

Finance Act 2007

Chapter III - Direct Taxes

In section 2 of the Income-tax Act,--

(a) after clause (1B), the following clauses shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1994, namely:--

'(1C) "Additional Commissioner" means a person appointed to be an Additional Commissioner of Income-tax under sub-section (1) of section 117;

(1D) "Additional Director" means a person appointed to be an Additional Director of Income-tax under sub-section (1) of section 117;';

(b) in clause (7A),--

(i) after the words "any other provision of this Act, and the", the words "Additional Commissioner or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1994;

(ii) after the words "Additional Commissioner or", as so inserted, the words "Additional Director or," shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1996;

(c) after clause (9A), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1988, namely:--

'(9B) "Assistant Director" means a person appointed to be an Assistant Director of Income-tax under sub-section (1) of section 117;';

(d) in clause (14), for sub-clause (ii), the following shall be substituted with effect from the 1st day of April, 2008, namely:--

'(ii) personal effects, that is to say, movable property (including wearing apparel and furniture) held for personal use by the assessee or any member of his family dependent on him, but excludes--

(a) jewellery;

(b) archaeological collections;

(c) drawings;

(d) paintings;

(e) sculptures; or

(f) any work of art.

Explanation.--For the purposes of this sub-clause, "jewellery" includes--

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel;';

(e) in clause (24), after sub-clause (xiii) the following sub-clause shall be inserted, namely:--

"(xiv) any sum referred to in clause (vi) of sub-section (2) of section 56;";

(f) for clause (25A), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 25th day of August, 1976, namely:--

'(25A) "India" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as

referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976, and the air space above its territory and territorial waters;'

'(g) in clause (42A), with effect from the 1st day of April, 2008 --

(i) in Explanation 1, in clause (i), after sub-clause (ha), insert--

"(hb) in the case of a capital asset, being any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer free of cost or at concessional rate to his employees (including former employee or employees), the period shall be reckoned from the date of allotment or transfer of such specified security or sweat equity shares;"

(ii) after Explanation 2, insert--

'Explanation 3.--For the purposes of this clause, the expressions "specified security" and "sweat equity shares" shall have the meaning respectively assigned to them in the Explanation to clause (d) of subsection (1) of section 115WB;'

Section 4 - Amendment of section 7

In section 7 of the Income-tax Act, in clause (iii), for the words "Central Government", the words "Central Government or any other employer" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004.

Section 5 - Amendment of section 9

In section 9 of the Income-tax Act, after sub-section (2), the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1976, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that for the purposes of this section, where income is deemed to accrue or arise in India under clauses (v), (vi) and (vii) of sub-section (1), such income shall be included in the total income of the non-resident, whether or not the non-resident has a residence or place of business or business connection in India."

Section 6 - Amendment of section 10

In section 10 of the Income-tax Act,--

(a) after clause (10BB), the following shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2005, namely:--

'(10BC) any amount received or receivable from the Central Government or a State Government or a local authority by an individual or his legal heir by way of compensation on account of any disaster, except the amount received or receivable to the extent such individual or his legal heir has been allowed a deduction under this Act on account of any loss or damage caused by such disaster.

Explanation.--For the purposes of this clause, the expression "disaster" shall have the meaning assigned to it under clause (d) of section 2 of the Disaster Management Act, 2005(53 of 2005);

(b) in clause (15),--

(A) in sub-clause (iv), in item (fa), for the Explanation, the following Explanation shall be substituted, namely:--

'Explanation.--For the purposes of this item, the expression "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955(23 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959(38 of 1959), a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970(5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980(40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934(2 of 1934), but does not include a co-operative bank;'

(B) for sub-clause (vii), the following shall be substituted with effect from the 1st day of April, 2008, namely:--

'(vii) interest on bonds--

(a) issued by a local authority or by a State Pooled Finance Entity; and

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

Explanation.--For the purposes of this sub-clause, the expression "State Pooled Finance Entity" shall mean such entity which is set up in accordance with the guidelines for the Pooled Finance Development Scheme notified by the Central Government in the Ministry of Urban Development;";

(c) in clause (23BBD), for the words, figures and letters "seven previous years relevant to the assessment years beginning on the 1st day of April, 2001 and ending on the 31st day of March, 2008", the words, figures and letters "ten previous years relevant to the assessment years beginning on the 1st day of April, 2001 and ending on the 31st day of March, 2011" shall be substituted with effect from the 1st day of April, 2008;

(d) after clause (23BBF), the following clause shall be inserted with effect from the 1st day of April, 2008, namely:--

"(23BBG) any income of the Central Electricity Regulatory Commission constituted under sub-section (1) of section 76 of the Electricity Act, 2003(36 of 2003);";

(e) in clause (23C) with effect from the 1st day of June, 2007,--

(A) in sub-clause (iv), for the words "which may be notified by the Central Government in the Official Gazette", the words "which may be approved by the prescribed authority" shall be substituted;

(B) in sub-clause (v), for the words "which may be notified by the Central Government in the Official Gazette", the words "which may be approved by the prescribed authority" shall be substituted;

(C) for the second proviso, the following proviso shall be substituted, namely:--

"Provided further that the prescribed authority, before approving any fund or trust or institution or any university or other educational institution or any hospital or other medical institution, under sub-clause (iv) or sub-clause (v) or sub-clause (vi) or subclause (via), may call for such documents (including audited annual accounts) or information from the fund or trust or institution or any university or other educational institution or any hospital or other medical institution, as the case may be, as it thinks necessary in order to satisfy itself about the genuineness of the activities of such fund or trust or institution or any university or other educational institution or any hospital or other medical institution, as the case may be, and the prescribed authority may also make such inquiries as it deems necessary in this behalf:";

(D) in the ninth proviso, for the words, brackets, figures and letter "every notification under sub-clause (iv) or sub-clause (v) shall be issued or approval under sub-clause (vi) or sub-clause (via)", the words, brackets, figures and letter "every notification under sub-clause (iv) or sub-clause (v) shall be issued or approval under sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via)" shall be substituted;

(E) in the thirteenth proviso, after the words "Central Government", the words "or is approved by the prescribed authority, as the case may be," shall be inserted;

(F) after the fifteenth proviso, the following proviso shall be inserted, namely:--

"Provided also that all pending applications, on which no notification has been issued under sub-clause (iv) or sub-clause (v) before the 1st day of June, 2007, shall stand transferred on that day to the prescribed authority and the prescribed authority may proceed with such applications under those sub-clauses from the stage at which they were on that day;";

(f) after clause (23EB), the following shall be inserted with effect from the 1st day of April, 2008, namely:--

'(23EC) any income, by way of contributions received from commodity exchanges and the members thereof, of such Investor Protection Fund set up by commodity 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 said Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a commodity 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.

Explanation.--For the purposes of this clause, "commodity exchange" shall mean a "registered association" as defined in clause (jj) of section 2 of the Forward Contracts (Regulation) Act, 1952(74 of 1952);";

(g) in clause (23FB), with effect from the 1st day of April, 2008 --

(i) for the words "set up to raise funds for investment", the words "from investment" shall be substituted;

(ii) in Explanation 1, for clause (c), the following clause shall be substituted, namely:--

'(c) "venture capital undertaking" means such domestic company whose shares are not listed in a recognised stock exchange in India and which is engaged in the--

(i) business of--

(A) nanotechnology;

(B) information technology relating to hardware and software development;

(C) seed research and development;

(D) bio-technology;

(E) research and development of new chemical entities in the pharmaceutical sector;

(F) production of bio-fuels;

(G) building and operating composite hotel-cum-convention centre with seating capacity of more than three thousand; or

"(H) developing or operating and maintaining or developing, operating and maintaining any infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA; or".

(ii) dairy or poultry industry;'.

Section 7 - Amendment of section 10AA

In section 10AA of the Income-tax Act, for sub-section (4), the following subsection shall be substituted and shall be deemed to have been substituted with effect from the 10th day of February, 2006, namely:--

"(4) This section applies to any undertaking, being the Unit, which fulfils all the following conditions, namely:--

(i) it has begun or begins to manufacture or produce articles or things or provide services during the previous year relevant to the assessment year commencing on or after the 1st day of April, 2006 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, being the Unit, 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 Explanations 1 and 2 to sub-section (3) of section 80-IA 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."

Section 8 - Amendment of section 12A

In section 12A of the Income-tax Act, with effect from the 1st day of June, 2007,--

(a) for the marginal heading, the following marginal heading shall be substituted, namely:--

"Conditions for applicability of sections 11 and 12.";

(b) the existing section 12A shall be renumbered as sub-section (1) thereof, and in sub-section (1) as so renumbered,--

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

"Provided further that the provisions of this clause shall not apply in relation to any application made on or after the 1st day of June, 2007;";

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

"(aa) the person in receipt of the income has made an application for registration of the trust or institution on or after the 1st day of June, 2007 in the prescribed form and manner to the Commissioner and such trust or institution is registered under section 12AA;";

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

"(2) Where an application has been made on or after the 1st day of June, 2007, the provisions of sections 11 and 12 shall apply in relation to the income of such trust or institution from the assessment year immediately following the financial year in which such application is made."

Section 9 - Amendment of section 12AA

In section 12AA of the Income-tax Act, with effect from the 1st day of June, 2007,--

(a) in sub-section (1), after the word, brackets and letter "clause (a)", the words, brackets, letters and figure "or clause (aa) of sub-section (1)" shall be inserted;

(b) in sub-section (2), after the word, brackets and letter "clause (a)", the words, brackets, letters and figure "or clause (aa) of sub-section (1)" shall be inserted.

Section 10 - Amendment of section 13

In section 13 of the Income-tax Act, in sub-section (1), in clause (d), for sub-clause (iii), the following sub-clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999, namely:--

"(iii) any shares in a company, other than--

(A) shares in a public sector company;

(B) shares prescribed as a form or mode of investment under clause (xii) of sub-section (5) of section 11,

are held by the trust or institution after the 30th day of November, 1983:".

Section 11 - Amendment of section 17

In section 17 of the Income-tax Act,--

(a) in clause (1), in sub-clause (viii), for the words "Central Government", the words "Central Government or any other employer" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004;

(b) in clause (2),--

(A) after sub-clause (ii),--

(i) the following Explanations shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2002, namely:--

"Explanation 1.--For the purposes of this sub-clause, concession in the matter of rent shall be deemed to have been provided if,--

(a) in a case where an unfurnished accommodation is provided by any employer other than the Central Government or any State Government and--

(i) the accommodation is owned by the employer, the value of the accommodation determined at the rate of ten per cent. of salary in cities having population exceeding four lakhs as per 1991 census and seven and one-half per cent. of salary in other cities, in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the rent recoverable from, or payable by, the assessee;

(ii) the accommodation is taken on lease or rent by the employer, the value of the accommodation being the actual amount of lease rental paid or payable by the employer or ten per cent. of salary, whichever is lower, in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the rent recoverable from, or payable by, the assessee;

(b) in a case where a furnished accommodation is provided by the Central Government or any State Government, the licence fee determined by the Central Government or any State Government in respect of the accommodation in accordance with the rules framed by such Government as increased by the value of furniture and fixtures in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the aggregate of the rent recoverable from, or payable by, the assessee and any charges paid or payable for the furniture and fixtures by the assessee;

(c) in a case where a furnished accommodation is provided by an employer other than the Central Government

or any State Government and--

(i) the accommodation is owned by the employer, the value of the accommodation determined under subclause (i) of clause (a) as increased by the value of the furniture and fixtures in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the rent recoverable from, or payable by, the assessee;

(ii) the accommodation is taken on lease or rent by the employer, the value of the accommodation determined under sub-clause (ii) of clause (a) as increased by the value of the furniture and fixtures in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the rent recoverable from, or payable by, the assessee;

(d) in a case where the accommodation is provided by the employer in a hotel (except where the assessee is provided such accommodation for a period not exceeding in aggregate fifteen days on his transfer from one place to another), the value of the accommodation determined at the rate of twenty-four per cent. of salary paid or payable for the previous year or the actual charges paid or payable to such hotel, whichever is lower, for the period during which such accommodation is provided, exceeds the rent recoverable from, or payable by, the assessee.

Explanation 2.--For the purposes of this sub-clause, value of furniture and fixtures shall be ten per cent. per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the assessee during the previous year.";

'Explanation 3.--For the purposes of this sub-clause, "salary" includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called, from one or more employers, as the case may be, but does not include the following, namely:--

(a) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;

(b) employer's contribution to the provident fund account of the employee;

(c) allowances which are exempted from the payment of tax;

(d) value of the perquisites specified in this clause;

(g) any payment or expenditure specifically excluded under the proviso to this clause;"

'(ii) in Explanation 1 as so inserted, for clause (a), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2006, namely:--

"(a) in a case where an unfurnished accommodation is provided by any employer other than the Central Government or any State Government and--

(i) the accommodation is owned by the employer, the value of the accommodation determined at the specified rate in respect of the period during which the said accommodation was occupied by the assessee during the previous year exceeds the rent recoverable from, or payable by, the assessee;

(ii) the accommodation is taken on lease or rent by the employer, the value of the accommodation being the actual amount of lease rental paid or payable by the employer or fifteen per cent of salary, whichever is lower, in respect of the period during which the said accommodation was occupied by the assessee during the previous year, exceeds the rent recoverable from, or payable by, the assessee;"

(iii) after Explanation 3 as so inserted, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2006, namely:--

'Explanation 4.--For the purposes of this sub-clause, "specified rate" shall be--

(i) fifteen per cent. of salary in cities having population exceeding twenty-five lakhs as per 2001 census;

(ii) ten per cent. of salary in cities having population exceeding ten lakhs but not exceeding twenty-five lakhs as per 2001 census; and

(iii) seven and one-half per cent of salary in any other place.'

(B) in sub-clause (iii), the proviso shall be omitted with effect from the 1st day of April, 2008.

Section 12 - 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, 2007", the figures, letters and words "31st day of March, 2012" shall be substituted with effect from the 1st day of April, 2008.

Section 13 - Amendment of section 36

In section 36 of the Income-tax Act, in sub-section (1),--

(A) in clause (ib), for the words "paid by cheque", the words "paid by any mode of payment other than cash" shall be substituted with effect from the 1st day of April, 2008;

(B) in clause (viiia),--

(a) in sub-clause (a), after the words "or a non-scheduled bank", the words "or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank" shall be inserted;

(b) in the Explanation,--

(i) in clause (ii) at the end, the words ", but does not include a cooperative bank" shall be omitted;

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

'(vi) "co-operative bank", "primary agricultural credit society" and "primary co-operative agricultural and rural development bank" shall have the meanings respectively assigned to them in the Explanation to sub-section (4) of section 80P;';

(C) for clause (viii), the following shall be substituted with effect from the 1st day of April, 2008, namely:--

'(viii) in respect of any special reserve created and maintained by a specified entity, an amount not exceeding twenty per cent. of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause) carried to such reserve account:

Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and of the general reserves of the specified entity, no allowance under this clause shall be made in respect of such excess.

Explanation.--In this clause,--

(a) "specified entity" means,--

(i) a financial corporation specified in section 4A of the Companies Act, 1956(1 of 1956);

(ii) a financial corporation which is a public sector company;

(iii) a banking company;

(iv) a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank;

(v) a housing finance company; and

(vi) any other financial corporation including a public company;

(b) "eligible business" means,--

(i) in respect of the specified entity referred to in sub-clause (i) or sub-clause (ii) or sub-clause (iii) or sub-clause (iv) of clause (a), the business of providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or construction or purchase of houses in India for residential purposes;

(ii) in respect of the specified entity referred to in sub-clause (v) of clause (a), the business of providing long-term finance for the construction or purchase of houses in India for residential purposes; and

(iii) in respect of the specified entity referred to in sub-clause (vi) of clause (a), the business of providing long-term finance for development of infrastructure facility in India;

(c) "banking company" means a company to which the Banking Regulation Act, 1949 (10 of 1949) applies and includes any bank or banking institution referred to in section 51 of that Act;

(d) "co-operative bank", "primary agricultural credit society" and "primary co-operative agricultural and rural development bank" shall have the meanings respectively assigned to them in the Explanation to subsection (4) of section 80P;

(e) "housing finance company" means a public company formed or 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;

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

(g) "infrastructure facility" means--

(i) an infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA, or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette and which fulfils the conditions as may be prescribed;

(ii) an undertaking referred to in clause (ii) or clause (iii) or clause (iv) or clause (vi) of sub-section (4) of section 80-IA; and

(iii) an undertaking referred to in sub-section (10) of section 80-IB;

(h) "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;';

(D) clause (x) shall be omitted with effect from the 1st day of April, 2008;

(E) for clause (xii), the following clause shall be substituted with effect from the 1st day of April, 2008, namely:--

"(xii) any expenditure (not being in the nature of capital expenditure) incurred by a corporation or a body corporate, by whatever name called, if,--

(a) it is constituted or established by a Central, State or Provincial Act;

(b) such corporation or body corporate, having regard to the objects and purposes of the Act referred to in sub-clause (a), is notified by the Central Government in the Official Gazette for the purposes of this clause; and

(c) the expenditure is incurred for the objects and purposes authorised by the Act under which it is constituted or established;";

(F) after clause (xiii), the following clause shall be inserted with effect from the 1st day of April, 2008, namely:--

'(xiv) any sum paid by a public financial institution by way of contribution to such credit guarantee fund trust for small industries as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.--For the purposes of this clause, "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956(1 of 1956);'.

Section 14 - Amendment of section 40A

In section 40A of the Income-tax Act, for sub-section (3), the following shall be substituted with effect from the 1st day of April, 2008, namely:--

"(3) (a) Where the assessee incurs any expenditure in respect of which payment is made in a sum exceeding twenty thousand rupees otherwise than by an account payee cheque drawn on a bank or account payee bank draft, no deduction shall be allowed in respect of such expenditure;

(b) where an allowance has been made in the assessment for any year in respect of any liability incurred by the assessee for any expenditure and subsequently during any previous year (hereinafter referred to as subsequent year) the assessee makes payment in respect thereof, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, the payment so made shall be deemed to be the profits and gains of business or profession and accordingly chargeable to income-tax as income of the subsequent year if the amount of payment exceeds twenty thousand rupees:

Provided that no disallowance shall be made and no payment shall be deemed to be the profits and gains of business or profession under this sub-section where any payment in a sum exceeding twenty thousand rupees is

made otherwise than by an account payee cheque drawn on a bank or account payee bank draft, in such cases and under such circumstances as may be prescribed, having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors.".

Section 15 - Insertion of new section 44DB

After section 44DA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2008, namely:--

'44DB. Special Provision for computing deductions in the case of business reorganisation of co-operative banks.-

(1) The deduction under section 32, section 35D, section 35DD or section 35DDA shall, in a case where business reorganisation of a co-operative bank has taken place during the financial year, be allowed in accordance with the provisions of this section.

(2) The amount of deduction allowable to the predecessor co-operative bank under section 32, section 35D, section 35DD or section 35DDA shall be determined in accordance with the formula--

$$\frac{A \times B}{C}$$

where A = the amount of deduction allowable to the predecessor co-operative bank if the business reorganisation had not taken place;

B = the number of days comprised in the period beginning with the 1st day of the financial year and ending on the day immediately preceding the date of business reorganisation; and

C = the total number of days in the financial year in which the business reorganisation has taken place.

(3) The amount of deduction allowable to the successor co-operative bank under section 32, section 35D, section 35DD or section 35DDA shall be determined in accordance with the formula--

$$\frac{A \times B}{C}$$

where A = the amount of deduction allowable to the predecessor co-operative bank if the business reorganisation had not taken place;

B = the number of days comprised in the period beginning with the date of business reorganisation and ending on the last day of the financial year; and

C = the total number of days in the financial year in which the business reorganisation has taken place.

(4) The provisions of section 35D, section 35DD or section 35DDA shall, in a case where an undertaking of the predecessor co-operative bank entitled to the deduction under the said section is transferred before the expiry of the period specified therein to a successor co-operative bank on account of business reorganisation, apply to the successor co-operative bank in the financial years subsequent to the year of business reorganisation as they would have applied to the predecessor co-operative bank, as if the business reorganisation had not taken place.

(5) For the purposes of this section,--

(a) "amalgamated co-operative bank" means--

(i) a co-operative bank with which one or more amalgamating co-operative banks merge; or

(ii) a co-operative bank formed as a result of merger of two or more amalgamating co-operative banks;

(b) "amalgamating co-operative bank" means--

(i) a co-operative bank which merges with another co-operative bank; or

(ii) every co-operative bank merging to form a new co-operative bank;

(c) "amalgamation" means the merger of an amalgamating co-operative bank or banks with an amalgamated co-operative bank, in such manner that--

(i) all the assets and liabilities of the amalgamating co-operative bank or banks immediately before the merger (other than the assets transferred, by sale or distribution on winding up, to the amalgamated co-operative bank) become the assets and liabilities of the amalgamated co-operative bank;

(ii) the members holding seventy-five per cent. or more voting rights in the amalgamating co-operative bank become members of the amalgamated co-operative bank; and

(iii) the shareholders holding seventy-five per cent. or more in value of the shares in the amalgamating co-operative bank (other than the shares held by the amalgamated co-operative bank or its nominee or its subsidiary, immediately before the merger) become shareholders of the amalgamated co-operative bank;

(d) "business reorganisation" means the reorganisation of business involving the amalgamation or demerger of a co-operative bank;

(e) "co-operative bank" shall have the meaning assigned to it in clause (cci) of section 5 of the Banking Regulation Act, 1949(10 of 1949);

(f) "demerger" means the transfer by a demerged co-operative bank of one or more of its undertakings to any resulting co-operative bank, in such manner that--

(i) all the assets and liabilities of the undertaking or undertakings immediately before the transfer become the assets and liabilities of the resulting co-operative bank;

(ii) the assets and the liabilities are transferred to the resulting cooperative bank at values (other than change in the value of assets consequent to their revaluation) appearing in its books of account immediately before the transfer;

(iii) the resulting co-operative bank issues, in consideration of the transfer, its membership to the members of the demerged co-operative bank on a proportionate basis;

(iv) the shareholders holding seventy-five per cent. or more in value of the shares in the demerged co-operative bank (other than shares already held by the resulting bank or its nominee or its subsidiary immediately before the transfer), become shareholders of the resulting co-operative bank, otherwise than as a result of the acquisition of the assets of the demerged co-operative bank or any undertaking thereof by the resulting co-operative bank;

(v) the transfer of the undertaking is on a going concern basis; and

(vi) the transfer is in accordance with the conditions specified by the Central Government, by notification in the Official Gazette, having regard to the necessity to ensure that the transfer is for genuine business purposes;

(g) "demerged co-operative bank" means the co-operative bank whose undertaking is transferred, pursuant to a demerger, to a resulting bank;

(h) "predecessor co-operative bank" means the amalgamating co-operative bank or the demerged co-operative bank, as the case may be;

(i) "successor co-operative bank" means the amalgamated co-operative bank or the resulting bank, as the case may be;

(j) "resulting co-operative bank" means--

(i) one or more co-operative banks to which the undertaking of the demerged co-operative bank is transferred in a demerger; or

(ii) any co-operative bank formed as a result of demerger.'.

Section 16 - Amendment of section 47

In section 47 of the Income-tax Act, after clause (vic), the following shall be inserted with effect from the 1st day of April, 2008, namely:--

'(vica) any transfer in a business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank;

(vicb) any transfer by a shareholder, in a business reorganisation, of a capital asset being a share or shares held by him in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the successor co-operative bank.

Explanation.--For the purposes of clauses (vica) and (vicb), the expressions "business reorganisation", "predecessor co-operative bank" and "successor co-operative bank" shall have the meanings respectively assigned to them in

Section 17 - Amendment of section 49

In section 49 of the Income-tax Act, with effect from the 1st day of April, 2008,--

(i) in sub-section (1), in clause (iii), in sub-clause (e), for the word, brackets, figures and letters "clause (viaa)", the words, brackets, figures and letters "clause (viaa) or clause (vica) or clause (vicb)" shall be substituted;

(ii) after sub-section (2AA), the following sub-section shall be inserted, namely:--

"(2AB) Where the capital gain arises from the transfer of specified security or sweat equity shares, the cost of acquisition of such security or shares shall be the fair market value which has been taken into account while computing the value of fringe benefits under clause (ba) of sub-section (1) of section 115 WC";

(iii) after sub-section (2D), and before the Explanation, the following subsection shall be inserted, namely:--

"(2E) The provisions of sub-section (2), sub-section (2C) and sub-section (2D) shall, as far as may be, also apply in relation to business reorganisation of a co-operative bank as referred to in section 44DB.".'.

Section 18 - Amendment of section 54EC

In section 54EC of the Income-tax Act,--

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

"Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by an assessee during any financial year does not exceed fifty lakh rupees.";

(b) after sub-section (3), in the Explanation,--

(i) for clause (b), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2006, namely:--

'(b) "long-term specified asset" for making any investment under this section during the period commencing from the 1st day of April, 2006 and ending with the 31st day of March, 2007, means any bond, redeemable after three years and issued on or after the 1st day of April, 2006, but on or before the 31st day of March, 2007 --

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988(68 1988); or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956(1 of 1956),

and notified by the Central Government in the Official Gazette for the purposes of this section with such conditions (including the condition for providing a limit on the amount of investment by an assessee in such bond) as it thinks fit;'

(ii) in clause (b) as so substituted, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2006, namely:--

"Provided that where any bond has been notified before the 1st day of April, 2007, subject to the conditions specified in the notification, by the Central Government in the Official Gazette under the provisions of clause (b) as they stood immediately before their amendment by the Finance Act, 2007, such bond shall be deemed to be a bond notified under this clause;";

(iii) after the proviso as so inserted, the following clause shall be inserted, namely:--

'(ba) "long-term specified asset" for making any investment under this section on or after the 1st day of April, 2007 means any bond, redeemable after three years and issued on or after the 1st day of April, 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988(68 of 1988) or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956(1 of 1956).'.

Section 19 - Amendment of section 56

In section 56 of the Income-tax Act, in sub-section (2), in clause (v), in the proviso, the following sub-clauses shall be deemed to have been inserted with effect from the 1st day of April, 2005, namely:--

"(e) from any local authority as defined in the Explanation to clause (20) of section 10; or

(f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10; or

(g) from any trust or institution registered under section 12AA."

Section 20 - Amendment of section 72A

In section 72A of the Income-tax Act, for sub-section (1), the following subsection shall be substituted with effect from the 1st day of April, 2008, namely:--

"(1) Where there has been an amalgamation of--

(a) a company owning an industrial undertaking or a ship or a hotel with another company; or

(b) a banking company referred to in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949) with a specified bank; or

(c) one or more public sector company or companies engaged in the business of operation of aircraft with one or more public sector company or companies engaged in similar business,

then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for unabsorbed depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly."

Section 21 - Insertion of new section 72AB

After section 72AA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2008, namely:--

'72AB. Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in business re-organisation of co-operative banks.--

(1) The assessee, being a successor co-operative bank, shall, in a case where the amalgamation has taken place during the previous year, be allowed to set off the accumulated loss and the unabsorbed depreciation, if any, of the predecessor cooperative bank as if the amalgamation had not taken place, and all the other provisions of this Act relating to set-off and carry forward of loss and allowance for depreciation shall apply accordingly.

(2) The provisions of this section shall apply if--

(a) the predecessor co-operative bank--

(i) has been engaged in the business of banking for three or more years; and

(ii) has held at least three-fourths of the book value of fixed assets as on the date of the business reorganisation, continuously for two years prior to the date of business reorganisation;

(b) the successor co-operative bank--

(i) holds at least three-fourths of the book value of fixed assets of the predecessor co-operative bank acquired through business reorganisation, continuously for a minimum period of five years immediately succeeding the date of business reorganisation;

(ii) continues the business of the predecessor co-operative bank for a minimum period of five years from the date of business reorganisation; and

(iii) fulfils such other conditions as may be prescribed to ensure the revival of the business of the predecessor co-operative bank or to ensure that the business reorganisation is for genuine business purpose.

(3) The amount of set-off of the accumulated loss and unabsorbed depreciation, if any, allowable to the assessee being a resulting co-operative bank shall be,--

(i) the accumulated loss or unabsorbed depreciation of the demerged co-operative bank if the whole of the amount of such loss or unabsorbed depreciation is directly relatable to the undertakings transferred to the resulting co-operative bank; or

(ii) the amount which bears the same proportion to the accumulated loss or unabsorbed depreciation of the demerged co-operative bank as the assets of the undertaking transferred to the resulting co-operative bank bears to the assets of the demerged co-operative bank if such accumulated loss or unabsorbed depreciation is not directly relatable to the undertakings transferred to the resulting co-operative bank.

(4) The Central Government may, for the purposes of this section, by notification in the Official Gazette, specify such other conditions as it considers necessary, other than those prescribed under sub-clause (iii) of clause (b) of sub-section (2), to ensure that the business reorganisation is for genuine business purposes.

(5) The period commencing from the beginning of the previous year and ending on the date immediately preceding the date of business reorganisation, and the period commencing from the date of such business reorganisation and ending with the previous year shall be deemed to be two different previous years for the purposes of set-off and carry forward of loss and allowance for depreciation.

(6) In a case where the conditions specified in sub-section (2) or notified under sub-section (4) are not complied with, the set-off of accumulated loss or unabsorbed depreciation allowed in any previous year to the successor co-operative bank shall be deemed to be the income of the successor co-operative bank chargeable to tax for the year in which the conditions are not complied with.

(7) For the purposes of this section,--

(a) "accumulated loss" means so much of loss of the amalgamating co-operative bank or the demerged co-operative bank, as the case may be, under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such amalgamating co-operative bank or the demerged co-operative bank, would have been entitled to carry forward and setoff under the provisions of section 72 as if the business reorganisation had not taken place;

(b) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating co-operative bank or the demerged co-operative bank, as the case may be, which remains to be allowed and which would have been allowed to such bank as if the business reorganisation had not taken place;

(c) the expressions "amalgamated co-operative bank", "amalgamating co-operative bank", "amalgamation", "business reorganisation", "co-operative bank", "demerged co-operative bank", "demerger", "predecessor co-operative bank", "successor co-operative bank" and "resulting co-operative bank" shall have the meanings respectively assigned to them in section 44DB.'

Section 22 - Amendment of section 80A

In section 80A of the Income-tax Act, in sub-section (3),--

(i) after the word, figures and letters "section 80-IB", the words, figures and letters "or section 80-IC" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2004;

(ii) after the words, figures and letters "or section 80-IC" as so inserted, the words, figures and letters "or section 80-ID or section 80-IE" shall be inserted with effect from the 1st day of April, 2008."

Section 23 - Amendment of section 80AC

In section 80AC of the Income-tax Act, after the word, figures and letters "section 80-IC", the words, figures and letters "or section 80-ID or section 80-IE" shall be inserted with effect from the 1st day of April, 2008.

Section 24 - Amendment of section 80C

In section 80C of the Income-tax Act, in sub-section (2), after clause (xxi), the following clause shall be inserted with effect from the 1st day of April, 2008, namely--

"(xxii) as subscription to such bonds issued by the National Bank for Agriculture and Rural Development, as the Central Government may, by notification in the Official Gazette, specify in this behalf".

Section 25 - Amendment of section 80CCD

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

(a) in sub-section (1), for the words "employed by the Central Government", the words "employed by the Central

Government or any other employer" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004;

(b) in sub-section (2), for the words "Central Government" at both the places where they occur, the words "Central Government or any other employer" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2004.

Section 26 - Amendment of section 80D

In section 80D of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2008 --

(a) for the words "paid by him by cheque", the words "paid by him by any mode of payment other than cash" shall be substituted;

(b) in clause (i), for the word "ten", the word "fifteen" shall be substituted;

(c) in clause (ii), for the word "ten", the word "fifteen" shall be substituted;

(d) in the proviso,--

(i) for the word "ten", the word "fifteen" shall be substituted;

(ii) for the word "fifteen", the word "twenty" shall be substituted;

Section 27 - Amendment of section 80E

In section 80E of the Income-tax Act, with effect from the 1st day of April, 2008,--

(i) in sub-section (1), after the words "higher education", the words "or for the purpose of higher education of his relative" shall be inserted;

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

(A) in clause (a), for the words "notified by the Central Government", the words "approved by the prescribed authority" shall be substituted;

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

'(e) "relative", in relation to an individual, means the spouse and children of that individual.'

Section 28 - Amendment of section 80-IA

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

(i) in sub-section (2), after the words "distribution lines", the words "or lays and begins to operate a cross-country natural gas distribution network" shall be inserted with effect from the 1st day of April, 2008;

(ii) in sub-section (3), for the word, brackets and figures "clause (iv)", the words, brackets and figures "clause (iv) or clause (vi)" shall be substituted with effect from the 1st day of April, 2008;

(iii) in sub-section (4), with effect from the 1st day of April, 2008,--

(A) in clause (i), in the Explanation, in clause (d), for the words "or inland port", the words ", inland port or navigational channel in the sea" shall be substituted;

(B) in clause (v), in sub-clause (b), for the figures, letters and words "31st day of March, 2007", the figures, letters and words "31st day of March, 2008" shall be substituted;

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

'(vi) any undertaking carrying on the business of laying and operating a cross-country natural gas distribution network, including pipelines and storage facilities being an integral part of such network, which fulfils the following conditions, namely:--

(a) it is owned by a company registered in India or by a consortium of such companies or by an authority or a board or a corporation established or constituted under any Central or State Act;

(b) it has been approved by the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Petroleum and Natural Gas Regulatory Board Act, 2006(19 of 2006) and notified by the Central

Government in the Official Gazette;

(c) one-third of its total pipeline capacity is available for use on common carrier basis by any person other than the assessee or an associated person;

(d) it has started or starts operating on or after the 1st day of April, 2007; and

(e) any other condition which may be prescribed.

Explanation.--For the purposes of this clause, an "associated person" in relation to the assessee means a person--

(i) who participates directly or indirectly or through one or more intermediaries in the management or control or capital of the assessee;

(ii) who holds, directly or indirectly, shares carrying not less than twenty-six per cent. of the voting power in the assessee;

(iii) who appoints more than half of the Board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of the assessee; or

(iv) who guarantees not less than ten per cent. of the total borrowings of the assessee.;

(iv) after sub-section (12), the following sub-section shall be inserted with effect from the 1st day of April, 2008, namely:--

"(12A) Nothing contained in sub-section (12) shall apply to any enterprise or undertaking which is transferred in a scheme of amalgamation or demerger on or after the 1st day of April, 2007.";

(v) after sub-section (13), the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2000, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that nothing contained in this section shall apply to a person who executes a works contract entered into with the undertaking or enterprise, as the case may be.".

Section 29 - Amendment of section 80-IB

In section 80-IB of the Income-tax Act, in sub-section (4), in the fourth proviso, for the figures, letters and words "31st day of March, 2007", the figures, letters and words "31st day of March, 2012" shall be substituted with effect from the 1st day of April, 2008.

Section 30 - Amendment of section 80-IC

In section 80-IC of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2008 --

(i) in clause (a), in sub-clause (i), for the figures, letters and words "1st day of April, 2012", the figures, letters and words "1st day of April, 2007" shall be substituted;

(ii) in clause (b) in sub-clause (i), for the figures, letters and words "1st day of April, 2012", the figures, letters and words "1st day of April, 2007" shall be substituted.

Section 31 - Insertion of new section 80-ID

After section 80-IC of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2008, namely:--

'80-ID Deduction in respect of profits and gains from business of hotels and convention centres in specified area.--

(1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking from any business referred to in sub-section (2) (such business being hereinafter referred to as the eligible business), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred per cent. of the profits and gains derived from such business for five consecutive assessment years beginning from the initial assessment year.

(2) This section applies to any undertaking,--

(i) engaged in the business of hotel located in the specified area, if such hotel is constructed and has started or

starts functioning at any time during the period beginning on the 1st day of April, 2007 and ending on the 31st day of March, 2010; or

(ii) engaged in the business of building, owning and operating a convention centre, located in the specified area, if such convention centre is constructed at any time during the period beginning on the 1st day of April, 2007 and ending on the 31st day of March, 2010.

(3) The deduction under sub-section (1) shall be available only if--

(i) the eligible business is not formed by the splitting up, or the reconstruction, of a business already in existence;

(ii) the eligible business is not formed by the transfer to a new business of a building previously used as a hotel or a convention centre, as the case may be;

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

Explanation.--The provisions of Explanations 1 and 2 to sub-section (3) of section 80-IA shall apply for the purposes of clause (iii) of this subsection as they apply for the purposes of clause (ii) of that sub-section;

(iv) the assessee furnishes along with the return of income, the report of an audit in such form and containing such particulars as may be prescribed, and duly signed and verified by an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed.

(4) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee, no deduction shall be allowed under any other section contained in Chapter VIA or section 10AA, in relation to the profits and gains of the undertaking.

(5) The provisions contained in sub-section (5) and sub-sections (8) to (11) of section 80-IA shall, so far as may be, apply to the eligible business under this section.

(6) For the purposes of this section,--

(a) "convention centre" means a building of a prescribed area comprising of convention halls to be used for the purpose of holding conferences and seminars, being of such size and number and having such other facilities and amenities, as may be prescribed;

(b) "hotel" means a hotel of two-star, three-star or four-star category as classified by the Central Government;

(c) "initial assessment year"--

(i) in the case of a hotel, means the assessment year relevant to the previous year in which the business of the hotel starts functioning;

(ii) in the case of a convention centre, means the assessment year relevant to the previous year in which the convention centre starts operating on a commercial basis;

(d) "specified area" means the National Capital Territory of Delhi and the districts of Faridabad, Gurgaon, Gautam Budh Nagar and Ghaziabad.'

Section 32 - Insertion of new section 80-IE

After section 80-ID as so inserted in the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2008, namely:--

'80-IE. Special provisions in respect of certain undertakings in NorthEastern States.--

(1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking, to which this section applies, from any business referred to in sub-section (2), there shall be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred per cent. of the profits and gains derived from such business for ten consecutive assessment years commencing with the initial assessment year.

(2) This section applies to any undertaking which has, during the period beginning on the 1st day of April, 2007 and ending before the 1st day of April, 2017, begun or begins, in any of the North-Eastern States,--

(i) to manufacture or produce any eligible article or thing;

(ii) to undertake substantial expansion to manufacture or produce any eligible article or thing;

(iii) to carry on any eligible business.

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

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

Provided that this condition shall not apply in respect of an 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 referred to in section 33B, in the circumstances and within the period specified in the said section;

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

Explanation.--The provisions of Explanations 1 and 2 to sub-section (3) of section 80-IA shall apply for the purposes of clause (ii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(4) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee, no deduction shall be allowed under any other section contained in Chapter VIA or in section 10A or section 10AA or section 10B or section 10BA, in relation to the profits and gains of the undertaking.

(5) Notwithstanding anything contained in this Act, no deduction shall be allowed to any undertaking under this section, where the total period of deduction inclusive of the period of deduction under this section, or under section 80-IC or under the second proviso to sub-section (4) of section 80-IB or under section 10C, as the case may be, exceeds ten assessment years.

(6) The provisions contained in sub-section (5) and sub-section (7) to (12) of section 80-1A shall, so far as may be, apply to the eligible undertaking under this section.

(7) For the purposes of this section,--

(i) "initial assessment year" means the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things, or completes substantial expansion;

(ii) "North-Eastern States" means the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura;

(iii) "substantial expansion" means increase in the investment in the plant and machinery by at least twenty-five per cent of the book value of plant and machinery (before taking depreciation in any year), as on the first day of the previous year in which the substantial expansion is undertaken;

(iv) "eligible article or thing" means the article or thing other than the following:--

(a) goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985(5 of 1986), which pertains to tobacco and manufactured tobacco substitutes;

(b) pan masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985(5 of 1986);

(c) plastic carry bags of less than 20 microns as specified by the Ministry of Environment and Forests vide notification number S.O. 705(E), dated the 2nd September, 1999 and S.O. 698(E), dated the 17th June, 2003; and

(d) goods falling under Chapter 27 of the First Schedule to the Central Excise Tariff Act, 1985(5 of 1986), produced by petroleum oil or gas refineries;

(v) "eligible business" means the business of,--

(a) hotel (not below two star category);

(b) adventure and leisure sports including ropeways;

(c) providing medical and health services in the nature of nursing home with a minimum capacity of twenty-five beds;

(d) running an old-age home;

(e) operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and paramedical, civil aviation related training, fashion designing and industrial training;

(f) running information technology related training centre;

(g) manufacturing of information technology hardware; and

(h) bio-technology.'. .

Section 33 - Amendment of section 92CA

In section 92CA of the Income-tax Act, with effect from the 1st day of June, 2007,--

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

"(3A) Where a reference was made under sub-section (1) before the 1st day of June, 2007 but the order under sub-section (3) has not been made by the Transfer Pricing Officer before the said date, or a reference under sub-section (1) is made on or after the 1st day of June, 2007, an order under sub-section (3) may be made at any time before sixty days prior to the date on which the period of limitation referred to in section 153, or as the case may be, in section 153B for making the order of assessment or reassessment or recomputation or fresh assessment, as the case may be, expires.";

(ii) for sub-section (4), the following sub-section shall be substituted, namely:--

"(4) On receipt of the order under sub-section (3), the Assessing Officer shall proceed to compute the total income of the assessee under sub-section (4) of section 92C in conformity with the arm's length price as so determined by the Transfer Pricing Officer."

Section 34 - Amendment of section 115 JB

In section 115JB of the Income-tax Act, after sub-section (2), in the Explanation with effect from the 1st day of April, 2008,--

(a) in clause (f), the words, figures and letters "section 10A or section 10B or" shall be omitted;

(b) in clause (ii), the words, figures and letters "section 10A or section 10B or" shall be omitted.

Section 35 - Amendment of section 115-O

In section 115-O of the Income-tax Act, in sub-section (1), for the words "at the rate of twelve and one-half per cent.", the words "at the rate of fifteen per cent." shall be substituted.

Section 36 - Amendment of section 115R

In section 115R of the Income-tax Act, in sub-section (2), for clauses (i) and (ii), the following clauses shall be substituted, namely:--

"(i) twenty-five per cent. on income distributed by a money market mutual fund or a liquid fund;

(ii) twelve and one-half per cent. on income distributed to any person being an individual or a Hindu undivided family by a fund other than a money market mutual fund or a liquid fund; and

(iii) twenty per cent. on income distributed to any other person by a fund other than a money market mutual fund or a liquid fund:".

Section 37 - Amendment of Explanation to Chapter XII-E

In Chapter XII-E of the Income-tax Act, after section 115T, in the Explanation, after clause (c), the following clauses shall be inserted, namely: --

'(d) "money market mutual fund" means a money market mutual fund as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;

(e) "liquid fund" means a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992(15 of 1992) or regulations made thereunder.'.

Section 38 - Amendment of section 115 WB

In section 115WB of the Income-tax Act, with effect from the 1st day of April, 2008--

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

(i) in clause (b), the word "and" occurring at the end shall be omitted;

(ii) in clause (c), for the word "employees", the words "employees; and" shall be substituted;

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

'(d) any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer free of Cost or at concessional rate to his employees (including former employee or employees).

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

(i) "specified security" means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956(42 of 1956) and includes employees' stock option;

(ii) "sweat equity shares" means equity shares issued by a company to its employees or directors at a discount or for consideration other than cash for providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.;

(B) in sub-section (2), in the proviso,--

(a) in clause (v), for the words "bill boards", the words "bill boards, display of products" shall be substituted;

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

"(vii) being the expenditure on distribution of samples either free of cost or at concessional rate; and".

Section 39 - Amendment of section 115 WC

In section 115WC of the Income-tax Act, in sub-section (1), after clause (b), the following shall be inserted with effect from the 1st day of April, 2008, namely:--

'(ba) the fair market value of the specified security or sweat equity shares referred to in clause (d) of sub-section (1) of section 115 WB, on the date on which the option vests with the employee as reduced by the amount actually paid by, or recovered from, the employee in respect of such security or shares.

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

(i) "fair market value" means the value determined in accordance with the method as may be prescribed by the Board;

(ii) "option" means a right but not an obligation granted to an employee to apply for the specified security or sweat equity shares at a predetermined price.;

Section 40 - Amendment of section 115 WJ

In section 115 WJ of the Income-tax Act, for sub-sections (2) and (5), the following sub-sections shall be substituted with effect from the 1st day of June, 2007, namely:--

"(2) Advance tax on the current fringe benefits shall be payable by--

(a) all the companies, who are liable to pay the same in four instalments during each financial year and the due date of each instalment and the amount of such instalment shall be as specified in Table I below:

Table I

Due date of instalment	Amount payable
On or before the 15th June	Not less than fifteen per cent. of such advance tax.
On or before the 15th September	Not less than forty-five per cent. of such advance tax as reduced by the amount, if any, paid in the earlier instalment.
On or before the 15th December	Not less than seventy-five per cent. of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
On or before the 15th	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the

March	earlier instalment or instalments;
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(b) all the assessees (other than companies), who are liable to pay the same in three instalments during each financial year and the due date of each instalment and the amount of such instalment shall be as specified in Table II below:

Table II

Due date of instalment	Amount payable
On or before the 15th September	Not less than thirty per cent. of such advance tax.
On or before the 15th December	Not less than sixty per cent. of such advance tax as reduced by the amount, if any, paid in the earlier instalment.
On or before the 15th March	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

"(3) where an assessee, being a company, has failed to pay the advance tax payable by him on or before the due date for any instalment or where the advance tax paid by him is less than the amount payable by the due date, he shall be liable to pay simple interest calculated at the rate of--

- (i) one per cent. per month, for three months on an amount by which the advance tax paid on or before the 15th June of the financial year falls short of fifteen per cent. of the advance tax payable;
- (ii) one per cent. per month, for three months on an amount by which the advance tax paid on or before the 15th September of the financial year falls short of forty-five per cent. of the advance tax payable;
- (iii) one per cent. per month, for three months on an amount by which the advance tax paid on or before the 15th December of the financial year falls short of seventy-five per cent. of the advance tax payable; and
- (iv) one per cent. on an amount by which the advance tax paid on or before the 15th March of the financial year falls short of the hundred per cent. of the advance tax payable.

(4) Where an assessee, being a person other than a company, has failed to pay the advance tax payable by him on or before the due date for any instalment or where the advance tax paid by him is less than the amount payable by the due date, he shall be liable to pay simple interest calculated at the rate of--

- (i) one per cent. per month, for three months on an amount by which the advance tax paid on or before the 15th September of the financial year falls short of thirty per cent. of the advance tax payable;
- (ii) one per cent, per month, for three months on an amount by which the advance tax paid on or before the 15th December of the financial year falls short of sixty per cent. of the advance tax payable; and
- (iii) one per cent. on an amount by which the advance tax paid on or before the 15th March of the financial year falls short of hundred per cent. of the advance tax payable.

(5) Where an assessee has failed to pay the advance tax payable by him during a financial year or where the advance tax paid by him is less than ninety per cent. of the tax assessed under section 115 WE or section 115 WF or section 115 WG, the assessee shall be liable to pay simple interest at the rate of one per cent. per month, for every month or part of a month comprised in the period from the 1st day of April next following such financial year to the date of assessment of tax under section 115 WE or section 115 WF or section 115 WG".

Section 41 - Insertion of new section 115 WKA

After section 115WK of the Income-tax Act, the following section shall be inserted, namely:--

"115WKA. Recovery of fringe benefit tax by the employer from the employee.--

Notwithstanding anything contained in any agreement or scheme under which any specified security or sweat equity shares referred to in clause (d) of sub-section (1) of section 115 WB has been allotted or transferred, directly or indirectly, by the employer on or after the 1st day of April, 2007, it shall be lawful for the employer to vary the agreement or scheme under which such specified security or sweat equity shares has been allotted or transferred so as to recover from the employee the fringe benefit tax to the extent to which such employer is liable to pay the fringe benefit tax in relation to the value of fringe benefits provided to the employee and determined under clause

(ba) of sub-section (1) of section 115WC".

Section 42 - Amendment of section 120

In section 120 of the Income-tax Act, in sub-section (4), in clause (b) --

- (i) after the words "shall be exercised or performed by", the words "an Additional Commissioner or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1994;
 - (ii) after the words "an Additional Commissioner or", as so inserted, the words "an Additional Director or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1996;
 - (iii) after the words "deemed to be references to such", the words "Additional Commissioner or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1994;
 - (iv) after the words "Additional Commissioner or" as so inserted, the words "Additional Director or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1996.
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Section 43 - Amendment of section 132B

In section 132B of the Income-tax Act, in sub-section (4), in clause (a), for the words "six per cent. per annum", the words "one-half per cent. for every month or part of a month" shall be substituted with effect from the 1st day of April, 2008.

Section 44 - Amendment of section 139

In section 139 of the Income-tax Act, in sub-section (9), the proviso occurring at the end shall be omitted and shall be deemed to have been omitted with effect from the 1st day of June, 2006.

Section 45 - Insertion of new sections 139C and 139D

After section 139B of the Income-tax Act, the following sections shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 2006, namely:--

"139C. Power of Board to dispense with furnishing documents, etc., with return.--

- (1) The Board may make rules providing for a class or classes of persons who may not be required to furnish documents, statements, receipts, certificates, reports of audit or any other documents, which are otherwise under any other provisions of this Act, except section 139D, required to be furnished, along with the return but on demand to be produced before the Assessing Officer.
- (2) Any rule made under the proviso to sub-section (9) of section 139 as it stood immediately before its omission by the Finance Act, 2007 shall be deemed to have been made under the provisions of this section.

139D. Filing of return in electronic form.--

The Board may make rules providing for--

- (a) the class or classes of persons who shall be required to furnish the return in electronic form;
 - (b) the form and the manner in which the return in electronic form may be furnished;
 - (c) the documents, statements, receipts, certificates or audited reports which may not be furnished along with the return in electronic form but shall be produced before the Assessing Officer on demand;
 - (d) the computer resource or the electronic record to which the return in electronic form may be transmitted."
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Section 46 - Amendment of section 142

In section 142 of the Income-tax Act,-

- (a) in sub-section (2A), the following proviso shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided that the Assessing Officer shall not direct the assessee to get the accounts so audited unless the assessee has been given a reasonable opportunity of being heard.";
- (b) in sub-section (2D), the following proviso shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided that where any direction for audit under sub-section (2A) is issued by the Assessing Officer on or after the 1st day of June, 2007, the expenses of, and incidental to, such audit (including the remuneration of the Accountant) shall be determined by the Chief Commissioner or Commissioner in accordance with such guidelines as may be prescribed and the expenses so determined shall be paid by the Central Government."

Section 47 - Amendment of section 143

In section 143 of the Income-tax Act, in sub-section (3), in the proviso, in subclause (ii), after the words "scientific research association or other association", the words "or fund or trust" shall be inserted with effect from the 1st day of June, 2007.

Section 48 - Amendment of section 153

In section 153 of the Income-tax Act, with effect from the 1st day of June, 2007,--

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

'Provided further that in case the assessment year in which the income was first assessable is the assessment year commencing on the 1st day of April, 2005 or any subsequent assessment year and during the course of the proceeding for the assessment of total income, a reference under sub-section (1) of section 92CA--

(i) was made before the 1st day of June, 2007 but an order under sub-section (3) of that section has not been made before such date; or

(ii) is made on or after the 1st day of June, 2007,

the provisions of clause (a) shall, notwithstanding anything contained in the first proviso, have effect as if for the words "two years", the words "thirty-three months" had been substituted.'

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

'Provided also that where the notice under section 148 was served on or after the 1st day of April, 2006 and during the course of the proceedings for the assessment or reassessment or recomputation of total income, a reference under sub-section (1) of section 92CA--

(i) was made before the 1st day of June, 2007 but an order under sub-section (3) of that section has not been made before such date; or

(ii) is made on or after the 1st day of June, 2007,

the provisions of this sub-section shall, notwithstanding anything contained in the second proviso, have effect as if for the words "one year", the words "twenty-one months" had been substituted.'

(c) in sub-section (2A), after the second proviso, the following proviso shall be inserted, namely:--

'Provided also that where the order under section 254 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Commissioner on or after the 1st day of April, 2006, and during the course of the proceedings for the fresh assessment of total income, a reference under sub-section (1) of section 92CA--

(i) was made before the 1st day of June, 2007 but an order under sub-section (3) of section 92CA has not been made before such date; or

(ii) is made on or after the 1st day of June, 2007,

the provisions of this sub-section shall, notwithstanding anything contained in the second proviso, have effect as if for the words "one year", the words "twenty-one months" had been substituted.'

Section 49 - Amendment of section 153B

In section 153B of the Income-tax Act, in sub-section (1), after the second proviso and before the Explanation, the following provisos shall be inserted with effect from the 1st day of June, 2007, namely:--

'Provided also that in case where the last of the authorisations for search under section 132 or for requisition under section 132A was executed during the financial year commencing on the 1st day of April, 2005 or any subsequent financial year and during the course of the proceedings for the assessment or reassessment of total income, a reference under sub-section (1) of section 92CA--

(i) was made before the 1st day of June, 2007 but an order under subsection (5) of section 92CA has not been made before such date; or

(ii) is made on or after the 1st day of June, 2007,

the provisions of clause (a) or clause (b) of this sub-section shall, notwithstanding anything contained in clause (i) of the second proviso, have effect as if for the words "two years", the words "thirty-three months" had been substituted:

Provided also that in case where the last of the authorisations for search under section 132 or for requisition under section 132A was executed during the financial year commencing on the 1st day of April, 2005 or any subsequent financial year and during the course of the proceedings for the assessment or reassessment of total income in case of other person referred to in section 153C, a reference under sub-section (1) of section 92CA.--

(i) was made before the 1st day of June, 2007 but an order under subsection (3) of section 92CA has not been made before such date; or

(ii) is made on or after the 1st day of June, 2007,

the period of limitation for making the assessment or reassessment in case of such other person shall, notwithstanding anything contained in clause (ii) of the second proviso, be the period of thirty-three months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed or twenty-one months 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 50 - Insertion of new section 153D

In the Income-tax Act, after section 153C, the following section shall be inserted with effect from the 1st day of June, 2007, namely:--

" 153D. Prior approval necessary for assessment in cases or requisition.--

No order of assessment or reassessment shall be passed by an Assessing Officer below the rank of Joint Commissioner in respect of each assessment year referred to in clause (b) of section 153 A or the assessment year referred to in clause (b) of sub-section (1) of section 153B, except with the prior approval of the Joint Commissioner."

Section 51 - Amendment of section 172

In section 172 of the Income-tax Act, after sub-section (4), the following subsection shall be inserted, namely:-

"(4A) No order assessing the income and determining the sum of tax payable thereon shall be made under sub-section (4) after the expiry of nine months from the end of the financial year in which the return under sub-section (3) is furnished:

Provided that where the return under sub-section (3) has been furnished before the 1st day of April, 2007, such order shall be made on or before the 31st day of December, 2008."

Section 52 - Amendment of section 193

In section 193 of the Income-tax Act, in the proviso, in clause (iv), the following proviso shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided that nothing contained in this clause shall apply to the interest exceeding rupees ten thousand payable on 8% Savings (Taxable) Bonds, 2003 during the financial year;"

Section 53 - Amendment of section 194A

In section 194A of the Income-tax Act, in sub-section (3), in clause (i), for the words" does not exceed five thousand rupees", the following words, brackets, letters and figures shall be substituted with effect from the 1st day of June, 2007, namely:--

"does not exceed--

(a) ten thousand rupees, where the payer is 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);

(b) ten thousand rupees, where the payer is a co-operative society engaged in carrying on the business of banking;

(c) ten thousand rupees, on any deposit with post office under any scheme framed by the Central Government and notified by it in this behalf; and

(d) five thousand rupees in any other case:".

Section 54 - Amendment of section 194C

In section 194C of the Income-tax Act, for sub-section (1), the following subsection shall be substituted with effect from the 1st day of June, 2007, namely:--

"(1) Any person responsible for paying any sum to any resident (hereinafter in this section referred to as the contractor) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and--

(a) the Central Government or any State Government; or

(b) any local authority; or

(c) any corporation established by or under a Central, State or Provincial Act; or

(d) any company; or

(e) any co-operative society; or

(f) any authority, constituted in India by or under any law, engaged 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; or

(g) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any law corresponding to that Act in force in any part of India; or

(h) any trust; or

(i) any university established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a university under section 3 of the University Grants Commission Act, 1956(3 of 1956); or

(j) any firm; or

(k) any individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year in which such sum is credited or paid to the account of the contractor,

shall, at the time of credit of such sum to the account of the contractor or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to--

(i) one per cent. in case of advertising,

(ii) in any other case two per cent.,

of such sum as income-tax on income comprised therein:

Provided that no individual or a Hindu undivided family shall be liable to deduct income-tax on the sum credited or paid to the account of the contractor where such sum is credited or paid exclusively for personal purposes of such individual or any member of Hindu undivided family.".

Section 55 - Amendment of section 194H

In section 194H of the Income-tax Act, with effect from the 1st day of June, 2007,--

(a) for the words "five per cent.", the words "ten per cent." shall be substituted;

(b) alter the second proviso and before the Explanation, the following proviso shall be inserted, namely:--

"Provided also that no deduction shall be made under this section on any commission or brokerage payable by

Section 56 - Amendment of section 194-I

In section 194-I of the Income-tax Act, for clauses (a) and (b), the following clauses shall be substituted with effect from the 1st day of June, 2007, namely:--

"(a) ten per cent. for the use of any machinery or plant or equipment;

(b) fifteen per cent. for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings where the payee is an individual or a Hindu undivided family; and

(c) twenty per cent. for the use of any land or building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings where the payee is a person other than an individual or a Hindu undivided family:".

Section 57 - Amendment of section 194J

In section 194J of the Income-tax Act, in sub-section (1), for the words "five per cent.", the words "ten per cent." shall be substituted with effect from the 1st day of June, 2007.

Section 58 - Amendment of section 197A

In section 197A of the Income-tax Act, in sub-section (1C), the words, figures and letter "and is entitled to a deduction from the amount of income-tax on his total income referred to in section 88B" shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 2006.

Section 59 - Amendment of section 201

In section 201 of the Income-tax Act, in sub-section (1A), for the words "twelve per cent. per annum", the words "one per cent. for every month or part of a month" shall be substituted with effect from the 1st day of April, 2008.

Section 60 - Amendment of section 206A

In section 206A of the Income-tax Act, in sub-section (1), for the words "not exceeding five thousand rupees", the words "not exceeding ten thousand rupees, where the payer is a banking company or a co-operative society, and five thousand rupees in any other case" shall be substituted with effect from the 1st day of June, 2007.

Section 61 - Amendment of section 206C

In section 206C of the Income-tax Act, in sub-section (1C), after the Table, the following Explanations shall be inserted with effect from the 1st day of June, 2007, namely:--

'Explanation 1.-- For the purposes of this sub-section, "mining and quarrying" shall not include mining and quarrying of mineral oil.

Explanation 2.-- For the purposes of Explanation 1, "mineral oil" includes petroleum and natural gas.'

Section 62 - Amendment of section 245A

In section 245 A of the Income-tax Act, with effect from the 1st day of June, 2007,--

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

'(b) "case" means any proceeding for assessment under this Act, of any person in respect of any assessment year or assessment years which may be pending before an Assessing Officer on the date on which an application under sub-section (1) of section 245C is made:

Provided that--

(i) a proceeding for assessment or reassessment or recomputation under section 147;

(ii) a proceeding for assessment or reassessment for any of the assessment years referred to in clause (b) of section 153 A in case of a person referred to in section 153 A or section 153C;

(iii) a proceeding for assessment or reassessment for the assessment year referred to in clause (b) of sub-section (1) of section 153B in case of a person referred to in section 153 A or section 153C;

(iv) a proceeding for making fresh assessment in pursuance of an order under section 254 or section 263 or section 264, setting aside or cancelling an assessment,

shall not be a proceeding for assessment for the purposes of this clause.

Explanation.--For the purposes of this clause-

(i) a proceeding for assessment or reassessment or recomputation referred to in clause (i) of the proviso shall be deemed to have commenced from the date on which a notice under section 148 is issued;

(ii) a proceeding for assessment or reassessment referred to in clause (ii) or clause (iii) of the proviso shall be deemed to have commenced on the date of initiation of the search under section 132 or requisition under section 132A;

(iii) a proceeding for making fresh assessment referred to in clause (iv) of the proviso shall be deemed to have commenced from the date on which the order under section 254 or section 263 or section 264, setting aside or cancelling an assessment was passed;

(iv) a proceeding for assessment for any assessment year, other than the proceedings of assessment or reassessment referred to in clause (i) or clause (ii) or clause (iii) or clause (iv) of the proviso, shall be deemed to have commenced from the 1st day of the assessment year and concluded on the date on which the assessment is made;';

(b) in clause (g), after the words "Settlement Commission", the words "and includes a Member who is senior amongst the Members of a Bench" shall be inserted.

Section 63 - Amendment of section 245

In section 245C of the Income-tax Act, with effect from the 1st day of June, 2007--

(i) in sub-section (1), for the proviso, the following proviso shall be substituted, namely:--

"Provided that no such application shall be made unless--

(i) the additional amount of income-tax payable on the income disclosed in the application exceeds three lakh rupees; and

(ii) such tax and the interest thereon, which would have been paid under the provisions of this Act had the income disclosed in the application been declared in the return of income before the Assessing Officer on the date of application, has been paid on or before the date of making the application and the proof of such payment is attached with the application.";

(ii) in sub-section (1A), the words, brackets, figures and letters "and sub-sections (2A) to (2D) of section 245D" shall be omitted;

(iii) for sub-section (1B), the following sub-section shall be substituted, namely:--

"(1B) Where the income disclosed in the application relates to only one previous year,--

(i) if the applicant has not furnished a return in respect of the total income of that year, then, tax shall be calculated on the income disclosed in the application as if such income were the total income;

(ii) if the applicant has furnished a return in respect of the total income of that year, tax shall be calculated on the aggregate of the total income returned and the income disclosed in the application as if such aggregate were the total income.";

(iv) in sub-section (1C), clause (c) shall be omitted;

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

"(4) An assessee shall, on the date on which he makes an application under sub-section (1) to the Settlement Commission, also intimate the Assessing Officer in the prescribed manner of having made such application to the said Commission.".

Section 64 - Amendment of section 245D

(i) for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of June, 2007, namely:--

"(1) On receipt of an application under section 245C, the Settlement Commission shall, within seven days from the date of receipt of the application, issue a notice to the applicant requiring him to explain as to why the application made by him be allowed to be proceeded with, and on hearing the applicant, the Settlement Commission shall, within a period of fourteen days from the date of the application, by an order in writing, reject the application or allow the application to be proceeded with:

Provided that where no order has been passed within the aforesaid period by the Settlement Commission, the application shall be deemed to have been allowed to be proceeded with.";

(ii) for sub-sections (2A), (2B), (2C) and (2D), the following sub-sections shall be substituted with effect from the 1st day of June, 2007, namely:--

"(2A) Where an application was made under section 245C before the 1st day of June, 2007, but an order under the provisions of sub-section (1) of this section, as they stood immediately before their amendment by the Finance Act, 2007, has not been made before the 1st day of June, 2007, such application shall be deemed to have been allowed to be proceeded with if the additional tax on the income disclosed in such application and the interest thereon is paid on or before the 31st day of July, 2007.

Explanation.-In respect of the application referred to in this sub-section, the 31st day of July, 2007 shall be deemed to be the date of the order of rejection or allowing the application to be proceeded with under sub-section (1).

(2B) The Settlement Commission shall,--

(i) in respect of an application which is allowed to be proceeded with under sub-section (1), within thirty days from the date on which the application was made; or

(ii) in respect of an application referred to in sub-section (2A) which is deemed to have been allowed to be proceeded with under that subsection, on or before the 7th day of August, 2007,

call for a report from the Commissioner, and the Commissioner shall furnish the report within a period of thirty days of the receipt of communication from the Settlement Commission.

(2C) Where a report of the Commissioner called for under sub-section (2B) has been furnished within the period specified therein, the Settlement Commission may, on the basis of the report and within a period of fifteen days of the receipt of the report, by an order in writing, declare the application in question as invalid, and shall send the copy of such order to the applicant and the Commissioner:

Provided that an application shall not be declared invalid unless an opportunity has been given to the applicant of being heard:

Provided further that where the Commissioner has not furnished the report within the aforesaid period, the Settlement Commission shall proceed further in the matter without the report of the Commissioner.

(2D) Where an application was made under sub-section (1) of section 245C before the 1st day of June, 2007 and an order under the provisions of subsection (1) of this section, as they stood immediately before their amendment by the Finance Act, 2007, allowing the application to have been proceeded with, has been passed before the 1st day of June, 2007, but an order under the provisions of sub-section (4), as they stood immediately before their amendment by the Finance Act, 2007, was not passed before the 1st day of June, 2007, such application shall not be allowed to be further proceeded with unless the additional tax on the income disclosed in such application and the interest thereon, is, notwithstanding any extension of time already granted by the Settlement Commission, paid on or before the 31st day of July, 2007.";

(iii) for sub-sections (3), (4) and (4A), the following sub-sections shall be substituted with effect from the 1st day of June, 2007, namely:--

"(3) The Settlement Commission, in respect of--

(i) an application which has not been declared invalid under subsection (2C); or

(ii) an application referred to in sub-section (2D) which has been allowed to be further proceeded with under that sub-section,

may call for the records from the Commissioner and after examination of such records, if the Settlement Commission is of the opinion that any further enquiry or investigation in the matter is necessary, it may direct the Commissioner to make or cause to be made such further enquiry or investigation and furnish a report on the matters covered by the application and any other matter relating to the case, and the Commissioner shall furnish the report within a period of ninety days of the receipt of communication from the Settlement Commission:

Provided that where the Commissioner does not furnish the report within the aforesaid period, the Settlement Commission may proceed to pass an order under sub-section (4) without such report.

(4) After examination of the records and the report of the Commissioner, if any, received under--

(i) sub-section (2B) or sub-section (3), or

(ii) the provisions of sub-section (1) as they stood immediately before their amendment by the Finance Act, 2007,

and after giving an opportunity to the applicant and to the Commissioner to be heard, either in person or through a representative duly authorised in this behalf, and after examining such further evidence as may be placed before it or obtained by it, the Settlement Commission may, in accordance with the provisions of this Act, pass such order as it thinks fit on the matters covered by the application and any other matter relating to the case not covered by the application, but referred to in the report of the Commissioner.

(4A) The Settlement Commission shall pass an order under sub-section (4),-

(i) in respect of an application referred to in sub-section (2A) or sub-section (2D), on or before the 31st day of March, 2008;

(ii) in respect of an application made on or after the 1st day of June, 2007, within twelve months from the end of the month in which the application was made.";

(iv) in sub-section (6A), for the words "fifteen per cent. per annum", the words "one and one-fourth per cent. for every month or part of a month" shall be substituted with effect from the 1st day of April, 2008.

Section 65 - Amendment of section 245DD

In section 245DD of the Income-tax Act, in sub-section (2), in the proviso, the words ", so, however, that the total period of extension shall not in any case exceed two years" shall be omitted with effect from the 1st day of June, 2008.

Section 66 - Amendment of section 245E

In section 245E of the Income-tax Act, after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 2007, namely: -

"Provided further that no proceeding shall be reopened by the Settlement Commission under this section in a case where an application under section 245C is made on or after the 1st day of June, 2007."

Section 67 - Amendment of section 245F

In section 245F of the Income-tax Act, in sub-section (2), the following provisos shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided that where an application has been made under section 245C on or after the 1st day of June, 2007, the Settlement Commission shall have such exclusive jurisdiction from the date on which the application was made:

Provided further that where--

(i) an application made on or after the 1st day of June, 2007, is rejected under sub-section (1) of section 245D; or

(ii) an application is not allowed to be proceeded with under sub-section (2A) of section 245D, or, as the case may be, is declared invalid under subsection (2C) of that section; or

(iii) an application is not allowed to be further proceeded with under subsection (2D) of section 245 D,

the Settlement Commission, in respect of such application shall have such exclusive jurisdiction up to the date on which the application is rejected, or, not allowed to be proceeded with, or, declared invalid, or, not allowed to be further proceeded with, as the case may be."

Section 68 - Amendment of section 245H

In section 245H 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 June, 2007, namely:--

"Provided further that the Settlement Commission shall not grant immunity from . prosecution for any offence under the Indian Penal Code or under any Central Act other than this Act and the Wealth-tax Act, 1957(45 of 1860) to a person who makes an application under section 245C on or after the 1st day of June, 2007 (27 1957).".

Section 69 - Insertion of new sections 245HA and 245HAA

After section 245H of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of June, 2007, namely:--

"245HA. Abatement of proceeding before Settlement Commission.--

(1) Where--

- (i) an application made under section 245C on or after the 1st day of June, 2007 has been rejected under sub-section (1) of section 245D; or
- (ii) an application made under section 245C has not been allowed to be proceeded with under sub-section (2A) or further proceeded with under subsection (2D) of section 245 D; or
- (iii) an application made under section 245C has been declared as invalid under sub-section (2C) of section 245D; or
- (iv) in respect of any other application made under section 245C, an order under sub-Section (4) of section 245D has not been passed within the time or period specified under sub-section (4A) of section 245D,

the proceedings before the Settlement Commission shall abate on the specified date.

Explanation.--For the purposes of this sub-section, "specified date" means--

- (a) in respect of an application referred to in clause (i), the day on which the application was rejected;
- (b) in respect of an application referred to in clause (ii)', the 31st day of July, 2007;
- (c) in respect of an application referred to in clause (iii), the last day of the month in which the application was declared invalid;
- (d) in respect of an application referred to in clause (iv), on the date on which the time or period specified in sub-section (4A) of section 245D expires.

(2) Where a proceeding before the Settlement Commission abates, the Assessing Officer, or, as the case may be, any other income-tax authority before whom the proceeding at the time of making the application was pending, shall dispose of the case in accordance with the provisions of this Act as if no application under section 245C had been made.

(3) For the purposes of sub-section (2), the Assessing Officer, or, as the case may be, other income-tax authority, shall be entitled to use all the material and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it, as if such material, information, inquiry and evidence had been produced before the Assessing Officer or other income-tax authority or held or recorded by him in the course of the proceedings before him.

(4) For the purposes of the time-limit under sections 149, 153, 153B, 154, 155, 158BE and 231 and for the purposes of payment of interest under section 243 or 244 or, as the case may be, section 244A, for making the assessment or reassessment under sub-section (2), the period commencing on and from the date of the application to the Settlement Commission under section 245C and ending with "specified date" referred to in sub-section (1) shall be excluded; and where the assessee is a firm, for the purposes of the time-limit for cancellation of registration of the firm under sub-section (1) of section 186, the period aforesaid shall, likewise, be excluded.

245HAA. Credit for tax paid in case of abatement of proceeding.--

Where an application made under section 245C on or after the 1st day of June, 2007, is rejected under sub-section

(1) of section 245D, or any other application made under section 245C is not allowed to be proceeded with under sub-section (2A) of section 245D or is declared invalid under sub-section (2C) of section 245D or has not been allowed to be further proceeded with under sub-section (2D) of section 245D or an order under sub-section (4) of section 245D has not been passed within the time or period specified under sub-section (4A) of section 245D, the Assessing Officer shall allow the credit for the tax and interest paid on or before the date of making the application or during the pendency of the case before the Settlement Commission."

Section 70 - Substitution of new section for section 245K

For section 245K of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2007, namely:--

"245K. Bar on subsequent application for settlement.--

(1) Where-

- (i) an order of settlement passed under sub-section (4) of section 245D provides for the imposition of a penalty on the person who made the application under section 245C for settlement, on the ground of concealment of particulars of his income; or
- (ii) after the passing of an order of settlement under the said sub-section (4) in relation to a case, such person is convicted of any offence under Chapter XXII in relation to that case; or
- (iii) the case of such person was sent back to the Assessing Officer by the Settlement Commission on or before the 1st day of June, 2002,

then, he shall not be entitled to apply for settlement under section 245C in relation to any other matter.

(2) Where a person has made an application under section 245C on or after the 1st day of June, 2007 and if such application has been allowed to be proceeded with under sub-section (1) of section 245D, such person shall not be subsequently entitled to make an application under section 245C".

Section 71 - Amendment of section 246 A

In section 246A of the Income-tax Act, with effect from the 1st day of June, 2007,--

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

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

"(hb) an order made under sub-section (6A) of section 206C;"

(ii) in clause (j), in sub-clause (B), after the word, figures and letter "section 271 A," the word, figures and letters "section 271 AAA," shall be inserted;

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

"(1B) Every appeal filed by an assessee in default against an order under sub-section (6A) of section 206C on or after the 1st day of April, 2007 but before the 1st day of June, 2007 shall be deemed to have been filed under this section."

Section 72 - Substitution of new section for section 248

For section 248 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2007, namely:--

"248. Appeal by a person denying liability to deduct tax in certain cases.--

Where under an agreement or other arrangement, the tax deductible on any income, other than interest, under section 195 is to be borne by the person by whom the income is payable, and such person having paid such tax to the credit of the Central Government, claims that no tax was required to be deducted on such income, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income."

Section 73 - Amendment of section 249

In section 249 of the Income-tax Act, in sub-section (2), for clause (a), the following clause shall be substituted with effect from the 1st day of June, 2007, namely:--

"(a) where the appeal is under section 248, the date of payment of the tax, or".

Section 74 - Amendment of section 253

In section 253 of the Income-tax Act, in sub-section (1), in clause (c), for the words, figures and letters "under section 12AA", the words, figures, letters and brackets "under section 12AA or under clause (vi) of sub-section (5) of section 80G" shall be substituted with effect from the 1st day of June, 2007.

Section 75 - Amendment of section 254

In section 254 of the Income-tax Act, in sub-section (2A), for the provisos, the following provisos shall be substituted with effect from the 1st day of June, 2007, namely:--

"Provided that the Appellate Tribunal may, after considering the merits of the application made by the assessee, pass an order of stay in any proceedings relating to an appeal filed under sub-section (1) of section 253, for a period not exceeding one hundred and eighty days from the date of such order and the Appellate Tribunal shall dispose of the appeal within the said period of stay specified in that order:

Provided further that where such appeal is not so disposed of within the said period of stay as specified in the order of stay, the Appellate Tribunal may, on an application made in this behalf by the assessee and on being satisfied that the delay in disposing of the appeal is not attributable to the assessee, extend the period of stay, or pass an order of stay for a further period or periods as it thinks fit; so, however, that the aggregate of the period originally allowed and the period or periods so extended or allowed shall not, in any case, exceed three hundred and sixty-five days and the Appellate Tribunal shall dispose of the appeal within the period or periods of stay so extended or allowed:

Provided also that if such appeal is not so disposed of within the period allowed under the first proviso or the period or periods extended or allowed under the second proviso, the order of stay shall stand vacated after the expiry of such period or periods."

Section 76 - Amendment of section 271

In section 271 of the Income-tax Act, in sub-section (1),--

(i) in Explanation 4, in clause (b), for the words "means the tax on the total income assessed;", the words and figures "means the tax on the total income assessed as reduced by the amount of advance tax, tax deducted at source, tax collected at source and self assessment tax paid before the issue of notice under section 148;" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2003;

(ii) in Explanation 5, in the opening portion, for the words and figures "search under section 132", the words, figures and letters "search initiated under section 132 before the 1st day of June, 2007" shall be substituted with effect from the 1st day of June, 2007;

(iii) after Explanation 5, the following Explanation shall be inserted with effect from the 1st day of June, 2007, namely:--

"Explanation 5A.--Where in the course of a search initiated under section 132 on or after the 1st day of June, 2007, the assessee is found to be the owner of-

(i) any money, bullion, jewellery or other valuable article or thing (hereinafter in this Explanation referred to as assets) and the assessee claims that such assets have been acquired by him by utilizing (wholly or in part) his income for any previous year; or

(ii) any income based on any entry in any books of account or other documents or transactions and he claims that such entry in the books of account or other documents or transactions represents his income (wholly or in part) for any previous year,

which has ended before the date of the search and the due date for filing the return of income for such year has expired and the assessee has not filed the return, then, notwithstanding that such income is declared by him in any return of income furnished on or after the date of the search, he shall, for the purposes of imposition of a penalty under clause (c) of sub-section (1) of this section, be deemed to have concealed the particulars of his income or furnished inaccurate particulars of such income."

Section 77 - Insertion of new section 271 AAA

In the Income-tax Act, after section 271AA, the following section shall be inserted, namely:--

'271 AAA. Penalty where search has been initiated.--

(1) The Assessing Officer may, notwithstanding anything contained in any other provisions of this Act, direct that, in a case where search has been initiated under section 132 on or after the 1st day of June, 2007, the assessee shall pay by way of penalty, in addition to tax, if any, payable by him, a sum computed at the rate of ten per cent. of the undisclosed income of the specified previous year.

(2) Nothing contained in sub-section (1) shall apply if the assessee,--

(i) in the course of the search, in a statement under sub-section (4) of section 132, admits the undisclosed income and specifies the manner in which such income has been derived;

(ii) substantiates the manner in which the undisclosed income was derived; and

(iii) pays the tax, together with interest, if any, in respect of the undisclosed income.

(3) No penalty under the provisions of clause (c) of sub-section (1) of section 271 shall be imposed upon the assessee in respect of the undisclosed income referred to in sub-section (1).

(4) The provisions of sections 274 and 275 shall, so far as may be, apply in relation to the penalty referred to in this section.

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

(a) "undisclosed income" means--

(i) any income of the specified previous year represented, either wholly or partly, by any money, bullion, jewellery or other valuable article or thing or any entry in the books of account or other documents or transactions found in the course of a search under section 132, which has--

(A) not been recorded on or before the date of search in the books of account or other documents maintained in the normal course relating to such previous year; or

(B) otherwise not been disclosed to the Chief Commissioner or Commissioner before the date of search; or

(ii) any income of the specified previous year represented, either wholly or partly, by any entry in respect of an expense recorded in the books of account or other documents maintained in the normal course relating to the specified previous year which is found to be false and would not have been found to be so had the search not been conducted;

(b) "specified previous year" means the previous year--

(i) which has ended before the date of search, but the date of filing the return of income under sub-section (1) of section 139 for such year has not expired before the date of search and the assessee has not furnished the return of income for the previous year before the said date; or

(ii) in which search was conducted.'

Section 78 - Insertion of new section 292C

After section 292B of the Income-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1975, namely:--

"292C. Presumption as to assets books account, etc.--

Where any books of account, other documents, money, bullion, jewellery or other valuable article or thing are or is found in the possession or control of any person in the course of a search under section 132, it may, in any proceeding under this Act, be presumed--

(i) that such books of account, other documents, money, bullion, jewellery or other valuable article or thing belong or belongs to such person;

(ii) that the contents of such books of account and other documents are true; and

(iii) that the signature and every other part of such books of account and other documents which purport to be in the handwriting of any particular person or which may reasonably be assumed to have been signed by, or to be in the handwriting of, any particular person, are in that person's handwriting, and in the case of a document

stamped, executed or attested, that it was duly stamped and executed or attested by the person by whom it purports to have been so executed or attested."

Section 79 - Amendment of section 295

In section 295 of the Income-tax Act, in sub-section (2), after clause (eeb), the following clauses shall be inserted and shall be deemed to have been inserted, with effect from the 1st day of June, 2006, namely:--

"(eeba) the documents, statements, receipts, certificates or audited reports which may not be furnished along with the return but shall be produced before the Assessing Officer on demand under section 139C;

(eebb) the class or classes of persons who shall be required to furnish the return of income in electronic form; the form and the manner of furnishing the said return in electronic form; documents, statements, receipts, certificates or reports which shall not be furnished with the return in electronic form and the computer resource or electronic record to which such return may be transmitted under section 139D;"

Section 80 - Amendment of section 296

In section 296 of the Income-tax Act, with effect from the 1st day of June, 2007, for the words, brackets, figures and letter "every notification issued under sub-clause (iv) of clause (23C) of section 10", the words, figures, letters and brackets "every notification issued before the 1st day of June, 2007 under sub-clause (iv) of clause (23C) of section 10" shall be substituted.

Section 81 - Amendment of Second Schedule

In the Second Schedule to the Income-tax Act, with effect from the 1st day of April, 2008 --

(a) in rule 60, in sub-rule (i), in clause (a), for the words "fifteen per cent. per annum", the words "one and one-fourth per cent. for every month or part of a month" shall be substituted;

(b) in rule 68A, in sub-rule (3), for the words "six per cent. per annum", the words "one-half per cent. for every month or part of a month" shall be substituted.

Section 82 - Amendment of Fourth Schedule

In the Fourth Schedule to the Income-tax Act, in Part A,--

(i) in rule 3, in sub-rule (1),--

(a) in the proviso, for the figures, letters and words "31st day of March, 2007", the figures, letters and words "31st day of March, 2008" shall be substituted;

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

"Provided further that nothing contained in the first proviso shall apply to the provident fund of an establishment in respect of which a notification has been issued by the Central Government under sub-section (2) of section 16 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952).";

(ii) in rule 4, for clause (ea), the following clause shall be substituted, namely:--

"(ea) the fund shall be a fund of an establishment to which the provisions of sub-section (3) of section 1 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952(19 of 1952) apply or of an establishment which has been notified by the Central Provident Fund Commissioner under sub-section (4) of section 1 of the said Act, and such establishment shall obtain exemption under section 17 of the said Act from the operation of all or any of the provisions of any scheme referred to in that section;"

Section 83 - Amendment of section 2

In section 2 of the Wealth-tax Act, 1957(27 of 1957) (hereinafter referred to as the Wealth-tax Act),--

(a) in clause (ca)-

(i) after the words and figure "section 8 of this Act and also the", the Words "Additional Commissioner or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1994;

(ii) after the words "Additional Commissioner or", as so inserted, the words "Additional Director or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1996; (b) for clause (ka), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 25th day of August, 1976, namely:--

'(ka) "India" means the territory of India as referred to in article 1 of the Constitution, its territorial waters, seabed and subsoil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976(80 of 1976), and the air space above its territory and territorial waters;'

Section 84 - Amendment of section 22A

In section 22A of the Wealth-tax Act, with effect from the 1st day of June, 2007,--

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

'(b) "case" means any proceeding for assessment under this Act, of any person in respect of any assessment year or assessment years which may be pending before an Assessing Officer on the date on which an application under sub-section (1) of section 22C is made:

Provided that--

(i) a proceeding for assessment or reassessment under section 17;

(ii) a proceeding for making fresh assessment in pursuance of an order under section 23A or section 24 or section 25, setting aside or cancelling an assessment;

(iii) a proceeding for assessment or reassessment which may be initiated on the basis of a search under section 37A or requisition under section 37B, shall not be a proceeding for assessment for the purposes of this clause.

Explanation--For the purposes of this clause--

(i) a proceeding for assessment or reassessment referred to in clause (i) of the proviso shall, in case where a notice under section 17 is issued but not on the basis of search under section 37A or requisition under section 37B, be deemed to have commenced from the date on which a notice under section 17 is issued;

(ii) a proceeding for making fresh assessment referred to in clause (ii) of the proviso shall be deemed to have commenced from the date on which the order under section 23A or section 24 or section 25, setting aside or cancelling an assessment was passed;

(iii) a proceeding for assessment or reassessment referred to in clause (iii) of the proviso shall be deemed to have commenced on the date of initiation of the search under section 37A or requisition under section 37B;

(iv) a proceeding for assessment for an assessment year, other than the proceeding of assessment or reassessment referred to in clause (i) or clause (ii) or clause (iii) of the proviso, shall be deemed to have commenced from the 1st day of the assessment year and concluded on the date on which the assessment is made;";

(b) in clause (f), after the words "Settlement Commission", the words "and includes a Member who is senior amongst the Members of a Bench" shall be inserted.

Section 85 - Amendment of section 22C

In section 22C of the Wealth-tax Act, with effect from the 1st day of June, 2007,--

(i) in sub-section (1), for the proviso, the following proviso shall be substituted, namely:--

"Provided that no such application shall be made unless such wealth-tax and the interest thereon, which would have been paid under the provisions of this Act had the wealth declared in the application been declared in the return of wealth before the Assessing Officer on the date of application, has been paid on or before the date of making the application and the proof of such payment is attached with the application.";

(ii) in sub-section (1A), the words, brackets, figures and letters "and sub-sections (2A) to (2D) of section 22D" shall be omitted;

(iii) for sub-section (1B), the following sub-section shall be substituted, namely:--

"(1B) Where the wealth disclosed in the application relates to only one previous year,--

(i) if the applicant has not furnished a return in respect of the net wealth of that year, then, wealth-tax shall be calculated on the wealth disclosed in the application as if such wealth were the net wealth;

(ii) if the applicant has furnished a return in respect of the net wealth of that year, wealth-tax shall be calculated on the aggregate of the net wealth returned and the wealth disclosed in the application as if such aggregate were the net wealth.";

(iv) in sub-section (1C), clause (c) shall be omitted;

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

"(4) An assessee shall, on the date on which he makes an application under sub-section (1) to the Settlement Commission, also intimate the Assessing Officer in the prescribed manner of having made such application to the said Commission."

Section 86 - Amendment of section 22D

In section 22D of the Wealth-tax Act --

(i) for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of June, 2007, namely:--

"(1) On receipt of an application under section 22C, the Settlement Commission shall, within seven days from the date of receipt of the application, issue a notice to the applicant requiring him to explain as to why the application made by him be allowed to be proceeded with, and on hearing the applicant, the Settlement Commission shall, within a period of fourteen days from the date of the application, by an order in writing, reject the application or allow the application to be proceeded with:

Provided that where no order has been passed within the aforesaid period by the Settlement Commission, the application shall be deemed to have been allowed to be proceeded with.";

(ii) for sub-sections (2A), (2B), (2C) and (2D), the following sub-sections shall be substituted with effect from the 1st day of June, 2007, namely:--

"(2A) Where an application was made under section 22C before the 1st day of June, 2007 but an order under the provisions of sub-section (1) of this section, as they stood immediately before their amendment by the Finance Act, 2007, has not been made before the 1st day of June, 2007, such application shall be deemed to have been allowed to be proceeded with if the additional wealth-tax on the wealth disclosed in such application and the interest thereon is paid on or before the 31st day of July, 2007.

Explanation.--In respect of the application referred to in this sub-section, the 31st day of July, 2007 shall be deemed to be the date of the order of rejection or allowing the application to be proceeded with under sub-section (1).

(2B) The Settlement Commission shall,--

(i) in respect of an application which is allowed to be proceeded with under sub-section (1), within thirty days from the date on which the application was made; or

(ii) in respect of an application referred to in sub-section (2A) which is deemed to have been allowed to be proceeded with under that subsection, on or before the 7th day of August, 2007,

call for a report from the Commissioner, and the Commissioner shall furnish the report within a period of thirty days of the receipt of communication from the Settlement Commission.

(2C) Where a report of the Commissioner called for under sub-section (2B) has been furnished within the period specified therein, the Settlement Commission may, on the basis of the material contained in such report and within a period of fifteen days of the receipt of the report, by an order in writing, declare the application in question as invalid, and shall send the copy of such order to the applicant and the Commissioner:

Provided that an application shall not be declared invalid unless an opportunity has been given to the applicant of being heard:

Provided further that where the Commissioner has not furnished the report within the aforesaid period, the Settlement Commission shall proceed further in the matter without the report of the Commissioner.

(2D) Where an application was made under sub-section (1) of section 22C before the 1st day of June, 2007 and an order under the provisions of subsection (1) of this section, as they stood immediately before their amendment by the Finance Act, 2007, allowing the application to have been proceeded with, has been passed before the 1st day of June, 2007, but an order under the provisions of sub-section (4), as they stood immediately before their amendment by the Finance Act, 2007, was not passed before the 1st day of June, 2007, such application shall not be allowed to be further proceeded with unless the additional wealth-tax on the wealth disclosed in such application and the interest thereon, is, notwithstanding any extension of time already granted by the Settlement Commission, paid on or before the 31st day of July, 2007.";

(iii) for sub-sections (3), (4) and (4A), the following sub-section shall be substituted with effect from the 1st day of June, 2007, namely:--

"(3) The Settlement Commission, in respect of--

(i) an application which has not been declared invalid under subsection (2C); or

(ii) an application referred to in sub-section (2D) which has been allowed to be further proceeded with under that sub-section, may call for the records from the Commissioner and after examination of such records, if the Settlement Commission is of the opinion that any further enquiry or investigation in the matter is necessary, it may direct the Commissioner to make or cause to be made such further enquiry or investigation and furnish a report on the matters covered by the application and any other matter relating to the case, and the Commissioner shall furnish the report within a period of ninety days of the receipt of communication from the Settlement Commission:

Provided that where the Commissioner does not furnish his report within the aforesaid period, the Settlement Commission may proceed to pass an order under subsection (4) without such report.

(4) After examination of the records and the report of the Commissioner, if any, received under--

(i) sub-section (2B) or sub-section (3), or

(ii) the provisions of sub-section (1), as they stood immediately before their amendment by the Finance Act, 2007, and after giving an opportunity to the applicant and to the Commissioner to be heard, either in person or through a representative duly authorised in this behalf, and after examining such further evidence as may be placed before it or obtained by it, the Settlement Commission may, in accordance with the provisions of this Act, pass such order, as it thinks fit, on the matters covered by the application and any other matter relating to the case not covered by the application, but referred to in the report of the Commissioner.

(4A) The Settlement Commission shall pass an order under sub-section (4),--

(i) in respect of an application referred to in sub-section (2A) or subsection (2D), on or before the 31st day of March, 2008;

(ii) in respect of an application made on or after the 1st day of June, 2007, within twelve months from the end of the month in which the application was made.";

(iv) in sub-section (6A), for the words "fifteen per cent. per annum", the words "one and one-fourth per cent. for every month or part of a month" shall be substituted with effect from the 1st day of April, 2008.

Section 87 - Amendment of section 22DD

In section 22DD of the Wealth-tax Act, in sub-section (2), in the proviso, the words ", so, however, that the total period of extension shall not in any case exceed two years" shall be omitted with effect from the 1st day of June, 2007.

Section 88 - Amendment of section 22E

In section 22E of the Wealth-tax Act, after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided further that no proceeding shall be reopened by the Settlement Commission under this section in a case where an application under section 22C is made on or after the 1st day of June, 2007.".

Section 89 - Amendment of section 22F

In section 22F of the Wealth-tax Act, in sub-section (2), the following provisos shall be inserted with effect from the 1st day

of June, 2007, namely:--

"Provided that where an application has been made under section 22C on or after the 1st day of June, 2007, the Settlement Commission shall have such exclusive jurisdiction from the date on which the application was made:

Provided further that where--

- (i) an application made on or after the 1st day of June, 2007, is rejected under sub-section (1) of section 22D; or
- (ii) an application is not allowed to be proceeded with under sub-section (2A) of section 22D, or, as the case may be, is declared invalid under sub-section (2C) of that section; or
- (iii) an application is not allowed to be further proceeded with under subsection (2D) of section 22D, the Settlement Commission, in respect of such application shall have such exclusive jurisdiction up to the date on which the application is rejected, or, not allowed to be proceeded with, or, declared invalid, or, not allowed to be further proceeded with, as the case may be."

Section 90 - Amendment of section 22H

In section 22H of the Wealth-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 2007, namely:--

"Provided further that the Settlement Commission shall not grant immunity from prosecution for any offence under the Indian Penal Code(45 of 1860) or under any Central Act other than this Act and the Income-tax Act, 1961(43 of 1961) to a person who makes an application under section 22C on or after the 1st day of June, 2007."

Section 91 - Insertion of new sections 22HA and 22HAA

After section 22H of the Wealth-tax Act, the following sections shall be inserted with effect from the 1st day of June, 2007, namely:--

'22HA. Abatement of proceedings before settlement Commission.--(1) Where,--

- (i) an application made under section 22C on or after the 1st day of June, 2007 has been rejected under sub-section (1) of section 22D; or
- (ii) an application made under section 22C has not been allowed to be proceeded with under sub-section (2A) or further proceeded with under subsection (2D) of section 22D; or
- (iii) an application made under section 22C has been declared as invalid under sub-section (2C) of section 22D; or
- (iv) in respect of any other application made under section 22C, an order under sub-section (4) of section 22D has not been passed within the time or period specified under sub-section (4A) of section 22D, the proceedings before the Settlement Commission shall abate on the specified date.

Explanation.--For the purposes of this sub-section, "specified date" means--

- (a) in respect of an application referred to in clause (i), the date on which the application was rejected;
- (b) in respect of an application referred to in clause (ii), the 31st day of July, 2007;
- (c) in respect of an application referred to in clause (iii), the last day of the month in which the application was declared invalid;
- (d) in respect of an application referred to in clause (iv), on the date on which the time or period specified in sub-section (4A) of section 22D expires.

(2) Where a proceeding before the Settlement Commission abates, the Assessing Officer, or, as the case may be, any other wealth-tax authority before whom the proceeding at the time of making the application was pending, shall dispose of the case in accordance with the provisions of this Act as if no application under section 22C had been made.

(3) For the purposes of sub-section (2), the Assessing Officer, or, as the case may be, other wealth-tax authority, shall be entitled to use all the material and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it, as if such material, information, inquiry and evidence had been produced before the Assessing Officer or other wealth-tax authority or held or recorded by him in the course of the proceedings before him.

(4) For the purposes of the time-limit under sections 17A, 32 and 35 and for the purposes of payment of interest under

section 34A, in case referred to in sub-section (2), the period commencing on and from the date of a application to the Settlement Commission under section 22C and ending with "specified date" referred to in subsection (1) shall be excluded.

22HAA. Credit for tax paid in case of abatement of proceedings.--

Where an application made under section 22C on or after the 1st day of June, 2007, is rejected under sub-section (1) of section 22D, or any other application made under section 22C is not allowed to be proceeded with under sub-section (2A) of section 22D or is declared invalid under sub-section (2C) of section 22D or has not been allowed to be further proceeded with under subsection (2D) of section 22D or an order under sub-section (4) of section 22D has not been passed within the time or period specified under sub-section (4A) of section 22D, the Assessing Officer shall allow the credit for the tax and interest paid on or before the date of making the application or during the pendency of the case before the Settlement Commission.'

Section 92 - Substitution of new section for section 22K

For section 22K of the Wealth-tax Act, the following section shall be substituted with effect from the 1st day of June, 2007, namely:--

"22K. Bar on subsequent application for settlement.--(1) Where,--

- (i) an order of settlement passed under sub-section (4) of section 22D provides for the imposition of a penalty on the person who made the application under section 22C for settlement, on the ground of concealment of particulars of his net wealth; or
- (ii) after the passing of an order of settlement under the said sub-section (4) in relation to a case, such person is convicted of any offence under Chapter VIII in relation to that case; or
- (iii) the case of any such person was sent back to the Assessing Officer by the Settlement Commission on or before the 1st day of June, 2002, then, he shall not be entitled to apply for settlement under section 22C in relation to any other matter.

(2) Where a person has made an application under section 22C on or after the 1st day of June, 2007 and if such application has been allowed to be proceeded with under sub-section (1) of section 22D, such person shall not be subsequently entitled to make an application under section 22C".

Section 93 - Insertion of new section 42D

After section 42C of the Wealth-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1975, namely:--

"42D. Presumption as to assets, books of account, etc.--

Where any books of account or other documents, articles or things including money are found in the possession or control of any person in the course of a search under section 37A, it may, in any proceeding under this Act, be presumed that--

- (i) such books of account or other documents, articles or things including money belong to such person;
 - (ii) the contents of such books of account or other documents are true; and
 - (iii) the signature and every other part of such books of account or other documents which purport to be in the handwriting of any particular person or which may reasonably be assumed to have been signed by, or to be in the handwriting of, any particular person, are in that person's handwriting, and in the case of a document stamped, executed or attested, that it was duly stamped and executed or attested by the person by whom it purports to have been so executed or attested."
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