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Finance Act 2005

Chapter 3 - Direct Taxes

Section 3 - Amendment of section 2

In section 2 of the Income-tax Act, with effect from the 1st day of April, 2006,-

(a) in clause (7), in sub-clause (a), for the words "assessment of his income", the words "assessment of his income or assessment of fringe benefits" shall be substituted;

(b) after clause (23A), the following clause shall be inserted, namely:-

'(23B) "fringe benefits" means any fringe benefits referred to in section 115WB;';

(c) in clause (42A), in the proviso, after the words, brackets, figures and letter "clause (23D) of section 10", the words "or a zero coupon bond" shall be inserted;

(d) in clause (43), after the words "the aforesaid date", the words, figures and letters "and in relation to the assessment year commencing on the 1st day of April, 2006, and any subsequent assessment year includes the fringe benefit tax payable under section 115WA" shall be inserted;

(e) in clause (47), after sub-clause (iv), the following sub-clause shall be inserted, namely:-

"(iva) the maturity or redemption of a zero coupon bond; or";

(f) after clause (47) and the Explanation relating thereto, the following shall be inserted, namely:-

'(48) "zero coupon bond" means a bond-

(a) issued by any infrastructure capital company or infrastructure capital fund or public sector company on or after the 1st day of June, 2005;

(b) in respect of which no payment and benefit is received or receivable before maturity or redemption from infrastructure capital company or infrastructure capital fund or public sector company; and

(c) which the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.--For the purposes of this clause, the expressions "infrastructure capital company" and "infrastructure capital fund" shall have the same meanings respectively assigned to them in clauses (a) and (b) of Explanation 1 to clause (23G) of section 10.

Section 4 - Amendment of section 10

In section 10 of the Income tax Act, with effect from the 1st day of April, 2006,-

(a) in clause (4), in sub-clause (ii), the second proviso shall be omitted;

(b) in clause (6BB), for the words, figures and letters "entered into after the 31st day of March, 2005", the words, figures and letters "entered into after the 30th day of September, 2005" shall be substituted;

(c) in clause (10D), in sub-clause (c), in the second proviso, for the words, brackets, figures and letter "Explanation to sub-section (2A) of section 88", the words, brackets, figures and letters "Explanation to sub-section (3) of section 80C or the Explanation to sub-section (2A) of section 88, as the case may be" shall be substituted;

(d) in clause (15), in sub-clause (iv), in item (fa), the words, figures and letters "before the 1st day of April, 2005" shall be omitted;

(e) in clause (15-4), in the proviso, for the words, figures and letters "the 1st day of April, 2005", the words, figures and letters "the 1st day of October, 2005" shall be substituted.

Section 5 - Amendment of section 10A

In section 10A of the Income-tax Act, in sub-section (14), after clause (ii), the following proviso shall be inserted with effect from the 1st day of April, 2006, namely:-

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

Section 6 - Amendment of section 16

In section 16 of the Income-tax Act, clause (i) shall be omitted with effect from the 1st day of April, 2006.

Section 7 - Amendment of section 17

In section 17 of the Income-tax Act, in clause (2), for sub-clause (vi), the following sub-clause shall be substituted, with effect from the 1st day of April, 2006, namely:-

"(vi) the value of any other fringe benefit or amenity (excluding the fringe benefits chargeable to tax under Chapter XII-H) as may be prescribed:".

Section 8 - Amendment of section 32

In section 32 of the Income-tax Act, in sub-section (1),--

(a) for clause (iia), the following clause shall be substituted with effect from the 1st day of April, 2006, namely:--

'(iia) in the case of any new machinery or plant (other than ships and aircraft), which has been acquired and installed after the 31st day of March, 2005, by an assessee engaged in the business of manufacture or production of any article or thing, a further sum equal to twenty per cent. of the actual cost of such machinery or plant shall be allowed as deduction under clause (ii):

Provided that no deduction shall be allowed in respect of-

(A) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; or

(B) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house; or

(C) any office appliances or road transport vehicles; or

(D) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under

the head "Profits and gains of business or profession" of any one previous year;';

(b) in clause (iii), in the Explanation, in clause (2), for the words "an Indian company", the words, brackets, letter and figures "an Indian company or in a scheme of amalgamation of a banking company, as referred to in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949) with a banking institution as referred to in sub-section (15) of section 45 of the said Act, sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of that Act, of any asset by the banking company to the banking institution" shall be substituted.

Section 9 - Amendment of section 33AC

In section 33AC of the Income-tax Act, in sub-section (4), for the words "such sale proceeds", the words, brackets, letter and figure "so much of such sale proceeds which represent the amount credited to the reserve account and utilised for the purposes mentioned in clause (c) of sub-section (3)" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004.

Section 10 - Amendment of section 35

In section 35 of the Income-tax Act, in sub-section (2AB), in clause (5), for the figures, letters and words "31st day of March, 2005", the figures, letters and words "31st day of March, 2007" shall be substituted with effect from the 1st day of April, 2006.

Section 11 - Amendment of section 35DDA

In section 35DDA of the Income-tax Act, in sub-section (1), for the words "at the time of his voluntary retirement", the words "in connection with his voluntary retirement" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004.

Section 12 - Amendment of section 36

In section 36 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2006,--

(a) after clause (iii), the following shall be inserted, namely:--

'(iiia) the pro rata amount of discount on a zero coupon bond having regard to the period of life of such bond calculated in the manner as may be prescribed.

Explanation.--For the purposes of this clause, the expressions--

(i) "discount" means the difference between the amount received or receivable by the infrastructure capital company or infrastructure capital fund or public sector company issuing the bond and the amount payable by such company or fund or public sector company on maturity or redemption of such bond;

(ii) "period of life of the bond" means the period commencing from the date of issue of the bond and ending on the date of the maturity or redemption of such bond;

(iii) "infrastructure capital company" and "infrastructure capital fund" shall have the same meanings respectively assigned to them in clauses (a) and (b) of Explanation 1 to clause (23G) of section 10;';

(b) after clause (xii), the following shall be inserted, namely:--

'(xiii) any amount of banking cash transaction tax paid by the assessee during the previous year on the taxable banking transactions entered into by him.

Explanation.-For the purposes of this clause, the expressions "banking cash transaction tax" and "taxable banking transaction" shall have the same meanings respectively assigned to them under Chapter VII of the Finance Act, 2005.'.

Section 13 - Amendment of section 40

In section 40 of the Income-tax Act, in clause (a), after sub-clause (ib), the following sub-clause shall be inserted with effect from the 1st day of April, 2006, namely:--

"(ic) any sum paid on account of fringe benefit tax under Chapter XII-H;".

Section 14 - Amendment of section 43

In section 43 of the Income-tax Act, in clause (5), with effect from the 1st day of April, 2006,--

(A) in the proviso,-

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

(ii) after clause (c), as so amended, the following clause shall be inserted, namely:-

"(d) an eligible transaction in respect of trading in derivatives referred to in clause (aa) of section 2 of the Securities Contracts (Regulation) Act, 1956(42 of 1956) carried out in a recognised stock exchange;";

(B) after the proviso, the following Explanation shall be inserted, namely:-

'Explanation.-For the purposes of this clause, the expressions--

(i) "eligible transaction" means any transaction,-

(A) carried out electronically on screen-based systems through a stock broker or sub-broker or such other intermediary registered under section 12 of the Securities and Exchange Board of India Act, 1992(15 of 1992) in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956(42 of 1956) or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996(22 of 1996) and the rules, regulations or bye-laws made or directions issued under those Acts or by banks or mutual funds on a recognised stock exchange; and

(B) which is supported by a time stamped contract note issued by such stock broker or sub-broker or such other intermediary to every client indicating in the contract note the unique client identity number allotted under any Act referred to in sub-clause (A) and permanent account number allotted under this Act;

(ii) "recognised stock exchange" means a recognised stock exchange as referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956(42 of 1956) and which fulfils such conditions as may be prescribed and notified by the Central Government for this purpose.'.

Section 15 - Amendment of section 47

In section 47 of the Income-tax Act, after clause (via), the following clause shall be inserted, namely:-

'(viaa) any transfer, in a scheme of amalgamation of a banking company with a banking institution sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949(10 of 1949), of a capital asset by the banking company to the banking institution.

Explanation.-- For the purposes of this clause,--

(i) "banking company" shall have the same meaning assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949);

(ii) "banking institution" shall have the same meaning assigned to it in sub-section (15) of section 45 of the Banking Regulation Act, 1949(10 of 1949);'.

Section 16 - Amendment of section 49

In section 49 of the Income-tax Act, in sub-section (1), in clause (iii), in sub-clause (e), after the words, brackets, figures and letter "or clause (via)", the words, brackets, figures and letters "or clause (via) or clause (viaa)" shall be inserted.

Section 17 - Amendment of section 54EC

In section 54EC of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 2006, namely:-

"(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) a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(b) a deduction from the income with reference to such cost shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006."

Section 18 - Amendment of section 54ED

In section 54ED of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 2006, namely:-

"(3) Where the cost of the specified equity shares has been taken into account for the purposes of clause (a) or clause (b) of sub-section (1),-

(a) a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(b) a deduction from the income with reference to such cost shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006.".

Section 19 - Insertion of new section 72AA

After section 72A of the Income-tax Act, the following section shall be inserted, namely:-

'72AA. Provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in scheme of amalgamation of banking company in certain cases -- Notwithstanding anything contained in sub-clauses (i) to (iii) of clause (1B) of section 2 or section 72A, where there has been an amalgamation of a banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under subsection (7) of section 45 of the Banking Regulation Act, 1949(10 of 1949), the accumulated loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of this Act relating to set-off and carry forward of loss and allowance for depreciation shall apply accordingly.

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

(i) "accumulated loss" means so much of the loss of the amalgamating banking company under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such amalgamating banking company, would have been entitled to carry forward and set-off under the provisions of section 72 if the amalgamation had not taken place;

(ii) "banking company" shall have the same meaning assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949);

(iii) "banking institution" shall have the same meaning assigned to it in sub-section (15) of section 45 of the Banking Regulation Act, 1949(10 of 1949);

(iv) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating banking company which remains to be allowed and which would have been allowed to such banking company if amalgamation had not taken place.'

Section 20 - Amendment of section 73

In section 73 of the Income-tax Act, in sub-section (4), for the words "eight assessment years", the words "four assessment years" shall be substituted with effect from the 1st day of April, 2006.

Section 21 - Insertion of new section 80C

After section 80B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2006, namely:--

'80C. Deduction in respect of life insurance premia, deferred annuity, contributions to provident fund subscription to certain equity shares or debentures, etc.:-- (1) In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted, in accordance with and subject to the provisions of this section, the whole of the amount paid or deposited in the previous year, being the aggregate of the sums referred to in sub-section (2), as does not exceed one lakh rupees.

(2) The sums referred to in sub-section (1) shall be any sums paid or deposited in the previous year by the assessee--

(i) to effect or to keep in force an insurance on the life of persons specified in sub-section (4);

(ii) to effect or to keep in force a contract for a deferred annuity, not being an annuity plan referred to in clause (xii), on the life of persons specified in sub-section (4):

Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(iii) by way of deduction from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his spouse or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(iv) as a contribution by an individual to any provident fund to which the Provident Funds Act, 1925(19 of 1925), applies;

(v) as a contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of any person specified in sub-section (4);

(vi) as a contribution by an employee to a recognised provident fund;

(vii) as a contribution by an employee to an approved superannuation fund;

(viii) as subscription to any such security of the Central Government or any such deposit scheme as that Government may, by notification in the Official Gazette, specify in this behalf;

(ix) as subscription to any such savings certificate as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959(46 of 1959), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(x) as a contribution, in the name of any person specified in sub-section (4), for participation in the Unit-linked Insurance Plan, 1971 (hereafter in this section referred to as the Unit-linked Insurance Plan) specified in Schedule II of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(xi) as a contribution in the name of any person specified in sub-section (4) for participation in any such unit-linked insurance plan of the LIC Mutual Fund notified under clause (23D) of section 10, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xii) to effect or to keep in force a contract for such annuity plan of the Life Insurance Corporation or any other insurer as the Central Government may, by notification in the Official Gazette, specify;

(xiii) as subscription to any units of any Mutual Fund notified under clause (230) of section 10 or from the Administrator or the specified company under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xiv) as a contribution by an individual to any pension fund set up by any Mutual Fund notified under clause (23D) of section 10 or by the Administrator or the specified company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xv) as subscription to any such deposit scheme of, or as a contribution to any such pension fund set up by, the National Housing Bank established under section 3 of the National Housing Bank Act, 1987(53 of 1987) (hereafter in this section referred to as the National Housing Bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xvi) as subscription to any such deposit scheme of--

(a) a public sector company which is engaged in providing long-term finance for construction or purchase of houses in India for residential purposes; or

(b) any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both,

as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xvii) as tuition fees (excluding any payment towards any development fees or donation or payment of similar nature), whether at the time of admission or thereafter,--

(a) to any university, college, school or other educational institution situated within India;

(b) for the purpose of full-time education of any of the persons specified in sub-section (4);

(xviii) for the purposes of purchase or construction of a residential house property the income from which is chargeable to tax under the head "Income from house property" (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of--

(a) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

(b) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or

(c) repayment of the amount borrowed by the assessee from--

(1) the Central Government or any State Government, or

(2) any bank, including a co-operative bank, or

(3) the Life Insurance Corporation, or

(4) the National Housing Bank, or

(5) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is eligible for deduction under clause (viii) of sub-section (1) of section 36, or

(6) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or

(7) the assessee's employer where such employer is an authority or a board or a corporation or any other body established or constituted under a Central or State Act, or

(8) the assessee's employer where such employer is a public company or a public sector company or a university established by law or a college affiliated to such university or a local authority or a co-operative society; or

(d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,

but shall not include any payment towards or by way of--

(A) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

(B) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or

(C) any expenditure in respect of which deduction is allowable under the provisions of section 24;

(xix) as subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form.

Explanation.--For the purposes of this clause,--

(i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are utilised wholly and exclusively for the purposes of any business referred to in sub-section (4) of section 80-IA;

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

(iii) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956(1 of 1956);

(xx) as subscription to any units of any mutual fund referred to in clause (23D) of section 10 and approved by the Board on an application made by such mutual fund in the prescribed form:

Provided that this clause shall apply if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

Explanation.-- For the purposes of this clause "eligible issue of capital" means an issue referred to in clause (i) of the Explanation to clause (xix) of sub-section (2).

(3) The provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent. of the actual capital sum assured.

Explanation.--In calculating any such actual capital sum assured, no account shall be taken--

(i) of the value of any premiums agreed to be returned, or

(ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(4) The persons referred to in sub-section (2) shall be the following, namely:--

(a) for the purposes of clauses (i), (v), (x) and (xi) of that sub-section,--

(i) in the case of an individual, the individual, the wife or husband and any child of such individual, and

(ii) in the case of a Hindu undivided family, any member thereof;

(b) for the purposes of clause (ii) of that sub-section, in the case of an individual, the individual, the wife or husband and any child of such individual;

(c) for the purpose of clause (xvii) of that sub-section, in the case of an individual, any two children of such individual.

(5) Where, in any previous year, an assessee--

(i) terminates his contract of insurance referred to in clause (i) of sub-section (2), by notice to that effect or where the contract ceases to be in force by reason of failure to pay any premium, by not reviving contract of insurance,-

(a) in case of any single premium policy, within two years after the date of commencement of insurance; or

(b) in any other case, before premiums have been paid for two years; or

(ii) terminates his participation in any unit-linked insurance plan referred to in clause (x) or clause (xi) of sub-section (2), by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation, before contributions in respect of such participation have been paid for five years; or

(iii) transfers the house property referred to in clause (xviii) of sub-section (2) before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sum specified in that clause,

then,-

(a) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums, referred to in clauses (i), (x), (xi) and (xviii) of sub-section (2), paid in such previous year; and

(b) the aggregate amount of the deductions of income so allowed in respect of the previous year or years preceding such previous year, shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

(6) If any equity shares or debentures, with reference to the cost of which a deduction is allowed under sub-section (1), are sold or otherwise transferred by the assessee to any person at any time within a period of three years from the date of their acquisition, the aggregate amount of the deductions of income so allowed in respect of such equity shares or debentures in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

Explanation.--A person shall be treated as having acquired any shares or debentures on the date on which his name is entered in relation to those shares or debentures in the register of members or of debenture-holders, as the case may be, of the public company.

(7) For the purposes of this section,-

(a) the insurance, deferred annuity, provident fund and superannuation fund referred to in clauses (i) to (vii);

(b) unit-linked insurance plan and annuity plan referred to in clauses (xii) to (xiiia);

(c) pension fund and subscription to deposit scheme referred to in clauses (xiiic) to (xiva);

(d) amount borrowed for purchase or construction of a residential house referred to in clause (xv),

of sub-section (2) of section 88 shall be eligible for deduction under the corresponding provisions of this section and the deduction shall be allowed in accordance with the provisions of this section.

(8) In this section,--

(i) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(ii) "contribution" to any fund shall not include any sums in repayment of loan;

(iii) "insurance" shall include--

(a) a policy of insurance on the life of an individual or the spouse or the child of such individual or a member of a Hindu undivided family securing the payment of specified sum on the stipulated date of maturity, if such person is alive on such date notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the event of such person dying before the said stipulated date;

(b) a policy of insurance effected by an individual or a member of a Hindu undivided family for the benefit of a minor with the object of enabling the minor, after he has attained majority to secure insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;

(iv) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956(31 of 1956);

(v) "public company" shall have the same meaning as in section 3 of the Companies Act, 1956(1 of 1956);

(vi) "security" means a Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944(18 of 1944);

(vii) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(viii) "transfer" shall be deemed to include also the transactions referred to in clause (f) of section 269UA.'

Section 22 - Amendment of section 80CCC

In section 80CCC of the Income tax Act, for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 2006, namely:--

"(3) Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section,-

(a) a rebate with reference to such amount shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(b) a deduction with reference to such amount shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006."

Section 23 - Amendment of section 80CCD

In section 80CCD of the Income-tax Act, for sub-section (4), the following sub-section shall be substituted with effect from the 1st day of April, 2006, namely:--

"(4) Where any amount paid or deposited by the assessee has been allowed as a deduction under sub-section (1),-

(a) no rebate with reference to such amount shall be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(b) no deduction with reference to such amount shall be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006."

Section 24 - Insertion of new section 80CCE

After section 80CCD of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2006, namely:--

"80CCE. Limit on deductions under sections 80C, 80CCC and 80CCD:-- The aggregate amount of deductions under section 80C, section 80CCC and section 80CCD shall not, in any case, exceed one lakh rupees.".

Section 25 - Substitution of new section for section 80E

For section 80E of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2006, namely:--

'80E. Deduction in respect of interest on loan taken for higher education:-- (1) Iacn computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of interest on loan taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education.

(2) The deduction specified in sub-section (1) shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest referred to in sub-section (1) is paid by the assessee in full, whichever is earlier.

(3) For the purposes of this section, -

(a) "approved charitable institution" means an institution specified in, or, as the case may be, an institution established for charitable purposes and notified by the Central Government under clause (23C) of section 10 or an institution referred to in clause (a) of sub-section (2) of section 80G;

(b) "financial institution" means a banking company to which the Banking Regulation Act, 1949(10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(c) "higher education" means full-time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics;

(d) "'initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan.'.

Section 26 - Amendment of section 80-IA

In section 80-IA of the Income-tax Act, in sub-section (4), in clause (i), in sub-clause (a), after the words "consortium of such companies", the words "or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act" shall be inserted with effect from the 1st day of April, 2006.

Section 27 - Amendment of section 80-IB

In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2006,--

(a) in sub-section (4), in the fourth proviso, for the figures, letters and words "31st day of March, 2005", the figures, letters and words "31st day of March, 2007" shall be substituted;

(b) in sub-section (8A), in clause (iii), for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2007" shall be substituted.

Section 28 - Omission of section 80L

Section 80L of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.

Section 29 - Amendment of section 88

In section 88 of the Income-tax Act, after sub-section (8), the following sub-section shall be inserted with effect from the 1st day of April, 2006, namely:--

"(9) No deduction from the amount of income-tax shall be allowed under this section to an assessee, being an individual or a Hindu undivided family for the assessment year beginning on the 1st day of April, 2006 and subsequent years."

Section 30 - Omission of section 88B

Section 88B of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.

Section 31 - Omission of section 88C

Section 88C of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.

Section 32 - Omission of section 88D

Section 88D of the Income-tax Act shall be omitted with effect from the 1st day of April, 2006.

Section 33 - Amendment of section 112

In section 112 of the Income-tax Act, in sub-section (1), in the proviso occurring below clause (d), after the words "being listed securities or unit", the words "or zero coupon bond" shall be inserted with effect from the 1st day of April, 2006.

Section 34 - Amendment of section 115A

In section 115A of the Income-tax Act, in sub-section (1), in clause (b) with effect from the 1st day of April, 2006,

(i) in sub-clause (A), for the words, figures and letters "agreement made after the 31st day of May, 1997", the words, figures and letters "agreement made after the 31st day of May, 1997 but before the 1st day of June, 2005" shall be substituted;

(ii) after sub-clause (A), the following sub-clause shall be inserted, namely:--

"(AA) the amount of income-tax calculated on the income by way of royalty, if any, included in the total income, at the rate of ten per cent. if such royalty is received in pursuance of an agreement made on or after the 1st day of June, 2005;";

(iii) in sub-clause (B), for the words, figures and letters "agreement made after the 31st day of May, 1997; and", the words, figures and letters "agreement made after the 31st day of May, 1997 but before the 1st day of June, 2005;" shall be substituted;

(iv) after sub-clause (B), the following sub-clause shall be inserted, namely:--

"(BB) the amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of ten per cent. if such fees for technical services are received in pursuance of an agreement made oh or after the 1st day of June, 2005; and".

Section 35 - Amendment of section 115JAA

In section 115JAA of the Income-tax Act, with effect from the 1st day of April, 2006,--

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

"(1A) Where any amount of tax is paid under sub-section (1) of section 115JB by an assessee, being a company for the assessment year commencing on the 1st day of April, 2006 and any subsequent assessment year, then, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of this section.";

(b) in sub-section (2), for the words, brackets, figures and letters "under sub-section (1) of section 115JA", the words, brackets, figures and letters "under sub-section (1) of section 115JA or under sub-section (1) of section 115JB, as the case may be," shall be substituted.

Section 36 - Amendment of section 115VD

In section 115VD of the Income-tax Act, clause (vii) shall be omitted with effect from the 1st day of April, 2006.

Section 37 - Insertion of new Chapter XII-H

After Chapter XIIG of the Income-tax Act, the following Chapter shall be inserted with effect from the 1st day of April, 2006, namely:--

CHAPTER XII-H

income-tax on fringe benefits

A.-Meaning of certain expressions

115W. Definitions:--

In this Chapter, unless the context otherwise requires,--

(a) "employer" means,-

(i) a company;

(ii) a firm;

(iii) an association of persons or a body of individuals, whether incorporated or not, but excluding any fund or trust or institution eligible for exemption under clause (23C) of section 10 or registered under section 12AA

(iv) a local authority; and

(v) every artificial juridical person, not falling within any of the preceding sub-clauses;

(b) "fringe benefit tax" or "tax" means the tax chargeable under section 115WA.

B.-Basis of charge

115WA. Charge of fringe benefit tax:--

(1) In addition to the income-tax charged under this Act, there shall be charged for every assessment year commencing on or after the 1st day of April, 2006, additional income-tax (in this Act referred to as fringe benefit tax) in respect of the fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year at the rate of thirty per cent. on the value of such fringe benefits.

(2) Notwithstanding that no income-tax is payable by an employer on his total income computed in accordance with the provisions of this Act, the tax on fringe benefits shall be payable by such employer.

115WB. Fringe benefits:--

(1) For the purposes of this Chapter, "fringe benefits" means any consideration for employment provided by way of -

(a) any privilege, service facility or amenity, directly or indirectly, provided by an employer, whether by way of reimbursement or otherwise, to his employees (including former employee or employees):

(b) any free or concessional ticket provided by the employer for private journeys of his employees or their family members; and

(c) any contribution by the employer to an approved superannuation fund for employees;

(2) The fringe benefits shall be deemed to have been provided by the employer to his employees, if the employer has, in the course of his business or profession (including any activity whether or not such activity is carried on with the object of deriving income, profits or gains) incurred any expense on, or made any payment for, the following purposes, namely:-

(A) entertainment;

(B) provision of hospitality of every kind by the employer to any person, whether by was of provision of food or beverages or in any other manner whatsoever and whether or not such provision is made by reason of any express or implied contract or custom or usage of trade but does not include -

(i) any expenditure on, or payment for, food or beverages provided by the employer to his employees in office or factory;

(ii) any expenditure on or payment through paid vouchers which are not transferable and usable only at eating joints or outlets;

(C) conference (other than fee for participation by the employees in any conference).

Explanation.- for the purposes of this clause. any expenditure on conveyance, tour and travel (including foreign travel). on hotel, or boarding and lodging in connection with any conference shall be deemed to be expenditure incurred for the purposes of conference:

(D) sales promotion including publicity:

Provided that any expenditure on advertisement -

(i) being the expenditure (including rental) on advertisement of any form in any print (including journals. catalogues or price lists) or electronic media or transport system;

(ii) being the expenditure on the holding of, or the participation in, any press conference or business convention, fair or exhibition;

(iii) being the expenditure on sponsorship of any sports event or any other event organized by any Government agency or trade association or body;

(iv) being the expenditure on the publication in any print or electronic media of any notice required to be published by or under any law or by an order of a court of tribunal:

(v) being the expenditure of advertisement by way of signs, art work, painting, banners, awnings, direct mail, electric spectaculars, kiosks, hoardings, bill boards or by way of such other medium of advertisement; and

(vi) being the expenditure by way of payment to any advertising agency for the purposes of clauses (i) to (v) above,shall not be considered as expenditure on sales promotion including publicity:

(E) employees' welfare.

Explanation.- For the purposes of this clause. any expenditure incurred or payment made to fulfill any statutory obligation or mitigate occupational hazards or provide first aid facilities in the hospital or dispensary run by the employer shall not be considered as expenditure for employees' welfare;

(F) conveyance, tour and travel (including foreign travel);

(G) use of hotel, boarding and lodging facilities;

(H) repair, running (including fuel), maintenance of motorcars and the amount of depreciation thereon;

(I) repair, running (including fuel) and maintenance of aircrafts and the amount of depreciation thereon;

(J) use of telephone (including mobile phone) other than expenditure on leased telephone lines;

(K) maintenance of any accommodation in the nature of guest house other than accommodation used for training purposes;

(L) festival celebrations;

(M) use of health club and similar facilities;

(N) use of any other club facilities;

(O) gifts; and

(P) scholarships.

115WC. Value of fringe benefits:--

(1) For the purpose of this Chapter, the value of fringe benefits shall be the aggregate of the following, namely:-

(a) cost at which the benefits referred to in clause (b) of sub-section (1) of section 115WB, is provided by the employer to the general public as reduced by the amount, if any, paid by, or recovered from, his employee or employees:

Provided that in a case where the expenses of the nature referred to in clause (b) of sub-section (1) of section 115WB are included in any other clause of sub-section (2) of the said section, the total expenses included under such other clause shall be reduced by the amount of expenditure referred to in the said clause (b) for computing the value of fringe benefit.

(b) actual amount of contribution referred to in clause (c) of subsection (1) of section 115WB;

(c) twenty per cent. of the expenses referred to in clauses (A) to (K) of sub-section (2) of section 115WB;

(d) fifty per cent. of the expenses referred to in clauses (L) to (P) of sub-section (2) of section 115WB.

(2) Notwithstanding anything contained in sub-section (1), -

(a) in the case of an employer engaged in the business of hotel, the value of fringe benefits for the purposes referred to in clause (B) of sub-section (2) of section 115WB shall be "five per cent." instead of "twenty per cent." referred to in clause (c) of sub-section (1);

(b) in the case of an employer engaged in the business of construction, the value of fringe benefits for the purposes referred to in clause (F) of sub-section (2) of section 115WB shall be "five per cent." instead of "twenty per cent." referred to in clause (c) of subsection (1);

(c) in the case of an employer engaged in the business of manufacture or production of pharmaceuticals, the value of fringe benefits for the purposes referred to in clauses (F) and (G) of subsection (2) of section 115WB shall be "five per cent." instead of "twenty per cent." referred to in clause (c) of sub-section (1);

(d) in the case of an employer engaged in the business of manufacture or production of computer software, the value of fringe benefits for the purposes referred to in clauses (F) and (G) of subsection (2) of section 115WB shall be. "five per cent." instead of "twenty per cent."

referred to in clause (c) of sub-section (1)

(e) in the case of an employer engaged in the business of carriage of passengers or goods by motor car, the value of fringe benefits for the purposes referred to in clause (H) of sub-section (2) of section 115WB shall be "five per cent." instead of "twenty per cent." referred to in clause (c) of sub-section (1)

(f) in the case of an employer engaged in the business of carriage of passengers or goods by aircraft, the value of fringe benefits for the purposes referred to in clause (I) of sub-section (2) of section 115WB shall be taken as Nil.

C- Procedure for filing of return in respect of fringe benefits, assessment and payment of tax in respect thereof

115WD. Return of fringe benefits:--

(1) Without prejudice to the provisions contained in section 139, every employer who during a previous year has paid or made provision for payment of fringe benefits to his employees, shall, on or before the due date, furnish or cause to be furnished a return of fringe benefits to the Assessing Officer in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed, in respect of the previous year.

Explanation.--In this sub-section, "due date" means,--

(a) where the employer is--

(i) a company; or

(ii) a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force,

the 31st day of October of the assessment year;

(b) in the case of any other employer, the 31st day of July of the assessment year.

(2) In the case of any employer who, in the opinion of the Assessing Officer, is responsible for paying fringe benefit tax under this Act and who has not furnished a return under sub-section (1), the Assessing Officer may, after the due date, issue a notice to him and serve the same upon him, requiring him to furnish within thirty days from the date of service of the notice, the return in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed.

(3) Any employer responsible for paying fringe benefit tax who has not furnished a return within the time allowed under sub-section (1) or within the time allowed under a notice issued under sub section (2), may furnish the return for any previous year, at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

(4) If any employer, having furnished a return under sub-section (1), or in pursuance of a notice issued under sub-section (2), discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

115WE. Assessment:--

(1) Where a return has been made under section 115WD,--

(i) if any tax or interest is found due on the basis of such return, after adjustment of any advance tax paid, any tax paid on self-assessment and any amount paid otherwise by way of tax or interest, then without prejudice to the provisions of sub-section (2), an intimation shall be sent to the assessee specifying the sum so payable, and such intimation shall be deemed to be a notice of demand issued under section 156 and all the provisions of this Act shall apply accordingly; and

(ii) if any refund is due on the basis of such return, it shall be granted to the assessee and an intimation to this effect shall be sent to the assessee:

Provided that except as otherwise provided in this sub-section, the acknowledgment of the return shall be deemed to be an intimation under this sub-section where either no sum is payable by the assessee or no refund is due to him:

Provided further that no intimation under this sub-section shall be sent after the expiry of one year from the end of the financial year in which the return is made.

(2) Where a return has been furnished under section 115WD, the Assessing Officer shall, if he considers it necessary or expedient to ensure that the assessee has not understated the value of fringe benefits or has not underpaid the tax in any manner, serve on the assessee a notice requiring him on a date to be specified therein, either to attend his office or to produce, or cause to be produced, any evidence on which the assessee may rely in support of the return:

Provided that no notice under this sub-section shall be served on the assessee after the expiry of twelve months from the end of the month in which the return is furnished.

(3) On the day specified in the notice issued under sub-section (2), or as soon afterwards as may be, after hearing such evidence as the assessee may produce and such other evidence as the Assessing Officer may require on specified points, and after taking into account all relevant material which he has gathered, the Assessing Officer shall, by an order in writing, make an assessment of the value of the fringe benefits paid or payable by the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

(4) Where a regular assessment under sub-section (3) or section 115WF is made,--

(a) any tax or interest paid by the assessee under sub-section (1) shall be deemed to have been paid towards such regular assessment;

(b) if no refund is due on regular assessment or the amount refunded under sub-section (1) exceeds the amount refundable on regular assessment, the whole or the excess amount so refunded shall be deemed to be tax payable by the assessee and the provisions of this Act shall apply accordingly.

115WF. Best judgment assessment:--

(1) If any person, being an employer--

(a) fails to make the return required under sub-section (1) of section 115WD and has not made a return under sub-section (3) or a revised return under subsection (4) of that section, or

(b) fails to comply with all the terms of a notice issued under sub-section (2) of section 115WD or fails to comply with a direction issued under sub-section (2A) of section 142, or

(c) having made a return, fails to comply with all the terms of a notice issued under sub-section (2) of section 115WE,

the Assessing Officer, after taking into account all relevant material which the Assessing Officer has gathered, shall, after giving the assessee an opportunity of being heard, make the assessment of the fringe benefits to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment:

Provided that such opportunity shall be given by the Assessing Officer by serving a notice calling upon the assessee to show cause, on a date and time to be specified in the notice as to why the assessment should not be completed to the best of his judgment:

Provided further that it shall not be necessary to give such opportunity in a case where a notice under sub-section (2) of section 115WD has been issued prior to the making of an assessment under this section.

115WG. Fringe benefits escaping assessment:--

If the Assessing Officer has reason to believe that any fringe benefits chargeable to tax have escaped assessment for any assessment year, he may, subject to the provisions of sections 115WH, 150 and 153, assess or reassess such fringe benefits and also any other fringe benefits chargeable to tax which have escaped assessment and which comes to his notice subsequently in the course of the proceedings under this section, for the assessment year concerned (hereafter referred to as the relevant assessment year).

Explanation.--For the purposes of this section, the following shall also be deemed to be cases where fringe benefits chargeable to tax has escaped assessment, namely:--

(a) where no return of fringe benefits has been furnished by the assessee;

(b) where a return of fringe benefit has been furnished by the assessee but no assessment has been made and it is noticed by the Assessing Officer that the assessee has understated the value of fringe benefit in the return;

(c) where an assessment has been made, but the fringe benefits chargeable to tax have been under-assessed.

115WH. Issue of notice where fringe benefits have escaped assessment:--

(1) Before making the assessment or reassessment under section 115WG, the Assessing Officer shall serve on the assessee a notice requiring him to furnish within such period as may be specified in the notice, a return of the fringe benefits in respect of which he is assessable under this Chapter during the previous year corresponding to the relevant assessment year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed, and the provisions of this Chapter shall, so far as may be, apply accordingly as if such return were a return required to be furnished under section 115WD.

(2) The Assessing Officer shall, before issuing any notice under this section, record his reasons for doing so:

(3) No notice under sub-section (1) shall be issued for the relevant assessment year after the expiry of six years from the end of the relevant assessment year.

Explanation.--In determining fringe benefits chargeable to tax which have escaped assessment for the purposes of this sub-section, the provisions of the Explanation to section 115WG shall apply as they apply for the purposes of that section.

(4) In a case where an assessment under sub-section (3) of section 115WE or section 115WG has been made for the relevant assessment year, no notice shall be issued under sub-section (1) by an Assessing Officer, after the expiry of four years from the end of the relevant assessment year, unless the Chief Commissioner or Commissioner is satisfied, on the reasons recorded by the Assessing Officer, that it is a fit case for the issue of such notice.

115WI. Payment of fringe benefit tax:--

Notwithstanding that the regular assessment in respect of any fringe benefits is to be made in a later assessment year, the tax on such fringe benefits shall be payable in advance during any financial year, in accordance with the provisions of section 115WJ, in respect of the fringe benefits which would be chargeable to tax for the assessment year immediately following that financial year, such fringe benefits being hereafter in this Chapter referred to as the "current fringe benefits".

115WJ. Advance tax in respect of fringe benefits:--

(1) Every assessee who is liable to pay advance tax under section 115WI, shall on his own accord, pay advance tax on his current fringe benefits calculated in the manner laid down in sub-section (2).

(2) The amount of advance tax payable by an assessee in the financial year shall be thirty per cent. of the value of the fringe benefits referred to in section 115WC, paid or payable in each quarter

and shall be payable on or before the 15th day of the month following such quarter:

Provided that the advance tax payable for the quarter ending on the 31st day of March of the financial year shall be payable on or before the 15th day of March of the said financial year.

(3) Where an assessee, has failed to pay the advance tax for any quarter or where the advance tax paid by him is less than thirty per cent. of the value of fringe benefits paid or payable in that quarter, he shall be liable to pay simple interest at the rate of one per cent. on the amount by which the advance tax paid falls short of, thirty per cent. of the value of fringe benefits for any quarter, for every month or part of the month for which the shortfall continues.

115WK. Interest for default in furnishing return of fringe benefits:--

(1) Where the return of fringe benefits for any assessment year under sub-section (1) or sub-section (3) of section 115WD or in response to a notice under sub-section (2) of that section, is furnished after the due date, or is not furnished, the employer shall be liable to pay simple interest at the rate of one per cent. for every month or part of a month comprised in the period commencing on the date immediately following the due date, and,--

(a) where the return is furnished after the due date, ending on the date of furnishing of the return; or

(b) where no return has been furnished, ending on the date of completion of the assessment under section 115WF,

on the amount of the tax on the value of fringe benefits as determined under sub-section (1) of section 115WE or regular assessment as reduced by the advance tax paid under section 115WJ.

Explanation 1.--In this section, "due date" means the date specified in the Explanation to sub-section (1) of section 115WD as applicable in the case of the employer.

Explanation 2.--Where, in relation to an assessment year, an assessment is made for the first time under section 115WG, the assessment so made shall be regarded as a regular assessment for the purposes of this section.

(2) The provisions contained in sub-section (2) to sub-section (4) of section 234A shall, so far as may be, apply to this section.

115WL. Application of other provisions of this Act:--

Save as otherwise provided in this Chapter, all other provisions of this Act shall, as far as may be, apply in relation to fringe benefits also.'.

Section 38 - Amendment of section 119

In section 119 of the Income-tax Act, in sub-section (2), in clause (a), with effect from the 1st day of April, 2006,--

(i) for the word, figures and letters "sections 115P, 115S", the word, figures and letters "sections 115P, 115S, 115WD, 115WE, 115WF, 115WG, 115WH, 115WJ, 115WK" shall be substituted;

(ii) for the words "any class of incomes", the words "any class of incomes or fringe benefits" shall be substituted.

Section 39 - Amendment of section 124

In section 124 of the Income-tax Act, in sub-section (3), with effect from the 1st day of April, 2006,--

(i) in clause (a),--

(A) for the words, brackets and figures "under sub-section (1) of section 139", the words, brackets, figures and letters "under sub-section (1) of section 115WD or under sub-section (1) of section 139" shall be substituted;

(B) for the words, brackets and figures "sub-section (2) of section 143", the words, brackets, figures and letters "sub-section (2) of section 115WE or sub-section (2) of section 143" shall be substituted;

(ii) in clause (b), for the words, brackets and figures "sub-section (1) of section 142 or under section 148 for the making of the return or by the notice under the first proviso to section 144", the words, brackets, figures and letters "sub-section (2) of section 115WD or sub-section (1) of section 142 or under sub-section (1) of section 115WH or under section 148 for the making of the return or by the notice under the first proviso to section 115WF or under the first proviso to section 144" shall be substituted.

Section 40 - Amendment of section 139

In section 139 of the Income-tax Act,--

(a) in sub-section (1), with effect from the 1st day of April, 2006,--

(i) in clause (a), for the word "company", the words "company or a firm" shall be substituted;

(ii) in clause (b), for the words "other than a company", the words "other than a company or a firm" shall be substituted;

(iii) in the first proviso,-

(A) for the words "at any time during the previous year", the words "during the previous year incurs an expenditure of fifty thousand rupees or more towards consumption of electricity or at any time during, the previous year" shall be substituted;

(B) clause (iii) shall be omitted;

(iv) in the third proviso, for the word "company", the words "company or a firm" shall be substituted;

(v) after the third proviso, the following proviso shall be inserted, namely:--

"Provided also that every person, being an individual or, a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person, if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year, without giving effect to the provisions of section 10A or section 10B or section 10BA or Chapter VI-A exceeded the maximum amount which is not chargeable to income tax, shall, on or before the due date, furnish a return of his income or the income of such other person during the previous year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed.";

(b) in sub-section (9), in the Explanation, in clause (c), in sub-clause (i), for the words, figures and letters "before the 1st day of April, 2005", the words, figures and letters "before the 1st day of April, 2006" shall be substituted.

Section 41 - Amendment of section 139A

In section 139A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2006 --

(a) in clause (iii), for the words, brackets, figures and letter "sub-section (4A) of section 139", the following shall be substituted, namely:--

"sub-section (4A) of section 139; or

(iv) being an employer, who is required to furnish a return of fringe benefits under section 115WD,";

(b) in sub-section (7), the following Explanation shall be inserted, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that any person, who has been allotted a permanent account number under any clause other than clause (iv) of sub-section (1), shall not be required to obtain another permanent account number and the permanent account number already allotted to him shall be deemed to be the permanent account number in relation to fringe benefit tax.".

Section 42 - Amendment of section 140

In section 140 of the Income-tax Act, in the opening portion, for the words and figures "under section 139", the words, figures and letters "under section 115WD or section 139" shall be substituted with effect from the 1st day of April, 2006.

Section 43 - Amendment of section 140A

In section 140A of the Income-tax Act, with effect from the 1st day of April, 2006,--

(a) in sub-section (1), for the word and figures "section 139", the words, figures and letters "section 115WD or section 115WH or section 139" shall be substituted;

(b) for sub-section (1A), the following sub-section shall be substituted, namely:--

"(1A) For the purposes of sub-section (1), interest payable,--

(i) under section 234A shall be computed on the amount of the tax on the total income as declared in the return as reduced by the advance tax, if any, paid and any tax deducted or collected at source;

(ii) under section 115WK shall be computed on the amount of tax on the value of the fringe benefits as declared in the return as reduced by the advance tax, paid, if any.";

(c) in sub-section (2), for the word and figures "section 143", the words, figures and letters "section 115WE or section 115WF or section 143" shall be substituted;".

Section 44 - Amendment of section 142

In section 142 of the Income-tax Act, in sub-section (1), for the words, figures, letters and brackets "under section 139 or in whose case the time allowed under sub-section (1) of that section", the words, figures, letters and brackets "under section 115WD or section 139 or in whose case the time allowed under sub-section (1) of section 139" shall be substituted with effect from the 1st day of April, 2006.

Section 45 - Amendment of section 153

In section 153 of the Income-tax Act, with effect from the 1st day of April, 2006,--

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

"(1A) No order of assessment shall be made under section 115WE or section 115WF at any time after the expiry of two years from the end of the assessment year in which the fringe benefits were first assessable.

(1B) No order of assessment or reassessment shall be made under section 115WG after the expiry of one year from the end of the financial year in which the notice under section 115WH was served.";

(b) in sub-section (2A), for the words, brackets and figures "in sub-sections(I) and (2)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B) and (2)" shall be substituted;

(c) in sub-section (3), for the words, brackets and figures "subsections (1) and (2)", the words, brackets, figures and letters "subsections (1), (1A), (1B) and (2)" shall be substituted;

(d) in the proviso to Explanation 1, for the words, brackets, figures and letter "in sub-sections (1), (2) and (2A)", the words, brackets, figures and letters "in sub-sections (1), (1A), (1B), (2) and (2A)" shall be substituted.

Section 46 - Amendment of section 153B

In section 153B of the income-tax Act, in sub-section (1), after clause (b) and before the Explanation, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 2003, namely:--

"Provided that in case of other person referred to in section 153C, the period of limitation for making the assessment or reassessment shall be the period as referred to in clause (a) or clause (b) of this sub-section or one year from the end of the financial year in which books of account or documents or assets seized or requisitioned are handed over under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later.".

Section 47 - Amendment of section 153C

In the Income-tax Act, with effect from the 1st day of June, 2003,--

(a) section 153C shall be numbered as sub-section (1) thereof and in sub-section (1) as so numbered, the following proviso shall be inserted and shall be deemed to have been inserted, namely:-

"Provided that in case of such other person, the reference to the date of initiation of the search under section 132 or making of requisition under section 132A in the second proviso to section 153A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person.";

(b) after sub-section (1) as so numbered, the following sub-section shall be inserted and shall be deemed to have been inserted, namely:-

"(2) Where books of account or documents or assets seized or requisitioned as referred to in sub-section (1) has or have been received by the Assessing Officer having jurisdiction over such other person after the due date for furnishing the return of income for the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A and in respect of such assessment year--

(a) no return of income has been furnished by such other person and no notice under sub-section (1) of section 142 has been issued to him, or

(b) a return of income has been furnished by such other person but no notice under sub-section (2) of section 143 has been served and limitation of serving the notice under sub-section (2) of section 143 has expired, or

(c) assessment or reassessment, if any, has been made,

before the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person, such Assessing Officer shall issue the notice and assess or reassess total income of such other

person of such assessment year in the manner provided in section 153A.".

Section 48 - Amendment of section 194A

In section 194A of the Income-tax Act, in sub-section (3), with effect from 1st day of June, 2005,--

(i) after clause (ix), the following clause shall be inserted, namely:-

"(x) to such income which is paid or payable by an infrastructure capital company or infrastructure capital fund or a public sector company in relation to a zero coupon bond issued on or after the 1st day of June, 2005 by such company or fund or public sector company;";

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

"Explanation 1.--For the purposes of clauses (i), (vii) and (viia), "time deposits" means deposits (excluding recurring deposits) repayable on the expiry of fixed periods.

Explanation 2.--For the purposes of clause (x), "infrastructure capital company" and "infrastructure capital fund" shall have the meanings respectively assigned to them in clauses (a) and (b) of Explanation 1 to clause (23G) of section 10.".

Section 49 - Amendment of section 194C

In section 194C of the Income-tax Act, in sub-section (3), in clause (i), with effect from the 1st day of June, 2005,-

(a) in the proviso, for the words "under this section; or", the words "under this section:" shall be substituted;

(b) after the proviso, the following provisos shall be inserted namely:--

"Provided further that no deduction shall be made under sub-section (2), from the amount of any sum credited or paid or likely to be credited or paid during the previous year to the account of the sub-contractor during the course of business of plying, hiring or leasing goods carriages, on production of a declaration to the person concerned paying or crediting such sum, in the prescribed form and verified in the prescribed manner and within such time as may be prescribed, if such sub-contractor is an individual who has not owned more than two goods carriages at any time during the previous year:

Provided also that the person responsible for paying any sum as aforesaid to the sub-contractor referred to in the second proviso shall furnish to the prescribed income-tax authority or the person authorised by it such particulars as may be prescribed in such form and within such time as may be prescribed; or";

(c) after clause (iii), the following Explanation shall be inserted, namely:--

'Explanation.--For the purposes of clause (i), "goods carriage" shall have the same meaning as in the Explanation to sub-section (7) of section 44AE.'.

Section 50 - Amendment of section 199

In section 199 of the Income-tax Act, in sub-section (3), for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2006" shall be substituted.

Section 51 - Amendment of section 203

In section 203 of the Income-tax Act, in sub-section (3), for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2006" shall be substituted.

Section 52 - Insertion of new section 206A

After section 206 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2005, namely:-

"206A. Furnishing of quarterly return in respect of payment of interest to residents without deduction of tax:--(1) Any banking company or co-operative society or public company referred to in the proviso to clause (i) of sub-section (3) of section 194A responsible for paying to a resident any income not exceeding five thousand rupees by way of interest (other than interest on securities), shall prepare quarterly returns for the period ending on the 30th June, the 30th September, the 31st December and the 31st March in each financial year and deliver or cause to be delivered to the prescribed income-tax authority or the person authorised by such authority the quarterly returns as aforesaid, in the prescribed form, verified in such manner and within such time as may be prescribed, on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media.

(2) The Central Government may, by notification in the Official Gazette, require any person other than a person mentioned in sub-section (1) responsible for paying to a resident any income liable for deduction of tax at source under Chapter XVII, to prepare and deliver or cause to be delivered quarterly returns in the prescribed form and verified in such manner and within such time as may be prescribed, to the prescribed income-tax authority or the person authorised by such authority on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media.".

Section 53 - Amendment of section 206C

In section 206C of the Income-tax Act,--

(a) in sub-section (4), in the proviso, for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2006" shall be substituted;

(b) in sub-section (5), in the first proviso, for the figures, letters and words "1st day of April, 2005", the figures, letters and words "1st day of April, 2006" shall be substituted.

Section 54 - Amendment of section 238

In section 238 of the Income-tax Act, after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of April, 2006, namely:--

"(1A) Where the value of fringe benefits provided or deemed to have been provided by one employer is included under any provisions of Chapter XII-H in the value of fringe benefits provided or deemed to have been provided by any other employer, the latter alone shall be entitled to a refund under this Chapter in respect of such fringe benefits.".

Section 55 - Amendment of section 239

In section 239 of the Income-tax Act, in sub-section (2), after clause (c), the following clause shall be inserted with effect from the 1st day of April, 2006, namely:--

"(d) where the claim is in respect of fringe benefits which are assessable for any assessment year commencing on the first day of April, 2006, one year from the last day of such assessment year.".

Section 56 - Amendment of section 244A

In section 244A of the Income-tax Act, with effect from the 1st day of April, 2006,--

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

(i) for the words "out of any tax", the words, figures and letters "out of any tax paid under section 115WJ or" shall be substituted;

(ii) in the proviso, for the words "under sub-section", the words, brackets, figures and letters "under sub-section (1) of section 115WE or sub-section" shall be substituted;

(b) in sub-section (3), for the words "result of an order under", the words, brackets, figures and letters "result of an order under sub-section (3) of section 115WE or section 115WF or section 115WG or" shall be substituted;

(c) in sub-section (4), the following proviso shall be inserted, namely:--

"Provided that in respect of assessment of fringe benefits, the provisions of this sub-section shall have effect as if for the figures "1989", the figures "2006" had been substituted.".

Section 57 - Amendment of section 246A

In section 246A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2006,--

(i) after clause (a), the following clauses shall be inserted, namely:--

"(aa) an order of assessment under sub-section (3) of section 115WE or section 115WF, where the assessee, being an employer objects to the value of fringe benefits assessed;

(ab) an order of assessment or reassessment under section 115WG;";

(ii) in clause (j), in sub-clause (B), for the word, figures and letter "section 271 F", the words, figures and letters "section 271 F, section 271FB" shall be substituted.

Section 58 - Amendment of section 271

In section 271 of the Income-tax Act, with effect from the 1st day of April, 2006,--

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

(A) in clause (b), for the words, brackets and figures "under sub-section (1) of section 142", the words, brackets, figures and letters "under sub-section (2) of section 115WD or under sub-section (2) of section 115WE or under sub-section (1) of section 142" shall be substituted;

(B) in clause (c), for the word "income", the words "income, or" shall be substituted;

(C) after clause (c), the following clause shall be inserted, namely:--

"(d) has concealed the particulars of the fringe benefits or furnished inaccurate particulars of such fringe benefits,";

(D) in sub-clause (iii),--

(i) for the word, brackets and letter "clause (c)", the words, brackets and letters "clause (c) or clause (d)" shall be substituted;

(ii) for the word "income", at both the places where it occurs, the words "income or fringe benefits" shall be substituted;

(b) after sub-section (5), the following sub-section shall be inserted, namely:--

"(6) Any reference in this section to the income shall be construed as a reference to the income or fringe benefits, as the case may be, and the provisions of this section shall, as far as may be, apply in relation to any assessment in respect of fringe benefits also.".

Section 59 - Insertion of new section 271FB

After section 271FA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2006, namely:--

"271FB. Penalty for failure to furnish return of fringe benefits:-- If an employer, who is required to furnish a return of fringe benefits, as required under sub-section (1) of section 115WD, fails to furnish such return within the time prescribed under that sub-section, the Assessing Officer may direct that such employer shall pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.".

Section 60 - Amendment of section 272A

In section 272A of the Income-tax Act, in sub-section (2), after clause (k), the following clause shall be inserted with effect from the 1st day of June, 2005, namely:--

"(I) to deliver or cause to be delivered the quarterly return within the time specified in sub-section (1) of section 206A,".

Section 61 - Amendment of section 273B

In section 273B of the Income-tax Act, for the word, figures and letters "section 271FA", the words, figures and letters "section 271FA, section 271FB" shall be substituted with effect from the 1st day of April, 2006.

Section 62 - Amendment of section 276CC

In section 276CC of the Income-tax Act, with effect from the 1st day of April, 2006,--

(a) in the opening portion, after the words "in due time", the words, brackets, figures and letters "the return of fringe benefits which he is required to furnish under sub-section (1) of section 115WD or by notice given under sub-section (2) of the said section or section 115WH or" shall be inserted;

(b) in the proviso, for the words, brackets and figures "return of income under sub-section (1) of section 139", the words, brackets, figures and letters "return of fringe benefits under sub-section (1) of section 115WD or return of income under sub-section (1) of section 139" shall be substituted.

Section 63 - Amendment of section 278

In section 278 of the Income-tax Act, for the words "any income chargeable to tax", the words "any income or any fringe benefits chargeable to tax" shall be substituted with effect from the 1st day of April, 2006.

Section 64 - Amendment of section 295

In section 295 of the Income-tax Act, in sub-section (2), clause (e) shall be omitted with effect from the 1st day of April, 2006.

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