

**Finance Act, 1992**

**Section 56 - Insertion of New Section 115ac**

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After section 115AB of the Income-tax Act, the following section shall be inserted, with effect from the 1st day of April, 1993, namely :-

"115AC. Tax on income from bonds or shares purchased in foreign currency or capital gains arising from their transfer.

- (1) Where the total income of an assessee, being a non-resident, includes -

(a) income by way of interest or dividends, on bonds or shares of an Indian company issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, and purchased by him in foreign currency; or

(b) income by way of long-term capital gains arising from the transfer of bonds or, as the case may be, shares referred to in clause (a),

the income-tax payable shall be the aggregate of -

(i) the amount of income-tax calculated on the income by way of interest or dividends, as the case may be, in respect of bonds or shares referred to in clause (a), if any, included in the total income, at the rate of ten per cent.;

(ii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (b), if any, at the rate of ten per cent.; and

(iii) the amount of income-tax with which the non-resident would have been chargeable had his total income been reduced by the amount of income referred to in clause (a) and clause (b).

(2) Where the gross total income of the non-resident -

(a) consists only of income by way of interest or dividends in respect of bonds or, as the case may be, shares referred to in clause (a) of sub-section (1), no deduction shall be allowed to him under sections 28 to 44C or clause (i) or clause (iii) of section 57 or under Chapter VI-A;

(b) includes any income referred to in clause (a) or clause (b) of sub-section (1) the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced, were the gross total income of the assessee.

(3) Nothing contained in the first and second provisos to sub-section (1) of section 48 shall apply for the computation of long-term capital gains arising out of the transfer of long-term capital asset, being bonds or shares referred to in clause (b) of sub-section (1).

(4) It shall not be necessary for a non-resident to furnish under sub-section (1) of section 139 a return of his income if -

(a) his total income in respect of which he is assessable under this Act during the previous year consisted only of income referred to in clause (a) of sub-section (1); and

(b) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income."

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