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Finance Act, 2002

Section 76A - Notification of special economic zone

2002. Section 71 - Amendment of section 192 In section 192 of the Income-tax Act, with effect from the 1st day of June, 2002,-- (a) after sub-section (1), the following sub-sections shall be inserted, namely:-- "(1A) Without prejudice to the provisions contained in sub-section (1), the person responsible for paying any income in the nature of a perquisite which is not provided for by way of monetary payment, referred to in clause (2) of section 17 may pay, at his option, tax on the whole or part of such income without making any deduction therefrom at the time when such tax was otherwise deductible under the provisions of sub-section (1). (1B) For the purpose of paying tax under sub-section (1A), tax shall be determined at the average of income-tax computed on the basis of the rates in force for the financial year, on the income chargeable under the head "Salaries" including the income referred to in sub-section (1A), and the tax so payable shall be construed as if it were, a tax deductible at source, from the income under the head "Salaries" as per the provisions of sub-section (1), and shall be subject to the provisions of this Chapter."; (b) in sub-section (3), after the word, brackets and figure "sub-section (1)", the words, brackets, figure and letter "or sub-section (1A)" shall be inserted. Section 72 - Amendment of section 193 In section 193 of the Income-tax Act, in the proviso, after clause (v) and before the Explanation, the following clauses shall be inserted with effect from the 1st day of June, 2002, namely:-- "(vi) any interest payable to the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), in respect of any securities owned by it or in which it has full beneficial interest; or (vii) any interest payable to the General Insurance Corporation of India (hereafter in this clause referred to as the Corporation) or to any of the four companies (hereafter in this clause referred to as such company), formed by virtue of the schemes framed under sub-section (1) of section 16 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), in respect of any securities owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest; or (viii) any interest payable to any other insurer in respect of any securities owned by it or in which it has full beneficial interest.". Section 73 - Amendment of section 194 In section 194 of the Income-tax Act, for the first and second provisos, the following proviso shall be substituted with effect from the 1st day of June, 2002, namely:-- "Provided that no such deduction shall be made in the ease of a shareholder, being an individual, if-- (a) the dividend is paid by the company by an account payee cheque; and (b) the amount of such dividend or, as the case maybe, the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, does not exceed one thousand rupees: Provided further that the provisions of this section shall not apply to such income credited or paid to-- (a) the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (32 of 1956) , in respect of any shares owned by it or in which it has full beneficial interest; (b) the General Insurance Corporation of India (hereafter in this proviso referred to as the Corporation) or to any of the four companies (hereafter in this proviso referred to as such company), formed by virtue of the schemes framed under sub-section (1) of section 16 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972), in respect of any shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest; (c) any other insurer in respect of any shares owned by it or in which it has full beneficial interest.". Section 74 - Amendment of section 194A In section 194A of the Income-tax Act, after sub-section (1) and before the Explanation, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:-- "Provided that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (A) of section 44AB during the financial year immediately preceding the financial year in which such interest is credited or paid, shall be liable to deduct income-tax under this section.". Section 75 - Amendment of section 194C In section 194C of the Income-tax Act, after sub-section(2) and before Explanation 1, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:-- "Provided that an

individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year in which such sum is credited or paid to the account of the sub-contractor, shall be liable to deduct income-tax under this sub-section." . Section 76 - Amendment of section 194H In section 194H of the Income-tax Act, with effect from the 1st day of June, 2002,-- (a) for the words "ten per cent.", the words "five per cent." shall be substituted; (b) after the proviso and before the Explanation, the following proviso shall be inserted, namely:-- "Provided further that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year in which such commission or brokerage is credited or paid, shall be liable to deduct income-tax under this section.". Section 77 - Amendment of section 194-I In section 194-1 of the Income-tax Act, after the proviso and before the Explanation, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:-- "Provided further that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year in which such income by way of rent is credited or paid, shall be liable to deduct income-tax under this section.". Section 78 - Amendment of section 194J In section 194J of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:-- "Provided further that an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44 AB during the financial year immediately preceding the financial year in which such sum by way of fees for professional services or technical services is credited or paid, shall be liable to deduct income-tax under this section.". Section 79 - Substitution of new section for section 194K For section 194K of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2002, namely:-- '194K. Income in respect of units.-- Where any income is payable to a resident in respect of units of a Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India, the person responsible for making the payment shall, at the time of credit of such income to the account of payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent: "Provided that the provisions of this section shall not apply where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person responsible for making the payment to the account of, or to, the payee does not exceed one thousand rupees": Provided further that the amount of one thousand rupees shall be computed with reference to the income credited or paid,-- (a) in respect of a branch office of the Mutual Fund or of the Unit Trust of India, as the case may be, and (b) under a particular scheme under which the units have been issued. Explanation.--For the purposes of this section,-- (a) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963); (b) where any income as aforesaid is credited to any account, whether called "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.'. Section 80 - Amendment of section 195 In section 195 of the Income-tax Act, in sub-section (1), the second proviso shall be omitted with effect from the 1st day of June, 2002. Section 81 - Amendment of section 195A In section 195A of the Income-tax Act, for the words "Where, under an agreement", the words, brackets, figures and letter "In a case other than that referred to in sub-section (1A) of section 192, where under an agreement" shall be substituted with effect from the lst day of June, 2002. Section 82 - Amendment of section 196A In section 196A of the Income-tax Act, in sub-section (1), the proviso shall be omitted with effect from the 1st day of June, 2002. Section 83 - Amendment of section 196C In section 196C of the Income-tax Act, the proviso shall be omitted with effect from the 1st day of June, 2002. Section 84 - Amendment of section 196D In section 196D of the Income-tax Act, in sub-section (1), the proviso shall be omitted with effect from the 1st day of June, 2002. Section 85 - Amendment of section 197A In section 197A of the Income-tax Act, after sub-section (1A), the following subsection shall be inserted with effect from the 1st day of June, 2002, namely:-- "(1B) The provisions of this section shall not apply where the amount of any income of the nature referred to in sub-section (1) or sub-section (1A), as the case may be, or the aggregate of the amounts of such

incomes credited or paid or likely to be credited or paid during the previous year in which such income is to be included exceeds the maximum amount which is not chargeable to income-tax.". Section 86 - Amendment of section 198 In section 198 of the Income-tax Act, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:-- "Provided that the sum being the tax paid, under sub-section (1A) of section 192 for the purpose of computing the income of an assessee, shall not be deemed to be income received.". Section 87 - Amendment of section 199 Section 199 of the Income-tax Act shall be re-numbered as sub-section (1) thereof, and after sub-section (1) as so re-numbered, the following sub-section shall be inserted with effect from the 1st day of June, 2002, namely:-- "(2) Any sum referred to in sub-section (1A) of section 192 and paid to the Central Government shall be treated as the tax paid on behalf of the person in respect of whose income, such payment of tax has been made and credit shall be given to him for the amount so paid on production of the certificate furnished under section 203 in the assessment under this Act for the assessment year for which such income is assessable.". Section 88 - Amendment of section 200 Section 200 of the Income-tax Act shall be re-numbered as sub-section (1) thereof, and after sub-section (1) as so re-numbered, the following sub-section shall be inserted with effect from the 1st day of June, 2002, namely: -- "(2) Any person being an employer, referred to in sub-section (1A) of section 192 shall pay, within the prescribed time, the tax to the credit of the Central Government or as the Board directs.". Section 89 - Amendment of section 201 In section 201 of the Income-tax Act, in sub-section (1), after the words "If any such person", the words and figures "referred to in section 200" shall be inserted with effect from the 1 si day of June, 2002. Section 90 - Amendment of section 203 Section 203 of the Income-tax Act shall be re-numbered as sub-section (1) thereof, and after sub-section (1) as so re-numbered, the following sub-section shall be inserted with effect from the 1st day of June, 2002, namely:-- "(2) Every person, being an employer, referred to in sub-section (1A) of section 192 shall, within such period, as may be prescribed, furnish to the person in respect of whose income such payment of tax has been made, a certificate to the effect that tax has been paid to the Central Government, and specify the amount so paid, the rate at which the tax has been paid and such other particulars as may be prescribed.". Section 91 - Insertion of new section 206CA After section 206C of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2002, namely:-- "206CA. Tax-collection account number.-- (1) Every person collecting tax in accordance with the provisions of section 206C, shall, within such time as may be prescribed, apply to the Assessing Officer for the allotment of a tax-collection account number. (2) Where a tax collection account number has been allotted to a person, such person shall quote such number-- (a) in all challans for the payment of any sum in accordance with the provisions of sub-section (3) of section 206C; (b) in all certificates furnished under sub-section (5) of section 206C; (c) in all the returns delivered in accordance with the provisions of subsection (5A) or sub-section (5B) of section 206C to any income-tax authority; and (d) in all other documents pertaining to such transactions as may be prescribed in the interest of revenue.". Section 92 - Amendment of section 210 In section 210 of the Income-tax Act, in sub-section (3), the words, brackets and figure "and who has not paid any advance tax under sub-section (1)" shall be omitted with effect from the 1st day of June, 2002. Section 93 - Amendment of section 244A In section 244A of the Income-tax Act, in sub-section (1), in clauses (a) and (b), for the words "three-fourth per cent.", the words "two-third per cent." shall be substituted with effect from the 1st day of June, 2002. Section 94 - Amendment of section 245C In section 245C of the Income-tax Act, sub-section (1E) shall be omitted with effect from the 1st day of June, 2002. Section 95 - Amendment of section 245D In section 245D of the Income-tax Act, with effect from the 1st day of June, 2002,-- (a) in sub-section (1), for the words "the Settlement Commission may, by order, allow the application to be proceeded with or reject the application", the words, figures and letter "the Settlement Commission, shall, where it is possible, by order, reject the application or allow the application to be proceeded with within a period of one year from the end of the month in which such application was made under section 245C" shall be substituted; (b) after sub-section (4), the following sub-section shall be inserted, namely:-- "(4A) In every application allowed to be proceeded with under subsection (i), the Settlement Commission shall, where it is possible, pass an order under sub-section (4) within a period of four years from the end of the financial year in which such application was allowed to be proceeded with.". Section 96 - Omission of section 245HA Section 245HA of the Income-tax Act shall be omitted with effect from the 1st day of June, 2002. Section 97 - Amendment of section 252 In section 252 of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted, namely:-- "(3) The Central Government shall appoint the Senior Vice-President or one of the Vice-Presidents of the Appellate Tribunal to be the President

thereof". Section 98 - Amendment of section 253 In section 253 of the Income-tax Act, in sub-section (1), in clause (c), after the words, figures and letters "under section 12AA or under section 263", the words and Figures "or under section 271" shall be inserted with effect from the 1st day of June, 2002. Section 99 - Substitution of new section for section 269T For section 269T of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2002, namely:-- '269T. Mode of repayment of certain loans or deposits.-- No branch of a banking company or a co-operative bank and no other company or co-operative society and no firm or other person shall repay any loan or deposit made with it otherwise than by an account payee cheque or account payee bank draft drawn in the name of the person who has made the loan or deposit if-- (a) the amount of the loan or deposit together with the interest, if any, payable thereon, or (b) the aggregate amount of the loans or deposits held by such person with the branch of the banking company or co-operative bank or, as the case may be, the other company or co-operative society or the firm, or other person either in his own name or jointly with any other person on the date of such repayment together with the interest, if any, payable on such loans or deposits, is twenty thousand rupees or more: Provided that where the repayment is by a branch of a banking company or cooperative bank, such repayment may also be made by crediting the amount of such loan or deposit to the savings bank account or the current account (if any) with such branch of the person to whom such loan or deposit has to be repaid. Explanation.-- For the purposes of this section,-- (i) "banking company" shall have the meaning assigned to it in clause (i) of the Explanation to section 269SS; (ii) "co-operative bank" shall have the meaning assigned to it in Part V of the Banking Regulation Act, 1949 (10 of 1949); (iii) "loan or deposit" means any loan or deposit of money which is repayable after notice or repayable after a period and, in the case of a person other than a company, includes loan or deposit of any nature.'. Section 100 - Insertion of new section 269UP After section 269UO of the Income-tax Act, the following section shall be inserted with effect from the 1st day of July, 2002, namely:-- "269UP. Chapter not to apply where transfer of immovable property effected after certain date.-- The provisions of this Chapter shall not apply to, or in relation to, the transfer of any immovable property effected on or after the 1st day of July, 2002.". Section 101 - Amendment of section 271 In section 271 of the Income-tax Act, in sub-section (1),-- (a) in the opening portion, after the words and brackets "Commissioner (Appeals)", the words "or the Commissioner" shall be inserted with effect from the 1stday of June, 2002; (b) in clause (ii), for the words "in addition to any tax payable", the words "in addition to tax, if any, payable" shall be substituted with effect from the 1st day of April, 2003; (c) in clause (iii), for the words "in addition to any tax payable", the words "in addition to tax, if any, payable" shall be substituted with effect from the 1st day of April, 2003; (d) in Explanation 1, in clause (A), after the words and brackets "Commissioner (Appeals)", the words "or the Commissioner" shall be inserted with effect from the 1st day of June, 2002; (e) in Explanation 3, the words "who has not previously been assessed under this Act," shall be omitted with effect from the 1st day of April, 2003; (f) in Explanation 4, for clause (a), the following clause shall be substituted with effect from the 1st day of April, 2003, namely:-- "(a) in any case where the amount of income in respect of which particulars have been concealed or inaccurate particulars have been furnished has the effect of reducing the loss declared in the return or converting that loss into income, means the tax that would have been chargeable on the income in respect of which particulars have been concealed or inaccurate particulars have been furnished had such income been the total income;"; (g) in Explanation 7, after the words and brackets "Commissioner (Appeals)", the words "or the Commissioner" shall be inserted with effect from the 1st day of June, 2002. Section 102 - Substitution of new section for section 271F For section 271F of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2002, namely:-- "271F. Penalty for failure to furnish return of income.-- If a person who is required to furnish a return of his income, as required under sub-section (1) of section 139 or by the provisos to that sub-section, fails to furnish such return before the end of the relevant assessment year, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of five thousand rupees.". Section 103 - Amendment of section 272A In section 272A of the Income-tax Act,-- (a) in sub-section (1), clause (d) shall be omitted with effect from the 1st day of June, 2002; (b) in sub-section (2), for clause (e), the following clause shall be substituted with effect from the lst day of April, 2003, namely:-- "(e) to furnish the return of income which he is required to furnish under sub-section (4A) or sub-section (4C) of section 139 or to furnish it within the time allowed and in the manner required under those sub-sections; or". Section 104 - Insertion of new section 272B After section 272AA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2002, namely:-- "272B. Penalty for failure to comply with the

provisions of section 139A.-- (1) If a person fails to comply with the provisions of section 139A, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of ten thousand rupees. (2) If a person who is required to quote his permanent account number in any document referred to in clause (c) of sub-section (5) of section 139A, or to intimate-such number as required by sub-section (5A) of that section, quotes or intimates a number which is false, and which he either knows or believes to be false or does not believe to be true, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of ten thousand rupees. (3) No order under sub-section (1) or sub-section (2) shall be passed unless the person, on whom the penalty is proposed to be imposed, is given an opportunity of being heard in the matter.". Section 105 - Insertion of new section 272BBB After section 272BB of the Income-lax Act, the following section shall be inserted with effect from the 1 si day of June, 2002, namely:-- "272BBB. Penalty for failure to comply with the provisions of section 206CA.-- (1) If a person fails to comply with the provisions of section 206CA, he shall, on an order passed by the Assessing Officer, pay, by way of penalty, a sum often thousand rupees. (2) No order under sub-section (1) shall be passed unless the person on whom the penalty is proposed to be imposed is given an opportunity of being heard in the matter.". Section 106 - Amendment of section 273B In section 273B of the Income-tax Act, with effect from the 1st day of June, 2002,-- (a) after the words, brackets, figures and letters "sub-section (1) of section 272AA or", the words, figures and tetter "section 272B or" shall be inserted; (b) for the words, figures and letters "section 272BB or", the words, figures, letters and brackets "section 272BB or sub-section (1) of section 272BBB or" shall be substituted with effect from the 1st day of June, 2002. Section 107 - Insertion of new section 275B After section 275A of the Income-tax Act, the following section shall be inserted with effect from the lst day of June, 2002, namely:-- "275B. Failure to comply with the provisions of clause (iib) of sub-section (1) of section 132.-- If a person who is required to afford the authorised officer the necessary facility to inspect the books of account or other documents, as required under clause (iib) of sub-section (1) of section 132, fails to afford such facility to the authorised officer, he shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine.". Section 108 - Amendment of section 279 In section 279 of the Income-tax Act, in sub-section (1), after the word, figures and letter "section 275A,", the word, figures and letter, "section 275B," shall be inserted with effect from the 1st day of June, 2002. Section 109 - Amendment of second Schedule In the Second Schedule to the Income-tax Act, in rule 68A, in sub-rule (3), for the words "nine per cent.", the words "eight per cent." shall be substituted with effect from the 1st day of June, 2002. Section 110 to 114 - Wealth-taxSection 110 - Amendment of section 18 In section 18 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), in sub-section (1),-- (a) in Explanation 2, in clause (A), after the words and brackets "Commissioner (Appeals)", the words "or the Commissioner" shall be inserted, with effect from the 1st day of June, 2002; (b) in Explanation 3, the words "who has not previously been assessed under this Act," shall be omitted, with effect from the 1st day of April, 2003. Section 111 - Amendment of section 18C In section 18C of the Wealth-tax Act, with effect from the 1st day of June, 2002,-- (a) in sub-section (1),-- (i) after the words and figures "before the High Court or the Supreme Court on a reference under section 27", the words, figures and letter "or in appeal under section 27A before the High Court" shall be inserted; (ii) for the words and figures "for a reference before the High Court or the Supreme Court under section 27 or in appeal before the Supreme Court under section 29", the words, figures and letter "in appeal before the High Court under section 27A or the Supreme Court under section 29" shall be substituted; (b) in sub-section (4), in clause (b), for the words and figures "for a reference before the High Court or the Supreme Court under section 27 or in appeal before the Supreme Court under section 29", the words, figures and letter "in appeal before the High Court under section 27A or the Supreme Court under section 29" shall be substituted. Section 112 - Amendment of section 22D In section 22D of the Wealth-tax Act, with effect from the 1st day of June, 2002,-- (a) in sub-section (1), for the words "the Settlement Commission may, by order, allow the application to be proceeded with or reject the application", the words, figures and letter "the Settlement Commission shall, where it is possible, by order, reject the application or allow the application to be proceeded with within a period of one year from the end of the month in which such application was made under section 22C" shall be substituted; (b) after sub-section (4), the following sub-section shall be inserted, namely:-- "(4A) In every application, allowed to be proceeded with under sub-section (1), the Settlement Commission shall, where it is possible, pass an order under sub-section (4) within a period of four years from the end of the financial year in which such application was allowed to be proceeded with.". Section 113 - Omission of section 22HA Section 22HA of the Wealth-tax

Act shall be omitted with effect from the 1st day of June, 2002. Section 114 - Amendment of section 34A In section 34A of the Wealth-tax Act, with effect from the 1st day of June, 2002,-- (a) in sub-section (3), for the words "nine percent.", the words "eight per cent." shall be substituted; (b) in sub-section (4B), in clause (a), for the words "three-fourth per cent.", the words "two-third per cent." shall be substituted. Section 115 to 116 - Expenditure -TaxSection 115 - Amendment of section 3 In the Expenditure-tax Act, 1987 (35 of 1987) (hereinafter referred to as the Expenditure-tax Act), in section 3, in clause (1), for the words "two thousand rupees or more per day per individual", the words "three thousand rupees or more per day", shall be substituted with effect from the 1stday of July, 2000. Section 116 - Amendment of section 5 in the Expenditure-tax Act, in section 5, in clause (1), sub-clauses (b) and (d) shall be omitted with effect from the 1stday of June, 2002 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 117 - Amendment of section 4 In section 4 of the Customs Act, 1962 (52 of 1962) (hereinafter referred to as the Customs Act) -- (i) in sub-section (1), for the words "Central Government", the word "Board" shall be substituted; (ii) in sub-section (2), for the words "Central Government may authorise the Board,", the words "Board may authorise a Chief Commissioner of Customs or" shall be substituted. Section 118 - Amendment of section 14 In section 14 of the Customs Act,-- (i) in sub-section (1), for the portion beginning with the words "international trade" and ending with the words "offer for sale", the following shall be substituted, namely:-- "international trade, where-- (a) the seller and the buyer have no interest in the business of each other; or (b) one of them has no interest in the business of the other, and the price is the sole consideration for the sale or offer for sale"; (ii) in sub-section (2), for the words "Central Government", the word "Board" shall be substituted; (iii) in sub-section (3),-- (a) in clause (a), for the words "Central Government", wherever they occur, the word "Board" shall be substituted; (b) for clause (b), the following clause shall be substituted, namely:- '(b) "foreign currency" and "Indian currency" have the meanings respectively assigned to them in clause (m) and clause (g) of section 2 of the Foreign Exchange Management Act, 1999;'. Section 119 - Amendment of section 25 In section 25 of the Customs Act,-- (a) after sub-section (2), the following sub-section shall be inserted, namely:- "(2A) The Central Government may, if it considers it necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification issued under sub-section (1) or order issued under sub-section (2), insert an explanation in such notification or order, as me case may be, by notification in the Official Gazette, at any time within one year of issue of the notification under sub-section (1) or order under sub-section (2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be."; (b) in sub-section (4), after the word, brackets and figure "sub-section (1)", the words, brackets, figure and letter "or sub-section (2A)" shall be inserted. Section 120 - Amendment of section 28AA In section 28AA of the Customs Act, in sub-section (1), for the words "eighteen per cent.", the words "ten per cent." shall be substituted. Section 121 - Amendment of section 28AB In section 28AB of the Customs Act, in sub-section (1), for the words "eighteen per cent.", the words "ten per cent." shall be substituted. Section 122 - Amendment of section 28-I In section 28-I of the Customs Act, in sub-section (2), in the first proviso, the words "except in the case of a resident applicant" shall be omitted. Section 123 - Amendment of section 47 In section 47 of the Customs Act, in sub-section (2),-- (i) for the words "two days", the words "five days" shall be substituted; (ii) for the words "eighteen per cent.", the words "ten per cent." shall be substituted. Section 124 - Amendment of section 61 In section 61 of the Customs Act, in sub-section (1), in the first proviso, for clause (i), the following clause, shall be substituted, namely:-- "(i) in the case of any goods which are not likely to deteriorate, the period specified in clause (a) or clause (b) may, on sufficient cause being shown, be extended-- (A) in the case of such goods intended for use in any hundred per cent, export oriented undertaking, by the Commissioner of Customs, for such period as he may deem fit; and (B) in any other case, by the Commissioner of Customs, for a period not exceeding six months and by the Chief Commissioner of

Customs for such further period as he may deem fit;". Section 125 - Amendment of section 75 In section 75 of the Customs Act, in sub-section (1), in the second proviso, for the words and figures "Foreign Exchange Regulation Act, 1973 (46 of 1973)", the words and figures "Foreign Exchange Management Act, 1999 (42 of 1999)" shall be substituted. Section 126 - Insertion of new Chapter XA After Chapter X of the Customs Act, the following Chapter shall, with effect from such date as may be appointed by the Central Government, by notification in the Official Gazette, be inserted, namely:-- "CHAPTER XA: SPECIAL provisions relating to special economic zone The Central Government may, by notification in the Official Gazette, specify special economic zones comprising specifically delineated areas where any goods admitted shall be regarded, in so far as duties of customs are concerned, as being outside the customs territory of India as provided in this Chapter.

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