

## Finance Act, 2002

### Section 50C - Special provision for full value of consideration in certain cases

Section 3 - Amendment of Section 2 In section 2 of the Income-tax Act,-- (a) in clause (24), after sub-clause (xi), the following sub-clause shall be inserted with effect from the 1st day of April, 2003, namely:-- "(xii) any sum referred to in clause (vii) of section 28;"; (b) in clause (31), after sub-clause (vii), the following Explanation shall be inserted, namely:-- "Explanation.--For the purposes of this clause, an association of persons or a body of individuals or a local authority or an artificial juridical person shall be deemed to be a person, whether or not such person or body or authority or juridical person was formed or established or incorporated with the object of deriving income, profits or gains;"; (c) in clause (37A), in sub-clause (i), for the words, figures and letters "or section 115BB or section 115E", wherever they occur, the words, figures and letters "or section 115BB or section 115BBB or section 115E" shall be substituted with effect from the 1st day of April, 2003. Section 4 - Amendment of section 10 In section 10 of the Income-tax Act,-- (a) clause (3) shall be omitted with effect from the 1st day of April, 2003; (b) in clause (4), in sub-clause (i), the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided that the Central Government shall not specify, for the purposes of this sub-clause, such securities or bonds on or after the 1st day of June, 2002;"; (c) in clause (4B), for the words "savings certificates issued", the words, figures and letters "savings certificates issued before the 1st day of June, 2002" shall be substituted with effect from the 1st day of April, 2003; (d) clause (5B) shall be omitted with effect from the 1st day of April, 2003; (e) in clause (6), sub-clause (i) shall be omitted with effect from the 1st day of April, 2003; (f) in clause (6A), after the words, figures and letters "Government or the Indian concern after the 31st day of March, 1976", the words, figures and letters "but before the 1st day of June, 2002" shall be inserted with effect from the 1st day of April, 2003; (g) in clause (6B), with effect from the 1st day of April, 2003, -- (i) for the words "agreement entered into by the Central Government", the words, figures and letters "agreement entered into before the 1st day of June, 2002 by the Central Government" shall be substituted; (ii) for the words "related agreement approved", the words "related agreement approved before that date" shall be substituted; (h) in clause (10C), after sub-clause (viib), the following sub-clause shall be inserted, namely:-- "(viic) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification in the Official Gazette, specify in this behalf; or"; (i) after clause (10C), the following clause shall be inserted with effect from the 1st day of April, 2003, namely:-- "(10CC) in the case of an employee, being an individual deriving income in the nature of a perquisite, not provided for by way of monetary payment, within the meaning of clause (2) of section 17, the tax on such income actually paid by his employer, at the option of the employer, on behalf of such employee, notwithstanding anything contained in section 200 of the Companies Act, 1956 (1 of 1956);"; (j) clause (14A) shall be omitted with effect from the 1st day of April, 2003; (k) in clause (15), with effect from the 1st day of April, 2003,-- (i) in sub-clause (iib), the following proviso shall be inserted, namely:-- "Provided that the Central Government shall not specify, for the purposes of this sub-clause, such Capital Investment Bonds on or after the 1st day of June, 2002;"; (ii) in sub-clause (iid), after the third proviso and before the Explanation, the following proviso shall be inserted, namely:-- "Provided also that the Central Government shall not specify, for the purposes of this sub-clause, such bonds on or after the 1st day of June, 2002."; (l) in clause (20), the following Explanation shall be inserted with effect from the 1st day of April, 2003, namely:-- "Explanation.--For the purposes of this clause, the expression "local authority" means-- (i) Panchayat as referred to in clause (d) of article 243 of the Constitution; or (ii) Municipality as referred to in clause (e) of article 243P of the Constitution; or (iii) Municipal Committee and District Board, legally entitled to, or entrusted by the Government with, the control or management of a Municipal or local fund; or (iv) Cantonment Board as defined in section 3 of the Cantonments Act, 1924 (2 of 1924);"; (m) clause (20A) shall be omitted with effect from the 1st day of April, 2003; (n) in clause (21), after the third proviso, the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided also that where the scientific research association is approved by

the Central Government and subsequently that Government is satisfied that-- (i) the scientific research association has not applied its income in accordance with the provisions contained in clause (a) of the first proviso; or (ii) the scientific research association has not invested or deposited its funds in accordance with the provisions contained in clause (b) of the first proviso; or (iii) the activities of the scientific research association are not genuine; or (iv) the activities of the scientific research association are not being carried out in accordance with all or any of the conditions subject to which such association was approved, it may, at any time after giving a reasonable opportunity of showing cause against the proposed withdrawal to the concerned association, by order, withdraw the approval and forward a copy of the order withdrawing the approval to such association and to the Assessing Officer;"; (o) in clause (22B), after the second proviso, the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided also that where the news agency has been specified, by notification, by the Central Government and subsequently that Government is satisfied that such news agency has not applied or accumulated or distributed its income in accordance with the provisions contained in the first proviso, it may, at any time after giving a reasonable opportunity of showing cause, rescind the notification and forward a copy of the order rescinding the notification to such agency and to the Assessing Officer;"; (p) clause (23) shall be omitted with effect from the 1st day of April, 2003; (q) in clause (23A), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided further that where the association or institution has been approved by the Central Government and subsequently that Government is satisfied that-- (i) such association or institution has not applied or accumulated its income in accordance with the provisions contained in the first proviso; or (ii) the activities of the association or institution are not being carried out in accordance with all or any of the conditions subject to which such association or institution was approved, it may, at any time after giving a reasonable opportunity of showing cause against the proposed withdrawal to the concerned association or institution, by order, withdraw the approval and forward a copy of the order withdrawing the approval to such association or institution and to the Assessing Officer;"; (r) in clause (23B), after the second proviso and before the Explanation, the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided also that where the institution has been approved by the Khadi and Village Industries Commission and subsequently that Commission is satisfied that-- (i) the institution has not applied or accumulated its income in accordance with the provisions contained in the first proviso; or (ii) the activities of the institution are not being carried out in accordance with all or any of the conditions subject to which such institution was approved, it may, at any time after giving a reasonable opportunity of showing cause against the proposed withdrawal to the concerned institution, by order, withdraw the approval and forward a copy of the order withdrawing the approval to such institution and to the Assessing Officer;"; (s) in clause (23C),-- (i) in the third proviso, for clause (a), the following clause shall be substituted with effect from the 1st day of April, 2003, namely:-- "(a) applies its income, or accumulates it for application, wholly and exclusively to the objects for which it is established and in a case where more than fifteen per cent, of its income is accumulated on or after the 1st day of April, 2002, the period of the accumulation of the amount exceeding fifteen per cent, of its income shall in no case exceed five years; and;"; (ii) in the ninth proviso, with effect from the 3rd day of February, 2001,-- (a) after the words, brackets, letters and figures "in terms of clause (d) of sub-section (2) of section 80G", the words, brackets, figures and letter "in respect of which accounts of income and expenditure have not been rendered to the authority prescribed under clause (v) of sub-section (5C) of that section, in the manner specified in that clause, or" shall be inserted and shall be deemed to have been inserted; (b) for the words, figures and letters "or before the 31st day of March, 2002", the words, figures and letters "or before the 31st day of March, 2003" shall be substituted and shall be deemed to have been substituted; (iii) the tenth proviso shall be omitted; (iv) after the tenth proviso, the following provisos shall be inserted with effect from the 1st day of April, 2003, namely:-- "Provided also that where the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) does not apply its income during the year of receipt and accumulates it, any payment or credit out of such accumulation to any trust or institution registered under section 12AA or to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) shall not be treated as application of income to the objects for which such fund or trust or institution or university or educational institution or hospital or other medical institution, as the case may be, is established: Provided

also that where the fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) is notified by the Central Government or any university or other educational institution referred to in sub-clause (vi) or any hospital or other medical institution referred to in sub-clause (via), is approved by the prescribed authority and subsequently that Government or the prescribed authority is satisfied that-- (i) such fund or institution or trust or any university or other educational institution or any hospital or other medical institution has not-- (A) applied its income in accordance with the provisions contained in clause (a) of the third proviso; or (B) invested or deposited its funds in accordance with the provisions contained in clause (b) of the third proviso; or (ii) the activities of such fund or institution or trust or any university or other educational institution or any hospital or other medical institution-- (A) are not genuine; or (B) are not being carried out in accordance with all or any of the conditions subject to which it was notified or approved, it may, at any time after giving a reasonable opportunity of showing cause against the proposed action to the concerned fund or institution or trust or any university or other educational institution or any hospital or other medical institution, rescind the notification or, by order, withdraw the approval, as the case may be, and forward a copy of the order rescinding the notification or withdrawing the approval to such fund or institution or trust or any university or other educational institution or any hospital or other medical institution and to the Assessing Officer;" (t) in clause (23D), in the opening portion, the words, figures and letter "subject to the provisions of Chapter XII-E," shall be omitted with effect from the 1st day of April, 2003; (u) clause (23E) shall be omitted with effect from the 1st day of April, 2003; (v) after clause (23EA), the following clause shall be inserted, namely:-- "(23EB) any income of the Credit Guarantee Fund Trust for Small Scale industries, being a trust created by the Government of India and the Small Industries Development Bank of India established under sub-section (1) of section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989), for five previous years relevant to the assessment years beginning on the 1st day of April, 2002 and ending on the 31st day of March, 2007;" (w) in clause (23FA), the words, figures and letter "other than dividends referred to in section 115-O," shall be omitted with effect from the 1st day of April, 2003; (x) in clause (23G), the words, figures and letter "other than dividends referred to in section 115-O," shall be omitted with effect from the 1st day of April, 2003; (y) clauses (29) and (33) shall be omitted with effect from the 1st day of April, 2003.

**Section 5 - Amendment of section 10A** In section 10A of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (1), after the third proviso, the following proviso shall be inserted, namely:-- "Provided also that for the assessment year beginning on the 1st day of April, 2003, the deduction under this sub-section shall be ninety per cent, of the profits and gains derived by an undertaking from the export of such articles or things or computer software:"; (b) after sub-section (1), the following sub-section shall be inserted, namely:-- "(1A) Notwithstanding anything contained in sub-section (1), the deduction, in computing the total income of an undertaking, which begins to manufacture or produce articles or things or computer software during the previous year relevant to any assessment year commencing on or after the 1st day of April, 2003, in any special economic zone, shall be hundred per cent, of profits and gains derived from the export of such articles or things or computer software for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or computer software, as the case may be, and thereafter, fifty per cent, of such profits and gains for further two assessment years."; (c) after sub-section (9) and before Explanation 1, the following shall be inserted, namely:-- "(9A) Notwithstanding anything contained in sub-section (9), where as a result of reorganisation of business, a firm or a sole proprietary concern is succeeded by a company and the ownership or beneficial interest in the undertaking of the firm or the sole proprietary concern is transferred to the company, the deduction under sub-section (1) in respect of such undertaking shall be allowed to the company, as the same would have been allowed to such firm or sole proprietary concern, as the case may be, if the reorganisation had not taken place: Provided that,-- (a) in the case of a firm, the aggregate of the shareholding in the company of the partners of the firm is not less than fifty-one per cent, of the total voting power in the company and their shareholding continues to be as such for the period for which the company is eligible for deduction under this section; (b) in the case of a sole proprietary concern, the shareholding of the sole proprietor in the company is not less than fifty-one per cent, of the total voting power in the company and his shareholding continues to remain as such for the period for which the company is eligible for deduction under this section.".

**Section 6 - Amendment of section 10B** In section 10B of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (1), after the second proviso, the following proviso shall be inserted, namely:-- "Provided also that for the assessment

year beginning on the 1st day of April, 2003, the deduction under this sub-section shall be ninety per cent, of the profits and gains derived by an undertaking from the export of such articles or things or computer software."; (b) after sub-section (9) and before Explanation 1, the following shall be inserted, namely:-- "(9A) Notwithstanding anything contained in sub-section (9), where as a result of reorganisation of business, a firm or a sole proprietary concern is succeeded by a company and the ownership or beneficial interest in the undertaking of the firm or the sole proprietary concern is transferred to the company, the deduction under sub-section (1) in respect of such undertaking shall be allowed to the company, as the same would have been allowed to such firm or sole proprietary concern, as the case may be, if the reorganisation had not taken place: Provided that,-- (a) in the case of a firm, the aggregate of the shareholding in the company of the partners of the firm is not less than fifty-one per cent, of the total voting power in the company and their shareholding continues to be as such for the period for which the company is eligible for deduction under this section; (b) in the case of a sole proprietary concern, the shareholding of the sole proprietor in the company is not less than fifty-one per cent, of the total voting power in the company and his shareholding continues to remain as such for the period for which the company is eligible for deduction under this section.". Section 7 - Amendment of section 11 In section 11 of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (1),-- (i) in clause (a), for the words "twenty-five per cent.", the words "fifteen per cent." shall be substituted; (ii) in clause (b), for the words "twenty-five per cent.", the words "fifteen per cent." shall be substituted; (iii) in the Explanation,-- (A) in clause (i), for the words "twenty-five per cent.", the words "fifteen per cent." shall be substituted; (B) in clause (2), for the words "seventy-five per cent.", the words "eighty-five per cent." shall be substituted; (b) in sub-section (2),-- (i) for the words "seventy-five per cent.", the words "eighty-five per cent." shall be substituted; (ii) after the second proviso, the following Explanation shall be inserted, namely:-- "Explanation.--Any amount credited or paid, out of income referred to in clause (a) or clause (b) of sub-section (1), read with the Explanation to that sub-section, which is not applied, but is accumulated or set apart, to any trust or institution registered under section 12AA or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, shall not be treated as application of income for charitable or religious purposes, either during the period of accumulation or thereafter."; (c) in sub-section (3),-- (i) after clause (c), the following clause shall be inserted, namely:-- "(d) is credited or paid to any trust or institution registered under section 12AA or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10,"; (ii) for the words "set apart or ceases to remain so invested or deposited or", the words "set apart or ceases to remain so invested or deposited or credited or paid or" shall be substituted; (d) in sub-section (3A), the following proviso shall be inserted, namely:-- "Provided that the Assessing Officer shall not allow application of such income by way of payment or credit made for the purposes referred to in clause (d) of sub-section (3) of section 11.". Section 8 - Amendment of section 12 In section 12 of the Income-tax Act, in sub-section (3), with effect from the 3rd day of February, 2001,-- (a) after the words, brackets, letters and figures "in terms of clause (d) of subsection (2) of section 80G", the words, brackets, figures and letter "in respect of which accounts of income and expenditure have not been rendered to the authority prescribed under clause (v) of sub-section (5C) of that section, in the manner specified in that clause, or" shall be inserted and shall be deemed to have been inserted; (b) for the words, figures and letters "or before the 31st day of March, 2002", the words, figures and letters "or before the 31st day of March, 2003" shall be substituted and shall be deemed to have been substituted. Section 9 - Amendment of Section 12A In section 12A of the Income-tax Act, clause (c) shall be omitted. Section 10 - Amendment of section 14A In section 14A of the Income-tax Act, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 11th day of May, 2001, namely:-- "Provided that nothing contained in this section shall empower the Assessing Officer either to reassess under section 147 or pass an order enhancing the assessment or reducing a refund already made or otherwise increasing the liability of the assessee under section 154, for any assessment year beginning on or before the 1st day of April, 2001.". Section 11 - Amendment of section 17 In section 17 of the Income-tax Act, in clause (2), after the proviso and before the Explanation, the following proviso shall be inserted, namely:-- "Provided further that for the assessment year beginning on the 1st day of April, 2002, nothing contained in this clause shall apply to any employee whose income under the head "Salaries" (whether due from, or paid or allowed by, one or more employers)

exclusive of the value of all perquisites not provided for by way of monetary payment, does not exceed one lakh rupees.'. Section 12 - Amendment of section 24 In section 24 of the Income-tax Act, in clause (b), with effect from the 1st day of April, 2003,-- (a) in the second proviso, for the words, figures and letters "before the 1st day of April, 2003", the words "within three years from the end of the financial year in which capital was borrowed" shall be substituted; (b) after the second proviso and the Explanation, the following shall be inserted, namely:-- 'Provided also that no deduction shall be made under the second proviso unless the assessee furnishes a certificate, from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property, or, conversion of the whole or any part of the capital borrowed which remains to be repaid as a new loan. Explanation.--For the purposes of this proviso, the expression "new loan" means the whole or any part of a loan taken by the assessee subsequent to the capital borrowed, for the purpose of repayment of such capital.'. Section 13 - Amendment of section 28 In section 28 of the Income-tax Act, after clause (v), the following shall be inserted with effect from the 1st day of April, 2003, namely:-- '(va) any sum, whether received or receivable in cash or kind, under an agreement for-- (a) not carrying out any activity in relation to any business; or (b) not sharing any know-how, patent, copyright, trade-mark, licence, franchise or any other business or commercial right of similar nature or information or technique likely to assist in the manufacture or processing of goods or provision for services. Provided that sub-clause (a) shall not apply to-- (i) any sum, whether received or receivable, in cash or kind, on account of transfer of the right to manufacture, produce or process any article or thing or right to carry on any business, which is chargeable under the head "Capital gains"; (ii) any sum received as compensation, from the multilateral fund of the Montreal Protocol on Substances that Deplete the Ozone Layer under the United Nations Environment Programme, in accordance with the terms of agreement entered into with the Government of India. Explanation.--For the purposes of this clause,--(i) "agreement" includes any arrangement or understanding or action in concert,-- (A) whether or not such arrangement, understanding or action is formal or in writing; or (B) whether or not such arrangement, understanding or action is intended to be enforceable by legal proceedings; (ii) "service" means service of any description which is made available to potential users and includes the provision of services in connection with business of any industrial or commercial nature such as accounting, banking, communication, conveying of news or information, advertising, entertainment, amusement, education, financing, insurance, chit funds, real estate, construction, transport, storage, processing, supply of electrical or other energy, boarding and lodging.'. Section 14 - Amendment of section 32 In section 32 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2003,-- (a) in clause (ii)-- (i) in the second proviso, for the words, brackets and figures "or clause (ii)", at both the places where they occur, the words, brackets, figures and letter "or clause (ii) or clause (iia)" shall be substituted; (ii) in Explanation 2 below the fifth proviso, for the words "For the purposes of this clause", the words "For the purposes of this sub-section" shall be substituted; (b) after clause (ii), the following shall be inserted, namely:-- '(iia) in the case of any new machinery or plant (other than ships and aircraft), which has been acquired and installed after the 31st day of March, 2002, by an assessee engaged in the business of manufacture or production of any article or thing, a further sum equal to fifteen per cent, of the actual cost of such machinery or plant shall be allowed as deduction under clause (ii): Provided that such further deduction of fifteen per cent, shall be allowed to-- (A) a new industrial undertaking during any previous year in which such undertaking begins to manufacture or produce any article or thing on or after the 1st day of April, 2002; or (B) any industrial undertaking existing before the 1st day of April, 2002, during any previous year in which it achieves the substantial expansion by way of increase in installed capacity by not less than twenty-five per cent: Provided further that no deduction shall be allowed in respect of-- (a) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; or (b) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house; or (c) any office appliances or road transport vehicles; or (d) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any one previous year: Provided also that no deduction shall be allowed under clause (A) or, as the case may be, clause (B), of the first proviso unless the assessee furnishes the details of machinery or plant and increase in the installed capacity of production in such form, as may be prescribed, along with the return of income, and 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,-- (i) "new industrial undertaking" means an undertaking which is not formed,-- (a) by the splitting up, or the reconstruction, of a business already in existence; or (b) by the transfer to a new business of machinery or plant previously used for any purpose; (2) "installed capacity" means the capacity of production as existing on the 31st day of March, 2002.'. Section 15 - Amendment of section 33AC In section 33AC of the Income-tax Act, in sub-section (1), for the first proviso, the following proviso shall be substituted with effect from the 1st day of April, 2003, namely:-- "Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the aggregate of the amounts of the paid-up share capital, the general reserves and amount credited to the share premium account of the assessee, no allowance under this sub-section shall be made in respect of such excess.". Section 16 - Amendment of section 35AC In section 35AC of the Income-tax Act, after sub-section (5) and before the Explanation, the following sub-section shall be inserted with effect from the 1st day of April, 2003, namely:-- "(6) Notwithstanding anything contained in any other provision of this Act, where-- (i) the approval of the National Committee, granted to an association or institution, is withdrawn under sub-section (4) or the notification in respect of eligible project or scheme is withdrawn in the case of a public sector company or local authority or an association or institution under sub-section (5); or (ii) a company has claimed deduction under the proviso to sub-section (1) in respect of any expenditure incurred directly on the eligible project or scheme and the approval for such project or scheme is withdrawn by the National Committee under sub-section (5), the total amount of the payment received by the public sector company or the local authority or the association or the institution, as the case may be, in respect of which such company or authority or association or institution has furnished a certificate referred to in clause (a) of sub-section (2) or the deduction claimed by a company under the proviso to sub-section (1) shall be deemed to be the income of such company or authority or association or institution, as the case may be, for the previous year in which such approval or notification is withdrawn and tax shall be charged on such income at the maximum marginal rate in force for that year.". Section 17 - Amendment of section 35CCB In section 35CCB of the Income-tax Act, in sub-section (1), in the opening portion, for the words "Where an assessee incurs any expenditure", the words, figures and letters "Where an assessee incurs any expenditure on or before the 31st day of March, 2002" shall be substituted with effect from the 1st day of April, 2003. Section 18 - Amendment of section 35DDA In section 35DDA of the Income-tax Act, for sub-section (2), the following sub-sections shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2001, namely:-- "(2) Where the assessee, being an Indian company, is entitled to the deduction under sub-section (1) and the undertaking of such Indian company entitled to the deduction under sub-section (1) is transferred, before the expiry of the period specified in that sub-section, to another Indian company in a scheme of amalgamation, the provisions of this section shall, as far as may be, apply to the amalgamated company as they would have applied to the amalgamating company if the amalgamation had not taken place. (3) Where the undertaking of an Indian company entitled to the deduction under sub-section (1) is transferred, before the expiry of the period specified in that sub-section, to another company in a scheme of demerger, 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. (4) 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, the provisions of this section shall, as far as may be, apply to the successor company, as they would have applied to the firm or the proprietary concern, if reorganisation of business had not taken place. (5) No deduction shall be allowed in respect of the expenditure mentioned in sub-section (1) in the case of the amalgamating company referred to in sub-section (2), in the case of demerged company referred to in sub-section (3) and in the case of a firm or proprietary concern referred to in sub-section (4) of this section, for the previous year in which amalgamation, demerger or succession, as the case may be, takes place. (6) No deduction shall be allowed in respect of the expenditure mentioned in sub-section (1) under any other provision of this Act.". Section 19 - Amendment of section 36 In section 36 of the Income-tax Act, in sub-section (1), in clause (viia), with effect from the 1st day of April, 2003,-- (i) in sub-clause (a),-- (A) for the words "not exceeding five per cent.", the words "not exceeding seven and one-half per cent." shall be substituted; (B) after the proviso and before the Explanation, the following proviso shall be inserted, namely:-- 'Provided further that for the relevant assessment years commencing on or after the 1st day of

April, 2003 and ending before the 1st day of April, 2005, the provisions of the first proviso shall have effect as if for the words "five per cent.", the words "ten per cent." had been substituted.'; (ii) in sub-clause (c), the following proviso shall be inserted, namely:-- "Provided that a public financial institution or a State financial corporation or a State industrial investment corporation referred to in this sub-clause shall, at its option, be allowed in any of the two consecutive assessment years commencing on or after the 1st day of April, 2003 and ending before the 1st day of April, 2005, 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, of an amount not exceeding ten per cent, of the amount of such assets shown in the books of account of such institution or corporation, as the case may be, on the last day of the previous year.".

**Section 20 - Amendment of section 40** In section 40 of the Income-tax Act,-- (i) in clause (a), after sub-clause (iv), the following sub-clause shall be inserted with effect from the 1st day of April, 2003, namely:-- "(v) any tax actually paid by an employer referred to in clause (10CC) of section 10;" (ii) in clause (b), in sub-clause (iv), for the words "eighteen per cent.", the words "twelve percent." shall be substituted with effect from the 1st day of June, 2002.

**Section 21 - Substitution of new section for section 43A** For section 43A of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2003, namely:--

**43A. Special provisions consequential to changes in rate of exchange of currency.**-- Notwithstanding anything contained in any other provision of this Act, where an assessee has acquired any asset in any previous year from a country outside India for the purposes of his business or profession and, in consequence of a change in the rate of exchange during any previous year after the acquisition of such asset, there is an increase or reduction in the liability of the assessee as expressed in Indian currency (as compared to the liability existing at the time of acquisition of the asset) at the time of making payment-- (a) towards the whole or a part of the cost of the asset; or (b) towards repayment of the whole or a part of the moneys borrowed by him from any person, directly or indirectly, in any foreign currency specifically for the purpose of acquiring the asset along with interest, if any, the amount by which the liability as aforesaid is so increased or reduced during such previous year and which is taken into account at the time of making the payment, irrespective of the method of accounting adopted by the assessee, shall be added to, or, as the case may be, deducted from-- (i) the actual cost of the asset as defined in clause (i) of section 43; or (ii) the amount of expenditure of a capital nature referred to in clause (iv) of sub-section (1) of section 35; or (iii) the amount of expenditure of a capital nature referred to in section 35A; or (iv) the amount of expenditure of a capital nature referred to in clause (ix) of sub-section (1) of section 36; or (v) the cost of acquisition of a capital asset (not being a capital asset referred to in section 50) for the purposes of section 48, and the amount arrived at after such addition or deduction shall be taken to be the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset as aforesaid: Provided that where an addition to or deduction from the actual cost or expenditure or cost of acquisition has been made under this section, as it stood immediately before its substitution by the Finance Act, 2002, on account of an increase or reduction in the liability as aforesaid, the amount to be added to, or, as the case may be, deducted under this section from, the actual cost or expenditure or cost of acquisition at the time of making the payment shall be so adjusted that the total amount added to, or, as the case may be, deducted from, the actual cost or expenditure or cost of acquisition, is equal to the increase or reduction in the aforesaid liability taken into account at the time of making payment.

**Explanation 1.**--In this section, unless the context otherwise requires,-- (a) "rate of exchange" means the rate of exchange determined or recognised by the Central Government for the conversion of Indian currency into foreign currency or foreign currency into Indian currency; (b) "foreign currency" and "Indian currency" have the meanings respectively assigned to them in section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999).

**Explanation 2.**--Where the whole or any part of the liability aforesaid is met, not by the assessee, but, directly or indirectly, by any other person or authority, the liability so met shall not be taken into account for the purposes of this section.

**Explanation 3.**--Where the assessee has entered into a contract with an authorised dealer as defined in section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999), for providing him with a specified sum in a foreign currency on or after a stipulated future date at the rate of exchange specified in the contract to enable him to meet the whole or any part of the liability aforesaid, the amount, if any, to be added to, or deducted from, the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset under this section shall, in respect of so much of the sum specified in the contract as is available for discharging the liability aforesaid, be computed with reference to the rate of

exchange specified therein.'. Section 22 - Amendment of section 44AE In section 44AE of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2003,-- (a) in clause (i), for the words "two thousand rupees", the words "three thousand five hundred rupees" shall be substituted; (b) in clause (ii), for the words "one thousand eight hundred rupees", the words "three thousand one hundred and fifty rupees" shall be substituted. Section 23 - Amendment of section 47 In section 47 of the Income-tax Act, in clause (xv), after the words and figures "the Securities and Exchange Board of India, established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)", the words, brackets and figures "or the Reserve Bank of India constituted under sub-section (1) of section 3 of the Reserve Bank of India Act, 1934 (2 of 1934) " shall be inserted with effect from the 1st day of April, 2003. Section 24 - Insertion of new section 50C After section 50B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2003, namely:-- (1) Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being land or building or both, is less than the value adopted or assessed by any authority of a State Government (hereafter in this section referred to as the "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed shall, for the purposes of section 48, be deemed to be the full value of the consideration received or accruing as a result of such transfer. (2) Without prejudice to the provisions of sub-section (1), where-- (a) the assessee claims before any Assessing Officer that the value adopted or assessed by the stamp valuation authority under sub-section (1) exceeds the fair market value of the property as on the date of transfer; (b) the value so adopted or assessed by the stamp valuation authority under sub-section (1) has not been disputed in any appeal or revision or no reference has been made before any other authority, court or the High Court, the Assessing Officer may refer the valuation of the capital asset to a Valuation Officer and where any such reference is made, the provisions of sub-sections (2), (3), (4), (5) and (6) of section 16A, clause (i) of sub-section (1) and sub-sections (6) and (7) of section 23 A, sub-section (5) of section 24, section 34AA, section 35 and section 37 of the Wealth-tax Act, 1957 (27 of 1957), shall, with necessary modifications, apply in relation to such reference as they apply in relation to a reference made by the Assessing Officer under sub-section (1) of section 16A of that Act. Explanation.--For the purposes of this section, "Valuation Officer" shall have the same meaning as in clause (r) of section 2 of the Wealth-tax Act, 1957 (27 of 1957). (3) Subject to the provisions contained in sub-section (2), where the value ascertained under sub-section (2) exceeds the value adopted or assessed by the stamp valuation authority referred to in sub-section (1), the value so adopted or assessed by such authority shall be taken as the full value of the consideration received or accruing as a result of the transfer.'. Section 25 - Amendment of section 54EC In section 54EC of the Income-tax Act, in the Explanation occurring at the end, in clause (b), after sub-clause (ii), the following sub-clause shall be inserted with effect from the 1st day of April, 2003, namely:-- "(iii) on or after the 1st day of April, 2002, by the National Housing Bank established under sub-section (1) of section 3 of the National Housing Bank Act, 1987 (53 of 1987) or by the Small Industries Development Bank of India established under sub-section (1) of section 3 of the Small Industries Development Bank of India Act, 1989 (39 of 1989)". Section 26 - Amendment of section 55 In section 55 of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (1), in clause (6), in sub-clause (i), after the words "any article or thing", the words "or right to carry on any business" shall be inserted; (b) in sub-section (2), in clause (a), after the words "any article or thing", the words "or right to carry on any business" shall be inserted.'. Section 27 - Substitution of new section for section 70 For section 70 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2003, namely:-- '70. Set off of loss from one source against income from another source under the same head of income.-- (1) Save as otherwise provided in this Act, where the net result for any assessment year in respect of any source falling under any head of income, other than "Capital gains", is a loss, the assessee shall be entitled to have the amount of such loss set off against his income from any other source under the same head. (2) Where the result of the computation made for any assessment year under sections 48 to 55 in respect of any short-term capital asset is a loss, the assessee shall be entitled to have the amount of such loss set off against the income, if any, as arrived at under a similar computation made for the assessment year in respect of any other capital asset. (3) Where the result of the computation made for any assessment year under sections 48 to 55 in respect of any capital asset (other than a short-term capital asset) is a loss, the assessee shall be entitled to have the amount of such loss set off against the income, if any, as arrived at under a similar computation made for the assessment year in respect of any other capital asset not being a short-term capital asset.'. Section 28 - Amendment of section

72A In section 72A of the Income-tax Act, in sub-section (7), in clause (aa), after sub-clause (iii), the following sub-clause shall be inserted with effect from the 1st day of April, 2003, namely:-- "(iiia) the business of providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service, network of trunking, broadband network and internet services; or".

Section 29 - Amendment of section 74 In section 74 of the Income-tax Act, with effect from the 1st day of April, 2003,- (a) for sub-section (1), the following sub-section shall be substituted, namely:- '(i) Where in respect of any assessment year, the net result of the computation under the head "Capital gains" is a loss to the assessee, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and-- (a) in so far as such loss relates to a short-term capital asset, it shall be set off against income, if any, under the head "Capital gains" assessable for that assessment year in respect of any other capital asset; (b) in so far as such loss relates to a long-term capital asset, it shall be set off against income, if any, under the head "Capital gains" assessable for that assessment year in respect of any other capital asset not being a short-term capital asset; (c) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on.'; (b) sub-section (3) shall be omitted.

Section 30 - Amendment of section 80G In section 80G of the Income-tax Act,-- (a) in sub-section (2), with effect from the 1st day of April, 2003,-- (i) in clause (a), for sub-clause (vi), the following sub-clause shall be substituted, namely:-- "(vi) an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;"; (ii) in clause (c), for the words, brackets and figures "as notified by the Central Government under clause (23) of section 10", the words "established in India, as the Central Government may, having regard to the prescribed guidelines, by notification in the Official Gazette, specify in this behalf shall be substituted; (b) in sub-section (5) with effect from the 1st day of April, 2003,-- (i) in clause (i), the words, brackets and figures "or clause (23)" shall be omitted; (ii) in clause (v), the words, brackets and figures "or is an institution approved by the Central Government for the purposes of clause (23) of section 10," shall be omitted; (c) in sub-section (5C), with effect from the 3rd day of February, 2001,-- (i) in the opening portion, for the words "This sub-section", the words "This section" shall be substituted and shall be deemed to have been substituted; (ii) in clause (iii), for the words, figures and letters "on or before the 31st day of March, 2002", the words, figures and letters "on or before the 31st day of March, 2003" shall be substituted and shall be deemed to have been substituted; (iii) for clause (iv), the following clause shall be substituted and shall be deemed to have been substituted, namely:-- "(iv) the amount of donation remaining unutilised on the 31st day of March, 2003 is transferred to the Prime Minister's National Relief Fund on or before the 31st day of March, 2003;"; (iv) in clause (v), for the words, figures and letters "on or before the 30th day of June, 2002", the words, figures and letters "on or before the 30th day of June, 2003" shall be substituted and shall be deemed to have been substituted; (d) for Explanation 4, the following Explanation shall be substituted with effect from the 1st day of April, 2003, namely:-- "Explanation 4.--For the purposes of this section, an association or institution having as its object the control, supervision, regulation or encouragement in India of such games or sports as the Central Government may, by notification in the Official Gazette, specify in this behalf, shall be deemed to be an institution established in India for a charitable purpose."

Section 31 - Amendment of section 80GGA In section 80GGA of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2003,-- (i) in clause (c), in the opening portion, for the words "any sum paid by the assessee in the previous year", the words, figures and letters "any sum paid by the assessee in any previous year ending on or before the 31st day of March, 2002" shall be substituted; (ii) in clause (cc), in the opening portion, for the words "any sum paid by the assessee in the previous year", the words, figures and letters "any sum paid by the assessee in any previous year ending on or before the 31st day of March, 2002" shall be substituted.

Section 32 - Amendment of section 80HHD In section 80HHD of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2003,-- (i) in clause (c), for the words "twenty per cent.", at both the places where they occur, the words "twenty-five per cent." shall be substituted; (ii) in clause (d), for the words "ten per cent.", at both the places where they occur, the words "fifteen per cent." shall be substituted.

Section 33 - Amendment of section 80-IA In section 80-IA of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (2), after the words "industrial park", the words, brackets and figures "or develops or develops and operates or maintains and operates a special economic zone referred to in clause (iii) of sub-section (4)" shall be inserted; (b) in sub-section (7), for the words "Where the assessee is a person other than a company or a co-

operative society, the deduction", the words "The deduction" shall be substituted. Section 34 - Amendment of section 80-IB In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) in sub-section (4) and (5), for the figures, letters and words "31st day of March 2002" wherever they occur, the figures, letters and words "31st day of March, 2004" shall be substituted; (b) after sub-section (7), the following sub-sections shall be inserted, namely:- "(7A) The amount of deduction in the case of any multiplex theatre shall be-- (a) fifty per cent, of the profits and gains derived, from the business of building, owning and operating a multiplex theatre, for a period of five consecutive years beginning from the initial assessment year in any place: Provided that nothing contained in this clause shall apply to a multiplex theatre 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 Chennai, Delhi, Mumbai or Kolkata; (b) the deduction under clause (a) shall be allowable only if- (i) such multiplex theatre is constructed at any time during the period beginning on the 1st day of April, 2002 and ending on the 31st day of March, 2005; (ii) the business of the multiplex theatre 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 any building or of any machinery or of plant previously used for any purpose; (iii) the assessee furnishes along with the return of income, the report of an audit in such form and containing such particulars as may be prescribed and duly signed and verified by an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed. (7B) The amount of deduction in the case of any convention centre shall be-- (a) fifty per cent, of the profits and gains derived, by the assessee from the business of building, owning and operating a convention centre, for a period of five consecutive years beginning from the initial assessment year; (b) the deduction under clause (a) shall be allowable only if-- (i) such convention centre is constructed at any time during the period beginning on the 1st day of April, 2002 and ending on the 31st day of March, 2005; (ii) the business of the convention centre 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 any building or of any machinery or plant previously used for any purpose; (iii) the assessee furnishes alongwith the return of income, the report of an audit in such form and containing such particulars as may be prescribed, and duly signed and verified by an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed."; (b) in sub-section (14),-- (i) after clause (a), the following clause shall be inserted, namely:- '(aa) "convention centre" means a building of a prescribed area comprising of convention halls to be used for the purpose of holding conferences and seminars, being of such size and number and having such other facilities and amenities, as may be prescribed;'; (ii) in clause (c), after sub-clause (iv), the following sub-clauses shall be inserted, namely:-- "(v) in the case of a multiplex theatre, means the assessment year relevant to the previous year in which a cinema hall, being a part of the said multiplex theatre, starts operating on a commercial basis; (vi) in the case of a convention centre, means the assessment year relevant to the previous year in which the convention centre starts operating on a commercial basis;"; (iii) after clause (d), the following clause shall be inserted, namely:- '(da) "multiplex theatre" means a building of a prescribed area, comprising of two or more cinema theatres and commercial shops of such size and number and having such other facilities and amenities as may be prescribed;'. Section 35 - Amendment of section 80L In section 80L of the Income-tax Act, in sub-section (1), after clause (iiia), the following clauses shall be inserted with effect from the 1st day of April, 2003, namely:-- "(iv) dividends from any Indian company; (v) income received in respect of units from the Unit Trust of India established under the Unit Trust of India Act, 1963 other than the income arising from transfer of such units; (va) income received in respect of units of a Mutual Fund specified under clause (23D) of section 10 other than the income arising from transfer of such units;"; Section 36 - Insertion of new section 80M After section 80L of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2003, namely:-- '80M. Deduction in respect of certain intercorporate dividends.-- (1) Where the gross total income of a domestic company, in any previous year, includes any income by way of dividends from another domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends from another domestic company as does not exceed the amount of dividend distributed by the first-mentioned domestic company on or before the due date. (2) Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under sub-section (1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

Explanation.--For the purposes of this section, the expression "due date" means the date for furnishing the return of income under sub-section (1) of section 139.'. Section 37 - Amendment of section 88 In section 88 of the Income-tax Act, with effect from the 1st day of April, 2003,-- (a) for sub-section (1), the following sub-section shall be substituted, namely:-- '(1) Subject to the provisions of this section, an assessee, being an individual, or a Hindu undivided family, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to-- (i) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, is one lakh fifty thousand rupees or less, twenty per cent, of the aggregate of the sums referred to in sub-section (2); Provided that an individual shall be entitled to a deduction of an amount equal to thirty per cent, of the aggregate of the sums referred to in sub-section (2) if his income under the head "Salaries"-- (a) does not exceed one lakh rupees during the previous year before allowing the deduction under section 16; and (b) is not less than ninety per cent, of his gross total income, as defined in sub-section (5) of section 80B; (ii) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, is more than one lakh fifty thousand rupees but does not exceed five lakh rupees, fifteen per cent, of the aggregate of the sums referred to in sub-section (2); (iii) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, exceeds five lakh rupees, nil.'; (b) in sub-section (2), the words "out of his income chargeable to tax" shall be omitted; (c) after sub-section (2), the following sub-section shall be inserted, namely:-- "(3) The sums referred to in sub-section (2) shall be paid or deposited at any time during the previous year, and the assessee, being an individual or a Hindu undivided family, shall be entitled to a deduction under sub-section (1) on so much of the aggregate of such sums paid or deposited as does not exceed the total income of the assessee, chargeable to tax during the relevant previous year."; (d) for sub-section (5), the following sub-section shall be substituted, namely:-- "(5) Where the aggregate of any sums specified in clause (i) to clause (xvii) of sub-section (2) exceeds an amount of one hundred thousand rupees, a deduction under sub-section (1) shall be allowed with reference to so much of the aggregate as does not exceed an amount of one hundred thousand rupees: Provided that where the aggregate of any sums specified in clause (i) to clause (xv) of sub-section (2) exceeds an amount of seventy thousand rupees, a deduction under sub-section (1) in respect of such sums shall be allowed with reference to so much of the aggregate as does not exceed an amount of seventy thousand rupees: Provided further that where the aggregate of any sums specified in clause (xv) of sub-section (2) exceeds an amount of twenty thousand rupees, a deduction under sub-section (1) in respect of such sums shall be allowed with reference to so much of the aggregate as does not exceed an amount of twenty thousand rupees."; (e) sub-section (5A) shall be omitted; (f) sub-section (6) shall be omitted. Section 38 - Substitution of new section for section 89 For section 89 of the Income-tax Act, the following section shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1996, namely:-- "89. Relief when salary, etc., is paid in arrears or in advance.-- Where an assessee is in receipt of a sum in the nature of salary, being paid in arrears or in advance or is in receipt, in any one financial year, of salary for more than twelve months or a payment which under the provisions of clause (3) of section 17 is a profit in lieu of salary, or is in receipt of a sum in the nature of family pension as defined in the Explanation to clause (iia) of section 57, being paid in arrears, due to which his total income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant such relief as may be prescribed.". Section 39 - Substitution of new section for section 92 For section 92 of the Income-tax Act, the following section shall be substituted, namely:-- "92. Computation of income from international transaction having regard to arm's length price.-- (1) Any income arising from an international transaction shall be computed having regard to the arm's length price. Explanation.-- For the removal of doubts, it is hereby clarified that the allowance for any expense or interest arising from an international transaction shall also be determined having regard to the arm's length price. (2) Where in an international transaction, two or more associated enterprises enter into a mutual agreement or arrangement for the allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided to any one or more of such enterprises, the cost or expense allocated or apportioned to, or, as the case may be, contributed by, any such enterprise shall be determined having regard to the arm's length price of such benefit, service or facility, as the case may be. (3) The provisions of this section shall not apply in a case where the computation of income

under sub-section (1) or the determination of the allowance for any expense or interest under that sub-section, or the determination of any cost or expense allocated or apportioned, or, as the case may be, contributed under sub-section (2), has the effect of reducing the income chargeable to tax or increasing the loss, as the case may be, computed on the basis of entries made in the books of account in respect of the previous year in which the international transaction was entered into.".

**Section 40 - Amendment of section 92A** In section 92A of the Income-tax Act, in sub-section (2), for the brackets, figure and words "(2) Two enterprises shall be deemed to be associated enterprises if, at any time during the previous year,-", the brackets, figures and words "(2) For the purposes of subsection (i), two enterprises shall be deemed to be associated enterprises if, at any time during the previous year,-" shall be substituted.

**Section 41 - Amendment of section 92C** In section 92C of the Income-tax Act,-- (a) in sub-section (2), for the proviso, the following proviso shall be substituted, namely:-- "Provided that where more than one price is determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such prices, or, at the option of the assessee, a price which may vary from the arithmetical mean by an amount not exceeding five per cent, of such arithmetical mean."; (b) in sub-section (4), in the second proviso, after the words "from which tax has been deducted", the words "or was deductible" shall be inserted.

**Section 42 - Insertion of new section 92CA** After section 92C of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June,

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