

Finance Act, 2000

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).'

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