

Finance Act 1999

Chapter III - Direct Taxes Income-tax

In section 2 of the Income-tax Act, -

(a) in clause (1B), in sub-clause (iii), for the words "nine-tenths", the words "three-fourths" shall be substituted with effect from the 1st day of April, 2000;

(b) in clause (14), after sub-clause (v), the following sub-clause shall be inserted with effect from the 1st day of April, 2000, namely :-

"(vi) Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 notified by the Central Government;";

(c) after clause (19A), the following clauses shall be inserted with effect from the 1st day of April, 2000, namely :-

'(19AA) "demerger", in relation to companies, means the transfer, pursuant to a scheme of arrangement under sections 391 to 394 of the Companies Act, 1956 (1 of 1956), by a demerged company of its one or more undertakings to any resulting company in such a manner that -

(i) all the property of the undertaking, being transferred by the demerged company, immediately before the demerger, becomes the property of the resulting company by virtue of the demerger;

(ii) all the liabilities relating to the undertaking, being transferred by the demerged company, immediately before the demerger, become the liabilities of the resulting company by virtue of the demerger;

(iii) the property and the liabilities of the undertaking or undertakings being transferred by the demerged company are transferred at values appearing in its books of account immediately before the demerger;

(iv) the resulting company issues, in consideration of the demerger, its shares to the shareholders of the demerged company on a proportionate basis;

(v) the shareholders holding not less than three-fourths in value of the shares in the demerged company (other than shares already held therein immediately before the demerger, or by a nominee for, the resulting company or, its subsidiary) become shareholders of the resulting company or companies by virtue of the demerger, otherwise than as a result of the acquisition of the property or assets of the demerged company or any undertaking thereof by the resulting company;

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

(vii) the demerger is in accordance with the conditions, if any, notified under sub-section (5) of section 72A by the Central Government in this behalf.

Explanation 1. - For the purposes of this clause, "undertaking" shall include any part of an undertaking, or a unit or division of an undertaking or a business activity taken as a whole, but does not include individual assets or liabilities or any combination thereof not constituting a business activity.

Explanation 2. - For the purposes of this clause, the liabilities referred to in sub-clause (ii), shall include -

(a) the liabilities, which arise out of the activities or operations of the undertaking;

(b) the specific loans or borrowings (including debentures) raised, incurred and utilised solely for the activities or operations of the undertaking; and

(c) in cases, other than those referred to in clause (a) or clause (b), so much of the amounts of general or multipurpose borrowings, if any, of the demerged company as stand in the same proportion which the value of the assets transferred in a demerger bears to the total value of the assets of such demerged company immediately before the demerger.

Explanation 3. - For determining the value of the property referred to in sub-clause (iii), any change in the value of assets consequent to their revaluation shall be ignored.

Explanation 4. - For the purposes of this clause, the splitting up or the reconstruction of any authority or a body

constituted or established under a Central, State or Provincial Act, or a local authority or a public sector company, into separate authorities or bodies or local authorities or companies, as the case may be, shall be deemed to be a demerger if such split up or reconstruction fulfils the conditions specified in sub-clauses (i) to (vii) of this clause, to the extent applicable;

(19AAA) "demerged company" means the company whose undertaking is transferred, pursuant to a demerger, to a resulting company;";

(d) in clause (22), after sub-clause (iii) and before Explanation 1, the following sub-clauses shall be inserted with effect from the 1st day of April, 2000, namely :-

"(iv) any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 77A of the Companies Act, 1956 (1 of 1956);

(v) any distribution of shares pursuant to a demerger by the resulting company to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).";

(e) in clause (30), after the word "resident", the words, figures and brackets ", and for the purposes of sections 92, 93 and 168, includes a person who is not ordinarily resident within the meaning of clause (6) of section 6" shall be inserted;

(f) after clause (41), the following clause shall be inserted with effect from the 1st day of April, 2000, namely :-

'(41A) "resulting company" means one or more companies (including a wholly owned subsidiary thereof) to which the undertaking of the demerged company is transferred in a demerger and, the resulting company in consideration of such transfer of undertaking, issues shares to the shareholders of the demerged company and includes any authority or body or local authority or public sector company or a company established, constituted or formed as a result of demerger;";

(g) in clause (42A), in Explanation 1, after sub-clause (f), the following sub-clause shall be inserted with effect from the 1st day of April, 2000, namely :-

"(g) in the case of a capital asset, being a share or shares in an Indian company, which becomes the property of the assessee in consideration of a demerger, there shall be included the period for which the share or shares held in the demerged company were held by the assessee;";

(h) after clause (42B), the following clause shall be inserted with effect from the 1st day of April, 2000, namely :-

'(42C) "slump sale" means the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales.

Explanation 1. - For the purposes of this clause, "undertaking" shall have the meaning assigned to it in Explanation 1 to clause (19AA).

Explanation 2. - For the removal of doubts, it is hereby declared that the determination of the value of an asset or liability for the sole purpose of payment of stamp duty, registration fees or other similar taxes or fees shall not be regarded as assignment of values to individual assets or liabilities.'

Section 4 - Substitution Of New Section For Section 3

For section 3 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2000, namely :-

"3. Previous year" defined. -For the purposes of this Act, "previous year" means the financial year immediately preceding the assessment year :

Provided that, in the case of a business or profession newly set up, or a source of income newly coming into existence, in the said financial year, the previous year shall be the period beginning with the date of setting up of the business or profession or, as the case may be, the date on which the source of income newly comes into existence and ending with the said financial year.'

Section 5 - Amendment Of Section 9

In section 9 of the Income-tax Act, in sub-section (1), in clause (ii), for the Explanation, the following Explanation shall be substituted with effect from the 1st day of April, 2000, namely :-

"Explanation. - For the removal of doubts, it is hereby declared that the income of the nature referred to in this clause payable for -

(a) service rendered in India; and

(b) the rest period or leave period, which is preceded and succeeded by services rendered in India and forms part of the service contract of employment,

shall be regarded as income earned in India."

Section 6 - Amendment Of Section 10

In section 10 of the Income-tax Act, -

- (a) in clause (5B), the words, brackets, figures and letter " or sub-clause (vii) of clause (6)" shall be omitted;
- (b) in clause (6BB), for the words, figures and letters "after the 31st day of March, 1997", the words, figures and letters "after the 31st day of March, 1997 but before the 1st day of April, 1999" shall be substituted with effect from the 1st day of April, 2000;
- (c) in clause (10AA), in sub-clause (ii), for the words "eight months", the words "ten months" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1998;
- (d) in clause (15), with effect from the 1st day of April, 2000, -
- (i) in sub-clause (iv), the Explanation shall be numbered as Explanation 1 thereof and after Explanation 1, as so numbered, the following Explanation shall be inserted, namely :-
- 'Explanation 2. - For the purposes of this clause, the expression "interest" includes hedging transaction charges on account of currency fluctuation.';
- (ii) after sub-clause (v), the following sub-clause shall be inserted, namely :-
- "(vi) interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 notified by the Central Government;"
- (e) in clause (15A), for the words, figures and letters "entered before the 1st day of April, 1997", the words, figures and letters ", not being an agreement entered into between the 1st day of April, 1997 and the 31st day of March, 1999, " shall be substituted with effect from the 1st day of April, 2000;
- (f) after clause (17A), the following shall be inserted with effect from the 1st day of April, 2000, namely :-
- '(18) any income by way of -
- (i) pension received by an individual who has been in the service of the Central or State Government and has been awarded "Param Vir Chakra" or "Maha Vir Chakra" or "Vir Chakra" or such other gallantry award as the Central Government may, by notification in the Official Gazette, specify in this behalf;
- (ii) family pension received by any member of the family of an individual referred to in sub-clause (i).
- Explanation. - For the purposes of this clause, the expression "family" shall have the meaning assigned to it in the Explanation to clause (5).';
- (g) in clause (23C), for the second proviso, the following proviso shall be substituted, namely :-
- "Provided further that the Central Government, before notifying the fund or trust or institution, or the prescribed authority, before approving 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 sub-clause (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 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, and the Central Government or the prescribed authority, as the case may be, may also make such inquiries as it deems necessary in this behalf :";
- (h) in clause (23D), for the words "any income of-", the words, figures and letter "subject to the provisions of Chapter XII-E, any income of-" shall be substituted with effect from the 1st day of April, 2000;
- (i) in clause (23F), after the second proviso and before the Explanation, the following proviso shall be inserted with effect from the 1st day of April, 2000, namely :-
- "Provided also that nothing contained in this clause shall apply in respect of any investment made after the 31st day of March, 1999.";
- (j) after clause (23F), the following clause shall be inserted with effect from the 1st day of April, 2000, namely :-
- '(23FA) any income by way of dividends, other than dividends referred to in section 115-O, or long-term capital gains of a venture capital fund or a venture capital company from investments made by way of equity shares in

a venture capital undertaking :

Provided that such venture capital fund or venture capital company is approved, for the purposes of this clause, by the Central Government on an application made to it in accordance with the rules made in this behalf and which satisfies the prescribed conditions :

Provided further that any approval by the Central Government shall, at any one time, have effect for such assessment year or years, not exceeding three assessment years, as may be specified in the order of approval.

Explanation. - For the purposes of this clause, -

(a) "venture capital fund" means such fund, operating under a trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908) established to raise monies by the trustees for investments mainly by way of acquiring equity shares of a venture capital undertaking in accordance with the prescribed guidelines;

(b) "venture capital company" means such company as has made investments by way of acquiring equity shares of venture capital undertakings in accordance with the prescribed guidelines; and

(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) software;

(B) information technology;

(C) production of basic drugs in the pharmaceutical sector;

(D) bio-technology;

(E) agriculture and allied sectors; or

(F) such other sectors as may be notified by the Central Government in this behalf; or

(ii) production or manufacture of any article or substance for which patent has been granted to the National Research Laboratory or any other scientific research institution approved by the Department of Science and Technology;";

(k) in clause (23G), with effect from the 1st day of April, 2000, -

(A) for the words "the business of developing, maintaining and operating", the words, brackets and figures "the business of (i) developing, (ii) maintaining and operating, or (iii) developing, maintaining and operating" shall be substituted;

(B) in the Explanation, in clause (c), -

(i) in sub-clause (i), for the word, brackets, figure and letter "sub-section (4A)", the words, brackets and figures "sub-clause (i) of sub-section (4)" shall be substituted;

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

"(ii) an industrial undertaking which -

(a) is set up in any part of India for the generation or generation and distribution of power if it begins to generate power at any time during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 2003;

(b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on the 1st day of April, 1999 and ending on the 31st day of March, 2003;";

(C) for sub-clause (iv), the following sub-clauses shall be substituted, namely :-

"(iv) a project for housing which fulfils the conditions specified in sub-section (10) of section 80-IB;

(v) an undertaking for developing, developing and operating or maintaining and operating an industrial park notified by the Central Government under clause (iii) of sub-section (4) of section 80-IA;"; (1) after clause (29), the following clause shall be inserted, namely :-

'(29A) any income accruing or arising to -

(a) the Coffee Board constituted under section 4 of the Coffee Act, 1942 (7 of 1942) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later;

(b) the Rubber Board constituted under sub-section (1) of section 4 of the Rubber Board Act, 1947 (24 of 1947) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the

previous year in which such Board was constituted, whichever is later;

(c) the Tea Board established under section 4 of the Tea Act, 1953 (29 of 1953) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later;

(d) the Tobacco Board constituted under the Tobacco Board Act, 1975 (4 of 1975) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1975 or the previous year in which such Board was constituted, whichever is later;

(e) the Marine Products Export Development Authority established under section 4 of the Marine Products Export Development Authority Act, 1972 (13 of 1972) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1972 or the previous year in which such Authority was constituted, whichever is later;

(f) the Agricultural and Processed Food Products Export Development Authority established under section 4 of the Agricultural and Processed Food Products Export Development Act, 1985 (2 of 1986) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1985 or the previous year in which such Authority was constituted, whichever is later;

(g) the Spices Board constituted under sub-section (1) of section 3 of the Spices Board Act, 1986 (10 of 1986) in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1986 or the previous year in which such Board was constituted, whichever is later;';

(m) for clause (33), the following clause shall be substituted with effect from the 1st day of April, 2000, namely :-

"(33) any income by way of -

(i) dividends referred to in section 115-O; or

(ii) income received in respect of units from the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963); or

(iii) income received in respect of the units of a mutual fund specified under clause (23D);".

Section 7 - Insertion Of New Section 10C

After section 10B of the Income-tax Act, the following section shall be inserted, namely :-

'10c. special provision in respect of certain industrial undertakings in north-eastern

(1) Subject to the provisions of this section, any profits and gains derived by an assessee from an industrial undertaking, which has begun or begins to manufacture or produce any article or thing on or after the 1st day of April, 1998 in any Integrated Infrastructure Development Centre or Industrial Growth Centre located in the North-Eastern Region (hereafter in this section referred to as the industrial undertaking) shall not be included in the total income of the assessee.

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

(i) 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 industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that 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 Explanation 1 and Explanation 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.

(3) The profits and gains referred to in sub-section (1) shall not be included in the total income of the assessee in respect of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things.

(4) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee of any previous year relevant to any subsequent assessment year, -

(i) section 32, section 35 and clause (ix) of sub-section (1) of section 36 shall apply as if deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the industrial undertaking in the previous

year relevant to such assessment year or any expenditure incurred for the purposes of such business in such previous year had been given full effect to for that assessment year itself and, accordingly, sub-section (2) of section 32, sub-section (4) of section 35 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such deduction;

(ii) no loss referred to in sub-section (1) of section 72 or sub-section (1) or sub-section (3) of section 74, in so far as such loss relates to the business of the industrial undertaking, shall be carried forward or set off where such loss relates to any of the relevant assessment years;

(iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I or section 80-IA or section 80-IB or section 80JJA in relation to the profits and gains of the industrial undertakings; and

(iv) in computing the depreciation allowance under section 32, the written down value of any asset used for the purposes of the business of the industrial undertaking shall be computed as if the assessee had claimed and been actually allowed the deduction in respect of depreciation for each of the relevant assessment years.

(5) The provisions of sub-section (8) and sub-section (10) of section 80-IA shall, so far as may be, apply in relation to the industrial undertaking referred to in this section as they apply for the purposes of the industrial undertaking referred to in section 80-IA or section 80-IB, as the case may be.

(6) Notwithstanding anything contained in the foregoing provisions of this section, where the assessee before the due date for furnishing the return of his income under sub-section (1) of section 139, furnishes to the Assessing Officer a declaration in writing that the provisions of this section may not be made applicable to him, the provisions of this section shall not apply to him in any of the relevant assessment years.

Explanation. - For the purposes of this section, -

(i) "Integrated Infrastructure Development Centre" means such centres located in the States of the North-Eastern Region, which the Central Government, may, by notification in the Official Gazette, specify for the purposes of this section;

(ii) "Industrial Growth Centre" means such centres located in the States of the North-Eastern Region, which the Central Government may, by notification in the Official Gazette, specify for the purposes of this section;

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

(iv) "relevant assessment years" means the ten consecutive years beginning with the year in which the industrial undertaking begins to manufacture or produce articles or things.'

Section 8 - Amendment Of Section 12A

In section 12A of the Income-tax Act, the words "Chief Commissioner or", wherever they occur, shall be omitted with effect from the 1st day of June, 1999.

Section 9 - Amendment Of Section 12AA

In section 12AA of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), the words "Chief Commissioner or" shall be omitted;

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

"(1A) All applications, pending before the Chief Commissioner on which no order has been passed under clause (b) of sub-section (1) before the 1st day of June, 1999, shall stand transferred on that day to the Commissioner and the Commissioner may proceed with such applications under that sub-section from the stage at which they were on that day."

Section 10 - Amendment Of Section 17

In section 17 of the Income-tax Act, in clause (2), after sub-clause (iii), the following sub-clause shall be inserted with effect from the 1st day of April, 2000, namely :-

'(iiia) the value of any specified security allotted or transferred, directly or indirectly, by any person free of cost or at concessional rate, to an individual who is or has been in employment of that person :

Provided that in a case where allotment or transfer of specified securities is made in pursuance of an option exercised by an individual, the value of the specified securities shall be taxable in the previous year in which such

option is exercised by such individual.

Explanation. - For the purposes of this clause, -

(a) "cost" means the amount actually paid for acquiring specified securities and where no money has been paid, the cost shall be taken as nil;

(b) "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 and sweat equity shares;

(c) "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; and

(d) "value" means the difference between the fair market value and the cost for acquiring specified securities.'

Section 11 - Amendment Of Section 24

In section 24 of the Income-tax Act, in sub-section (2), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2000, namely :-

'Provided further that where the property is acquired or constructed with capital borrowed on or after the 1st day of April, 1999 and such acquisition or construction is completed before the 1st day of April, 2001, the provisions of the first proviso shall have effect as if for the words "thirty thousand rupees", the words "seventy-five thousand rupees" had been substituted.'

Section 12 - Amendment Of Section 32

In section 32 of the Income-tax Act, in sub-section (1), in clause (ii), for the fourth proviso, the following proviso shall be substituted with effect from the 1st day of April, 2000, namely :-

"Provided also that the aggregate deduction, in respect of depreciation of buildings, machinery, plant or furniture, being tangible assets or know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets allowable to the predecessor and the successor in the case of succession referred to in clause (xiii) and clause (xiv) of section 47 or section 170 or to the amalgamating company and the amalgamated company in the case of amalgamation, or to the demerged company and the resulting company in the case of demerger, as the case may be, shall not exceed in any previous year the deduction calculated at the prescribed rates as if the succession or the amalgamation or the demerger, as the case may be, had not taken place, and such deduction shall be apportioned between the predecessor and the successor, or the amalgamating company and the amalgamated company, or the demerged company and the resulting company, as the case may be, in the ratio of the number of days for which the assets were used by them."

Section 13 - Amendment Of Section 33ABA

In section 33ABA of the Income-tax Act, in sub-section (7), the proviso shall be omitted.

Section 14 - Amendment Of Section 33AC

In section 33AC of the Income-tax Act, in sub-section (3), in clause (c), for the words "sold or otherwise transferred", the words "sold or otherwise transferred, other than in any scheme of demerger" shall be substituted with effect from the 1st day of April, 2000.

Section 15 - Amendment Of Section 35

In section 35 of the Income-tax Act, with effect from the 1st day of April, 2000, -

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

(i) in clause (ii), -

(A) for the words "any sum paid", the words "an amount equal to one and one-fourth times of any sum paid" shall be substituted;

(B) in the proviso, for the words "prescribed authority", the words "Central Government" shall be substituted;

(ii) in clause (iii), -

(A) for the words "any sum paid", the words "an amount equal to one and one-fourth times of any sum paid" shall be substituted;

(B) in the proviso, for the words "prescribed authority", the words "Central Government" shall be substituted;

(iii) after clause (iv), in the first proviso, second proviso and third proviso, for the words "prescribed authority", wherever they occur, the words "Central Government" shall be substituted;

(b) in sub-section (2AB), in clause (5), for the figures "2000", the figures "2005" shall be substituted;

(c) for sub-section (3), the following sub-section shall be substituted, namely :-

"(3) If any question arises under this section as to whether, and if so, to what extent, any activity constitutes or constituted, or any asset is or was being used for, scientific research, the Board shall refer the question to -

(a) the Central Government, when such question relates to any activity under clauses (ii) and (iii) of sub-section (1), and its decision shall be final;

(b) the prescribed authority, when such question relates to any activity other than the activity specified in clause (a), whose decision shall be final."

Section 16 - Amendment Of Section 35A

In section 35A of the Income-tax Act, after sub-section (6), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(7) Where in a scheme of demerger, the demerged company sells or otherwise transfers the rights to the resulting company (being an Indian company), -

(i) the provisions of sub-sections (3) and (4) shall not apply in the case of the demerged company; and

(ii) the provisions of this section shall, as far as may be, apply to the resulting company as they would have applied to the demerged company, if the latter had not sold or otherwise transferred the rights."

Section 17 - Amendment Of Section 35AB

In section 35AB of the Income-tax Act, after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(3) Where there is a transfer of an undertaking under a scheme of amalgamation or demerger and the amalgamating or the demerged company is entitled to a deduction under this section, then, the amalgamated company or the resulting company, as the case may be, shall be entitled to claim deduction under this section in respect of such undertaking to the same extent and in respect of the residual period as it would have been allowable to the amalgamating company or the demerged company, as the case may be, had such amalgamation or demerger not taken place."

Section 18 - Amendment Of Section 35ABB

In section 35ABB of the Income-tax Act, -

(a) in sub-section (1), for the words "for acquiring any right to operate telecommunication services", the words "for acquiring any right to operate telecommunication services either before the commencement of the business to operate telecommunication services or thereafter at any time during any previous year" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1996;

(b) in the Explanation to sub-section (1), for clause (i), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1996, namely :-

'(i) "relevant previous years" means, -

(A) in a case where the licence fee is actually paid before the commencement of the business to operate telecommunication services, the previous years beginning with the previous year in which such business commenced;

(B) in any other case, the previous years beginning with the previous year in which the licence fee is actually paid, and the subsequent previous year or years during which the licence, for which the fee is paid, shall be in

force;';

(c) after sub-section (6), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(7) Where, in a scheme of demerger, the demerged company sells or otherwise transfers the licence to the resulting company (being an Indian company), -

(i) the provisions of sub-sections (2), (3) and (4) shall not apply in the case of the demerged company; and

(ii) the provisions of this section shall, as far as may be, apply to the resulting company as they would have applied to the demerged company if the latter had not transferred the licence.";

(d) after sub-section (7), as so inserted, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1996, namely :-

"(8) Where a deduction for any previous year under sub-section (1) is claimed and allowed in respect of any expenditure referred to in that sub-section, no deduction shall be allowed under sub-section (1) of section 32 for the same previous year or any subsequent previous year."

Section 19 - Amendment Of Section 35D

In section 35D of the Income-tax Act, after sub-section (5), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(5A) Where the undertaking of an Indian company which is entitled to the deduction under sub-section (1) is transferred, before the expiry of the period specified in sub-section (1), to another company in a scheme of demerger, -

(i) no deduction shall be admissible under sub-section (1) in the case of the demerged company for the previous year in which the demerger takes place; and

(ii) the provisions of this section shall, as far as may be, apply to the resulting company, as they would have applied to the demerged company, if the demerger had not taken place."

Section 20 - Insertion Of New Section 35DD

After section 35D of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2000, namely :-

"35dd. AMORTISATION OF EXPENDITURE IN CASE OF AMALGAMATION OR DEMERGER.

(1) Where an assessee, being an Indian company, incurs any expenditure, on or after the 1st day of April, 1999, wholly and exclusively for the purposes of amalgamation or demerger of an undertaking, the assessee shall be allowed a deduction of an amount equal to one-fifth of such expenditure for each of the five successive previous years beginning with the previous year in which the amalgamation or demerger takes place.

(2) No deduction shall be allowed in respect of the expenditure mentioned in sub-section (1) under any other provision of this Act."

Section 21 - Amendment Of Section 35E

In section 35E of the Income-tax Act, after sub-section (7), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(7A) Where the undertaking of an Indian company which is entitled to the deduction under sub-section (1) is transferred, before the expiry of the period of ten years specified in sub-section (1), to another Indian company in a scheme of demerger, -

(i) no deduction shall be admissible under sub-section (1) in the case of the demerged company for the previous year in which the demerger takes place; and

(ii) the provisions of this section shall, as far as may be, apply to the resulting company as they would have applied to the demerged company, if the demerger had not taken place."

Section 22 - Amendment Of Section 36

In section 36 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2000, -

(a) clause (ia) shall be omitted;

(b) in clause (viiia), in sub-clause (a), the following shall be inserted, namely :-

'Provided that a scheduled bank or a non-scheduled bank referred to in this sub-clause shall, at its option, be allowed in any of the relevant assessment years, deduction in respect of any provision made by it for any assets classified by the Reserve Bank of India as doubtful assets or loss assets in accordance with the guidelines issued by it in this behalf, for an amount not exceeding five per cent. of the amount of such assets shown in the books of account of the bank on the last day of the previous year.

Explanation. - For the purposes of this sub-clause, "relevant assessment years" means the five consecutive assessment years commencing on or after the 1st day of April, 2000 and ending before the 1st day of April, 2005.'

(c) in clause (viii), -

(i) the first proviso shall be omitted;

(ii) in the second proviso, for the words "Provided further that", the words "Provided that" shall be substituted;

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

'(xi) any expenditure incurred by the assessee, on or after the 1st day of April, 1999 but before the 1st day of April, 2000, wholly and exclusively in respect of a non-Y2K compliant computer system, owned by the assessee and used for the purposes of his business or profession, so as to make such computer system Y2K compliant computer system :

Provided that no such deduction shall be allowed in respect of such expenditure under any other provisions of this Act :

Provided further that no such deduction shall be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this clause.

Explanation. - For the purposes of this clause, -

(a) "computer system" means a device or collection of devices including input and output support devices and excluding calculators which are not programmable and capable of being used in conjunction with external files, or more of which contain computer programmes, electronic instructions, input data and output data, that performs functions including, but not limited to, logic, arithmetic, data storage and retrieval, communication and control;

(b) "Y2K compliant computer system" means a computer system capable of correctly processing, providing or receiving data relating to date within and between the twentieth and twenty-first century.'

Section 23 - Amendment Of Section 40A

In section 40A of the Income-tax Act, for sub-section (7), the following sub-section shall be substituted with effect from the 1st day of April, 2000, namely :-

"(7) (a) Subject to the provisions of clause (b), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason;

(b) Nothing in clause (a) shall apply in relation to any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year.

Explanation. - For the removal of doubts, it is hereby declared that where any provision made by the assessee for the payment of gratuity to his employees on their retirement or termination of their employment for any reason has been allowed as a deduction in computing the income of the assessee for any assessment year, any sum paid out of such provision by way of contribution towards an approved gratuity fund or by way of gratuity to any employee shall not be allowed as a deduction in computing the income of the assessee of the previous year in which the sum is so paid."

Section 24 - Amendment Of Section 41

In section 41 of the Income-tax Act, in sub-section (1), in Explanation 2, after clause (iii), the following clause shall be inserted with effect from the 1st day of April, 2000, namely :-

"(iv) where there has been a demerger, the resulting company."

Section 25 - Amendment Of Section 42

In section 42 of the Income-tax Act, in sub-section (2), in clause (c), for the proviso, the following proviso shall be substituted with effect from the 1st day of April, 2000, namely :-

"Provided that where in a scheme of amalgamation or demerger, the amalgamating or the demerged company sells or otherwise transfers the business to the amalgamated or the resulting company (being an Indian company), the provisions of this sub-section -

(i) shall not apply in the case of the amalgamating or the demerged company; and

(ii) shall, as far as may be, apply to the amalgamated or the resulting company as they would have applied to the amalgamating or the demerged company if the latter had not transferred the business or interest in the business."

Section 26 - Amendment Of Section 43

In section 43 of the Income-tax Act, with effect from the 1st day of April, 2000, -

(a) in clause (1), -

(i) after Explanation 7, the following Explanation shall be inserted, namely :-

"Explanation 7A. - Where, in a demerger, any capital asset is transferred by the demerged company to the resulting company and the resulting company is an Indian company, the actual cost of the transferred capital asset to the resulting company shall be taken to be the same as it would have been if the demerged company had continued to hold the capital asset for the purpose of its own business :

Provided that such actual cost shall not exceed the written down value of such capital asset in the hands of the demerged company.";

(ii) after Explanation 10, the following Explanation shall be inserted, namely :-

"Explanation 11. - Where an asset which was acquired outside India by an assessee, being a non-resident, is brought by him to India and used for the purposes of his business or profession, the actual cost of the asset to the assessee shall be the actual cost to the assessee, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used in India for the said purposes since the date of its acquisition by the assessee.";

(b) in clause (6), -

(i) in sub-clause (c), in item (i), after sub-item (B), the following sub-item shall be inserted, namely :-

"(C) in the case of a slump sale, decrease by the actual cost of the asset falling within that block as reduced -

(a) by the amount of depreciation actually allowed to him under this Act or under the corresponding provisions of the Indian Income-tax Act, 1922 (11 of 1922) in respect of any previous year relevant to the assessment year commencing before the 1st day of April, 1988; and

(b) by the amount of depreciation that would have been allowable to the assessee for any assessment year commencing on or after the 1st day of April, 1988 as if the asset was the only asset in the relevant block of assets, so, however, that the amount of such decrease does not exceed the written down value;"

(ii) after Explanation 2, the following Explanations shall be inserted, namely :-

"Explanation 2A. - Where in any previous year, any asset forming part of a block of assets is transferred by a demerged company to the resulting company, then, notwithstanding anything contained in clause (1), the written down value of the block of assets of the demerged company for the immediately preceding previous year shall be reduced by the book value of the assets transferred to the resulting company pursuant to the demerger.

Explanation 2B. - Where in a previous year, any asset forming part of a block of assets is transferred by a demerged company to the resulting company, then, notwithstanding anything contained in clause (1), the written down value of the block of assets in the case of the resulting company shall be the value of the assets as appearing in the books of account of the demerged company immediately before the demerger :

Provided that if the value of the assets as appearing in the books of account of the demerged company immediately before the demerger exceeds the written down value of such assets in the hands of the demerged

company, the amount representing such excess shall be reduced from the written down value of the assets.".

Section 27 - Amendment Of Section 43B

In section 43B of the Income-tax Act, in Explanation 4, for clause (aa), the following clause shall be substituted with effect from the 1st day of April, 2000, namely :-

'(aa) "scheduled bank" shall have the meaning assigned to it in the Explanation to clause (iii) of sub-section (5) of section 11;'

Section 28 - Substitution Of New Section For Section 43D

For section 43D of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2000, namely :-

'43D. Special provision in case of income of public financial institutions, public companies, etc. -Notwithstanding anything to the contrary contained in any other provision of this Act, -

(a) in the case of a public financial institution or a scheduled bank or a State financial corporation or a State industrial investment corporation, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the Reserve Bank of India in relation to such debts;

(b) in the case of a public company, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the National Housing Bank in relation to such debts, shall be chargeable to tax in the previous year in which it is credited by the public financial institution or the scheduled bank or the State financial corporation or the State industrial investment corporation or the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that institution or bank or corporation or company, whichever is earlier.

Explanation. - For the purposes of this section, -

(a) "National Housing Bank" means the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987);

(b) "public company" means a company, -

(i) which is a public company within the meaning of section 3 of the Companies Act, 1956 (1 of 1956);

(ii) whose main object is carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes; and

(iii) which is registered in accordance with the Housing Finance Companies (NHB) Directions, 1989 given under section 30 and section 31 of the National Housing Bank Act, 1987 (53 of 1987);

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

(d) "scheduled bank" shall have the meaning assigned to it in clause (ii) of the Explanation to clause (viia) of sub-section (1) of section 36;

(e) "State financial corporation" means a financial corporation established under section 3 or section 3A or an institution notified under section 46 of the State Financial Corporations Act, 1951 (63 of 1951);

(f) "State industrial investment corporation" means a Government company within the meaning of section 617 of the Companies Act, 1956 (1 of 1956), engaged in the business of providing long-term finance for industrial projects.'

Section 29 - Amendment Of Section 44AD

In section 44AD of the Income-tax Act, after sub-section (5), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1998, namely :-

"(6) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-section (1), if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB."

Section 30 - Amendment Of Section 44AE

In section 44AE of the Income-tax Act, after sub-section (6), the following sub-section shall be inserted and shall be deemed

to have been inserted with effect from the 1st day of April, 1998, namely :-

"(7) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-sections (1) and (2), if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB."

Section 31 - Amendment Of Section 44AF

In section 44AF of the Income-tax Act, after sub-section (4), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1998, namely :-

"(5) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-section (1), if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB."

Section 32 - Amendment Of Section 45

In section 45 of the Income-tax Act, after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

'(1A) Notwithstanding anything contained in sub-section (1), where any person receives at any time during any previous year any money or other assets under an insurance from an insurer on account of damage to, or destruction of, any capital asset, as a result of -

- (i) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or
- (ii) riot or civil disturbance; or
- (iii) accidental fire or explosion; or
- (iv) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),

then, any profits or gains arising from receipt of such money or other assets shall be chargeable to income-tax under the head "Capital gains" and shall be deemed to be the income of such person of the previous year in which such money or other asset was received and for the purposes of section 48, value of any money or the fair market value of other assets on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of such capital asset.

Explanation. - For the purposes of this sub-section, the expression "insurer" shall have the meaning assigned to it in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938).'

Section 33 - Insertion Of New Section 46A

After section 46 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2000, namely :-

'46A. CAPITAL GAINS ON PURCHASE BY COMPANY OF ITS OWN SHARES OR OTHER SPECIFIED SECURITIES.

Where a shareholder or a holder of other specified securities receives any consideration from any company for purchase of its own shares or other specified securities held by such shareholder or holder of other specified securities, then, subject to the provisions of section 48, the difference between the cost of acquisition and the value of consideration received by the shareholder or the holder of other specified securities, as the case may be, shall be deemed to be the capital gains arising to such shareholder or the holder of other specified securities, as the case may be, in the year in which such shares or other specified securities were purchased by the company.

Explanation. - For the purposes of this section, "specified securities" shall have the meaning assigned to it in Explanation to section 77A of the Companies Acts, 1956 (1 of 1956).'

Section 34 - Amendment Of Section 47

In section 47 of the Income-tax Act, after clause (via), the following clauses shall be inserted with effect from the 1st day of April, 2000, namely :-

"(vib) any transfer, in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;

(vic) any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if -

(a) at least seventy-five per cent. of the shareholders of the demerged foreign company continue to remain shareholders of the resulting foreign company; and

(b) such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated : Provided that the provisions of sections 391 to 394 of the Companies Act, 1956 (1 of 1956) shall not apply in case of demergers referred to in this clause;

(vid) any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking;".

Section 35 - Amendment Of Section 49

In section 49 of the Income-tax Act, after sub-section (2A), the following sub-sections shall be inserted with effect from the 1st day of April, 2000, namely :-

'(2B) Where the capital gain arises from the transfer of the specified security referred to in sub-clause (iiia) of clause (2) of section 17, the cost of acquisition of such specified security shall be the fair market value on the date of exercise of option.

(2C) The cost of acquisition of the shares in the resulting company shall be the amount which bears to the cost of acquisition of shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger.

(2D) The cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount as so arrived at under sub-section (2C).

Explanation. - For the purposes of this section, "net worth" shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger.'

Section 36 - Insertion Of New Section 50B

After section 50A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2000, namely :-

'50B. SPECIAL PROVISION FOR COMPUTATION OF CAPITAL GAINS IN CASE OF SLUMP SALE.

(1) Any profits or gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of long-term capital assets and shall be deemed to be the income of the previous year in which the transfer took place :

Provided that any profits or gains arising from the transfer under the slump sale of any capital asset being one or more undertakings owned and held by an assessee for not more than thirty-six months immediately preceding the date of its transfer shall be deemed to be the capital gains arising from the transfer of short-term capital assets.

(2) In relation to capital assets being an undertaking or division transferred by way of such sale, the "net worth" of the undertaking or the division, as the case may be, shall be deemed to be the cost of acquisition and the cost of improvement for the purposes of sections 48 and 49 and no regard shall be given to the provisions contained in the second proviso to section 48.

(3) Every assessee, in the case of slump sale, shall furnish in the prescribed form along with the return of income, a report of an accountant as defined in the Explanation below sub-section (2) of section 288 indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

Explanation. - For the purposes of this section, "net worth" means the net worth as defined in clause (ga) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).'

Section 37 - Amendment Of Section 72

In section 72 of the Income-tax Act, in sub-section (1), in clause (i), the proviso shall be omitted with effect from the 1st day

Section 38 - Substitution Of New Section For Section 72A

For section 72A of the Income-tax Act, the following section shall be substituted, with effect from the 1st day of April, 2000, namely :-

'72A. Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger, etc.

(1) Where there has been an amalgamation of a company owning an industrial undertaking or a ship with another company, 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 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.

(2) Notwithstanding anything contained in sub-section (1), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless the amalgamated company -

(i) holds continuously for a minimum period of five years from the date of amalgamation at least three-fourths in the value of assets of the amalgamating company acquired in a scheme of amalgamation;

(ii) continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation;

(iii) fulfils such other conditions as may be prescribed to ensure the revival of the business of the amalgamating company or to ensure that the amalgamation is for genuine business purpose.

(3) In a case where any of the conditions laid down in sub-section (2) are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of the amalgamated company shall be deemed to be the income of the amalgamated company chargeable to tax for the year in which such conditions are not complied with.

(4) Notwithstanding anything contained in any other provisions of this Act, in the case of a demerger, the accumulated loss and the allowance for unabsorbed depreciation of the demerged company shall -

(a) where such loss or unabsorbed depreciation is directly relatable to the undertakings transferred to the resulting company, be allowed to be carried forward and set off in the hands of the resulting company;

(b) where such loss or unabsorbed depreciation is not directly relatable to the undertakings transferred to the resulting company, be apportioned between the demerged company and the resulting company in the same proportion in which the assets of the undertakings have been retained by the demerged company and transferred to the resulting company, and be allowed to be carried forward and set off in the hands of the demerged company or the resulting company, as the case may be.

(5) The Central Government may, for the purposes of this Act, by notification in the Official Gazette, specify such conditions as it considers necessary to ensure that the demerger is for genuine business purposes.

(6) Where there has been reorganisation of business, whereby, a firm is succeeded by a company fulfilling the conditions laid down in clause (xiii) of section 47 or a proprietary concern is succeeded by a company fulfilling the conditions laid down in clause (xiv) of section 47, then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the predecessor firm or the proprietary concern, as the case may be, shall be deemed to be the loss or allowance for depreciation of the successor company for the purpose of previous year in which business reorganisation was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly :

Provided that if any of the conditions laid down in the proviso to clause (xiii) or the proviso to clause (xiv) to section 47 are not complied with, the set-off of loss or allowance of depreciation made in any previous year in the hands of the successor company, shall be deemed to be the income of the company chargeable to tax in the year in which such conditions are not complied with.

(7) For the purposes of this section, -

(a) "accumulated loss" means so much of the loss of the predecessor firm or the proprietary concern or the amalgamating company or the demerged company, 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 predecessor firm or the proprietary

concern or amalgamating company or demerged company, would have been entitled to carry forward and set off under the provisions of section 72 if the reorganisation of business or amalgamation or demerger had not taken place;

(b) "unabsorbed depreciation" means so much of the allowance for depreciation of the predecessor firm or the proprietary concern or the amalgamating company or the demerged company, as the case may be, which remains to be allowed and which would have been allowed to the predecessor firm or the proprietary concern or amalgamating company or demerged company, as the case may be, under the provisions of this Act, if the reorganisation of business or amalgamation or demerger had not taken place.'

Section 39 - Amendment Of Section 79

In section 79 of the Income-tax Act, in clause (a), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2000, namely :-

"Provided further that nothing contained in this section shall apply to any change in the shareholding of an Indian company which is a subsidiary of a foreign company as a result of amalgamation or demerger of a foreign company subject to the condition that fifty-one per cent. shareholders of the amalgamating or demerged foreign company continue to be the shareholders of the amalgamated or the resulting foreign company."

Section 40 - Amendment Of Section 80D

In section 80D of the Income-tax Act, with effect from the 1st day of April, 2000, -

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

"Provided that where the sum specified in sub-section (2) is paid to effect or to keep in force an insurance on the health of the assessee, or his wife or her husband or dependant parents or any member of the family in case the assessee is a Hindu undivided family, and who is a senior citizen, the provisions of this section shall have effect as if for the words "ten thousand rupees", the words "fifteen thousand rupees" had been substituted;"

(b) in sub-section (2), the following Explanation shall be inserted at the end, namely :-

'Explanation. - For the purpose of this section, "senior citizen" shall have the meaning assigned to it in the Explanation to section 80DDB.'

Section 41 - Amendment Of Section 80DD

In section 80DD of the Income-tax Act,

for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of April, 2000, namely :-

"(1) Where an assessee, who is a resident in India, being an individual or a Hindu undivided family has, during the previous year, -

(a) incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a handicapped dependant; or

(b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or Unit Trust of India subject to the conditions specified in sub-section (2) and approved by the Board in this behalf for the maintenance of handicapped dependant, the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of a sum of forty thousand rupees in respect of the previous year."

Section 42 - Amendment Of Section 80DDB

In section 80DDB of the Income-tax Act, with effect from the 1st day of April, 2000, -

(a) for the word "incurred", the words "actually incurred" shall be substituted;

(b) for the words "fifteen thousand rupees", the words "forty thousand rupees" shall be substituted;

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

'Provided further that the deduction under this section shall be reduced by the amount received, if any, under an insurance from an insurer for the medical treatment of the person referred to in clause (a) or clause (b) :

Provided also that where the expenditure incurred is in respect of the assessee or his dependant relative or any member of a Hindu undivided family of the assessee and who is a senior citizen, the provisions of this section shall have effect as if for the words "forty thousand rupees", the words "sixty thousand rupees" had been substituted.;

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

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

- (i) "dependant" means a person who is not dependant for his support or maintenance on any person other than the assessee;
- (ii) "insurer" shall have the meaning assigned to it in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938);
- (iii) "senior citizen" means an individual resident in India who is of the age of sixty-five years or more at any time during the relevant previous year.'

Section 43 - Amendment Of Section 80G

In section 80G of the Income-tax Act, with effect from the 1st day of April, 2000, -

(a) in sub-section (1), in clause (i), after the words, brackets, figures and letters "or sub-clause (iiihh)", the words, brackets, figures and letters "or sub-clause (iiih)" shall be inserted;

(b) in sub-section (2), in clause (a), after sub-clause (iiihh), the following sub-clause shall be inserted, namely :-

"(iiih) the Fund for Technology Development and Application set up by the Central Government; or";

(c) after sub-section (5A) and before Explanation 1, the following sub-section shall be inserted, namely :-

"(5B) Notwithstanding anything contained in clause (ii) of sub-section (5) and Explanation 3, an institution or fund which incurs expenditure, during any previous year, which is of a religious nature for an amount not exceeding five per cent. of its total income in that previous year shall be deemed to be an institution or fund to which the provisions of this section apply."

Section 44 - Amendment Of Section 80HHA

In section 80HHA of the Income-tax Act, in the Explanation, 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, 1978, namely :-

"(b) an industrial undertaking shall be deemed to be a small-scale industrial undertaking which is, on the last day of the previous year, regarded as a small-scale industrial undertaking under section 11B of the Industries (Development and Regulation) Act, 1951 (65 of 1951)."

Section 45 - Amendment Of Section 80HHB

In section 80HHB of the Income-tax Act, with effect from the 1st day of June, 1999, -

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

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

"(ia) the assessee furnishes, along with his return of income, a certificate in the prescribed form from an accountant as defined in the Explanation below sub-section (2) of section 288, duly signed and verified by such accountant, certifying that the deduction has been correctly claimed in accordance with the provisions of this section;";

(ii) in clause (iii), for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

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

'Explanation. - For the purposes of clause (iii), the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.'

Section 46 - Amendment Of Section 80HHC

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

(a) in sub-section (2), with effect from the 1st day of June, 1999, -

(i) in clause (a), for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

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

'Explanation. - For the purposes of this clause, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.');

(b) after sub-section (4A), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1992, namely :-

"(4B) For the purposes of computing the total income under sub-section (1) or sub-section (1A), any income not charged to tax under this Act shall be excluded."

Section 47 - Amendment Of Section 80HHD

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

(a) in sub-section (2), with effect from the 1st day of June, 1999, -

(i) for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

(ii) the Explanation shall be numbered as Explanation 1 thereof and after Explanation 1 as so numbered, the following Explanation shall be inserted, namely :-

'Explanation 2. - For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.');

(b) in sub-section (2A), for the word "Explanation", the word and figure "Explanation 1" shall be substituted with effect from the 1st day of June, 1999;

(c) in sub-section (4), with effect from the 1st day of April, 2000, -

(i) after clause (e), the following clause shall be inserted, namely :- "(f) subscription to equity shares forming part of any eligible issue of capital made by a public company :";

(ii) in the proviso, for the words, brackets and letters "clauses (a) to (e)", the words, brackets and letters "clauses (a) to (f)" shall be substituted;

(d) after sub-section (5), the following sub-section and Explanation shall be inserted with effect from the 1st day of April, 2000, namely :-

"(5A) Where any amount credited to the reserve account under clause (b) of sub-section (1) has been utilised for subscription to any equity shares referred to in clause (f) of sub-section (4) and either whole or any part of such equity shares are transferred or converted into money by the assessee at any time within a period of three years from the date of their acquisition, the aggregate amount so utilised in respect of such equity shares shall be deemed to be the profits of the previous year in which the equity shares are transferred or converted into money.

Explanation. - A person shall be treated as having acquired any shares on the date on which his name is entered in relation to those shares in the register of members of the public company.";

(e) in sub-section (6), for the words, brackets and figure " Explanation to sub-section (2)", the words, brackets and figures " Explanation 1 to sub-section (2)" shall be substituted with effect from the 1st day of June, 1999;

(f) in the Explanation, after clause (d), the following clause shall be inserted with effect from the 1st day of April, 2000, namely :-

'(e) "eligible issue of capital" means an issue made by a public company formed and registered in India and the entire proceeds of the issue is utilised wholly and exclusively for the purpose of carrying on the business of -

(i) setting up and running of new hotels approved by the prescribed authority; or

(ii) providing such new facility for the growth of tourism in India, as the Central Government may, by notification in the Official Gazette, specify.'

Section 48 - Amendment Of Section 80HHE

In section 80HHE of the Income-tax Act, in sub-section (2), with effect from the 1st day of June, 1999, -

(a) for the portion beginning with the words "where the Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

(b) the Explanation shall be numbered as Explanation 1 thereof and after Explanation 1 as so numbered, the following Explanation shall be inserted, namely :-

'Explanation 2. - For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.'

Section 49 - Insertion Of New Section 80HHF

After section 80HHE, the following section shall be inserted with effect from the 1st day of April, 2000, namely :-

'80HHF. Deduction in respect of profits and gains from export or transfer of film software, etc.

(1) Where an assessee, being an Indian company, is engaged in the business of export or transfer by any means out of India, of any film software, television software, music software, television news software, including telecast rights (hereafter in this section referred to as the software or software rights), 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 the profits derived by the assessee from such business.

(2) The deduction specified in sub-section (1) shall be allowed only if the consideration in respect of the software or software rights referred to in that sub-section is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

(3) For the purposes of sub-section (1), profits derived from the business referred to in that sub-section shall be the amount which bears to the profits of the business, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.

(4) The deduction under sub-section (1) shall not be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

(5) Where a deduction under this section is claimed and allowed in respect of profits of the business referred to in sub-section (1) for any assessment year, no deduction shall be allowed in relation to such profits under any other provision of this Act for the same or any other assessment year.

(6) Notwithstanding anything contained in this section, no deduction shall be allowed in respect of the software or software rights referred to in sub-section (1), if such business is prohibited by any law for the time being in force.

Explanation. - For the purposes of this section, -

(a) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange;

(b) "convertible foreign exchange" shall have the meaning assigned to it in clause (a) of the Explanation to section 80HHC;

(c) "export turnover" means the consideration in respect of the software or software rights specified in clauses (d), (e), (g), (h) and (i), received in, or brought into, India by the assessee in convertible foreign exchange in accordance with sub-section (2), but does not include freight, telecommunication charges or insurance attributable to the delivery of

such software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India;

(d) "film software" means a copy of a cinematograph film made by any process analogous to cinematography on acetate polyester or celluloid film positive, magnetic tape, digital media or other optical or magnetic devices and certified by the Board of film certification constituted by the Central Government under section 3 of the Cinematograph Act, 1952 (37 of 1952);

(e) "music software" includes series of sounds or music recorded on magnetic tape, cassette, compact discs and digital media which can be played or reproduced on any appropriate apparatus;

(f) "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" as reduced by -

(A) ninety per cent. of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(B) the profits of any branch, office, warehouse or any other establishment of the assessee situated outside India;

(g) "telecast rights" means a licence or contract to exhibit motion pictures or television programmes over a television network either through terrestrial transmission or through a satellite broadcast in a specified territory;

(h) "television news software" means a collection of sounds and images, reportage, data and voice of actualities broadcast either through terrestrial transmission, wire or satellite, live or pre-recorded on video cassettes or digital media;

(i) "television software" means any programme or series of sounds and images recorded on film or tape or digital media or broadcast through terrestrial transmitter, satellite or any other means of diffusion;

(j) "total turnover" shall not include -

(A) any sum referred to in clauses (iiia), (iiib) and (iiic) of section 28;

(B) any freight, telecommunication charges or insurance attributable to the delivery of the film software, music software, telecast rights, television news software, or television software as defined in clause (d), (e), (g), (h) or (i), as the case may be, outside India;

(C) expenses, if any, incurred in foreign exchange in providing the technical services outside India.'

Section 50 - Substitution Of New Sections For Section 80-IA

For section 80-IA of the Income-tax Act, the following sections shall be substituted with effect from the 1st day of April, 2000, namely :-

80-IA. Deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development ,etc.

(1) Where the gross total income of an assessee includes any profits and gains derived from any business of an industrial undertaking or an enterprise referred to in sub-section (4) (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 from such profits and gains of an amount equal to hundred per cent. of profits and gains derived from such business for the first five assessment years commencing at any time during the periods as specified in sub-section (2) and thereafter, twenty-five per cent. of the profits and gains for further five assessment years : Provided that where the assessee is a company, the provisions of this sub-section shall have effect as if for the words "twenty-five per cent.", the words "thirty per cent." had been substituted.

(2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking or the enterprise develops and begins to operate any infrastructure facility or starts providing telecommunication service or develops an industrial park or generates power or commences transmission or distribution of power :

Provided that where the assessee begins operating and maintaining any infrastructure facility referred to in clause (b) of Explanation to clause (i) of sub-section (4), the provisions of this sub-section shall have effect as if for the words "fifteen years", the words "twenty years" had been substituted.

(3) This section applies to any industrial 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 industrial undertaking which is formed as a result of the re-establishment, re-construction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

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

Explanation 1. - For the purposes of clause (ii), any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely :-

(a) such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India;

(b) such machinery or plant is imported into India from any country outside India; and

(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of machinery or plant by the assessee.

Explanation 2. - Where in the case of an industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with.

(4) This section applies to -

(i) any enterprise carrying on the business of (i) developing, (ii) maintaining and operating or (iii) developing, maintaining and operating any infrastructure facility which fulfils all the following conditions, namely :-

(a) it is owned by a company registered in India or by a consortium of such companies;

(b) it has entered into an agreement with the Central Government or a State Government or a local authority or any other statutory body for (i) developing, (ii) maintaining and operating or (iii) developing, maintaining and operating a new infrastructure facility subject to the condition that such infrastructure facility shall be transferred to the Central Government, State Government, local authority or such other statutory body, as the case may be, within the period stipulated in the agreement;

(c) it has started or starts operating and maintaining the infrastructure facility on or after the 1st day of April, 1995 : Provided that where an infrastructure facility is transferred on or after the 1st day of April, 1999 by an enterprise which developed such infrastructure facility (hereafter referred to in this section as the transferor enterprise) to another enterprise (hereafter in this section referred to as the transferee enterprise) for the purpose of operating and maintaining the infrastructure facility on its behalf in accordance with the agreement with the Central Government, State Government, local authority or statutory body, the provisions of this section shall apply to the transferee enterprise as if it were the enterprise to which this clause applies and the deduction from profits and gains would be available to such transferee enterprise for the unexpired period during which the transferor enterprise would have been entitled to the deduction, if the transfer had not taken place.

Explanation. -For the purposes of this clause, "infrastructure facility" means, -

(a) a road, bridge, airport, port, inland waterways and inland ports, rail system or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette;

(b) a highway project including housing or other activities being an integral part of the highway project; and

(c) a water supply project, irrigation project, sanitation and sewerage system.;

(ii) any undertaking which has started or starts providing telecommunication services whether basic or cellular, including radio paging, domestic satellite service or network of trunking and electronic data interchange services at any time on or after the 1st day of April, 1995 but before the 31st day of March, 2000.

Explanation. - For the purposes of this clause, "domestic satellite" means a satellite owned and operated by an Indian company for providing telecommunication service.

(iii) any undertaking which develops, develops and operates or maintains and operates an industrial park notified by the Central Government in accordance with the scheme framed and notified by that Government for the period beginning on the 1st day of April, 1997 and ending on the 31st day of March, 2002 :

Provided that in a case where an undertaking develops an industrial park on or after the 1st day of April, 1999 and transfers the operation and maintenance of such industrial park to another undertaking (hereafter in this section referred to as the transferee undertaking) the deduction under sub-section (1), shall be allowed to such transferee undertaking for the remaining period in the ten consecutive assessment years in a manner as if the operation and maintenance were not so transferred to the transferee undertaking;

(iv) an industrial undertaking which, -

(a) is set up in any part of India for the generation or generation and distribution of power if it begins to

generate power at any time during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 2003;

(b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on the 1st day of April, 1999 and ending on the 31st day of March, 2003 :

Provided that the deduction under this section to an industrial undertaking under sub-clause (b) shall be allowed only in relation to the profits derived from laying of such network of new lines for transmission or distribution.

(5) Notwithstanding anything contained in any other provision of this Act, the profits and gains of an eligible business to which the provisions of sub-section (1) apply shall, for the purposes of determining the quantum of deduction under that sub-section for the assessment year immediately succeeding the initial assessment year or any subsequent assessment year, be computed as if such eligible business were the only source of income of the assessee during the previous year relevant to the initial assessment year and to every subsequent assessment year up to and including the assessment year for which the determination is to be made.

(6) Notwithstanding anything contained in sub-section (4), where housing or other activities are an integral part of the highway project and the profits of which are computed on such basis and manner as may be prescribed, such profit shall not be liable to tax where the profit has been transferred to a special reserve account and the same is actually utilised for the highway project excluding housing and other activities before the expiry of three years following the year in which such amount was transferred to the reserve account; and the amount remaining unutilised shall be chargeable to tax as income of the year in which such transfer to reserve account took place.

(7) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (1) from profits and gains derived from an industrial undertaking shall not be admissible unless the accounts of the industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant, as defined in the Explanation below sub-section (2) of section 288, and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(8) Where any goods held for the purposes of the eligible business are transferred to any other business carried on by the assessee, or where any goods held for the purposes of any other business carried on by the assessee are transferred to the eligible business and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the eligible business does not correspond to the market value of such goods as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of such eligible business shall be computed as if the transfer, in either case, had been made at the market value of such goods as on that date : Provided that where, in the opinion of the Assessing Officer, the computation of the profits and gains of the eligible business in the manner hereinbefore specified presents exceptional difficulties, the Assessing Officer may compute such profits and gains on such reasonable basis as he may deem fit.

Explanation. - For the purposes of this sub-section, "market value", in relation to any goods, means the price that such goods would ordinarily fetch on sale in the open market.

(9) Where any amount of profits and gains of an industrial undertaking or of an enterprise in the case of an assessee is claimed and allowed under this section for any assessment year, deduction to the extent of such profits and gains shall not be allowed under any other provisions of this Chapter under the heading "C. -Deductions in respect of certain incomes", and shall in no case exceed the profits and gains of such eligible business of industrial undertaking or enterprise, as the case may be.

(10) Where it appears to the Assessing Officer that, owing to the close connection between the assessee carrying on the eligible business to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the assessee more than the ordinary profits which might be expected to arise in such eligible business, the Assessing Officer shall, in computing the profits and gains of such eligible business for the purposes of the deduction under this section, take the amount of profits as may be reasonably deemed to have been derived therefrom.

(11) The Central Government may, after making such inquiry as it may think fit, direct, by notification in the Official Gazette, that the exemption conferred by this section shall not apply to any class of industrial undertaking or enterprise with effect from such date as it may specify in the notification.

(12) Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger -

(a) no deduction shall be admissible under this section to the amalgamating or the demerged company for the previous year in which the amalgamation or the demerger takes place; and

(b) the provisions of this section shall, as far as may be, apply to the amalgamated or the resulting company as they would have applied to the amalgamating or the demerged company if the amalgamation or demerger had not taken place.

80-IB Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings.

(1) Where the gross total income of an assessee includes any profits and gains derived from any business referred to in sub-sections (3) to (11) (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 from such profits and gains of an amount equal to such percentage and for such number of assessment years as specified in this section.

(2) This section applies to any industrial 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 industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

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

(iii) it manufactures or produces any article or thing, not being any article or thing specified in the list in the Eleventh Schedule, or operates one or more cold storage plant or plants, in any part of India :

Provided that the condition in this clause shall, in relation to a small scale industrial undertaking or an industrial undertaking referred to in sub-section (4) shall apply as if the words "not being any article or thing specified in the list in the Eleventh Schedule" had been omitted.

Explanation 1. - For the purposes of clause (ii), any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely :-

(a) such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India;

(b) such machinery or plant is imported into India from any country outside India; and

(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee.

Explanation 2. - Where in the case of an industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with;

(iv) in a case where the industrial undertaking manufactures or produces articles or things, the undertaking employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power.

(3) The amount of deduction in the case of an industrial undertaking shall be twenty-five per cent. (or thirty per cent. where the assessee is a company), of the profits and gains derived from such industrial undertaking for a period of ten consecutive assessment years (or twelve consecutive assessment years where the assessee is a co-operative society) beginning with the initial assessment year subject to the fulfilment of the following conditions, namely :-

(i) it begins to manufacture or produce, articles or things or to operate such plant or plants at any time during the period beginning from the 1st day of April, 1991 and ending on the 31st day of March, 1995 or such further period as the Central Government may, by notification in the Official Gazette, specify with reference to any particular undertaking;

(ii) where it is an industrial undertaking being a small scale industrial undertaking, it begins to manufacture or produce articles or things or to operate its cold storage plant [not specified in sub-section (4) or sub-section (5)] at any time during the period beginning on the 1st day of April, 1995 and ending on the 31st day of March, 2000.

(4) The amount of deduction in the case of an industrial undertaking in an industrially backward State specified in the Eighth Schedule shall be hundred per cent. of the profits and gains derived from such industrial undertaking for five

assessment years beginning with the initial assessment year and thereafter twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains derived from such industrial undertaking :

Provided that the total period of deduction does not exceed ten consecutive assessment years (or twelve consecutive assessment years where the assessee is a co-operative society) subject to fulfilment of the condition that it begins to manufacture or produce articles or things or to operate its cold storage plant or plants during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 2000 :

Provided further that in the case of such industries in the North-Eastern Region, as may be notified by the Central Government, the amount of deduction shall be hundred per cent. of profits and gains for a period of ten assessment years, and the total period of deduction shall in such a case not exceed ten assessment years.

(5) The amount of deduction in the case of an industrial undertaking located in such industrially backward districts as the Central Government may, having regard to the prescribed guidelines, by notification in the Official Gazette, specify in this behalf as industrially backward district of category 'A' or an industrially backward district of category 'B' shall be, -

(i) hundred per cent. of the profits and gains derived from an industrial undertaking located in a backward district of category 'A' for five assessment years beginning with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains of an industrial undertaking :

Provided that the total period of deduction shall not exceed ten consecutive assessment years or where the assessee is a co-operative society, twelve consecutive assessment years :

Provided further that the industrial undertaking begins to manufacture or produce articles or things or to operate its cold storage plant or plants at any time during the period beginning on the 1st day of October, 1994 and ending on the 31st day of March, 2000;

(ii) hundred per cent. of the profits and gains derived from an industrial undertaking located in a backward district of category 'B' for three assessment years beginning with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains of an industrial undertaking :

Provided that the total period of deduction does not exceed eight consecutive assessment years (or where the assessee is a co-operative society, twelve consecutive assessment years) :

Provided further that the industrial undertaking begins to manufacture or produce articles or things or to operate its cold storage plant or plants at any time during the period beginning on the 1st day of October, 1994 and ending on the 31st day of March, 2000.

(6) The amount of deduction in the case of the business of a ship shall be thirty per cent. of the profits and gains derived from such ship for a period of ten consecutive assessment years including the initial assessment year provided that the ship -

(i) is owned by an Indian company and is wholly used for the purposes of the business carried on by it;

(ii) was not, previous to the date of its acquisition by the Indian company, owned or used in Indian territorial waters by a person resident in India; and

(iii) is brought into use by the Indian company at any time during the period beginning on the 1st day of April, 1991 and ending on the 31st day of March, 1995.

(7) The amount of deduction in the case of any hotel shall be -

(a) fifty per cent. of the profits and gains derived from the business of such hotel for a period of ten consecutive years beginning from the initial assessment year as is located in a hilly area or a rural area or a place of pilgrimage or such other place as the Central Government may, having regard to the need for development of infrastructure for tourism in any place and other relevant considerations, specify by notification in the Official Gazette and such hotel starts functioning at any time during the period beginning on the 1st day of April, 1990 and ending on the 31st day of March, 1994 or beginning on the 1st day of April, 1997 and ending on the 31st day of March, 2001 :

Provided that nothing contained in this clause shall apply to a hotel located at a place within the municipal jurisdiction (whether known as a municipality, municipal corporation, notified area committee or a cantonment board or by any other name) of Calcutta, Chennai, Delhi or Mumbai, which has started or starts functioning on or after the 1st day of April, 1997 and before the 31st day of March, 2001 :

Provided further that the said hotel is approved by the prescribed authority for the purpose of this clause in accordance with the rules made under this Act and where the said hotel is approved by the prescribed authority

before the 31st day of March, 1992, shall be deemed to have been approved by the prescribed authority for the purpose of this section in relation to the assessment year commencing on the 1st day of April, 1991;

(b) thirty per cent. of the profits and gains derived from the business of such hotel as is located in any place other than those mentioned in sub-clause (a) for a period of ten consecutive years beginning from the initial assessment year if such hotel has started or starts functioning at any time during the period beginning on the 1st day of April, 1991 and ending on the 31st day of March, 1995 or beginning on the 1st day of April, 1997 and ending on the 31st day of March, 2001 :

Provided that nothing contained in this clause shall apply to a hotel located at a place within the municipal jurisdiction (whether known as a municipality, municipal corporation, notified area committee, town area committee or a cantonment board or by any other name) of Calcutta, Chennai, Delhi or Mumbai, which has started or starts functioning on or after the 1st day of April, 1997 and before the 31st day of March, 2001;

(c) the deduction under clause (a) or clause (b) shall be available only if -

(i) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose;

(ii) the business of the hotel is owned and carried on by a company registered in India with a paid-up capital of not less than five hundred thousand rupees;

(iii) the hotel is for the time being approved by the prescribed authority :

Provided that any hotel approved by the prescribed authority before the 1st day of April, 1999 shall be deemed to have been approved under this sub-section.

(8) The amount of deduction in the case of any company carrying on scientific research and development shall be hundred per cent. of the profits and gains of such business for a period of five assessment years beginning from the initial assessment year if such company -

(a) is registered in India;

(b) has the main object of scientific and industrial research and development;

(c) is for the time being approved by the prescribed authority at any time before the 1st day of April, 1999.

(9) The amount of deduction to an undertaking which begins commercial production or refining of mineral oil shall be hundred per cent. of the profits for a period of seven consecutive assessment years including the initial assessment year :

Provided that where the undertaking is located in North-Eastern Region, it has begun or begins commercial production of mineral oil before the 1st day of April, 1997 and where it is located in any part of India, it begins commercial production of mineral oil on or after the 1st day of April, 1997 :

Provided further that where the undertaking is engaged in refining of mineral oil, it begins refining on or after the 1st day of October, 1998.

(10) The amount of profits in case of an undertaking developing and building housing projects approved by a local authority, shall be hundred per cent. of the profits derived in any previous year relevant to any assessment year from such housing project if, -

(a) such undertaking has commenced or commences development and construction of the housing project on or after the 1st day of October, 1998 and completes the same before the 31st day of March, 2001;

(b) the project is on the size of a plot of land which has a minimum area of one acre; and

(c) the residential unit has a maximum built-up area of one thousand square feet where such residential unit is situated within the cities of Delhi or Mumbai or within twenty-five kilometres from the municipal limits of these cities and one thousand and five hundred square feet at any other place.

(11) Notwithstanding anything contained in clause (iii) of sub-section (2) and sub-sections (3), (4) and (5), the amount of deduction in a case of industrial undertaking deriving profit from the business of setting up and operating a cold chain facility for agricultural produce, shall be hundred per cent. of the profits and gains derived from such industrial undertaking for five assessment years beginning with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains derived from the operation of such facility

in a manner that the total period of deduction does not exceed ten consecutive assessment years (or twelve consecutive assessment years where the assessee is a co-operative society) and subject to fulfilment of the condition that it begins to operate such facility on or after the 1st day of April, 1999 but before the 31st day of March, 2003.

(12) Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger -

(a) no deduction shall be admissible under this section to the amalgamating or the demerged company for the previous year in which the amalgamation or the demerger takes place; and

(b) the provisions of this section shall, as far as may be, apply to the amalgamated or the resulting company as they would have applied to the amalgamating or the demerged company if the amalgamation or demerger had not taken place.

(13) The provisions contained in sub-section (5) and sub-sections (7) to (12) of section 80-IA shall, so far as may be, apply to the eligible business under this section.

(14) For the purposes of this section, -

(a) "cold chain facility" means a chain of facilities for storage or transportation of agricultural produce under scientifically controlled conditions including refrigeration and other facilities necessary for the preservation of such produce;

(b) "hilly area" means any area located at a height of one thousand metres or more above the sea level;

(c) "initial assessment year" -

(i) in the case of an industrial undertaking or cold storage plant or ship or hotel, means the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things, or to operate its cold storage plant or plants or the cold chain facility or the ship is first brought into use or the business of the hotel starts functioning;

(ii) in the case of a company carrying on scientific and industrial research and development, means the assessment year relevant to the previous year in which the company is approved by the prescribed authority for the purposes of sub-section (8);

(iii) in the case of an undertaking engaged in the business of commercial production or refining of mineral oil referred to in sub-section (9), means the assessment year relevant to the previous year in which the undertaking commences the commercial production or refining of mineral oil;

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

(e) "place of pilgrimage" means a place where any temple, mosque, gurdwara, church or other place of public worship of renown throughout any State or States is situated;

(f) "rural area" means any area other than -

(i) an area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the preceding census of which relevant figures have been published before the first day of the previous year; or

(ii) an area within such distance not being more than fifteen kilometres from the local limits of any municipality or cantonment board referred to in sub-clause (i), as the Central Government may, having regard to the stage of development of such area including the extent of, and scope for, urbanisation of such area and other relevant considerations specify in this behalf by notification in the Official Gazette;

(g) "small-scale industrial undertaking" means an industrial undertaking which is, as on the last day of the previous year, regarded as a small-scale industrial undertaking under section 11B of the Industries (Development and Regulation) Act, 1951 (65 of 1951).'

Section 51 - Amendment Of Section 80JJA

In section 80JJA of the Income-tax Act, with effect from the 1st day of April, 2000, -

(a) for the words ", producing bio-gas,", the words "or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or" shall be substituted;

(b) for the words "a deduction from such profits and gains of an amount equal to the whole of such income, or five lakh rupees, whichever is less", the words "a deduction of an amount equal to the whole of such profits and gains for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which such business commences" shall be substituted.

Section 52 - Amendment Of Section 80L

In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2000, -

(a) clauses (v) and (va) shall be omitted;

(b) in clause (x), the proviso shall be omitted;

(c) in the proviso, the words, brackets, figures and letter "clause (v) or clause (va)" shall be omitted.

Section 53 - Amendment Of Section 80-O

In section 80-O of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in the proviso, for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

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

"Provided further that no deduction under this section shall be allowed unless the assessee furnishes a certificate, in the prescribed form, along with the return of income, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.";

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

'(iv) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.'

Section 54 - Amendment Of Section 80R

In section 80R of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

(b) the following Explanation shall be inserted at the end, namely :-

'Explanation. -For the purposes of this section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange:'.

Section 55 - Amendment Of Section 80RR

In section 80RR of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

(b) at the end, the following Explanation shall be inserted, namely :-

'Explanation. -For the purposes of this section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.'

Section 56 - Amendment Of Section 80RRA

In section 80RRA of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), for the portion beginning with the words "where the Chief Commissioner" and ending with the words "may allow in this behalf", the words "within such further period as the competent authority may allow in this behalf" shall be substituted;

(b) after sub-section (2), in the Explanation, after clause (c), the following clause shall be inserted, namely :-

'(d) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.'

Section 57 - Amendment Of Section 112

In section 112 of the Income-tax Act, in sub-section (1), the following shall be inserted at the end with effect from the 1st day of April, 2000, namely :-

'Provided that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities, exceeds ten per cent. of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

Explanation. - For the purposes of this sub-section, "listed securities" means the securities -

(a) as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (32 of 1956); and

(b) listed in any recognised stock exchange in India.'

Section 58 - Amendment Of Section 115AC

In section 115AC of the Income-tax Act, after sub-section (4), the following sub-section shall be inserted with effect from the 1st day of April, 2000, namely :-

"(5) Where the assessee acquired shares or bonds in an amalgamated or resulting company by virtue of his holding shares or bonds in the amalgamating or demerged company, as the case may be, in accordance with the provisions of sub-section (1), the provisions of the said sub-section shall apply to such shares or bonds."

Section 59 - Insertion Of New Section 115ACA

After section 115AC of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2000, namely :-

'115ACA. Tax on income from global depository receipts purchased in foreign currency or capital gains arising from their transfer.

(1) Where the total income of an assessee, being an individual, who is a resident and an employee of an Indian company engaged in information technology software and information technology services (hereafter in this section referred to as the resident employee), includes -

(a) income by way of dividends, other than dividends referred to in section 115-O, on Global Depository Receipts of an Indian company engaged in information technology software and information technology services, issued in accordance with such employees' stock option scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf and purchased by him in foreign currency; or

(b) income by way of long-term capital gains arising from the transfer of Global Depository Receipts referred to in clause (a), the income-tax payable shall be the aggregate of -

(i) the amount of income-tax calculated on the income by way of dividends, other than dividends referred to in section 115-O, in respect of Global Depository Receipts referred to in clause (a), if any, included in the total income, at the rate of ten per cent.;

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

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

(2) Where the gross total income of the resident employee - (a) consists only of income by way of dividends, other than dividends referred to in section 115-O, in respect of Global Depository Receipts referred to in clause (a) of sub-section (1), no deduction shall be allowed to him under any other provision of this Act;

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

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

Explanation. - For the purposes of this section, -

(a) "Global Depository Receipts" means any instrument in the form of a depository receipt or certificate (by whatever name called) created by the Overseas Depository Bank outside India and issued to non-resident investors against the issue of ordinary shares or foreign currency convertible bonds of issuing company;

(b) "information technology service" means any service which results from the use of any information technology software over a system of information technology products for realising value addition;

(c) "information technology software" means any representation of instructions, data, sound or image, including source code and object code, recorded in a machine readable form and capable of being manipulated or providing inter-activity to a user, by means of an automatic data processing machine falling under heading information technology products but does not include non-information technology products;

(d) "Overseas Depository Bank" means a bank authorised by the issuing company to issue Global Depository Receipts against issue of Foreign Currency Convertible Bonds or ordinary shares of the issuing company.'

Section 60 - Amendment Of Section 115AD

In section 115AD of the Income-tax Act, in sub-section (1), in clause (a), after the word "income", the words, figures and letter "other than income by way of dividends referred to in section 115-O" shall be inserted.

Section 61 - Insertion Of New Chapter XII-E

After Chapter XII-D of the Income-tax Act, the following Chapter shall be inserted with effect from the 1st day of June, 1999, namely :-

CHAPTER XII-E

Special Provisions Relating To Tax On Distributed Income

115R. Tax on distributed income to unit holders. (1) Notwithstanding anything contained in any other provisions of this Act and section 32 of the Unit Trust of India Act, 1963 (52 of 1963), any amount of income distributed by the Unit Trust of India to its unit holders shall be chargeable to tax and the Unit Trust of India shall be liable to pay additional income-tax on such distributed income at the rate of ten per cent. :

Provided that nothing contained in this sub-section shall apply in respect of any income distributed to a unit holder of open-ended equity oriented funds in respect of any distribution made from such fund for a period of three years commencing from the 1st day of April, 1999.

(2) Notwithstanding anything contained in any other provisions of this Act, any amount of income distributed by a Mutual Fund to its unit holders shall be chargeable to tax and such Mutual Fund shall be liable to pay additional income-tax at the rate of ten per cent. : Provided that nothing contained in this sub-section shall apply in respect of any income distributed to a unit holder of open-ended equity oriented funds in respect of any distribution made from such fund for a period of three years commencing from the 1st day of April, 1999.

(3) The person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

(4) No deduction under any other provision of this Act shall be allowed to the Unit Trust of India or to a Mutual Fund in respect of the income which has been charged to tax under sub-section (1) or sub-section (2).

115S. Interest Payable For Non-Payment Of Tax.- Where the person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, fails to pay the whole or any part of the tax referred to in sub-section (1) or sub-section (2) of section 115R, within the time allowed under sub-section (3) of that section, he or it shall be liable to pay simple interest at the rate of two per cent. every

month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115T. Unit Trust Of India Or Mutual Fund To Be Assessee In Default.- any person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, does not pay tax, as is referred to in sub-section (1) or sub-section (2) of section 115R, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

Explanation. -For the purposes of this Chapter, -

(a) "Mutual Fund" means a Mutual Fund specified under clause (23D) of section 10;

(b) "open-ended equity oriented fund" means -

(i) the Unit Scheme, 1964 made by the Unit Trust of India; and

(ii) such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent. of the total proceeds of such fund :

Provided that the percentage of equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures;

(c) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963).'

Section 62 - Amendment Of Section 139

In section 139 of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), in the first proviso, in clause (ii), for the words "motor vehicle", the words "motor vehicle other than a two-wheeled motor vehicle, whether having any detachable side car having extra wheel attached to such two-wheeled motor vehicle or not " shall be substituted;

(b) in sub-section (6), for the words "and value and belonging to him", the words ", value and belonging to him, his bank account and credit card held by him" shall be substituted.

Section 63 - Amendment Of Section 140A

In section 140A of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), for the words and figures "or, as the case may be, section 148", the words, figures and letters "or section 148 or, as the case may be, section 158BC" shall be substituted;

(b) in sub-section (2), -

(i) after the word and figures "section 144", the words, figures and letters "or an assessment under section 158BC" shall be inserted;

(ii) after the words "regular assessment", the words "or assessment, as the case may be" shall be inserted.

Section 64 - Amendment Of Section 143

In section 143 of the Income-tax Act, with effect from the 1st day of June, 1999, -

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

"(1) Where a return has been made under section 139, or in response to a notice under sub-section (1) of section 142,

-

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

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

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

Provided further that no intimation under this sub-section shall be sent after the expiry of two years from the end of the assessment year in which the income was first assessable. ";

- (b) sub-section (1A) shall be omitted;
- (c) sub-section (1B) shall be omitted;
- (d) sub-section (5) shall be omitted;
- (e) the Explanation occurring at the end shall be omitted.

Section 65 - Amendment Of Section 154

In section 154 of the Income-tax Act, in sub-section (1), for clause (b), the following clause shall be substituted with effect from the 1st day of June, 1999, namely :-

"(b) amend any intimation or deemed intimation under sub-section (1) of section 143. ".

Section 66 - Amendment Of Section 155

In section 155 of the Income-tax Act, after sub-section (12), the following sub-section shall be inserted with effect from the 1st day of June, 1999, namely :-

"(13) Where in the assessment for any year, the deduction under section 80HHB or section 80HHC or section 80HHD or section 80HHE or section 80-O or section 80R or section 80RR or section 80RRA has not been allowed on the ground that such income has not been received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, has not been brought into India, by or on behalf of the assessee with the approval of the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange and subsequently such income or part thereof has been or is received in, or brought into, India in the manner aforesaid, the Assessing Officer shall amend the order of assessment so as to allow deduction under section 80HHB or section 80HHC or section 80HHD or section 80HHE or section 80-O or section 80R or section 80RR or section 80RRA, as the case may be, in respect of such income or part thereof as is so received in, or brought into, India; and the provisions of section 154 shall, so far as may be, apply thereto, and the period of four years shall be reckoned from the end of the previous year in which such income is so received in, or brought into India. ".

Section 67 - Amendment Of Section 180

In section 180 of the Income-tax Act, before the Explanation, the following proviso shall be inserted with effect from the 1st day of April, 2000, namely :-

"Provided that nothing contained in this section shall apply in relation to the previous year relevant to the assessment year commencing on or after the 1st day of April, 2000. ".

Section 68 - Amendment Of Section 180A

In section 180A of the Income-tax Act, for the words "during the previous year", the words, figures and letters "during the previous year relevant to the assessment year commencing on the 1st day of April, 2000 or earlier assessment years" shall be substituted with effect from the 1st day of April, 2000.

Section 69 - Amendment Of Section 194A

In section 194A of the Income-tax Act, in sub-section (3), with effect from the 1st day of April, 2000, -

- (a) in clause (i), in the proviso, in clause (c), the words, brackets and figures "and which is for the time being approved by the Central Government for the purpose of clause (viii) of sub-section (1) of section 36" shall be omitted;
- (b) clause (ii) shall be omitted.

Section 70 - Amendment Of Section 194B

In section 194B of the Income-tax Act, with effect from the 1st day of April, 2000, -

(a) the first proviso shall be omitted;

(b) in the second proviso, for the words "Provided further that", the words "Provided that" shall be substituted.

Section 71 - Amendment Of Section 194BB

In section 194BB of the Income-tax Act, the proviso shall be omitted with effect from the 1st day of April, 2000.

Section 72 - Omission Of Section 194H

Section 194H of the Income-tax Act shall be omitted with effect from the 1st day of April, 2000.

Section 73 - Amendment Of Section 194K

In section 194K of the Income-tax Act, in sub-section (1), the following proviso shall be inserted with effect from the 1st day of June, 1999, namely :-

"Provided that no deduction shall be made under this sub-section from any such income credited or paid on or after the 1st day of June, 1999. ".

Section 74 - Insertion Of New Section 194L

After section 194K of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1999, namely :-

"194L. Payment of compensation on acquisition of capital asset.

Any person responsible for paying to a resident any sum being in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any capital asset shall, at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to ten per cent. of such sum as income-tax on income comprised therein :

Provided that no deduction shall be made under this section where the amount of such payment or, as the case may be, the aggregate amount of such payments to a resident during the financial year does not exceed one hundred thousand rupees. ".

Section 75 - Amendment Of Section 196A

In section 196A of the Income-tax Act, in sub-section (1), the following proviso shall be inserted with effect from the 1st day of June, 1999, namely :-

"Provided that no deduction shall be made under this sub-section from any such income credited or paid on or after the 1st day of June, 1999. ".

Section 76 - Amendment Of Section 197

In section 197 of the Income-tax Act, in sub-section (1), after the figures and letter "194K", the figures and letter ", 194L" shall be inserted with effect from the 1st day of June, 1999.

Section 77 - Amendment Of Section 197A

In section 197A of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), the words and figures "section 193 or", at both the places where they occur, shall be omitted;

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

(i) for the word, figures and letter "section 194A", at both the places where they occur, the words, figures and letter "section 193 or section 194A" shall be substituted;

(ii) for the words "either of", the words "any of" shall be substituted.

Section 78 - Amendment Of Sections 198 To 200, 202 To 203A, 204 And 205

In sections 198, 199, 200, 202, 203, 203A, 204 and 205 of the Income-tax Act, after the word, figures and letter "section 194K", the word, figures and letter "section 194L," shall be inserted with effect from the 1st day of June, 1999.

Section 79 - Amendment Of Section 201

In section 201 of the Income-tax Act, in sub-section (1A), for the word "fifteen", the word "eighteen" shall be substituted with effect from the 1st day of June, 1999.

Section 80 - Amendment Of Section 206C

In section 206C of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) after sub-section (5A), the following sub-sections shall be inserted, namely :-

"(5B) Notwithstanding anything contained in any other law for the time being in force, a return filed on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media as may be specified by the Board (hereinafter referred to as the computer media) shall be deemed to be a return for the purposes of sub-section (5A) and the rules made thereunder and shall be admissible in any proceedings thereunder, without further proof of production of the original, as evidence of any contents of the original or of any fact stated therein.

(5C) A return filed under sub-section (5B) shall fulfil the following conditions, namely :-

(a) while receiving returns on computer media, necessary checks by scanning the documents filed on computer media will be carried out and the media will be duly authenticated by the Assessing Officer; and

(b) the Assessing Officer shall also take due care to preserve the computer media by duplicating, transferring, mastering or storage without loss of data. ";

(b) after sub-section (8) and before the Explanation, the following sub-sections shall be inserted, namely :-

"(9) Where the Assessing Officer is satisfied that the total income of the buyer justifies the collection of the tax at any lower rate than the relevant rate specified in sub-section (1), the Assessing Officer shall, on an application made by the buyer in this behalf, give to him a certificate for collection of tax at such lower rate than the relevant rate specified in sub-section (1).

(10) Where a certificate under sub-section (9) is given, the person responsible for collecting the tax shall, until such certificate is cancelled by the Assessing Officer, collect the tax at the rates specified in such certificate.

(11) The Board may, having regard to the convenience of assesseees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (9) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith. ".

Section 81 - Amendment Of Section 234A

In section 234A of the Income-tax Act, in sub-sections (1) and (3), for the words "two per cent. ", the words "one and one-half per cent. " shall be substituted with effect from the 1st day of June, 1999.

Section 82 - Amendment Of Section 234B

In section 234B of the Income-tax Act, in sub-sections (1) and (3), for the words "two per cent. ", the words "one and one-half per cent. " shall be substituted with effect from the 1st day of June, 1999.

Section 83 - Amendment Of Section 249

In section 249 of the Income-tax Act, in sub-section (1), after clause (iii), the following clause shall be inserted with effect from the 1st day of June, 1999, namely :-

"(iv) where the subject matter of an appeal is not covered under clauses (i), (ii) and (iii), two hundred fifty rupees. ".

Section 84 - Amendment Of Section 250

In section 250 of the Income-tax Act, after sub-section (6), the following sub-section shall be inserted with effect from the 1st day of June, 1999, namely :-

"(6A) In every appeal, the Commissioner (Appeals), where it is possible, may hear and decide such appeal within a period of one year from the end of the financial year in which such appeal is filed before him under sub-section (1) of section 246A. "

Section 85 - Amendment Of Section 253

In section 253 of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (1), in clause (c), for the words and figures "an order passed by a Commissioner under section 263", the words, figures and letters "an order passed by a Commissioner under section 12AA or under section 263" shall be substituted;

(b) in sub-section (6), after clause (c), the following clause shall be inserted, namely :-

"(d) where the subject matter of an appeal relates to any matter, other than those specified in clauses (a), (b) and (c), five hundred rupees. "

Section 86 - Amendment Of Section 254

In section 254 of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) after sub-section (2), the following sub-sections shall be inserted, namely :-

"(2A) In every appeal, the Appellate Tribunal, where it is possible, may hear and decide such appeal within a period of four years from the end of the financial year in which such appeal is filed under sub-section (1) of section 253.

(2B) The cost of any appeal to the Appellate Tribunal shall be at the discretion of that Tribunal. ";

(b) in sub-section (4), for the word and figures "section 256", the words, figures and letter "section 256 or section 260A" shall be substituted.

Section 87 - Amendment Of Section 260A

In section 260A of the Income-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (2),-

(i) for the opening words "An appeal under this sub-section shall be -

", the words "The Chief Commissioner or the Commissioner or an assessee aggrieved by any order passed by the Appellate Tribunal may file an appeal to the High Court and such appeal under this sub-section shall be-" shall be substituted;

(ii) in clause (a), for the words "communicated to the appellant", the words "received by the assessee or the Chief Commissioner or Commissioner" shall be substituted;

(iii) clause (b) shall be omitted;

(b) after sub-section (6), the following sub-section shall be inserted, namely :-

"(7) Save as otherwise provided in this Act, the provisions of the Code of Civil Procedure, 1908 (5 of 1908), relating to appeals to the High Court shall, as far as may be, apply in the case of appeals under this section. "

Section 88 - Amendment Of Section 272A

In section 272A of the Income-tax Act, in sub-section (2), for the words "which shall not be less than one hundred rupees, but which may extend to two hundred rupees,", the words "of one hundred rupees" shall be substituted with effect from the 1st day of June, 1999.

Section 89 - Omission Of Tenth Schedule

The Tenth Schedule of the Income-tax Act shall be omitted with effect from the 1st day of April, 2000.

Section 90 - Consequential Amendments

The following amendments (being consequential in nature) shall be made in the Income-tax Act with effect from the 1st day of April, 2000, namely :-

- (a) in section 10A, in sub-section (4), in clause (iii), after the word, figures and letters "section 80-IA", the words, figures and letters "or section 80-IB" shall be inserted;
- (b) in section 10B, in sub-section (4), in clause (iii), after the word, figures and letters "section 80-IA", the words, figures and letters "or section 80-IB" shall be inserted;
- (c) in section 80A, in sub-section (3), after the word, figures and letters "section 80-IA", the words, figures and letters "or section 80-IB" shall be inserted;
- (d) in section 88, in sub-section (2), in clause (xvi), in the Explanation, in clause (ii), for the words, figures, brackets and letters "clause (ca) of sub-section (12) of section 80-IA", the words, brackets, figures and letters "the Explanation to sub-section (4) of section 80-IA" shall be substituted;
- (e) in section 115JA, -
 - (i) in sub-section (2), in the Explanation, -
 - (A) in clause (v), -
 - (I) for the words, brackets, letters and figures "sub-clause (b) or sub-clause (c) of clause (iv) of sub-section (2) of section 80-IA", the words, brackets, figures and letters "sub-section (4) and sub-section (5) of section 80-IB" shall be substituted;
 - (II) for the words, brackets, figures and letters "profits and gains under sub-section (5) of section 80-IA", the words, brackets, figures and letters "profits and gains under sub-section (4) or sub-section (5) of section 80-IB" shall be substituted;
 - (B) in clause (vi), for the words, brackets, figures and letters "under sub-section (12) of section 80-IA and subject to fulfilling the conditions laid down in sub-section (4A) of section 80-IA", the words, brackets, figures and letters "as defined in the Explanation to sub-section (4) of section 80-IA and subject to fulfilling the conditions laid down in that sub-section" shall be substituted.

Section 91 - Amendment Of Section 2

In section 2 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), in clause (ea), the Explanation shall be numbered as Explanation 1 thereof and after Explanation 1 as so numbered, the following Explanation shall be inserted with effect from the 1st day of April, 2000, namely :-

'Explanation 2. - For the removal of doubts, it is hereby declared that "jewellery" does not include the Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 notified by the Central Government. ' . 92. Amendment of section 16. -In section 16 of the Wealth-tax Act, with effect from the 1st day of June, 1999, -

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

"(1) Where a return has been made under section 14 or section 15 or in response to a notice under clause (i) of sub-section (4), -

(i) if any tax or interest is found due on the basis of such return, after adjustment of any amount paid by way of tax or interest, then, without prejudice to the provisions of sub-section (2), an intimation shall be sent to the assessee specifying the sum so payable, and such intimation shall be deemed to be a notice of demand issued under section 30 and all the provisions of this Act shall apply accordingly; and

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

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

Provided further that no intimation under this sub-section shall be sent after the expiry of two years from the end of the assessment year in which the net wealth was first assessable. ";

- (b) sub-section (1A) shall be omitted;
 - (c) sub-section (1B) shall be omitted;
 - (d) sub-section (7) shall be omitted;
 - (e) the Explanation occurring at the end shall be omitted.
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Section 93 - Amendment Of Section 23A

In section 23A of the Wealth-tax Act, after sub-section (8), the following sub-section shall be inserted with effect from the 1st day of June, 1999, namely :-

"(8A) In every appeal, the Commissioner (Appeals), where it is possible, may hear and decide such appeal within a period of one year from the end of the financial year in which such appeal is filed under sub-section (1).".

Section 94 - Amendment Of Section 24

In section 24 of the Wealth-tax Act, with effect from the 1st day of June, 1999, -

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

"Provided that in the case of an appeal not relatable to net wealth as computed by the Assessing Officer, the appeal shall be accompanied by a fee of five hundred rupees. ";

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

"(5A) In every appeal, the Appellate Tribunal, where it is possible, may hear and decide such appeal within a period of four years from the end of the financial year in which such appeal is filed under sub-section (1);

(5B) The cost of any appeal to the Appellate Tribunal shall be at the discretion of that Tribunal. ";

(c) in sub-section (10), after the word and figures "section 27", the words, figures and letter "or section 27A" shall be inserted.

Section 95 - Amendment Of Section 27

In section 27 of the Wealth-tax Act, in sub-section (1), after the words "notice of an order", the words, figures and letters "passed before the 1st day of June, 1999" shall be inserted with effect from the 1st day of June, 1999.

Section 96 - Amendment Of Section 27A

In section 27A of the Wealth-tax Act, with effect from the 1st day of June, 1999, -

(a) in sub-section (3), the words ", and, where the appeal is made by the assessee, shall be accompanied by a fee of five thousand rupees" shall be omitted;

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

"(8) The provisions of the Code of Civil Procedure, 1908 (5 of 1908) relating to appeals to High Court shall, so far as may be, apply in the case of appeals under this section. ".

Section 97 - Amendment Of Section 35

In section 35 of the Wealth-tax Act, in sub-section (1), for clause (aa), the following clause shall be substituted with effect from the 1st day of June, 1999, namely :-

"(aa) a wealth-tax authority may amend any intimation or deemed intimation under sub-section (1) of section 16;".

Section 98 - Amendment Of Section 4

In the Expenditure-tax Act, 1987 (35 of 1987) (hereinafter referred to as the Expenditure-tax Act), in section 4, in clause (a), with effect from the 1st day of April, 2000, -

(a) in the first proviso, for the words, brackets, figures and letters "clause (ii) of sub-section (5) of section 80-IA", the words, brackets letters and figures "clause (a) of sub-section (7) of section 80-IB" shall be substituted;

(b) in the second proviso, for the words, letters, brackets and figures "clause (ia) of sub-section (5) of section 80-IA", the words, brackets, figures and letters "clause (a) of sub-section (7) of section 80-IB" shall be substituted.

Section 99 - Amendment Of Section 22

In section 22 of the Expenditure-tax Act, after sub-section (4), the following sub-section shall be inserted with effect from the 1st day of June, 1999, namely :-

"(4A) In every appeal, the Commissioner (Appeals), where it is possible, may hear and determine such appeal within a period of one year from the end of the financial year in which such appeal is filed under sub-section (1). "
