

Finance Act, 2002

Chapter III - Direct Taxes

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 (viiia), 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:--

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

(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 (iia), 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, 2002. namely:--

"92CA. Reference to Transfer Pricing Officer.--

(1) Where any person, being the assessee, has entered into an international transaction in any previous year, and the Assessing Officer considers it necessary or expedient so to do, he may, with the previous approval of the Commissioner, refer the computation of the arm's length price in relation to the said international transaction under section 92C to the Transfer Pricing Officer.

(2) Where a reference is made under sub-section (1), the Transfer Pricing Officer shall serve a notice on the assessee requiring him to produce or cause to be produced on a date to be specified therein, any evidence on which the assessee may rely in support of the computation made by him of the arm's length price in relation to the international transaction referred to in sub-section (1)

(3) On the date specified in the notice under sub-section (2), or as soon thereafter as may be, after hearing such evidence as the assessee may produce, including any information or documents referred to in sub-section (3) of section 92D and after considering such evidence as the Transfer Pricing Officer may require on any specified points and after taking into account all relevant materials which he has gathered, (he Transfer Pricing Officer shall, by order in writing, determine the arm's length price in relation to the international transaction in accordance with sub-section (3) of section 92C and send a copy of his order to the Assessing Officer and to the assessee.

(4) ON receipt of the order under sub-section (3), the Assessing Officer shall proceed to compute the total income of

the assessee under sub-section (4) of section 92C having regard to the arm's length price determined under sub-section (3) by the Transfer Pricing Officer.

(5) With a view to rectifying any mistake apparent from the record, the Transfer Pricing Officer may amend any order passed by him under sub-section (3), and the provisions of section 154 shall, so far as may be, apply accordingly.

(6) Where any amendment is made by the Transfer Pricing Officer under sub-section (5), he shall send a copy of his order to the Assessing Officer who shall thereafter proceed to amend the order of assessment in conformity with such order of the Transfer Pricing Officer.

(7) The Transfer Pricing Officer may, for the purposes of determining the arm's length price under this section, exercise all or any of the powers specified in clauses (a) to (d) of sub-section (1) of section 131 or sub-section (6) of section 133.

Explanation.-- For the purposes of this section, "Transfer Pricing Officer" means a Joint Commissioner or Deputy Commissioner or Assistant Commissioner authorised by the Board to perform all or any of the functions of an Assessing Officer specified in sections 92C and 92D in respect of any persons or classes of persons."

Section 43 - Amendment of section 92F

In section 92F of the Income-tax Act,--

(a) in clause (iii), after the words "or the provision of services of any kind", the words "or in carrying out any work in pursuance of a contract," shall be inserted;

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

'(iiia) "permanent establishment", referred to in clause (iii), includes a fixed place of business through which the business of the enterprise is wholly or partly carried on;'

(c) for clause (iv), the following clause shall be substituted, namely:--

'(iv) "specified date" shall have the same meaning as assigned to "due date" in Explanation 2 below sub-section (1) of section 139;'

Section 44 - Amendment of section 113

In section 113 of the Income-tax Act, the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:--

"Provided that the tax chargeable under this section shall be increased by a surcharge, if any, levied by any Central Act and applicable in the assessment year relevant to the previous year in which the search is initiated under section 132 or the requisition is made under section 132A."

Section 45 - Amendment of section 115A

In section 115A of the Income-tax Act, in sub-section (1), in clause (a), the words, figures and letter "other than dividends referred to in section 115-O", at both the places where they occur, shall be omitted with effect from the 1st day of April, 2003.

Section 46 - Amendment of section 115AC

In section 115AC of the Income-tax Act,--

(a) the words, figures and letter "other than dividends referred to in section 115-O", wherever they occur, shall be omitted with effect from the 1st day of April, 2003;

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

(i) in sub-clause (iii), for the word "re-issued", the words "issued or re-issued" shall be substituted;

(ii) sub-clause (iv) shall be omitted.

Section 47 - Amendment of section 115ACA

In section 115ACA of the Income-tax Act, the words, figures and letter "other than dividends referred to in section 115-O", wherever they occur, shall be omitted with effect from the 1st day of April, 2003.

Section 48 - Amendment of section 115AD

In section 115AD of the Income-tax Act, in sub-section (1), in clause (a), the words, figures and letter "other than income by way of dividends referred to in section 115-O" shall be omitted with effect from the 1st day of April, 2003.

Section 49 - Insertion of new section 115BBB

After section 115BBA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2003, namely:--

'115BBB. Tax on income from units of an open-ended equity oriented fund of the Unit Trust of India or of Mutual Funds.--

(1) Where the total income of an assessee includes any income from units of an open-ended equity oriented fund of the Unit Trust of India or of a Mutual Fund, the income-tax payable shall be the aggregate of--

(a) the amount of income-tax calculated on income from units of an open-ended equity oriented fund of the Unit Trust of India or of a Mutual Fund, at the rate of ten per cent.; and

(b) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (a).

(2) Nothing contained in sub-section (1) shall apply in relation to any income from units of an open-ended equity oriented fund of the Unit Trust of India or of the Mutual Fund arising after the 31st day of March, 2003.

Explanation.--For the purposes of this section, the expressions "Mutual Fund", "open-ended equity oriented fund" and "Unit Trust of India" shall have the meanings respectively assigned to them in the Explanation to section 115T.'

Section 50 - Amendment of section 115C

In section 115C of the Income-tax Act, in clause (c), 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.

Section 51 - Amendment of section 115JA

In section 115JA of the Income-tax Act, in sub-section (2), in the Explanation, for clause (iii) and the Explanation thereto, the following shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1997, namely:--

"(iii) the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account.

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

(a) the loss shall not include depreciation;

(b) the provisions of this clause shall not apply if the amount of loss brought forward or unabsorbed depreciation is nil; or".

Section 52 - Amendment of section 115JB

In section 115 JB of the Income-tax Act,--

(a) in sub-section (1), for the words, "the tax payable for the relevant previous year shall be deemed to be seven and one-half per cent, of such book profit," the words "such book profit shall be deemed to be the total income of the assessee and the tax payable by the assessee on such total income shall be the amount of income-tax at the rate of seven and one-half per cent." shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2001;

(b) in sub-section (2), in the Explanation below the second proviso,--

(i) in clause (b), after the words "by whatever name called", the words, figures and letters ", other than a reserve specified under section 33 AC" shall be inserted with effect from the 1st day of April, 2003;

(ii) for clause (i) and the proviso, the following shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2001, namely:--

"(i) the amount withdrawn from any reserve or provision (excluding a reserve created before the 1st day of April, 1997 otherwise than by way of a debit to the profit and loss account), if any such amount is credited to the

profit and loss account:

Provided that where this section is applicable to an assessee in any previous year, the amount withdrawn from reserves created or provisions made in a previous year relevant to the assessment year commencing on or after the 1st day of April, 1997 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this Explanation or Explanation below the second proviso to section 115JA, as the case may be; or";

(iii) for clause (iii) and the Explanation, the following shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2001,namely:--

"(iii) the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account.

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

(a) the loss shall not include depreciation;

(b) the provisions of this clause shall not apply if the amount of loss brought forward or unabsorbed depreciation is nil; or".

Section 53 - Substitution of new section for section 115-O

In section 115-O of the Income-tax Act, in sub-section (1), after the words, figures and letters "on or after the 1st day of June, 1997", the words, figures and letters "but on or before the 31st day of March, 2002" shall be inserted with effect from the 1st day of April, 2003.

Section 54 - Amendment of section 115R

In section 115R of the Income-tax Act, with effect from the 1st day of April, 2003,--

(a) in sub-section (1), for the words "any amount of income distributed by the Unit Trust of India to its unit holders", the words, figures and letters "any amount of income distributed on or before the 31st day of March, 2002 by the Unit Trust of India to its unit holders" shall be substituted;

(b) in sub-section (2), for the words "any amount of income distributed by a Mutual Fund to its unit holders", the words, figures and letters "any amount of income distributed on or before the 31st day of March, 2002 by a Mutual Fund to its unit holders" shall be substituted.

Section 55 - Amendment of section 119

In section 119 of the Income-tax Act, in sub-section (2), in clause (a), after the figures " 155", the figures and letters " , 158BFA" shall be inserted with effect from the 1st day of June, 2002.

Section 56 - Amendment of section 132

In section 132 of the Income-tax Act, with effect from the 1st day of June, 2002,--

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

"(iib) require any person who is found to be in possession or control of any books of account or other documents maintained in the form of electronic record as defined in clause (t) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000), to afford the authorised officer the necessary facility to inspect such books of account or other documents;"

(b) sub-sections (5) to (7) shall be omitted;

(c) in sub-section (8), for the words "one hundred and eighty days from the date of the seizure", the words, brackets, letters and figures "thirty days from the date of the order of assessment under clause (c) of section 158BC" shall be substituted;

(d) for sub-section (8A), the following sub-section shall be substituted, namely:--

"(8A) An order under sub-section (3) shall not be in force for a period exceeding sixty days from the date of the order.";

(e) for sub-section (9A), the following sub-section shall be substituted, namely:--

"(9A) Where the authorised officer has no jurisdiction over the person referred to in clause (a) or clause (b) or clause (c) of sub-section (1), the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing (hereafter in this section and in sections 132A and 132B referred to as the assets) seized under that sub-section shall be handed over by the authorised officer to the Assessing Officer having jurisdiction over such person within a period of sixty days from the date on which the last of the authorisations for search was executed and thereupon the powers exercisable by the authorised officer under sub-section (8) or sub-section (9) shall be exercisable by such Assessing Officer.";

(f) in sub-section (10), after the words "requesting for the return of the books of account or other documents", the words "and the Board may, after giving the applicant an opportunity of being heard, pass such orders as it thinks fit" shall be inserted;'

(g) sub-sections (11),(11A) and (12) shall be omitted;

(h) for Explanation 1 below sub-section (14), the following Explanation shall be substituted, namely:--

'Explanation 1.--For the purposes of sub-section (9A), "execution of an authorisation for search" shall have the same meaning as assigned to it in Explanation 2 to section 158BE.'

Section 57 - Substitution of new section for section 132B

For section 132B of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 2002,--

'132B. Application of seized or requisitioned assets.--

(1) The assets seized under section 132 or requisitioned under section 132A may be dealt with in the following manner, namely:--

(i) the amount of any existing liability under this Act, the Wealth-tax Act, 1957(27 of 1957), the Expenditure-tax Act, 1987 (35 of 1987), the Gift-tax Act, 1958 (18 of 1958) and the Interest-tax Act, 1974 (45 of 1974), and the amount of the liability determined on completion of the assessment under Chapter XIV-B for the block period (including any penalty levied or interest payable in connection with such assessment) and in respect of which such person is in default or is deemed to be in default, may be recovered out of such assets:

Provided that where the nature and source of acquisition of any such asset is explained to the satisfaction of the Assessing Officer, the amount of any existing liability referred to in this clause may be recovered out of such asset and the remaining portion, if any, of the asset may be released, with the prior approval of the Chief Commissioner or Commissioner, to the person from whose custody the assets were seized:

Provided further that such asset or any portion thereof as is referred to in the first proviso shall be released within a period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or for requisition under section 132A, as the case may be, was executed;

(ii) if the assets consist solely of money, or partly of money and partly of other assets, the Assessing Officer may apply such money in the discharge of the liabilities referred to in clause (i) and the assessee shall be discharged of such liability to the extent of the money so applied;

(iii) the assets other than money may also be applied for the discharge of any such liability referred to in clause (i) as remains undischarged and for this purpose such assets shall be deemed to be under distraint as if such distraint was effected by the Assessing Officer or, as the case may be, the Tax Recovery Officer under authorisation from the Chief Commissioner or Commissioner under sub-section (5) of section 226 and the Assessing Officer or, as the case may be, the Tax Recovery Officer may recover the amount of such liabilities by the sale of such assets and such sale shall be effected in the manner laid down in the Third Schedule.

(2) Nothing contained in sub-section (1) shall preclude the recovery of the amount of liabilities aforesaid by any other mode laid down in this Act.

(3) Any assets or proceeds thereof which remain after the liabilities referred to in clause (i) of sub-section (1) are discharged shall be forthwith made over or paid to the persons from whose custody the assets were seized.

(4) (a) The Central Government shall pay simple interest at the rate of eight per cent, per annum on the amount by which the aggregate amount of money seized under section 132 or requisitioned under section 132A, as reduced by the amount of money, if any, released under the first proviso to clause (i) of sub-section (1), and of the proceeds, if any, of the assets sold towards the discharge of the existing liability referred to in clause (i) of sub-section (1), exceeds the aggregate of the amount required to meet the liabilities referred to in clause (i) of sub-section (1) of this section.

(b) Such interest shall run from the date immediately following the expiry of the period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or requisition under section 132A was executed to the date of completion of the assessment under Chapter XIV-B.

Explanation.--In this section,--

(i) "block period" shall have the meaning assigned to it in clause (a) of section 158B;

(ii) "execution of an authorisation for search or requisition" shall have the same meaning as assigned to it in Explanation 2 to section 158BE.'

Section 58 - Amendment of section 133A

In section 133A of the Income-tax Act, with effect from the 1st day of June, 2002,--

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

"(ia) impound and retain in his custody for such period as he thinks fit any books of account or other documents inspected by him:

Provided that such income-tax authority shall not--

(a) impound any books of account or other documents except after recording his reasons for so doing; or

(b) retain in his custody any such books of account or other documents for a period exceeding fifteen days (exclusive of holidays) without obtaining the approval of the Chief Commissioner or Director General or Commissioner or Director therefor, as the case may be.;"

(b) in sub-section (4), the words "any books of account or other documents or" shall be omitted.

Section 59 - Amendment of section 139

In section 139 of the Income-tax Act,--

(a) in sub-section (1), in the first proviso, in clause (iii), for the word "telephone", the words "cellular telephone not being a wireless in local loop telephone" shall be substituted;

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

'(1A) Without prejudice to the provisions of sub-section (1), any person, being an individual who is in receipt of income chargeable under the head "Salaries" may, at his option, furnish a return of his income for any previous year to his employer, in accordance with such scheme as may be specified by the Board in this behalf, by notification in the Official Gazette, and subject to such conditions as may be specified therein, and such employer shall furnish all returns of income received by him on or before the due date, in such form (including on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media) and manner as may be specified in that scheme, and in such case, any employee who has filed a return of his income to his employer shall be deemed to have furnished a return of income under sub-section (1), and the provisions of this Act shall apply accordingly.;"

(c) after sub-section (4B), the following sub-section shall be inserted with effect from the 1st day of April, 2003, namely:--

"(4C) Every--

(a) scientific research association referred to in clause (21) of section 10;

(b) news agency referred to in clause (225) of section 10;

(c) association or institution referred to in clause (23A) of section 10;

(d) institution referred to in clause (23B) of section 10;

(e) fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) 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) of clause (23C) of section 10;

(f) trade union referred to in sub-clause (a) or association referred to in sub-clause (b) of clause (24) of section 10,

shall, if the total income in respect of which such scientific research association, news agency, association or institution, fund or trust or university or other educational institution or any hospital or other medical institution or trade union is assessable, without giving effect to the provisions of section 10, exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of this Act shall, so far as may be, apply as if it were a return required to be furnished under sub-section (1).;"

(d) in sub-section (9), in the Explanation, in clause (c), in sub-clause (i), the following proviso shall be inserted with effect from the 1st day of June, 2002, namely:--

"Provided that where the return is not accompanied by proof of the tax, if any, claimed to have been deducted at source, the return of income shall not be regarded as defective if--

(a) a certificate for tax deducted was not furnished under section 203 to the person furnishing his return of

income;

(b) such certificate is produced within a period of two years specified under sub-section (14) of section 155;".

Section 60 - Amendment of section 143

In section 143 of the Income-tax Act,--

(a) for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of June, 2002, namely:--

"(2) Where a return has been furnished under section 139, or in response to a notice under sub-section (1) of section 142, the Assessing Officer shall,--

(i) where he has reason to believe that any claim of loss, exemption, deduction, allowance or relief made in the return is inadmissible, serve on the assessee a notice specifying particulars of such claim of loss, exemption, deduction, allowance or relief and require him, on a date to be specified therein to produce, or cause to be produced, any evidence or particulars specified therein or on which the assessee may rely, in support of such claim;

(ii) notwithstanding anything contained in clause (i), if he considers it necessary or expedient to ensure that the assessee has not under-stated the income or has not computed excessive loss or has not under paid the tax in any manner, serve on the assessee a notice requiring him, on a date to be specified therein, either to attend his office or to produce, or cause to be produced, any evidence on which the assessee may rely in support of the return:

Provided that no notice under this sub-section shall be served on the assessee after the expiry of twelve months from the end of the month in which the return is furnished.";

(b) for sub-section (3), the following sub-section shall be substituted, with effect from the 1st day of June, 2002, namely:--

"(3) On the day specified in the notice,--

(i) issued under clause (i) of sub-section (2), or as soon afterwards as may be, after hearing such evidence and after taking into account such particulars as the assessee may produce, the Assessing Officer shall, by an order in writing, allow or reject the claim or claims specified in such notice and make an assessment determining the total income or loss accordingly, and determine the sum payable by the assessee on the basis of such assessment;

(ii) issued under clause (ii) of sub-section (2), or as soon afterwards as may be, after hearing such evidence as the assessee may produce and such other evidence as the Assessing Officer may require on specified points, and after taking into account all relevant material which he has gathered, the Assessing Officer shall, by an order in writing, make an assessment of the total income or loss of the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.";

(c) after sub-section (3), the following proviso shall be inserted with effect from the 1st day of April, 2003, namely:--

"Provided that in the case of a--

(a) scientific research association referred to in clause (21) of section 10;

(b) news agency referred to in clause (22B) of section 10;

(c) association or institution referred to in clause (23A) of section 10;

(d) institution referred to in clause (23B) of section 10;

(e) fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) 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) of clause (23C) of section 10,

which is required to furnish the return of income under sub-section (4C) of section 139, no order making an assessment of the total income or loss of such scientific research association, news agency, association or institution or fund or trust or university or other educational institution or any hospital or other medical institution, shall be made by the Assessing Officer, without giving effect to the provisions of section 10, unless--

(i) the Assessing Officer has intimated the Central Government or the prescribed authority the contravention of the provisions of clause (21) or clause (22B) or clause (23A) or clause (23B) or sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, as the case may be, by such scientific research association, news agency, association or institution or fund or trust or university or other educational institution or any hospital or other medical institution, where in his view such contravention has taken place; and

(ii) the approval granted to such scientific research association or other association or institution or university or other educational institution or hospital or other medical institution has been withdrawn or notification issued in respect of such news agency or fund or trust or institution has been rescinded.".

Section 61 - Amendment of section 153

In section 153 of the Income-tax Act, in sub-section (3), in Explanation I, after clause (ii), the following clause shall be inserted with effect from the 1st day of April, 2003, namely:--

"(iia) the period commencing from the date on which the Assessing Officer intimates the Central Government or the prescribed authority, the contravention of the provisions of clause (21) or clause (22B) or clause (23A) or clause (23B) or sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, under clause (i) of the proviso to sub-section (3) of section 143 and ending with the date on which the copy of the order withdrawing the approval or rescinding the notification, as the case may be, under those clauses is received by the Assessing Officer;"

Section 62 - Amendment of section 155

In section 155 of the Income-tax Act, after sub-section (13) and before the Explanation, the following sub-sections shall be inserted with effect from the 1st day of June, 2002, namely:--

"(14) Where in the assessment for any previous year or in any intimation or deemed intimation under sub-section (1) of section 143 for any previous year, credit for tax deducted in accordance with the provisions of section 199 has not been given on the ground that the certificate furnished under section 203 was not filed with the return and subsequently such certificate is produced before the Assessing Officer within two years from the end of the assessment year in which such income is assessable, the Assessing Officer shall amend the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143, as the case may be, and the provisions of section 154 shall, so far as may be, apply thereto:

Provided that nothing contained in this sub-section shall apply unless the income from which the tax has been deducted has been disclosed in the return of income filed by the assessee for the relevant assessment year.

(15) Where in the assessment for any year, a capital gain arising from the transfer of a capital asset, being land or building or both, is computed by taking the full value of the consideration received or accruing as a result of the transfer to be the value adopted or assessed by any authority of a State Government for the purpose of payment of stamp duty in accordance with sub-section (1) of section 50C, and subsequently such value is revised in any appeal or revision or reference referred to in clause (b) of sub-section (2) of that section, the Assessing Officer shall amend the order of assessment so as to compute the capital gain by taking the full value of the consideration to be the value as so revised in such appeal or revision or reference; and the provisions of section 154 shall, so far as may be, apply thereto, and the period of four years shall be reckoned from the end of the previous year in which the order revising the value was passed in that appeal or revision or reference."

Section 63 - Insertion of new section 158A

In section 158A of the Income-tax Act, with effect from the 1st day of June, 2002,--

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

(i) for the words and figures "before the Supreme Court on a reference under section 257 or in appeal under section 261", the words, figures and letter "before the Supreme Court on a reference under section 257 or in appeal under section 260A before the High Court or in appeal under section 261 before the Supreme Court" shall be substituted;

(ii) for the words and figures "for a reference before the High Court under section 256 or the Supreme Court under section 257 or in appeal before the Supreme Court under section 261", the words, figures and letter "in appeal before the High Court under section 260A or in appeal before the Supreme Court under section 261" shall be substituted;

(b) in sub-section (4), in clause (b), for the words and figures "for a reference before the High Court under section 256 or the Supreme Court under section 257 or in appeal before the Supreme Court under section 261", the words, figures and letter "in appeal before the High Court under section 260A or the Supreme Court under section 261" shall be substituted.

Section 64 - Amendment of section 158B

In section 158B of the Income-tax Act, in clause (6), after the words "for the purposes of this Act", the words ", or any expense, deduction or allowance claimed under this Act which is found to be false" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 1995.

Section 65 - Amendment of section 158BB

In section 158BB of the Income-tax Act, in sub-section (1), with effect from the 1st day of July, 1995-

(i) for the portion beginning with the words and figure "in accordance with the provisions of Chapter IV," and ending with the words "as are available with the Assessing Officer", the words "in accordance with the provisions of this Act,

on the basis of evidence found as a result of search or requisition of books of account or other documents and such other materials or information as are available with the Assessing Officer and relating to such evidence" shall be substituted and shall be deemed to have been substituted;

(ii) in clause (a), for the words "have been concluded", the words "have been concluded prior to the date of commencement of the search or the date of requisition" shall be substituted and shall be deemed to have been substituted;

(iii) in clause (b), for the words and figures "or section 147", the words, brackets and figures "or in response to a notice issued under sub-section (1) of section 142 or section 148" shall be substituted and shall be deemed to have been substituted;

(iv) for clause (c), the following clauses shall be substituted and shall be deemed to have been substituted, namely:--

"(c) where the due date for filing a return of income has expired, but no return of income has been filed,--

(A) on the basis of entries as recorded in the books of account and other documents maintained in the normal course on or before the date of the search or requisition where such entries result in computation of loss for any previous year falling in the block period; or

(B) on the basis of entries as recorded in the books of account and other documents maintained in the normal course on or before the date of the search or requisition where such income does not exceed the maximum amount not chargeable to tax for any previous year falling in the block period;

(ca) where the due date for filing a return of income has expired, but no return of income has been filed, as nil, in cases not falling under clause (c);" (v) in the Explanation, in clause (a),--

(i) for the word and figures "Chapter IV", the words "this Act" shall be substituted and shall be deemed to have been substituted;

(ii) the following proviso shall be inserted and shall be deemed to have been inserted, namely:--

"Provided that in computing deductions under Chapter VI-A for the purposes of the said aggregation, effect shall be given to set off of brought forward losses under Chapter VI or unabsorbed depreciation under sub-section (2) of section 32;"

Section 66 - Amendment of section 158BC

In section 158BC of the Income-tax Act,--

(a) in clause (b), for the words and figures "and section 144", the words and figures ", section 144 and section 145" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of July, 1995;

(b) for clause (d), the following clause shall be substituted with effect from the 1st day of June, 2002, namely:--

"(d) the assets seized under section 132 or requisitioned under section 132A shall be dealt with in accordance with the provisions of section 132B."

Section 67 - Amendment of section 158BD

In section 158BD of the Income-tax Act, after the words "that Assessing Officer shall proceed", the words, figures and letters "under section 158BC" shall be inserted with effect from the 1st day of June, 2002.

Section 68 - Amendment of section 158BE

In section 158BE of the Income-tax Act, for Explanation I, the following shall be substituted with effect from the 1st day of June, 2002, namely:--

"Explanation 1.--In computing the period of limitation for the purposes of this section,--

(i), the period during which the assessment proceeding is stayed by an order or injunction of any court; or

(ii) the period commencing from the day on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (2A) of section 142 and ending on the day on which the assessee is required to furnish a report of such audit under that sub-section; or

(iii) the time taken in reopening the whole or any part of the proceeding or giving an opportunity to the assessee to be re-heard under the proviso to section 129; or

(iv) in a case where an application made before the Settlement Commission under section 245C is rejected by it or is

not allowed to be proceeded with by it, the period commencing on the date on which such application is made and ending with the date on which the order under sub-section (1) of section 245D is received by the Commissioner under sub-section (2) of that section,

shall be excluded:

Provided that where immediately after the exclusion of the aforesaid period, the period of limitation referred to in sub-section (1) or sub-section (2) available to the Assessing Officer for making an order under clause (c) of section 158BC is less than sixty days, such remaining period shall be extended to sixty days and the aforesaid period of limitation shall be deemed to be extended accordingly."

Section 69 - Insertion of new section 174A

In Chapter XV of the Income-tax Act, after section 174 and before the sub-heading "K.--

Persons trying to alienate their assets", the following sub-heading and section shall be inserted, namely:--

"JA.--Association of persons or body of individuals or artificial juridical person formed for a particular event or purpose

174A. Assessment of association of persons or body of individuals of artificial juridical person formed for a particular event or purpose.--Notwithstanding anything contained in section 4, where it appears to the Assessing Officer that any association of persons or a body of individuals or an artificial juridical person, formed or established or incorporated for a particular event or purpose is likely to be dissolved in the assessment year in which such association of persons or a body of individuals or an artificial juridical person was formed or established or incorporated or immediately after such assessment year, the total income of such association or body or juridical person for the period from the expiry of the previous year for that assessment year up to the date of its dissolution shall be chargeable to tax in that assessment year, and the provisions of sub-sections (2) to (6) of section 174 shall, so far as may be, apply to any proceedings in the case of any such person as they apply in the case of persons leaving India."

Section 70 - Amendment of section 190

In section 190 of the Income-tax Act, after the words "by advance payment", the words, brackets, figures and letter "or by payment under sub-section (1A) of section 192" shall be inserted with effect from the 1st day of June, 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 case 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 1st 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 1st 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."
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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

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 1st day 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 1st 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-tax Act, the following section shall be inserted with effect from the 1st 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 of ten 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 letter "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 1st 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-tax

Section 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 -Tax

Section 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 1st day 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 1st day of June, 2002
