any benefit provided by a company free of cost or at concessional rate to its employees by way of allotment of shares, debentures or warrants directly or indirectly under the Employees' Stock Option Plan or Scheme of the said company.";

(b) sub-clause (iiia) shall be omitted.

Section 12 - Amendment of section 24

In section 24 of the Income-tax Act, in sub-section (2), in the second proviso, with effect from the 1st day of April, 2001,-

(i) for the figures, letters and words "1st day of April, 2001", the figures, letters and words "1st day of April, 2003" shall be substituted;

(ii) for the words "seventy-five thousand rupees", the words "one lakh rupees" shall be substituted.

Section 13 - Insertion of new section 25B

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

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

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

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

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

Section 14 - Amendment of section 32

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

(a) the first proviso shall be omitted;

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

Section 15 - Amendment of section 33AC

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

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

Section 16 - Amendment of section 35

In section 35 of the Income-tax Act, in sub-section (2AB), in clause (1), for the words "a sum equal to one and one-fourth times of the expenditure", the words "a sum equal to one and one-half times of the expenditure" shall be substituted with effect from the 1st day of April, 2001.

Section 17 - Amendment of section 35D

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

Section 18 - Amendment of section 36

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

Section 19 - Amendment of section 43

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

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

(b) in Explanation 2B,-

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

(ii) the proviso shall be omitted.

Section 20 - Amendment of section 43B

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

Section 21 - Amendment of section 47

In section 47 of the Income-tax Act,-

(a) after clause (iii), the following proviso shall be inserted with effect from the 1st day of April, 2001, namely :-

"Provided that this clause shall not apply to transfer under a gift or an irrevocable trust of a capital asset being shares, debentures or warrants allotted by a company directly or indirectly to its employees under the Employees' Stock Option Plan or Scheme.";

(b) in clause (vic), in sub-clause (a), for the words "at least seventy-five per cent of the shareholders", the words "the shareholders holding not less than three-fourths in value of the shares" shall be substituted.

Section 22 - Amendment of section 48

In section 48 of the Income-tax Act,-

(i) after the third proviso but before the Explanation, the following shall be inserted with effect from the 1st day of April, 2001, namely :-

"Provided also that where shares, debentures or warrants referred to in the proviso to clause (iii) of section 47 are transferred under a gift or an irrevocable trust, the market value on the date of such transfer shall be deemed to be the full value of consideration received or accruing as a result of transfer for the purposes of this section.";

(ii) in the Explanation, for clause (v), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1993, namely :-

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

Section 23 - Amendment of section 49

In section 49 of the Income-tax Act, sub- section (2B) shall be omitted with effect from the 1st day of April, 2001.

Section 24 - Amendment of section 50B

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

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

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

Explanation 2 : For computing the net worth, the aggregate value of total assets shall be,-

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

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

Section 25 - Amendment of section 54EA

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

Section 26 - Amendment of section 54EB

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

Section 27 - Insertion of new section 54EC

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

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

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

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

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

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

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

Explanation : For the purposes of this section,-

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

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

Section 28 - Amendment of section 54F

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

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

(a) the assessee,-

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

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

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

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

Section 29 - Amendment of section 72A

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

Section 30 - Amendment of section 80E

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

Section 31 - Amendment of section 80G

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

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

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

"(c) any sums paid by the assessee, being a company, in the previous year as donations to the Indian Olympic Association or to any other association or institution as notified by the Central Government under clause (23) of section 10 for-

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

(ii) the sponsorship of sports and games,

in India.";

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

Section 32 - Amendment of section 80HHB

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

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

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

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

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

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

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

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

(b) in sub-section (3),-

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

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

Section 33 - Amendment of section 80HHBA

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

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

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

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

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

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

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

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

(b) in sub-section (2),-

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

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

Section 34 - Amendment of section 80HHC

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

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

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

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

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

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

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

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

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

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

Section 35 - Amendment of section 80HHD

In section 80HHD of the Income-tax Act, in sub-section (1), for the portion beginning with the words "in computing the total income of the assessee, a deduction of a sum equal to the aggregate of-" and ending with the words, brackets and figure "manner laid down in sub-section (4)", the following shall be substituted with effect from the 1st day of April, 2001, namely:-

"in computing the total income of the assessee-

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 36 - Amendment of section 80HHE

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

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

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

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

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

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

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

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

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

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

(d) in the Explanation below sub-section (5), for item (b), the following shall be substituted,-

"(b) 'computer software' means,-

(i) any computer programme recorded on any disc, tape, perforated media or other information storage device; or

(ii) any customised electronic data or any product or service of similar nature as may be notified by the Board,

which is transmitted or exported from India to a place outside India by any means;"

Section 37 - Amendment of section 80HHF

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

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

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

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

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

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

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

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

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

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

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

Section 38 - Amendment of section 80-IA

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

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

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

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

Section 39 - Amendment of section 80-IB

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

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

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

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

(d) after sub-section (8), the following sub-section shall be inserted, namely :-

"(8A) The amount of deduction in the case of any company carrying on scientific research and development shall be hundred per cent of the profits and gains of such business for a period of ten consecutive assessment years, beginning from the initial assessment year, if such company-

(i) is registered in India;

(ii) has its main object the scientific and industrial research and development;

(iii) is for the time being approved by the prescribed authority at any time after the 31st day of March, 2000 but before the 1st day of April, 2003;

(iv) fulfils such other conditions as may be prescribed;"

(e) in sub-section (10),-

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

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

Section 40 - Amendment of section 80L

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

(a) in clause (vii),-

(i) after the words "industrial development in India:", the words, brackets and figures "and which is eligible for deduction under clause (viii) of sub-section (1) of section 36;" shall be inserted;

(ii) the proviso shall be omitted;

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

Section 41 - Amendment of section 80-O

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

"a deduction of an amount equal to-

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

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

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

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

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

Section 42 - Amendment of section 80R

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

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

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

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

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

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

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

Section 43 - Amendment of section 80RR

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

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

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

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

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

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

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

Section 44 - Amendment of section 80RRA

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

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

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

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

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

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

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

Section 45 - Amendment of section 87

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

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

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

Section 46 - Amendment of section 88

In section 88 of the Income-tax Act,-

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

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

(c) in sub-section (6), in clause (ii), for the words "fourteen thousand rupees", the words "sixteen thousand rupees" shall be substituted with effect from the 1st day of April, 2001.

Section 47 - Amendment of section 88B

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

Section 48 - Insertion of new section 88C

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

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

(a) being a woman resident in India; and

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

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

Section 49 - Amendment of section 112

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

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

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

'Explanation : For the purposes of this sub-section,-

(a) "listed securities" means the securities-

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

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

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

Section 50 - Amendment of section 115JA

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

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

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

Section 51 - Amendment of section 115JAA

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

Section 52 - Insertion of new section 115JB

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

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

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

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

(i) the accounting policies;

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

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

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

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

(i) the accounting policies;

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

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

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

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

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

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

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

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

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

(f) the amount or amounts of expenditure relatable to any income to which section 10 or section 10A or section 10B or section 11 or section 12 apply,

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

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

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

(ii) the amount of income to which any of the provisions of section 10 or section 10A or section 10B or section 11 or section 12 apply, if any such amount is credited to the profit and loss account; or

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

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

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

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

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

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

Explanation : For the purposes of this clause, "net worth" shall have the meaning assigned to it in clause (ga) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

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

section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A.

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

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

Section 53 - Amendment of section 115-O

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

Section 54 - Amendment of section 115P

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

Section 55 - Amendment of section 115R

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

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

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

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

Section 56 - Amendment of section 115S

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

Section 57 - Insertion of new Chapter XII-F

After Chapter XII-E of the Income- tax Act, the following Chapter shall be inserted with effect from the 1st day of April, 2001, namely:-

CHAPTER XII-F

Special Provisions Relating To Tax On Income Received From Venture Capital Companies And Venture Capital Funds

115U. Tax on income in certain cases.-(1) Notwithstanding anything contained in any other provisions of this Act, any income received by a person out of investments made in a venture capital company or venture capital fund shall be chargeable to income-tax in the same manner as if it were the income received by such person had he made investments directly in the venture capital undertaking.

(2) The person responsible for making payment of the income on behalf of a venture capital company or a venture fund and the venture capital company or venture capital fund shall furnish, within such time as may be prescribed, to the person receiving such income and to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving details of the nature of the income paid during the previous year and such other relevant details as may be prescribed.

(3) The income paid by the venture capital company and the venture capital fund shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving such income as it had been received by, or had accrued to, the venture capital company or the venture capital fund, as the case may be, during the previous year.

(4) The provisions of Chapter XII-D or Chapter XII-E or Chapter XVII-B shall not apply to the income paid by a venture capital company or venture capital fund under this Chapter.

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

Section 58 - Amendment of section 139A

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

"(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, by notification in the Official Gazette, specify, any class or classes of persons by whom tax is payable under this Act or any tax or duty is payable under any other law for the time being in force including importers and exporters whether any tax is payable by them or not 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."

Section 59 - Amendment of section 158BFA

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

Section 60 - Amendment of section 194A

In section 194A of the Income-tax Act, in sub-section (3), in clause (i),-

(a) for the words "two thousand five hundred rupees", the words "five thousand rupees" shall be substituted with effect from the 1st day of June, 2000;

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

Section 61 - Amendment of section 194L

In section 194L of the Income-tax Act, after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 2000, namely :-

"Provided further that no deduction shall be made under this section from any payment made on or after the 1st day of June, 2000."

Section 62 - Amendment of section 220

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

Section 63 - Amendment of section 245N

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

'(a) "advance ruling" means-

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

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

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

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

(b) "applicant" means any person who-

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

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

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

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

Section 64 - Amendment of section 245R

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

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

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

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

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

Section 65 - Amendment of section 246

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

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

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

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

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

Section 66 - Amendment of section 246A

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

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

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

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

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

Section 67 - Amendment of section 249

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

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

Section 68 - Amendment of section 254

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

Section 69 - Amendment of section 267

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

Section 70 - Amendment of section 275

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

Section 71 - Amendment of section 285B

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

Section 72 - Amendment of section 23

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

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

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

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

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

Section 73 - Amendment of section 24

In section 24 of the Wealth-tax Act, in sub-section (5A), after the words, brackets and figure "under sub- section (1)", the words, brackets and figure "or sub-section (2)" shall be inserted with effect from the 1st day of June, 2000.

Section 74 - Amendment of section 31

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

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

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

Section 75 - Amendment of section 34A

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

Section 76 - Amendment of section 35

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

Section 77 - Amendment of section 4 of Act 45 of 1974

Interest-tax

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

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