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Finance Act 1978

Section 17 - Insertion of New Section 80cc

In the Income-tax Act, after section 80C, the following section shall be inserted namely :-

80CC. Deduction in respect of investment in certain new shares. - (1) Where an assessee, being -

(a) an individual, or

(b) a Hindu undivided family, or

(c) an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu,

has acquired in the previous year (being a previous year relevant to the assessment year commencing on the 1st day of April, 1979, or any subsequent assessment year), out of his income chargeable to tax, equity shares forming part of any eligible issue of capital, he shall, in accordance with and subject to the provisions of section, be allowed a deduction in the computation of his total income of an amount equal to fifty per cent. of the cost of such shares to him.

Explanation : Where in any previous year the assessee has acquired any shares referred to in this sub-section and has, within a period of six months from the end of that previous year paid the whole or a part of the amount, if any, remaining unpaid on such shares, the amount so paid shall be deemed to have been paid by the assessee towards the cost of such shares in that previous year.

(2) Where the aggregate cost to the assessee of the shares referred to in sub-section (1) which are acquired by him in the previous year exceeds ten thousand rupees, the deduction under that sub-section shall be allowed only with reference to such of those shares (being shares the aggregate cost whereof to the assessee does not exceed ten thousand rupees) as are specified by him in this behalf.

(3) For the purposes of this section, "eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely :-

(a) the issue is made by a public company formed and registered in India with the main object of carrying on the business of -

(i) construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule; or

(ii) providing long-term finance for construction or purchase of houses in India for residential purposes :

Provided that in the case of a public company formed and registered in India with the main object of carrying on the business referred to in sub-clause (ii), such company is approved by the Central Government for the purposes of this section.

(b) the issue is an issue of capital made by the company for the first time;

(c) the shares forming part of the issue are offered for subscription to the public;

(d) such other conditions as may be prescribed :

Provided that in the case of a company which had originally been incorporated as a private company but has become a public company under the provisions of the Companies Act, 1956 (1 of 1956), an issue of equity shares made by it for the first time after it has become a public company shall not be regarded as an eligible issue of capital, if -

(i) such company had declared, distributed or paid any dividend when it was a private company; or

(ii) any of the shares forming part of such issue is offered for subscription at a premium.

Explanation 1 : If any question arises as to whether any issue of equity shares would constitute an eligible issue of capital for the purposes of this section, the question shall be referred to the Central Government whose decision thereon shall be final.

Explanation 2 : In this sub-section and sub-section (4), "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956 (1 of 1956).

(4) The deduction under sub-section (1) shall not be allowed unless the assessee has -

(i) subscribed to the shares in pursuance of an offer for subscription to the public made by the public company or in pursuance of a reservation or an option in his favour by reason of his being a promoter of the company; or

(ii) purchased the shares from a person who is specified as an under-writer in respect of the issue of such shares in pursuance of clause 11 of Part I of Schedule II of the Companies Act, 1956 (1 of 1956), and who has acquired such shares by virtue of his obligation as such underwriter.

(5) If any equity shares, with reference to the cost of which a deduction is allowed under sub-section (1), are sold or otherwise transferred by the assessee to any person at any time within a period of five years from the date of their acquisition, an amount equal to fifty per cent. of the cost to the assessee of the shares so sold or otherwise transferred shall be deemed to be the income of the assessee of the previous year in which the shares are so sold or transferred and shall be chargeable to tax accordingly.

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

(6) Where a deduction is claimed and allowed under sub-section (1) with reference to the cost of any equity shares, the cost of such shares shall not be taken into account for the purposes of section 54E..

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