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Finance Act 1965

Section 17 - Insertion of New Section 54a

After section 54 of the Income tax Act, the following section shall be inserted, namely :

54A. Relief of tax on capital gains in certain cases. (1) Where in the case of an assessee, being an individual who is not a citizen of India or being a company which is not an Indian company, a capital gain arises from the transfer of a capital asset, being shares in an Indian company, and the assessee has, within a period of two years from the date of such transfer, re invested the full value of the consideration or any part thereof received or accruing as a result of such transfer in an investment approved by the Central Government in this behalf (hereinafter in this section referred to as the approved investment), the assessee shall, subject to the provisions of sub section (3), be entitled to a credit of a sum calculated in accordance with the provisions of sub section (2).

(2) The amount to be given as credit under sub section (1) shall be a sum which bears to the amount of income tax payable by the assessee on the income chargeable under the head "Capital gains" arising from the transfer referred to in sub section (1) the same proportion as the amount invested in the approved investment as reduced by the cost of acquisition [as ascertained for the purposes of clause (ii) of section 48] of the transferred shares bears to the capital gains arising from such transfer.

(3) The amount of credit so calculated shall be given in the following manner, namely :

(a) if the approved investment is made by the assessee within the period of two years aforesaid and before the completion of the assessment in respect of the year in which the income arising from such transfer is chargeable to tax, the amount of the credit shall, on the assessee making a claim in this behalf in the prescribed form and in the prescribed manner, be adjusted against the tax payable by the assessee in respect of that assessment year, and

(b) if the approved investment is made by the assessee within the period of two years aforesaid but after the assessment for the relevant year is made, the amount of the credit shall, on the assessee making a claim in the prescribed form and in the prescribed manner, be deemed to be refund due to the assessee under Chapter XIX and all the provisions of this Act shall apply accordingly..

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