

Finance Act, 1992

Section 53 - Insertion of New Section 112

After section 111 of the Income-tax Act, the following section shall be inserted, with effect from the 1st day of April, 1993, namely :-

'112. Tax on long-term capital gains. - (1) Where the total income of an assessee includes any income, arising from the transfer of a long-term capital asset, which is chargeable under the head "Capital gains", the tax payable by the assessee on the total income shall be the aggregate of, -

(a) in the case of an individual or a Hindu undivided family, -

- (i) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been his total income; and
- (ii) the amount of income-tax calculated on such long-term capital gains at the rate of twenty per cent. :

Provided that where the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such long-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate of twenty per cent.;

(b) in the case of a company, -

- (i) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been its total income; and
- (ii) the amount of income-tax calculated on such long-term capital gains at the rate of forty per cent. :

Provided that in relation to long-term capital gains arising to a venture capital company from the transfer of equity shares of venture capital undertakings, the provisions of sub-clause (ii) shall have effect as if for the words "forty per cent.", the words "twenty per cent." had been substituted;

(c) in any other case, -

- (i) the amount of income-tax payable on the total income as reduced by the amount of long-term capital gains, had the total income as so reduced been its total income; and
- (ii) the amount of income-tax calculated on such long-term capital gains at the rate thirty per cent.

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

(a) "venture capital company" means such company as is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such

undertakings or, if the circumstances so require, by way of advancing loans to such undertakings, and is approved by the Central Government in this behalf;

(b) "venture capital undertaking" means such company as the prescribed authority may, having regard to the following factors, approve for the purposes of this sub-section, namely :-

(1) the total investment in the company does not exceed ten crore rupees or such other higher amount as may be prescribed;

(2) the company does not have adequate financial resources to undertake projects for which it is otherwise professionally or technically equipped; and

(3) the company seeks to employ any technology which will result in significant improvement over the existing technology in India in any field and the investment in such technology involves high risk.

(2) Where the gross total income of an assessee includes any income arising from the transfer of a long-term capital asset, 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) Where the total income of an assessee includes any income arising from the transfer of a long-term capital asset, the total income shall be reduced by the amount of such income and the rebate under section 88 shall be allowed from the income-tax on the total income as so reduced.'.