Finance Act, 2003

Chapter III - Direct Taxes

Section 3 - Amendment of section 2

In section 2 of the Income-tax Act,--

(a) in clause (24), in sub-clause (xii), for the word, brackets and figures "clause (vii)", the word, brackets, figure and letter "clause (va)" shall be substituted;

(b) in clause (42A), in Explanation 1, in clause (i), after sub-clause (g), the following sub-clauses shall be inserted with effect from the 1st day of April, 2004, namely:--

"(h) in the case of a capital asset, being trading or clearing rights of a recognised stock exchange in India acquired by a person pursuant to demutualisation or corporatisation of the recognised stock exchange in India as referred to in clause (xiii) of section 47, there shall be included the period for which the person was a member of the recognised stock exchange in India immediately prior to such demutualisation or corporatisation;

(ha) in the case of a capital asset, being equity share or shares in a company allotted pursuant to demutualisation or corporatisation of a recognised stock exchange in India as referred to in clause (xiii) of section 47, there shall be included the period for which the person was a member of the recognised stock exchange in India immediately prior to such demutualisation or corporatisation;".

Section 4 - Amendment of section 6

In section 6 of the Income-tax Act, for clause (6), the following clause shall be substituted with effect from the 1st day of April, 2004, namely:--

'(6) A person is said to be "not ordinarily resident" in India in any previous year if such person is--

(a) an individual who has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less; or

(b) a Hindu undivided family whose manager has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, seven hundred and twenty-nine days or less.'.

Section 5 - Amendment of section 9

In section 9 of the Income-tax Act, in sub-section (1), in clause (i), the existing Explanation shall be numbered as Explanation I thereof and after Explanation I as so numbered, the following Explanations shall be inserted with effect from the 1st day of April, 2004, namely:--

'Explanation **2.--**For the removal of doubts, it is hereby declared that "business connection" shall include any business activity carried out through a person who, acting on behalf of the non-resident,--

(a) has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident, unless his activities are limited to the purchase of goods or merchandise for the non-resident; or

(b) has no such authority, but habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the non-resident; or

(c) habitually secures orders in India, mainly or wholly for the non-resident or for that non-resident and other non-residents controlling, controlled by, or subject to the same common control, as that non-resident:

Provided that such business connection shall not include any business activity carried out through a broker, general commission agent or any other agent having an independent status, if such broker, general commission agent or any other agent having an independent status is acting in the ordinary course of his business:

Provided further that where such broker, general commission agent or any other agent works mainly or wholly on behalf of a non-resident (hereafter in this proviso referred to as the principal non-resident) or on behalf of such non-resident and other non-residents which are controlled by the principal non-resident or have a controlling interest in the principal non-resident or are subject to the same common control as the principal non-resident, he shall not be deemed to be a broker, general commission agent or an agent of an independent status.

Explanation **3.--**Where a business is carried on in India through a person referred to in clause (a) or clause (b) or clause (c) of Explanation 2, only so much of income as is attributable to the operations carried out in India shall be deemed to accrue or arise in India.'.

Section 6 - Amendment of section 10

In section 10 of the Income-tax Act,--

(a) in clause (6C), for the words "by way of fees", the words "by way of royalty or fees" shall be substituted with effect from the 1st day of April, 2004;

(b) in clause (10C), with effect from the 1st day of April, 2004,--

(i) in the opening portion, for the words "any amount received by an employee of, the words "any amount received or receivable by an employee of shall be substituted;

(ii) for the words "at the time of his voluntary retirement", the words "on his voluntary retirement" shall be substituted;

(c) for clause (10D), the following shall be substituted with effect from the 1st day of April, 2004, namely:--

'(10D) any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, other than--

(a) any sum received under sub-section (3) of section 80DD or sub-section (3) of section 80DDA; or

(b) any sum received under a Keyman insurance policy; or

(c) any sum received under an insurance policy issued on or after the 1st day of April, 2003 in respect of which the premium payable for any of the years during the term of the policy exceeds twenty per cent. of the actual capital sum assured:

Provided that the provisions of this sub-clause shall not apply to any sum received on the death of a person:

Provided further that for the purpose of calculating the actual capital sum assured under this sub-clause, effect shall be given to the Explanation to sub-section (2A) of section 88.

Explanation.--For the purposes of this clause, "Keyman insurance policy" means a life insurance policy taken by a person on the life of another person who is or was the employee of the first- mentioned person or is or was connected in any manner whatsoever with the business of the first-mentioned person;';

(d) in clause (15), in sub-clause (iv), in item (g), for the words "a loan agreement approved by the Central Government", the words, figures and letters "a loan agreement approved by the Central Government before the 1st day of June, 2003" shall be substituted with effect from the 1st day of April, 2004;

(e) in clause (23BBD), for the words, figures and letters "three previous years relevant to the assessment years beginning on the 1st day of April, 2001 and ending on the 31st day of March, 2004", the words, figures and letters "seven previous years relevant to the assessment years beginning on the 1st day of April, 2001 and ending on the 31st day of March, 2008" shall be substituted with effect from the 1st day of April, 2004;

(f) in clause (23C), in the ninth proviso, for the figures "2003", the figures "2004" shall be substituted and shall be deemed to have been substituted with effect from the 3rd day of February, 2001;

(g) in clause (23D), in the opening portion, for the words "any income of"' the words, figures and letter "subject to the provisions of Chapter XII-E, any income of" shall be substituted with effect from the 1st day of April, 2004;

(h) in clause (23EB), for the words "Credit Guarantee Fund Trust for Small Scale Industries", the words "Credit Guarantee Fund Trust for Small Industries" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002;

(i) in clause (23FA), for the word "dividends", the words, figures and letter "dividends, other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004;

(j) in clause (23G),--

(i) for the word "dividends", the words, figures and letter "dividends, other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004;

(ii) after the words, brackets, figures and letters "housing project referred to in sub-section (10) of section 80-IB", the words "or a hotel project or a hospital project" shall be inserted with effect from the 1st day of April, 2004;

(iii) in Explanation I,--

(A) in clause (a), for the portion beginning with the words "in the business of and ending with the words "any infrastructure facility", the words "in the business referred to in this clause" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002;

(B) in clause (b), for the portion beginning with the words "in the business of and ending with the words "any infrastructure facility", the words "in the business referred to in this clause" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002;

(C) after clause (f), the following clauses shall be inserted with effect from the 1st day of April, 2004, namely:--

'(g) "hotel project" means a project for constructing a hotel of not less than three-star category as classified by the Central Government;

(h) "hospital project" means a project for constructing a hospital with at least one hundred beds for patients.';

(k) after clause (26BB), the following shall be inserted with effect from the 1st day of April, 2004, namely:--

'(26BBB) any income of a corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of ex-servicemen being the citizens of India.

Explanation.--For the purposes of this clause, "ex-serviceman" means a person who has served in any rank, whether as combatant or non-combatant, in the armed forces of the Union or armed forces of the Indian States before the commencement of the Constitution (but excluding the Assam Rifles, Defence Security Corps, General Reserve Engineering Force, Lok Sahayak Sena, Jammu and Kashmir Militia and Territorial Army) for a continuous period of not less than six months after attestation and has been released, otherwise than by way of dismissal or discharge on account of misconduct or inefficiency, and in the case of a deceased or incapacitated ex-serviceman includes his wife, children, father, mother, minor brother, widowed daughter and widowed sister, wholly dependant upon such ex-serviceman immediately before his death or incapacitation;';

(l) after clause (32), the following clause shall be inserted, namely:--

"(33) any income arising from the transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002) and where the transfer of such asset takes place on or after the 1st day of April, 2002;";

(m) after clause (33) as so inserted, the following clauses shall be inserted with effect from the 1st day of April, 2004, namely:--

'(34) any income by way of dividends referred to in section 115-O;

(35) any income by way of,--

(a) income received in respect of the units of a Mutual Fund specified under clause (23D); or

(b) income received in respect of units from the Administrator of the specified undertaking; or

(c) income received in respect of units from the specified company:

Provided that this clause shall not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

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

(a) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(b) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(36) any income arising from the transfer of a long-term capital asset, being an eligible equity share in a company purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 and held for a period of twelve months or more.

Explanation.--For the purposes of this clause, "eligible equity share" means,--

(i) any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on the 1st day of March, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India;

(ii) any equity share in a company allotted through a public issue on or after the 1st day of March, 2003 and listed in a recognised stock exchange in India before the 1st day of March, 2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India.'.

Section 7 - Amendment of section 10A

In section 10A of the Income-tax Act,--

(a) for sub-section (1A), the following sub-sections shall be substituted with effect from the 1st day of April, 2004, 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,--

(i) 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 consecutive assessment years, and thereafter;

(ii) for the next three consecutive assessment years, so much of the amount not exceeding fifty per cent. of the profits as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the "Special Economic Zone Re-investment Allowance Reserve Account") to be created and utilised for the purposes of the business of the assessee in the manner laid down in sub-section (1B).

(1B) The deduction under clause (ii) of sub-section (1A) shall be allowed only if the following conditions are fulfilled, namely:--

(a) the amount credited to the Special Economic Zone Re-investment Allowance Reserve Account is to be utilised--

(i) for the purposes of acquiring new machinery or plant which is first put to use before the expiry of a period of three years next following the previous year in which the reserve was created; and

(ii) until the acquisition of new machinery or plant as aforesaid, for the purposes of the business of the undertaking other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India;

(b) the particulars, as may be prescribed in this behalf, have been furnished by the assessee in respect of new machinery or plant along with the return of income for the assessment year relevant to the previous year in which such plant or machinery was first put to use.

(1C) Where any amount credited to the Special Economic Zone Reinvestment Allowance Reserve Account under clause (ii) of sub-section (1A),--

(a) has been utilised for any purpose other than those referred to in sub-section (1B) ,the amount so utilised; or

(b) has not been utilised before the expiry of the period specified in sub-clause (i) of clause (a) of sub-section (1B), the amount not so utilised, shall be deemed to be the profits,--

(i) in a case referred to in clause (a), in the year in which the amount was so utilised; or

(ii) in a case referred to in clause (b), in the year immediately following the period of three years specified in sub-clause (i) of clause (a) of sub-section (1B),

and shall be charged to tax accordingly,";

(b) in sub-section (4), for the word, brackets and figure "sub-section (1)", the words, brackets, figures and letter "sub-sections (1) and (1A)" shall be substituted;

(c) in sub-section (5), for the word, brackets and figure "sub-section (1)", the words "this section" shall be substituted;

(d) in sub-section (6),--

(A) in clause (i), after the words "relevant assessment years", the words, figures and letters "ending before the 1st day of April, 2001" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2001;

(B) in clause (ii), after the words "relevant assessment years", the words, figures and letters "ending before the 1st day of April, 2001" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2001;

(e) after sub-section (7), the following sub-section shall be inserted with effect from the 1st day of April, 2004, namely:--

"(7A) Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger,--

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

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

(f) sub-sections (9) and (9A) shall be omitted with effect from the 1st day of April, 2004;

(g) Explanation 1 shall be omitted with effect from the 1st day of April, 2004;

(h) after Explanation 3, the following Explanation shall be inserted at the end with effect from the 1st day of April, 2004, namely:--

'Explanation 4.--For the purposes of this section, "manufacture or produce" shall include the cutting and polishing of precious and semi-precious stones.'.

Section 8 - Amendment of section 10B

In section 10B of the Income-tax Act,--

(a) in sub-section (6), with effect from the 1st day of April, 2001,--

(A) in clause (i), after the words "relevant assessment years", the words, figures and letters "ending before the 1st day of April, 2001" shall be inserted and shall be deemed to have been inserted;

(B) in clause (ii), after the words "relevant assessment years", the words, figures and letters "ending before the 1st day of April, 2001" shall be inserted and shall be deemed to have been inserted;

(b) after sub-section (7), the following sub-section shall be inserted with effect from the 1st day of April, 2004, namely:--

"(7A) Where any undertaking of an Indian company which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another Indian company in a scheme of amalgamation or demerger--

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

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

(c) sub-sections (9) and (9A) shall be omitted with effect from the 1st day of April, 2004;

(d) Explanation 1 shall be omitted with effect from the 1st day of April, 2004;

(e) after Explanation 3, the following Explanation shall be inserted at the end, with effect from the 1st day of April, 2004, namely:--

'Explanation **4.--**For the purposes of this section, "manufacture or produce" shall include the cutting and polishing of precious and semi-precious stones.'.

Section 9 - Amendment of section 10C

In section 10C of the Income-tax Act, after sub-section (6) and before the Explanation, the following proviso shall be inserted with effect from the 1st day of April, 2004, namely:--

"Provided that no deduction under this section shall be allowed to any undertaking for the assessment year beginning on the 1st day of April, 2004 and subsequent years.".

Section 10 - Amendment of section 11

In section 11 of the Income-tax Act, in sub-section (3A) after the proviso, the following proviso shall be inserted, namely:--

"Provided further that in case the trust or institution, which has invested or deposited its income in accordance with the provisions of clause (b) of sub-section (2), is dissolved, the Assessing Officer may allow application of such income for the purposes referred to in clause (d) of sub-section (3) in the year in which such trust or institution was dissolved.".

Section 11 - Amendment of section 12

In section 12 of the Income-tax Act, in sub-section (3), for the figures "2003", the figures "2004", shall be substituted and shall be deemed to have been substituted with effect from the 3rd day of February, 2001.

Section 12 - Amendment of section 13A

In section 13A of the Income-tax Act, after the words "Income from other sources or", the words "Capital gains or" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1979.

Section 13 - Amendment of section 16

In section 16 of the Income-tax Act, for clause (i), the following clause shall be substituted with effect from the 1st day of April, 2004, namely:--

"(i) in the case of an assessee whose income from salary, before allowing a deduction under this clause,--

(A) does not exceed five lakh rupees, a deduction of a sum equal to forty per cent. of the salary or thirty thousand rupees, whichever is less;

(B) exceeds five lakh rupees, a deduction of a sum of twenty thousand rupees;".

Section 14 - Amendment of section 30

In section 30 of the Income-tax Act, after clause (c), the following Explanation shall be inserted with effect from the 1st day of April, 2004, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that the amount paid on account of the cost of repairs referred to in sub-clause (i), and the amount paid on account of current repairs referred to in sub-clause (ii), of clause (a), shall not include any expenditure in the nature of capital expenditure.".

Section 15 - Amendment of section 31

In section 31 of the Income-tax Act, after clause (ii), the following Explanation shall be inserted with effect from the 1st day of April, 2004, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that the amount paid on account of current repairs shall not include any expenditure in the nature of capital expenditure.".

Section 16 - Amendment of section 33AB

In section 33AB of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in the marginal heading, after the word "account", the words ", coffee development account and rubber development account" shall be inserted;

(b) for the words "Tea Deposit Account", wherever they occur, the words "Deposit Account" shall be substituted;

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

(i) in the opening portion,--

(A) for the words "growing and manufacturing tea", the words "growing and manufacturing tea or coffee or rubber" shall be substituted;

(B) for the words "furnishing the return of his income", the words "the due date of furnishing the return of his income" shall be substituted;

(ii) in clause (a), for the words "approved in this behalf by the Tea Board", the words "approved in this behalf by the Tea Board or the Coffee Board or the Rubber Board" shall be substituted;

(iii) in clause (b), for the portion beginning with the words "deposited any amount" and ending with the words "approval of the Central Government,", the following shall be substituted, namely:--

"deposited any amount in an account (hereafter in this section referred to as the Deposit Account) opened by the assessee in accordance with, and for the purposes specified in, a scheme framed by the Tea Board or the Coffee Board or the Rubber Board, as the case may be (hereafter in this section referred to as the deposit scheme), with the previous approval of the Central Government,";

(d) for sub-section (4), the following sub-section shall be substituted, namely:--

'(4) Notwithstanding anything contained in sub-section (3), where any amount standing to the credit of the assessee in the special account or in the Deposit Account is released during any previous year by the National Bank or withdrawn by the assessee from the Deposit Account, and such amount is utilised for the purchase of--

(a) any machinery or plant to be installed in any office premises or residential accommodation, including any accommodation in the nature of a guest-house;

(b) any office appliances (not being computers);

(c) 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;

(d) any new machinery or plant to be installed in an industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule,

the whole of such amount so utilised shall be deemed to be the profits and gains of business of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year.';

(e) in the Explanation occurring at the end, for clause (a), the following clauses shall be substituted, namely:--

'(a) "Coffee Board" means the Coffee Board constituted under section 4 of the Coffee Act, 1942(7 of 1942);

(aa) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981(61 of 1981);

(ab) "Rubber Board" means the Rubber Board constituted under sub- section (1) of section 4 of the Rubber Act, 1947(24 of 1947);'.

Section 17 - Amendment of section 33AC

In section 33 AC of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in sub-section (3), in clause (c), for the words "eight years", the words "three years" shall be substituted;

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

"(4) Where the ship is sold or otherwise transferred (other than in any scheme of demerger) after the expiry of the period specified in clause (c) of sub section (3) and the sale proceeds are not utilised for the purpose of acquiring a new ship within a period of one year from the end of the previous year in which such sale or transfer took place, such sale proceeds shall be deemed to be the profits of the assessment year immediately following the previous year in which the ship is sold or transferred."

Section 18 - Amendment of section 36

In section 36 of the Income-tax Act, in sub-section (1),--

(a) in clause (iii) and before the Explanation, the following proviso shall be inserted with effect from the 1st day of April, 2004, namely:--

"Provided that any amount of the interest paid, in respect of capital borrowed for acquisition of an asset for extension of existing business or profession (whether capitalised in the books of account or not); for any period beginning from the date on which the capital was borrowed for acquisition of the asset till the date on which such asset was first put to use, shall not be allowed as deduction.";

(b) in clause (viia), in sub-clause (a), after the second proviso and before the Explanation, the following provisos shall be inserted with effect from the 1st day of April, 2004, namely:--

'Provided also that a scheduled bank or a non-scheduled bank referred to in this sub-clause shall, at its option, be allowed a further deduction in excess of the limits specified in the foregoing provisions, for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government:

Provided also that no deduction shall be allowed under the third proviso unless such income has been disclosed in the return of income under the head "Profits and gains of business or profession".';

(c) in clause (x), for the words, brackets, figures and letter "any fund specified under clause (23E) of section 10", the words "any Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately" shall be substituted;

(d) after the Explanation below clause (xi), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2002, namely:--

"(xii) any expenditure (not being in the nature of capital expenditure) incurred by a corporation or a body corporate, by whatever name called, constituted or established by a Central, State or Provincial Act for the objects and purposes authorised by the Act under which such corporation or body corporate was constituted or established.".

Section 19 - Amendment of section 40

In section 40 of the Income-tax Act, in clause (a), with effect from the 1st day of April, 2004,--

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

'(i) any interest (not being interest on a loan issued for public subscription before the 1st day of April, 1938), royalty, fees for technical services or other sum chargeable under this Act, which is payable,-

(A) outside India; or

(B) in India to a non-resident, not being a company or to a foreign company,

on which tax has not been deducted or, after deduction, has not been paid before the expiry of the time prescribed under sub-section (1) of section 200 and in accordance with other provisions of Chapter XVII-B:

Provided that where in respect of any such sum, tax has been deducted under Chapter XVII-B or paid in any subsequent year, such sum shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid.

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

(A) "royalty" shall have the same meaning as in Explanation 2 to clause (vi) of sub-section (1) of section 9;

(B) "fees for technical services" shall have the same meaning as in Explanation 2 to clause (vii) of sub-section (1) of section 9;';

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

'(iii) any payment which is chargeable under the head "Salaries", if it is payable--

(A) outside India; or

(B) to a non-resident, and if the tax has not been paid thereon nor deducted therefrom under Chapter XVII-B;'.

Section 20 - Amendment of section 43

In section 43 of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in clause (3), after the words "but does not include tea bushes or livestock", the words "or buildings or furniture and fittings" shall be inserted;

(b) in clause (6), in Explanation 2B, the words "as appearing in the books of account" shall be omitted.

Section 21 - Amendment of section 43B

In section 43B of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in clause (e),--

(i) for the words "term loan", the words "loan or advances" shall be substituted;

(ii) for the words "such loan", the words "such loan or advances" shall be substituted;

(b) in the first proviso, the words, brackets and letters "referred to in clause (a) or clause (c) or clause (d) or clause (e) or clause (f)" shall be omitted;

(c) the second proviso shall be omitted.

Section 22 - Amendment of section 44AA

In section 44AA of the Income-tax Act, in sub-section (2), in clause (iii), after the word, figures and letters "section 44AF", the words, figures and letters "or section 44BB or section 44BBB" shall be inserted with effect from the 1st day of April, 2004.

Section 23 - Amendment of section 44AB

In section 44AB of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in clause (c), after the word, figures and letters "section 44AF", the words, figures and letters "or section 44BB or section 44BBB" shall be inserted;

(b) in the first proviso, for the words, figures and letters "section 44BB or section 44BBA or section 44BBB", the word, figures and letters "section 44BBA" shall be substituted.

Section 24 - Amendment of section 44AE

In section 44AE of the Income-tax Act, in sub-section (1), after the words "who owns not more than ten goods carriages", the words "at any time during the previous year" shall be inserted with effect from the 1st day of April, 2004.

Section 25 - Amendment of section 44BB

In section 44BB of the Income-tax Act, after sub-section (2) and before the Explanation, the following sub-section shall be inserted with effect from the 1st day of April, 2004, namely:--

"(3) Notwithstanding anything contained in sub-section (1), an assessee may claim lower profits and gains than the profits and gains specified in that sub-section, if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB, and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee under sub-section (3) of section 143 and determine the sum payable by, or refundable to, the assessee.".

Section 26 - Amendment of section 44BBB

In section 44BBB of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) the existing section shall be numbered as sub-section (1) thereof and in sub-section (1) as so numbered, the words "and financed under any international aid programme" shall be omitted;

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

"(2) Notwithstanding anything contained in sub-section (1), an assessee may claim lower profits and gains than the profits and gains specified in that sub-section, if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB, and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee under sub-section (3) of section 143 and determine the sum payable by, or refundable to, the assessee.".

Section 27 - Amendment of section 44D

In section 44D of the Income-tax Act, in clause (b), after the words, figures and letters "after the 31st day of March, 1976", the words, figures and letters "but before the 1st day of April, 2003" shall be inserted with effect from the 1st day of April, 2004.

Section 28 - Insertion of new section 44DA

After section 44D of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:--

44DA. Special provision for computing income by way of royalties etc., in case of non-residents.--

(1) The income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by a nonresident (not being a company) or a foreign company with Government or the Indian concern after the 31st day of March,

2003, where such non-resident (not being a company) or a foreign company carries on business in India through a permanent establishment situated therein, or performs professional services from a fixed place of profession situated therein, and the right, property or contract in respect of which the royalties or fees for technical services are paid is effectively connected with such permanent establishment or fixed place of profession, as the case may be, shall be computed under the head "Profits and gains of business or profession" in accordance with the provisions of this Act:

Provided that no deduction shall be allowed,--

(i) in respect of any expenditure or allowance which is not wholly and exclusively incurred for the business of such permanent establishment or fixed place of profession in India; or

(ii) in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to its head office or to any of its other offices.

(2) Every non-resident (not being a company) or a foreign company shall keep and maintain books of account and other documents in accordance with the provisions contained in section 44AA and get his accounts audited by an accountant as defined in the Explanation below sub-section (2) of section 288 and furnish along with the return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

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

(a) "fees for technical services" shall have the same meaning as in Explanation 2 to clause (vii) of sub-section (1) of section 9;

(b) "royalty" shall have the same meaning as in Explanation 2 to clause (vi) of sub-section (1) of section 9;

(c) "permanent establishment" shall have the same meaning as in clause (iiia) of section 92F.'.

Section 29 - Amendment of section 45

In section 45 of the Income-tax Act, in sub-section (5), after clause (b) and before the Explanation, the following clause shall be inserted with effect from the 1st day of April, 2004, namely:--

"(c) where in the assessment for any year, the capital gain arising from the transfer of a capital asset is computed by taking the compensation or consideration referred to in clause (a) or, as the case may be, enhanced compensation or consideration referred to in clause (b), and subsequently such compensation or consideration is reduced by any court, Tribunal or other authority, such assessed capital gain of that year shall be recomputed by taking the compensation or consideration as so reduced by such court, Tribunal or other authority to be the full value of the consideration.".

Section 30 - Amendment of section 47

In section 47 of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) in clause (xiii), for the word "corporatisation", wherever it occurs, the words "demutualisation or corporatisation" shall be substituted;

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

"(xiiia) any transfer of a capital asset being a membership right held by a member of a recognised stock exchange in India for acquisition of shares and trading or clearing rights acquired by such member in that recognised stock exchange in accordance with a scheme for demutualisation or corporatisation which is approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);".

Section 31 - Amendment of section 55

In section 55 of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2004,--

(a) in clause (ab), for the word "corporatisation", the words "demutualisation or corporatisation" shall be substituted;

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

"Provided that the cost of a capital asset, being trading or clearing rights of the recognised stock exchange acquired by a shareholder who has been allotted equity share or shares under such scheme of demutualisation or corporatisation, shall be deemed to be nil;".

Section 32 - Amendment of section 57

In section 57 of the Income-tax Act, in clause (i), for the words "in the case of dividends", the words, figures and letter "in the case of dividends, other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.

Section 33 - Amendment of section 72A

In section 72A of the Income-tax Act, with effect from the 1st day of April, 2004,--

(a) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely;--

"(1) Where there has been an amalgamation of a company owning an industrial undertaking or a ship or a hotel with another company or an amalgamation of a banking company referred to in clause (c) of section 5 of the Banking Regulation Act, 1949(10 of 1949) with a specified bank, then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

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

(a) the amalgamating company--

(i) has been engaged in the business, in which the accumulated loss occurred or depreciation remains unabsorbed, for three or more years;

(ii) has held continuously as on the date of the amalgamation at least three-fourths of the book value of fixed assets held by it two years prior to the date of amalgamation;

(b) the amalgamated company--

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

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

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

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

'(c) "specified bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955) or a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).'.

Section 34 - Substitution of new section for section 80DD

For section 80DD of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:--

'80DD. Deduction in respect of maintenance including medical treatment of a dependant who is a personwith disability.--

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

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

(b) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in sub-section (2) and approved by the Board in this behalf for the maintenance of a dependant, being a person with disability,

the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of a sum of fifty thousand rupees from his gross total income in respect of the previous year:

Provided that where such dependant is a person with severe disability, the provisions of this sub-section shall have effect as if for the words "fifty thousand rupees", the words "seventy-five thousand rupees" had been substituted.

(2) The deduction under clause (b) of sub-section (1) shall be allowed only if the following conditions are fulfilled, namely:--

(a) the scheme referred to in clause (b) of sub-section (1) provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual or the member of the Hindu undivided family in whose name subscription to the scheme has been made;

(b) the assessee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

(3) If the dependant, being a person with disability, predeceases the individual or the member of the Hindu undivided family referred to in sub-section (2), an amount equal to the amount paid or deposited under clause (b) of sub-section (1) shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

(4) The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

Provided that where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the aforesaid certificate of disability had expired, unless a new certificate is obtained from the medical authority in the form and manner, as may be prescribed, and a copy thereof is furnished along with the return of income.

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

(a) "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002);

(b) "dependant" means--

(i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(ii) in the case of a Hindu undivided family, a member of the Hindu undivided family,

dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

(c) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996);

(d) "Life Insurance Corporation" shall have the same meaning as in clause (iii) of sub-section (8) of section 88;

(e) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996);

(f) "person with disability" means a person as referred to in clause (i) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996);

(g) "person with severe disability" means a person with eighty per cent. or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act 1995 (1 of 1996);

(h)"specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).'.

Section 35 - Substitution of new section for section 80DDB

For section 80DDB of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:--

'80DDB. Deductionin respect of medical treatment, etc.--

Where an assessee who is resident in India has, during the previous year, actually paid any amount for the medical treatment of such disease or ailment as may be specified in the rules made in this behalf by the Board--

(a) for himself or a dependant, in case the assessee is an individual; or

(b) for any member of a Hindu undivided family, in case the assessee is a Hindu undivided family,

the assessee shall be allowed a deduction of the amount actually paid or a sum of forty thousand rupees, whichever is less, in respect of that previous year in which such amount was actually paid:

Provided that no such deduction shall be allowed unless the assessee furnishes with the return of income, a certificate in such form, as may be prescribed, from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist, as may be prescribed, working in a Government hospital:

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

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

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

(i) "dependant" means-

(a) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them,

(b) in the case of a Hindu undivided family, a member of the Hindu undivided family, dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance;

(ii) "Government hospital" includes a departmental dispensary whether full-time or part-time established and run by a Department of the Government for the medical attendance and treatment of a class or classes of Government servants and members of their families, a hospital maintained by a local authority and any other hospital with which arrangements have been made by the Government for the treatment of Government servants;

(iii) "insurer" shall have the meaning assigned to it in clause (9) of section 2 of the Insurance Act, 1938(4n of 1938);

(iv) "senior citizen" means an individual resident in India who is of the age of sixty-five years or more at any time during the relevant previous year.'.

Section 36 - Amendment of section 80G

In section 80G of the Income-tax Act, in sub-section (5C), with effect from the 3rd day of February, 2001,--

(a) in clause (iii), for the figures "2003", the figures "2004"shall be substituted and shall be deemed to have been substituted;

(b) in clause (iv), for the figures "2003", at both the places where they occur, the figures "2004" shall be substituted and shall be deemed to have been substituted;

(c) in clause (v), for the figures "2003", the figures "2004" shall be substituted and shall be deemed to have been substituted.

Section 37 - Amendment of section 80HHC

In section 80HHC of the Income-tax Act, with effect from the 1st day of April, 2004,-

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

"Provided that in the case of an undertaking referred to in sub-section (4C), the assessee shall also furnish along with the return of income, a certificate from the undertaking in the special economic zone containing such particulars as may be prescribed, duly certified by the auditor auditing the accounts of the undertaking in the special economic zone under the provisions of this Act or under any other law for the time being in force.";

(b) after sub-section (4B) and before the Explanation, the following sub-section shall be inserted, namely:--

"(4C) The provisions of this section shall apply to an assessee,--

(a) for an assessment year beginning after the 31st day of March, 2004 and ending before the 1st day of April, 2005;

(b) who owns any undertaking which manufactures or produces goods or merchandise anywhere in India (outside any special economic zone) and sells the same to any undertaking situated in a special economic zone which is eligible for deduction under section 10A and such sale shall be deemed to be export out of India for the purposes of this section.";

(c) in the Explanation occurring at the end, after clause (d), the following clause shall be inserted, namely:--

'(e) "special economic zone" shall have the meaning assigned to it in clause (viii) of the Explanation 2 to section 10A.'.

Section 38 - Amendment of section 80-IA

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

(i) in sub-section (2), for the words "or develops or develops and operates or maintains and operates a special economic zone", the words "or develops a special economic; zone" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002;

(ii) in sub-section (4),--

(a) in clause (ii), for the figures, letters and words "31st day of March, 2003", the figures, letters and words "31st day of March, 2004" shall be substituted with effect from the 1st day of April, 2004;

(b) in clause (iii), for the proviso, the following proviso shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002, namely:--

"Provided that in a case where an undertaking develops an industrial park on or after the 1 st day of April, 1999 or a special economic zone on or after the 1st day of April, 2001 and transfers the operation and maintenance of such industrial park or such special economic zone, as the case may be, to another undertaking (hereafter in this section referred to as the transferee undertaking), the deduction under sub-section (1) shall be allowed to such transferee undertaking for the remaining period in the ten consecutive assessment years as if the operation and maintenance were not so transferred to the transferee undertaking;".

Section 39 - Amendment of section 80-IB

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

(a) in sub-section (4), after the second proviso, the following proviso shall be inserted with effect from the 1st day of April, 2004, namely:--

"Provided also that no deduction under this sub-section shall be allowed for the assessment year beginning on the 1st day of April, 2004 or any subsequent year to any undertaking or enterprise referred to in sub-section (2) of section 80-IC.";

(b) in sub-section (8A), in clause (iii), for the figures, letters and words "1st day of April, 2003", the figures, letters and words "1st day of April, 2004" shall be substituted with effect from the 1st day of April, 2004;

(c) in sub-section (10), with effect from the 1st day of April, 2002,--

(i) in the opening portion, for the figures, letters and words "31st day of March, 2001", the figures, letters and words "31st day of March, 2005" shall be substituted and shall be deemed to have been substituted;

(ii) in clause (a), the words, figures and letters "and completes the same before the 31st day of March, 2003" shall be omitted and shall be deemed to have been omitted;

(d) in sub-section (11), for the figures, letters and words "31st day of March, 2003", the figures, letters and words " 1st day of April, 2004" shall be substituted with effect from the 1st day of April, 2004.".

Section 40 - Insertion of new section 80-IC

After section 80-IB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:--

'80-IC. Special provisions in respect of certain undertakings or enterprises in certain special category States.--

(1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in sub-section (2), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains, as specified in sub-section (3).

(2) This section applies to any undertaking or enterprise,--

(a) which has begun or begins to manufacture or produce any article or thing, not being any article or thing specified in the Thirteenth Schedule, or which manufactures or produces any article or thing, not being any article or thing specified in the Thirteenth Schedule and undertakes substantial expansion during the period beginning--

(i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in the State of Sikkim; or

(ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in the State of Himachal Pradesh or the State of Uttaranchal; or

(iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in any of the North-Eastern States;

(b) which has begun or begins to manufacture or produce any article or thing, specified in the Fourteenth Schedule or commences any operation specified in that Schedule, or which manufactures or produces any article or thing, specified in the Fourteenth Schedule or commences any operation specified in that Schedule and undertakes substantial expansion during the period beginning--

(i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in the State of Sikkim; or

(ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in the State of Himachal Pradesh or the State of Uttaranchal; or

(iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any of the North-Eastern States.

(3) The deduction referred to in sub-section (1) shall be--

(i) in the case of any undertaking or enterprise referred to in sub-clauses (i) and (iii) of clause (a) or sub-clauses (i) and (iii) of clause (b), of sub-section (2), one hundred per cent. of such profits and gains for ten assessment years commencing with the initial assessment year;

(ii) in the case of any undertaking or enterprise referred to in sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b), of sub-section (2), one hundred per cent. of such profits and gains for five assessment years commencing with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains.

(4) This section applies to any undertaking or enterprise which fulfils all the following conditions, namely:--

(i) it is not formed by splitting up, or the reconstruction, of a business already in existence:

Provided that this condition shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

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

Explanation-The provisions of Explanations 1 and 2 to sub-section (3) of section 80-IA shall apply for the purposes of clause (ii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(5) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee, no deduction shall be allowed under any other section contained in Chapter VIA or in section 10A or section 10B, in relation to the profits and gains of the undertaking or enterprise.

(6) Notwithstanding anything contained in this Act, no deduction shall be allowed to any undertaking or enterprise under this section, where the total period of deduction inclusive of the period of deduction under this section, or under the second proviso to sub-section (4) of section 80-IB or under section 10C, as the case may be, exceeds ten assessment years.

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

(8) For the purposes of this section,--

(i) "Industrial Area" means such areas, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(ii) "Industrial Estate" means such estates, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(iii) "Industrial Growth Centre" means such centres, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(iv) "Industrial Park" means such parks, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(v) "initial assessment year" means the assessment year relevant to the previous year in which the undertaking or the enterprise begins to manufacture or produce articles or things, or commences operation or completes substantial expansion;

(vi) "Integrated Infrastructure Development Centre" means such centres, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(vii) "North-Eastern States" means the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura;

(viii) "Software Technology Park" means any park set up in accordance with the Software Technology Park scheme notified by the Government of India in the Ministry of Commerce and Industry;

(ix) "substantial expansion" means increase in the investment in the plant and machinery by at least fifty per cent. of the book value of plant and machinery (before taking depreciation in any year), as on the first day of the previous year in which the substantial expansion is undertaken;

(x) "Theme Park" means such parks, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government.'.

Section 41 - Amendment of section 80L

In section 80L of the Income-tax Act, in sub-section (1),--

(a) clauses (iv), (v) and (va) shall be omitted with effect from the 1st day of April, 2004;

(b) in clauses (1) and (2), for the words "nine thousand", the words "twelve thousand" shall be substituted.

Section 42 - Insertion of new section 80LA

After section 80L of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:--

'80LA. Deduction in respect of certain incomes of Offshore Banking Units.--

(1) Where the gross total income of an assessee,--

(i) being a scheduled bank (not being a bank incorporated by or under the laws of a country outside India);

(ii) owning an offshore banking unit in a special economic zone,

includes any income referred to in sub-section (2), there shall be allowed, in accordance with and subject to the provisions of this section, a deduction from such income, of an amount equal to--

(a) one hundred per cent. of such income for three consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission, under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949(10 of 1949), was obtained, and thereafter;

(b) fifty per cent. of such income for two consecutive assessment years.

(2) The income referred to in sub-section (1) shall be the income--

(a) from an offshore banking unit in a special economic zone;

(b) from the business, referred to in sub-section (1) of section 6 of the Banking Regulation Act, 1949(10 of 1949), with an undertaking located in a special economic zone or any other undertaking which develops, develops and operates or operates and maintains a special economic zone;

(c) received in convertible foreign exchange, in accordance with the regulations made under the Foreign Exchange Management Act, 1999(42 of 1999).

(3) No deduction under this section shall be allowed unless the assessee furnishes along with the return of income,--

(i) in the prescribed form, the report of an accountant as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section; and

(ii) a copy of the permission obtained under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949(10 of 1949).

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

(a) "convertible foreign exchange" shall have the same meaning assigned to it in clause (a) of the Explanation below sub-section (4C) of section 80HHC;

(b) "Offshore Banking Unit" means a branch of a bank in India located in the special economic zone and has obtained the permission under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949(10 of 1949);

(c) "scheduled bank" shall have the same meaning assigned to it in clause (e) of section 2 of the Reserve Bank of India Act, 1934(2 of 1934);

(d) "special economic zone" shall have the same meaning assigned to it in clause (viii) of the Explanation 2 to section 10A.'.

Section 43 - Omission of section 80M

Section 80M of the Income-tax Act shall be omitted with effect from the 1st day of April, 2004.

Section 44 - Insertion of new section 80QQB

After section 80QQA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:-

'80QQB. Deduction in respect of royalty income, etc., of authors of certain books other than text books.--

(1) Where, in the case of an individual resident in India, being an author, the gross total income includes any income, derived by him in the exercise of his profession, on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any book being a work of literary, artistic or scientific nature, or of royalty or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income, computed in the manner specified in sub-section (2).

(2) The deduction under this section shall be equal to the whole of such income referred to in sub-section (1), or an amount of three lakh rupees, whichever is less:

Provided that where the income by way of such royalty or the copyright fee, is not a lump sum consideration in lieu of all rights of the assessee in the book, so much of the income, before allowing expenses attributable to such income, as is in excess of fifteen per cent. of the value of such books sold during the previous year shall be ignored:

Provided further that in respect of any income earned from any source outside India, so much of the income shall be taken into account for the purpose of this section as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year in which such income is earned or within such further period as the competent authority may allow in this behalf.

(3) No deduction under this section shall be allowed unless the assessee furnishes a certificate in the prescribed form and in the prescribed manner, duly verified by any person responsible for making such payment to the assessee as referred to in sub-section (1), along with the return of income, setting forth such particulars as may be prescribed.

(4) No deduction under this section shall be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate, in the prescribed form from the prescribed authority, along with the return of income in the prescribed manner.

(5) Where a deduction for any previous year has been claimed and allowed in respect of any income referred to in this section, no deduction in respect of such income shall be allowed under any other provision of this Act in any assessment year.

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

(a) "author" includes a joint author;

(b) "books" shall not include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlets, text books for schools, tracts and other publications of similar nature, by whatever name called;

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

(d) "lump sum", in regard to royalties or copyright fees, includes an advance payment on account of such royalties or copyright fees which is not returnable.'.

Section 45 - Insertion of new section 80RRB

After section 80RRA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:-

'80RRB. Deduction in respect of royalty on patents.--

(1) Where in the case of an assessee, being an individual, who is--

(a) resident in India;

(b) a patentee;

(c) in receipt of any income by way of royalty in respect of a patent registered on or after the 1st day of April, 2003 under the Patents Act, 1970(39 of 1970), and

his gross total income of the previous year includes royalty, there shall, in accordance with and subject to the provisions of this section, be allowed a deduction, from such income, of an amount equal to the whole of such income or three lakh rupees, whichever is less:

Provided that where a compulsory licence is granted in respect of any patent under the Patents Act, 1970(39 of 1970), the income by way of royalty for the purpose of allowing deduction under this section shall not exceed the amount of royalty under the terms and conditions of a licence settled by the Controller under that Act:

Provided further that in respect of any income earned from any source outside India, so much of the income, shall be taken into account for the purpose of this section as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year in which such income is earned or within such further period as the competent authority referred to in clause (c) of the Explanation to section 80QQB may allow in this behalf.

(2) No deduction under this section shall be allowed unless the assessee furnishes a certificate in the prescribed form, duly signed by the prescribed authority, along with the return of income setting forth such particulars as may be prescribed.

(3) No deduction under this section shall be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate in the prescribed form, from the authority or authorities, as may be prescribed, along with the return of income.

(4) Where a deduction for any previous year has been claimed and allowed in respect of any income referred to in this section, no deduction in respect of such income shall be allowed, under any other provision of this Act in any assessment year.

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

(a) Controller" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Patents Act, 1970(39 of 1970);

(b) "lump sum" includes an advance payment on account of such royalties which is not returnable;

(c) "patent" means a patent (including a patent of addition) granted under the Patents Act, 1970(39 of 1970);

(d) "patentee" means the person, being the true and first inventor of the invention, whose name is entered on the patent register as the patentee, in accordance with the Patents Act, 1970(39 of 1970), and includes every such person, being the true and first inventor of the invention, where more than one person is registered as patentee under that Act in respect of that patent;

(e) "patent of addition" shall have the meaning assigned to it in clause (q) of sub-section (1) of section 2 of the Patents Act, 1970(39 of 1970);

(f) "patented article" and "patented process" shall have the meanings respectively assigned to them in clause (o) of sub-section (1) of section 2 of the Patents Act, 1970(39 of 1970);

(g) "royalty", in respect of a patent, means consideration (including any lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital gains" or consideration for sale of product manufactured with the use of patented process or of the patented article for commercial use) for--

(i) the transfer of all or any rights (including the granting of a licence) in respect of a patent; or

(ii) the imparting of any information concerning the working of, or the use of", a patent; or

(iii) the use of any patent; or

(iv) the rendering of any services in connection with the activities referred to in sub-clauses (i) to (iii);

(h) "true and first inventor" shall have the meaning assigned to it in clause (y) of sub-section (1) of section 2 of the Patents Act, 1970(39 of 1970).'.

Section 46 - Substitution of new section for section 80U

For section 80U of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:--

'80U. Deduction in case of a person with disability.--

(1) In computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a person with disability, there shall be allowed a deduction of a sum of fifty thousand rupees:

Provided that where such individual is a person with severe disability, the provisions of this sub-section shall have effect as if for the words "fifty thousand rupees", the words "seventy-five thousand rupees" had been substituted.

(2) Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the form and manner, as may be prescribed, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

Provided that where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the aforesaid certificate of disability had expired, unless a new certificate is obtained from the medical authority in the form and manner, as may be prescribed, and a copy thereof is furnished along with the return of income under section 139.

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

(a) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995(1 of 1996);

(b) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995(1 of 1996);

(c) "person with disability" means a person referred to in clause (t) of section 2 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995(1 of 1996);

(d) "person with severe disability" means a person with eighty per cent. or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons With Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995(1 of 1996).'.

Section 47 - Amendment of section 88

In section 88 of the Income-tax Act, with effect from the 1st day of April, 2004,--

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

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

"(xivb) as tuition fees (excluding any payment towards any development fees or donation or payment of similar nature), whether at the time of admission or thereafter,-

(a) to any university, college, school or other educational institution situated within India;

(b) for the purpose of full-time education of any of the persons specified in sub-section (4);";

(ii) in clause (xvi), for the Explanation, the following Explanation shall be substituted, namely:--

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

(i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are utilised wholly and exclusively for the purposes of any business referred to in sub-section (4) of section 80-IA;

(ii) "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956(1 of 1996);

(iii) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956(1 of 1996);';

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

"(2A) The provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent. of the actual capital sum assured.

Explanation.--In calculating any such actual capital sum, no account shall be taken--

(i) of the value of any premiums agreed to be returned, or

(ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be, or, may be, received under the policy by any person.";

(c) in sub-section (4), after clause (c), the following clause shall be inserted, namely:--

"(d) for the purpose of clause (xivb) of that sub-section, in the case of an individual, any two children of such individual.";

(d) in sub-section (5), after the second proviso, the following proviso shall be inserted namely:--

"Provided also that where the aggregate of any sum specified in clause (xivb) of sub-section (2) exceeds an amount of twelve thousand rupees in respect of a child, a deduction under sub-section (1) in respect of such sum shall be allowed with reference to so much of the aggregate as does not exceed an amount of twelve thousand rupees in respect of such child.".

Section 48 - Amendment of section 88B

In section 88B of the Income-tax Act, for the words "fifteen thousand rupees", the words "twenty thousand rupees" shall be substituted with effect from the 1st day of April, 2004.

Section 49 - Amendment of section 90

In section 90 of the Income-tax Act, with effect from the 1st day of April, 2004,--

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

"(a) for the granting of relief in respect of--

(i) income on which have been paid both income-tax under this Act and income-tax in that country; or

(ii) income-tax chargeable under this Act and under the corresponding law in force in that country to promote mutual economic relations, trade and investment, or";

(ii) after sub-section (2) and before the Explanation, the following sub-section shall be inserted, namely:-

"(3) Any term used but not defined in this Act or in the agreement referred to in sub-section (1) shall, unless the context otherwise requires, and is not inconsistent with the provisions of this Act or the agreement, have the same meaning as assigned to it in the notification issued by the Central Government in the Official Gazette in this behalf.".

Section 50 - Amendment of section 115A

In section 115A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2004,--

(i) in clause (a), for the word "dividends", at both the places where it occurs, the words, figures and letter "dividends other than dividends referred to in section 115-O" shall be substituted;

(ii) in clause (b), in the opening portion, for the words "a foreign company, includes any income by way of royalty or fees for technical services", the words, brackets, figures and letters "a non-resident (not being a company) or a foreign company, includes any income by way of royalty or fees for technical services other than income referred to in sub-section (1) of section 44DA" shall be substituted.

Section 51 - Amendment of section 115AC

In section 115AC of the Income-tax Act, for the word "dividends", wherever it occurs, the words, figures and letter "dividends, other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.

Section 52 - Amendment of section 115ACA

In section 115ACA of the Income-tax Act, for the words "income by way of dividends", wherever they occur, the words, figures and letter "income by way of dividends, other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.

Section 53 - Amendment of section 115AD

In section 115AD of the Income-tax Act, in sub-section (1), in clause (a), for the word "income", the words, figures and letter "income other than income by way of dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.

Section 54 - Amendment of section 115C

In section 115C of the Income-tax Act, in clause (c), for the words "income derived", the words, figures and letter "income derived other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.

Section 55 - Amendment of section 115-O

In section 115-O of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted, namely:--

"(1) Notwithstanding anything contained in any other provision of this Act and subject to the provisions of this section, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2003, whether out of current or accumulated profits shall be charged to additional income- tax (hereafter referred to as tax on distributed profits) at the rate of twelve and one-half per cent.".

Section 56 - Amendment of section 115R

In section 115R of the Income-tax Act, for sub-section (2), the following shall be substituted, namely:--

'(2) Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate of twelve and one-half per cent.:

Provided that nothing contained in this sub-section shall apply in respect of any income distributed,--

(a) by the Administrator of the specified undertaking, to the unit holders; or

(b) to a unit holder of open-ended equity oriented funds in respect of any distribution made from such funds for a period of one year commencing from the 1st day of April, 2003.

Explanation.--For the purposes of this sub-section, "Administrator" and "specified company" shall have the meanings respectively assigned to them in the Explanation to clause (35) of section 10.'.

Section 57 - Amendment of section 115S

In section 115-S of the Income-tax Act, for the words "Unit Trust of India or a Mutual Fund and the Unit Trust of India", the words, brackets, letter and figures "specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002) or a Mutual Fund and the specified company" shall be substituted.

Section 58 - Amendment of section 115T

In section 115T of the Income-tax Act, in the opening portion, for the words "Unit Trust of India or a Mutual Fund and the Unit Trust of India", the words, brackets, letter and figures "specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002(58 of 2002) or a Mutual Fund and the specified company" shall be substituted.

Section 59 - Amendment of section 132

In section 132 of the Income-tax Act, with effect from the 1st day of June, 2003--

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

(i) after clause (iii), the following proviso shall be inserted, namely;--

"Provided that bullion, jewellery or other valuable article or thing, being stock-in-trade of the business, found as a result of such search shall not be seized but the authorised officer shall make a note or inventory of such stock-in-trade of the business;";

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

"Provided also that nothing contained in the second proviso shall apply in case of any valuable article or thing, being stock-in-trade of the business.";

(b) in sub-section (8), for the words, brackets, letters and figures "under clause (c) of section 158BC", the words, brackets, letters and figures "under section 153A or clause (c) of section 158BC" shall be substituted.

Section 60 - Amendment of section 132B

In section 132B of the Income-tax Act, with effect from the 1st day of June, 2003,--

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

(i) for the words, figures and letter "under Chapter XIV-B for the block period", the words, figures and letter "under section 153A and the assessment of the year relevant to the previous year in which search is initiated or requisition is made, or the amount of liability determined on completion of the assessment under Chapter XIV-B for the block period, as the case may be" shall be substituted;

(ii) in the first proviso, for the words "Provided that where the nature and source of acquisition of any such asset is explained", the words "Provided that where the person concerned makes an application to the Assessing Officer within thirty days from the end of the month in which the asset was seized, for release of asset and the nature and source of acquisition of any such asset is explained" shall be substituted;

(b) in sub-section (4), in clause (b), for the words, figures and letter "under Chapter XIV-B", the words, figures and letters "under section 153A or under Chapter XIV-B" shall be substituted.

Section 61 - Amendment of section 133 A

In section 133A of the Income-tax Act, with effect from the 1st day of June, 2003-

(a) in sub-section (3), in clause (ia), in the proviso, for clause (b), the following clause shall be substituted, namely:-

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

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

"Provided that no action under sub-section (1) shall be taken by an Assistant Director or a Deputy Director or an Assessing Officer or a Tax Recovery Officer or an Inspector of Income-tax without obtaining the approval of the Joint Director or the Joint Commissioner, as the case may be.";

(c) in the Explanation below sub-section (6), for clause (a), the following clause shall be substituted, namely:-

'(a) "income-tax authority" means a Commissioner, a Joint Commissioner, a Director, a Joint Director, an Assistant Director or a Deputy Director or an Assessing Officer, or a Tax Recovery Officer, and for the purposes of clause (i) of sub-section (1), clause (i) of sub-section (3) and sub-section (5), includes an Inspector of Income-tax;'.

Section 62 - Amendment of section 139

In section 139 of the Income-tax Act, after sub-section (1A), the following sub-section shall be inserted, namely:-

"(1B) Without prejudice to the provisions of sub-section (1), any person, being a company or being a person other than a company, required to furnish a return of income under sub-section (1), may, at his option, on or before the due date, furnish a return of his income for any previous year 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, in such form (including on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media) and in the manner as may be specified in that scheme, and in such case, the return of income furnished under such scheme shall be deemed to be a return furnished under sub-section (1), and the provisions of this Act shall apply accordingly.".

Section 63 - Amendment of section 140A

In section 140A of the Income-tax Act, with effect from the 1st day of June, 2003,--

(a) in sub-section (1), for the words, figures and letters ", as the case may be, section 158BC", the words, figures and letters "section 153A or, as the case may be, section 158BC" shall be substituted;

(b) in sub-section (2), for the words, figures and letters, "an assessment under section 158BC", the words, figures and letters "an assessment under section 153 A or section 158BC" shall be substituted.

Section 64 - Amendment of section 143

In section 143 of the Income-tax Act, in sub-section (2), with effect from the 1st day of June, 2003,--

(a) in clause (i), the following proviso shall be inserted, namely;--

"Provided that no notice under this clause shall be served on the assessee on or after the 1st day of June, 2003;";

(b) in the proviso below clause (ii), for the words "no notice under this sub-section", the words, brackets and figures "no notice under clause (ii)" shall be substituted.

Section 65 - Insertion of new sections 153A, 153B and 153C

After section 153 of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of June, 2003, namely:--

'153A. Assessment in case of search or requisition.--

Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, in the case of a person where a search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003, the Assessing Officer shall--

(a) issue notice to such person requiring him to furnish within such period, as may be specified in the notice, the return of income in respect of each assessment year falling within six assessment years referred to in clause (b), in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and the provisions of this Act shall, so far as may be, apply accordingly as if such return were a return required to be furnished under section 139;

(b) assess or reassess the total income of six assessment years immediately preceding the assessment year relevant to the previous year in which such search is conducted or requisition is made:

Provided that the Assessing Officer shall assess or reassess the total income in respect of each assessment year falling within such six assessment years:

Provided further that assessment or reassessment, if any, relating to any assessment year falling within the period of six assessment years referred to in this section pending on the date of initiation of the search under section 132 or making of requisition under section 132A, as the case may be, shall abate.

Explanation.-For the removal of doubts, it is hereby declared that,-

(i) save as otherwise provided in this section, section 153B and section 153C, all other provisions of this Act shall apply to the assessment made under this section;

(ii) in an assessment or reassessment made in respect of an assessment year under this section, the tax shall be chargeable at the rate or rates as applicable to such assessment year.

153B. Time-limit for completion of assessment under section 153A.--

(1) Notwithstanding anything contained in section 153, the Assessing Officer shall make an order of assessment or reassessment,--

(a) in respect of each assessment year falling within six assessment years referred to in clause (b) of section 153A, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed;

(b) in respect of the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

Explanation.--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 in giving an opportunity to the assessee of being 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 from 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 clause (a) or clause (b) of this section available to the Assessing Officer for making an order of assessment or reassessment, as the case may be, 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.

(2) The authorisation referred to in clause (a) and clause (b) of sub-section (1) shall be deemed to have been executed ,--

(a) in the case of search, on the conclusion of search as recorded in the last panchnama drawn in relation to any person in whose case the warrant of authorisation has been issued;

(b) in the case of requisition under section 132A, on the actual receipt of the books of account or other documents or assets by the Authorised Officer.

153C. Assessment of income of any other person.--

Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing or books of account or documents seized or requisitioned belongs or belong to a person other than the person referred to in section 153A, then the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A.'.

Section 66 - Amendment of section 155

In section 155 of the Income-tax Act, after sub-section (15) and before the Explanation, the following sub-sections shall be inserted with effect from the 1st day of April, 2004, namely:--

"(16) Where in the assessment for any year, a capital gain arising from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer, the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, is computed by taking the compensation or consideration as referred to in clause (a) or, as the case may be, the compensation or consideration enhanced or further enhanced as referred to in clause (b) of sub-section (5) of section 45, to be the full value of consideration deemed to be received or accruing as a result of the transfer of the asset and subsequently such compensation or consideration is reduced by any court, Tribunal or other authority, the Assessing Officer shall amend the order of assessment so as to compute the capital gain by taking the compensation or consideration as so reduced by the court. Tribunal or any other authority to be the full value of consideration; 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 reducing the compensation was passed by the court. Tribunal or other authority.

(17) Where a deduction has been allowed to an assessee in any assessment year under section 80RRB in respect of any patent, and subsequently by an order of the Controller or the High Court under the Patents Act, 1970(39 of 1970),--

(i) the patent was revoked, or

(ii) the name of the assessee was excluded from the patents register as patentee in respect of that patent,

the deduction from the income by way of royalty attributable to the period during which the patent had been revoked or the period for which the assessee's name was excluded as patentee in respect of that patent, shall be deemed to have been wrongly allowed and the Assessing Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which such order of the Controller referred to in clause (b) of sub-section (1), or the High Court referred to in clause (i) of sub-section (1) of section 2, of the Patents Act, 1970(39 of 1970), as the case may be, was passed.".

Section 67 - Insertion of new section 158BI

After section 158BH of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2003, namely:--

"158BI. Chapter not to apply after certain date.--

The provisions of this Chapter shall not apply where a search is initiated under section 132, or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003.".

Section 68 - Amendment of section 163

In section 163 of the Income-tax Act, in sub-section (1), after the proviso, the following Explanation shall be inserted with effect from the 1st day of April, 2004, namely:--

'Explanation.--For the purposes of this sub-section, the expression "business connection" shall have the meaning assigned to it in Explanation 2 to clause (i) of sub-section (1) of section 9 of this Act.'.

Section 69 - Amendment of section 184

In section 184 of the Income-tax Act, for sub-section (5), the following sub-section shall be substituted with effect from the 1st day of April, 2004, namely:--

'(5) Notwithstanding anything contained in any other provision of this Act, where, in respect of any assessment year, there is on the part of a firm any such failure as is mentioned in section 144, the firm shall be so assessed that no deduction by way of any payment of interest, salary, bonus, commission or remuneration, by whatever name called, made by such firm to any partner of such firm shall be allowed in computing the income chargeable under the head "Profits and gains of business or profession" and such interest, salary, bonus, commission or remuneration shall not be chargeable to income-tax under clause (v) of section 28.'.

Section 70 - Substitution of new section for section 185

For section 185 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:--

'185. Assessment when section 184 not complied with.--

Notwithstanding anything contained in any other provision of this Act, where a firm does not comply with the provisions of section 184 for any assessment year, the firm shall be so assessed that no deduction by way of any payment of interest, salary, bonus, commission or remuneration, by whatever name called, made by such firm to any partner of such firm shall be allowed in computing the income chargeable under the head "Profits and gains of business or profession" and such interest, salary, bonus, commission or remuneration shall not be chargeable to income-tax under clause (v) of section 28.'.

Section 71 - Amendment of section 191

In section 191 of the Income-tax Act, the following Explanation shall be inserted with effect from the 1st day of June, 2003, namely:--

"Explanation.--For the removal of doubts, it is hereby declared that if any person referred to in section 200 and in the cases referred to in section 194, the principal officer and the company of which he is the principal officer does not deduct the whole or any part of the tax and such tax has not been paid by the assessee direct, then, such person, the principal officer and the company shall, without prejudice to any other consequences which he or it may incur, be deemed to be an assessee in default as referred to in sub-section (1) of section 201 in respect of such tax.".

Section 72 - Amendment of section 193

In section 193 of the Income-tax Act, in the opening portion, for the words "The person responsible for paying any income", the words "The person responsible for paying to a resident any income" shall be substituted with effect from the 1st day of June, 2003.

Section 73 - Amendment of section 194

In section 194 of the Income-tax Act,--

(a) in the first proviso, in clause (b), for the words "one thousand rupees", the words "two thousand five hundred rupees" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of August, 2002;

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

"Provided also that no such deduction shall be made in respect of any dividends referred to in section 115-O.".

Section 74 - Amendment of section 194A

In section 194A of the Income-tax Act, in sub-section (3), after clause (viii) and before the Explanation, the following clause shall be inserted with effect from the 1st day of June, 2003, namely:--

"(ix) to such income credited or paid by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid during the financial year does not exceed fifty thousand rupees.".

Section 75 - Amendment of section 194C

In section 194C of the Income-tax Act, sub-sections (4) and (5) shall be omitted with effect from the 1st day of June, 2003.

Section 76 - Amendment of section 194G

In section 194G of the Income-tax Act, sub-sections (2) and (3) shall be omitted with effect from the 1st day of June, 2003.

Section 77 - Amendment of section 194-I

In section 194-I of the Income-tax Act, in the opening portion, for the words "Any person, not being an individual or a Hindu undivided family, who is responsible for paying to any person", the words "Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident" shall be substituted with effect from the 1st day of June, 2003.

Section 78 - Amendment of section 194J

In section 194J of the Income-tax Act, with effect from the 1st day of June, 2003--

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

"Provided also that no individual or a Hindu undivided family referred to in the second proviso shall be liable to deduct income-tax on the sum by way of fees for professional services in case such sum is credited or paid exclusively for personal purposes of such individual or any member of Hindu undivided family."

(b) sub-sections (2) and (3) shall be omitted.

Section 79 - Amendment of section 194K

In section 194K of the Income-tax Act,--

(a) in the first proviso, for the words "one thousand rupees", the words "two thousand five hundred rupees" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of August, 2002;

(b) after the second proviso and before the Explanation, the following proviso shall be inserted, namely:--

"Provided also that no deduction shall be made under this section from any such income credited or paid on or after the 1st day of April, 2003."

Section 80 - Amendment of section 195

In section 195 of the Income-tax Act,--

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

(i) the brackets and words "(not being interest on securities)" shall be omitted with effect from the 1st day of June, 2003;

(ii) after the proviso and before the Explanation, the following proviso shall be inserted, namely:--

"Provided further that no such deduction shall be made in respect of any dividends referred to in section 115-O.";

(b) in sub-section (2), for the brackets and words "(other than interest on securities and salary)", the brackets and words "(other than salary)" shall be substituted with effect from the 1st day of June, 2003.

Section 81 - Amendment of section 196A

In section 196A of the Income-tax Act, in sub-section (1), the following proviso shall be inserted, namely:-

"Provided that no deduction shall be made under this section from any such income credited or paid on or after the 1st day of April, 2003."

Section 82 - Amendment of section 196C

In section 196C of the Income-tax Act, the following proviso shall be inserted, namely:-

"Provided that no such deduction shall be made in respect of any dividends referred to in section 115-O."

Section 83 - Amendment of section 196D

In section 196D of the Income-tax Act, in sub-section (1), the following proviso shall be inserted, namely:-

"Provided that no such deduction shall be made in respect of any dividends referred to in section 115-O."

Section 84 - Amendment of section 197

In section 197 of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 2003,--

(a) for the words "any income of any person", the words "any income of any person or sum payable to any person" shall be substituted;

(b) for the figures and letters "194A, 194D, 194H, 194-I, 194K, 194L", the figures and letters "194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K" shall be substituted.

Section 85 - Amendment of section 197A

In section 197A of the Income-tax Act, with effect from the 1st day of June, 2003,--

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

"(1C) Notwithstanding anything contained in section 193 or section 194 or section 194A or section 194EE or section 194K or sub-section (IB) of this section, no deduction of tax shall be made in the case of an individual resident in India, who is of the age of sixty-five years or more at any time during the previous year and is entitled to a deduction from the amount of income-tax on his total income referred to in section 88B, if such individual furnishes to the person responsible for paying any income of the nature referred to in section 193 or section 194 or section 194A or section 194EE or section 194K, as the case may be, a declaration in writing in duplicate in the prescribed form and verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil.";

(b) in sub-section (2), after the words, brackets, figure and letter "or sub-section (1A)", at both the places where they occur, the words, brackets, figure and letter "or sub-section (1C)" shall be inserted.

Section 86 - Amendment of section 206

In section 206 of the Income-tax Act, for sub-sections (2) and (3), the following sub-sections shall be substituted with effect from the 1st day of June, 2003, namely:--

"(2) Without prejudice to the provisions of sub-section (1), the person responsible for deducting tax under the foregoing provisions of this Chapter other than the principal officer in the case of every company may, at his option, deliver or cause to be delivered such return to the prescribed income-tax authority 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, on or before the prescribed time after the end of each financial year, on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media (hereinafter referred to as the computer media) and in the manner as may be specified in that scheme:

Provided that the principal officer shall, in the case of every company responsible for deducting tax under the foregoing provisions of this Chapter, deliver or cause to be delivered, within the prescribed time after the end of each financial year, such returns on computer media under the said scheme.

(3) Notwithstanding anything contained in any other law for the time being in force, a return filed on computer media shall be deemed to be a return for the purposes of this section and the rules made thereunder and shall be admissible in any proceedings thereunder, without further proof of production of the original, as evidence of any contents of the original or of any fact stated therein.

(4) Where the Assessing Officer considers that the return delivered or caused to be delivered under sub-section (2) is defective, he may intimate the defect to the person responsible for deducting tax or the principal officer in the case of a company, as the case may be, and give him an opportunity of rectifying the defect within a period of fifteen days from the date of such intimation or within such further period which, on an application made in this behalf, the

Assessing Officer may, in his discretion, allow; and if the defect is not rectified within the said period of fifteen days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this "Act, such return shall be treated as an invalid return and the provisions of this Act shall apply as if such person had failed to deliver the return.".

Section 87 - Amendment of section 206C

In section 206C of the Income-tax Act, with effect from the 1st day of June, 2003,--

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

"TABL E

Sl. NO:	**Nature of Goods**	**Percentage**
(1)	**(2)**	**(3)**
(i)	Alcoholic liquor for human consumption and tendu leaves	Ten per cent
(ii)	Timber obtained under a forest lease	Fifteen per cent.
(iii)	Timber obtained by any mode other than under a forest lease	Five per cent.
(iv)	Any other forest produce not being timber or tendu leaves	Fifteen per cent.
(v)	Scrap	Ten per cent"

(b) in the Explanation below sub-section (11),--

(A) in clause (a), for sub-clauses (i) to (iii), the following sub-clauses shall be substituted, namely:--

"(i) a public sector company; or

(ii) a buyer in the retail sale of such goods obtained in pursuance of such sale;";

(B) for clause (b), the following clauses shall be substituted, namely:--

'(b) "scrap" means waste and scrap from the manufacture or mechanical working of materials which is definitely not usable as such because of breakage, cutting up, wear and other reasons;

(c) "seller" means the Central Government, a State Government or any local authority or corporation or authority established by or under a Central, State or Provincial Act, or any company or firm or cooperative society and also includes 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 the goods of the nature specified in the Table in sub-section (1) are sold'.

Section 88 - Amendment of section 230

In section 230 of the Income-tax Act, for sub-section (1), the following sub-sections shall be substituted with effect from the 1st day of June, 2003, namely:-

"(1) Subject to such exceptions as the Central Government may, by notification in the Official Gazette, specify in this behalf, no person,--

(a) who is not domiciled in India;

(b) who has come to India in connection with business, profession or employment; and

(c) who has income derived from any source in India,

shall leave the territory of India by land, sea or air unless he furnishes to such authority as may be prescribed--

(i) an undertaking in the prescribed form from his employer; or

(ii) through whom such person is in receipt of the income,

to the effect that tax payable by such person who is not domiciled in India shall be paid by the employer referred to in clause (i) or the person referred to in clause (ii), and the prescribed authority shall, on receipt of the undertaking, immediately give to such person a no objection certificate, for leaving India:

Provided that nothing contained in sub-section (1) shall apply to a person who is not domiciled in India but visits India as a foreign tourist or for any other purpose not connected with business, profession or employment.

(1A) Subject to such exceptions as the Central Government may, by notification in the Official Gazette, specify in this behalf, every person, who is domiciled in India at the time of his departure from India, shall furnish, in the prescribed form to the income-tax authority or such other authority as may be prescribed--

(a) the permanent account number allotted to him under section 139A:

Provided that in case no such permanent account number has been allotted to him, or his total income is not chargeable to income-tax or he is not required to obtain a permanent account number under this Act, such person shall furnish a certificate in the prescribed form;

(b) the purpose of his visit outside India;

(c) the estimated period of his stay outside India:

Provided that no person--

(i) who is domiciled in India at the time of his departure; and

(ii) in respect of whom circumstances exist which, in the opinion of an income-tax authority render it necessary for such person to obtain a certificate under this section,

shall leave the territory of India by land, sea or air unless he obtains a certificate from the income-tax authority stating that he has no liabilities under this Act, or the Wealth-tax Act, 1957(27 of 1957), or the Gift-tax Act, 1958(18 of 1958), or the Expenditure-tax Act, 1987(35 of 1987), or that satisfactory arrangements have been made for the payment of all or any of such taxes which are or may become payable by that person:

Provided that no income-tax authority shall make it necessary for any person who is domiciled in India to obtain a certificate under this section unless he records the reasons therefor and obtains the prior approval of the Chief Commissioner of Income-tax.".

Section 89 - Amendment of section 234A

In section 234A of the Income-tax Act, with effect from the 1st day of June, 2003,--

(a) in sub-section (1), in Explanation 3, for the words and figures "under section 147", the words, figures and letter "under section 147 or section 153A" shall be substituted;

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

(i) in the opening portion, for the words and figures "by a notice under section 148", the words, figures and letter "by a notice under section 148 or section 153A" shall be substituted;

(ii) in clause (b), after the word and figures "section 147", the words, figures and letter "or reassessment under section 153A" shall be inserted.

Section 90 - Amendment of section 234B

In section 234B of the Income-tax Act, with effect from the 1st day of June, 2003--

(a) in sub-section (1), in Explanation 2, for the words and figures "under section 147", the words, figures and letter "under section 147 or section 153A" shall be substituted;

(b) in sub-section (3), for the words and figures "under section 147" at both the places where they occur, the words, figures and letter "under section 147 or section 153A" shall be substituted.

Section 91 - Insertion of new section 234D

After section 234C of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2003, namely:-

"234D. Interest on excess refund.--

(1) Subject to the other provisions of this Act, where any refund is granted to the assessee under sub-section (1) of section 143, and--

(a) no refund is due on regular assessment; or

(b) the amount refunded under sub-section (1) of section 143 exceeds the amount refundable on regular assessment,

the assessee shall be liable to pay simple interest at the rate of two-third per cent. on the whole or the excess amount so refunded, for every month or part of a month comprised in the period from the date of grant of refund to the date of such regular assessment.

(2) Where, as a result of an order under section 154 or section 155 or section 250 or section 254 or section 260 or section 262 or section 263 or section 264 or an order of the Settlement Commission under sub-section (4) of section 245D, the amount of refund granted under sub-section (1) of section 143 is held to be correctly allowed, either in whole or in part, as the case may be, then, the interest chargeable, if any, under sub-section (1) shall be reduced accordingly.

Explanation.-Where, in relation to an assessment year, an assessment is made for the first time under section 147 or section 153A, the assessment so made shall be regarded as a regular assessment for the purposes of this section.".

Section 92 - Amendment of section 245N

In section 245N of the Income-tax Act, in clause (a),--

(a) in sub-clause (ii), with effect from the 1st day of June, 2000,--

(i) after the words "a determination by the Authority in relation to", the words "the tax liability of a non-resident: arising out of shall be inserted and shall be deemed to have been inserted;

(ii) for the words "a non-resident", the words "such non-resident" shall be substituted and shall be deemed to have been substituted;

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

"Provided that where an advance ruling has been pronounced, before the date on which the Finance Bill, 2003 receives the assent of the President, by the Authority in respect of an application by a resident applicant referred to in sub- clause (ii) of this clause as it stood immediately before such date, such ruling shall be binding on the persons specified in section 245-S;".

Section 93 - Amendment of section 246A

In section 246A of the Income-tax Act, in sub-section (1), after clause (b), the following clause shall be inserted with effect from the 1st day of June, 2003, namely:-

"(ba) an order of assessment or reassessment under section 153A;".

Section 94 - Amendment of section 269T

In section 269T of the Income-tax Act, after the proviso and before the Explanation, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 2002, namely:--

"Provided further that nothing contained in this section shall apply to repayment of any loan or deposit taken or accepted from--

(i) Government;

(ii) any banking company, post office savings bank or co-operative bank;

(iii) any corporation established by a Central, State or Provincial Act

(iv) any Government company as defined in section 617 of the Companies Act, 1956(1 of 1956);

(v) such other institution, association or body or class of institutions, associations or bodies which the Central Government may, for reasons to be recorded in writing, notify in this behalf in the Official Gazette.".

Section 95 - Amendment of section 271E

In section 271E of the Income-tax Act, in sub-section (1), for the word "deposit" at both the places where it occurs, the words "loan or deposit" shall be substituted with effect from the 1st day of June, 2003.

Section 96 - Amendment of section 275

In section 275 of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 2003,--

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

"Provided that in a case where the relevant assessment or other order is the subject-matter of an appeal to the Commissioner (Appeals) under section 246 or section 246A, and the Commissioner (Appeals) passes the order on or after the 1st day of June, 2003 disposing of such appeal, an order imposing penalty shall be passed before the expiry of the financial year in which the proceedings, in the course of which action for imposition of penalty has been initiated, are completed, or within one year from the end of the financial year in which the order of the Commissioner (Appeals) is received by the Chief Commissioner or Commissioner, whichever is later;";

(b) in clause (b), after the word and figures "section 263", the words and figures "or section 264" shall be inserted.

Section 97 - Amendment of section 276CC

In section 276CC of the Income-tax Act, for the word and figures "section 148", the words, figures and letter "section 148 or section 153A" shall be substituted with effect from the 1st day of June, 2003.

Section 98 - Insertion of new section 285BA

After section 285B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:-

"285BA. Annual information return.--

Any assessee, who enters into any financial transaction, as may be prescribed, with any other person, shall furnish, within the prescribed time, an annual information return in such form and manner, as may be prescribed, in respect of such financial transaction entered into by him during any previous year.".

Section 99 - Insertion of Thirteenth and Fourteenth Schedules

In the Income-tax Act, after the Twelfth Schedule, the following Schedules shall be inserted with effect from the 1st day of April, 2004, namely:-

"THE THIRTEENTH SCHEDULE

[See section 80-IC(2)]

LIST OF ARTICLES OR THINGS

PART A

For the State of Sikkim

S.No.	Article or thing
1.	Tobacco and tobacco products (including cigarettes, cigars and gutka, etc.)
2.	Aerated branded beverages
3.	Pollution-causing paper and paper products

PART B

For the State of Himachal Pradesh and the State of Uttarancha l

S.nO.	Activity or article or thing	Excise classification	Sub-class under National Industrial classi-fication (NIC) 1998
1.	Tobacco and tobacco products including cigarettes and pan masala	24.01 to 24.04 and 21.06	1600
2.	Thermal Power Plant (coal/oil based)		40102 or 40103
3.	Coal washeries/ dry coal processing		
4.	Inorganic Chemicals excluding medicinal grade oxygen (2804.11), medicinal grade hydrogen peroxide (2847.11), compressed air (2851.30)	Chapter 28	
5.	Organic chemicals excluding Provitamins/vitamins, Harmones (29.36), Glycosides (29.39), sugars* (29.40)	Chapter 29	24117
6.	Tanning and dyeing extracts, tannins and their derivatives, dyes, colours, paints and varnishes; putty, fillers and other mastics; inks	Chapter 32	24113 or 24114
7.	Marble and mineral substances not classified elsewhere	25.04 25.05	14106 or 14107
8.	Flour mills/rice mills	11.01	15311
9.	Foundries using coal		
10.	Minerals fuels, mineral oils and products of their distillation; bituminous substances: mineral waxes	Chapter 27	

11.	Synthetic rubber products	40.02	24131
12.	Cement clinkers and asbestos, raw including fibre	2502.10	
		2503.00	
13.	Explosive (including industrial explosives, detonators and fuses, fireworks, matches, propellant powders, etc.)	36.01 to 36.06	24292
14.	Mineral or chemical fertilizers	31.02 to 31.05	2412
15.	Insecticides, fungicides, herbicides and pesticides (basic manufacture and formulation)	3808.10	24211 or 24219
16.	Fibre glass and articles thereof	70.14	26102
17.	Manufacture of pulp - wood pulp, mechanical or chemical (including dissolving pulp)	47.01	21011
18.	Branded aerated water/soft drinks (non-fruit based)	2201.20. 2202.20	15541 or 15542
19.	Paper	4801	21011 to 21019
	Writing or printing paper, etc.	4802.10	
	Paper or paperboard, etc.	4802.20	
	Maplitho paper, etc.	4802.30	
	Newsprint, in rolls or sheets	4801.00	
	Craft paper, etc.	4804.10	
	Sanitary towels, etc.	4818.10	
	Cigarette paper	48.13	
	Grease-proof paper	4806.10	
	Toilet or facial tissue, etc.	4803	
	Paper and paperboard, laminated internally with bitumen, tar or asphalt	4807.10	
	Carbon or similar copying paper	4809.10	
	Products consisting of sheets of paper or paperboard, impregnated, coated or covered with plastics, etc.	4811.20	
	Paper and paperboard, coated, impregnated or covered with wax, etc.	4811.40	

20.	Plastics and articles thereof	39.09 to 39.15	

* Serial No. 5 Reproduction by synthesis not allowed as also downstream industries for sugar.

THE FOURTEENTH SCHEDULE

[See section 80-IC (2)]

LIST OF ARTICLES OR THINGS OR OPERATIONS

PART A

For the North-Eastern States

1. Fruit and Vegetable Processing industries manufacturing or producing-

(i) Canned or bottled products;

(ii) Aseptic packaged products;

(iii) Frozen products;

(iv) De-hydrated products;

(v) Oleoresins.

2. Meat and Poultry Product industries manufacturing or producing-

(i) Meat Products (buffalo, sheep, goat and pork);

(ii) Poultry production;

(iii) Egg Powder Plant.

3. Cereal Based Product industries manufacturing or producing--

(i) Maize Milling including starch and its derivatives;

(ii) Bread, Biscuits, Breakfast Cereal.

4. Food and Beverage industries manufacturing or producing-

(i) Snacks;

(ii) Non-alcoholic beverages;

(iii) Confectionery including chocolate;

(iv) Pasta products;

(v) Processed spices, etc.;

(vi) Processed pulses;

(vii) Tapioca products.

5. Milk and milk based product industries manufacturing or producing-

(i) Milk powder;

(ii) Cheese;

(iii) Butter/ghee;

(iv) Infant food;

(v) Weaning food;

(vi) Malted milk food.

6. Food packaging industry.

7. Paper products industry.

8. Jute and mesta products industry.

9. Cattle or poultry or fishery feed products industry.

10. Edible Oil processing or vanaspati industry.

11. Processing of essential oils and fragrances industry.

12. Processing and raising of plantation crops, tea, rubber, coffee, coconuts, etc.

13. Gas based Intermediate Products Industry manufacturing or producing-

(i) Gas exploration and production;

(ii) Gas distribution and bottling;

(iii) Power generation;

(iv) Plastics;

(v) Yarn raw materials;

(vi) Fertilizers;

(vii) Methanol;

(viii) Formaldehyde and FR resin melamine and MF resin;

(ix) Methylamine, Hexamethylene tetramine, Ammonium bi-carbonate;

(x) Nitric Acid and Ammonium Nitrate;

(xi) Carbon black;

(xii) Polymer chips.

14. Agro forestry based industry.

15. Horticulture industry.

16. Mineral based industry.

17. Floriculture industry.

18. Agro based industry.

PART B

For the State of Sikki m

S.No.	Activity or article or thing or operation

PART C

For the State of Himachal Pradesh and the State of Uttarancha l

1.	Eco-Tourism including Hotels, Resorts, Spa, Amusement Parks and Ropeways.
2.	Handicrafts and handlooms.
3.	Wool and silk reeling, weaving and processing, printing, etc.
4.	Floriculture.
5.	Precision Engineering including watch making.
6.	Electronics including computronics hardware and software and Information Technology (IT) related industries.
7.	Food processing including Agro-based industries. Processing, preservation and packaging of fruits and vegetables (excluding conventional grinding/ extraction units).
8.	Medicinal and aromatic Herbs-Plantation and Processing.

9.	Raising and processing of plantation crops i.e., tea, oranges and cardamom.
10.	Mineral based industry.
11.	Pharma products.
12.	Honey.
13.	Biotechnology.

Sl. No.	Activity or article or thing or operation	4/6 digit excise classification	Sub-class under NIC classification on 1998	ITC (HS) classification 4/6 digit
1.	Floriculture	_	_	0603 or
				060120 or
				06029020 or
				06024000
2.	Medicinal herbs and aromatic herbs, etc., processing	-	-	
3.	Honey	-	-	040900
4.	Horticulture and agro based industries such as			
	(a) Sauces, ketchup, etc.	21.03	15135 to	
			15137 and	
			15139	
	(b) Fruit juices and fruit pulp	2202.40		

	(c) Jams, jellies, vegetable juices, puree, pickles, etc.	20.01		
	(d) Preserved fruits and vegetables			
	(e) Processing of fresh fruits and vegetables including packaging			
	(f) Processing, preservation, packaging of mushrooms			
5.	Food Processing Industry excluding those included in the Thirteenth Schedule	19.01 to 19.04		
6.	Sugar and its by-products	-	-	17019100
7.	Silk and silk- products .	50.04		
		50.05	17116	
" 8.	Wool and wool products	51.01 to 51.12	17117	
9.	Woven fabrics (Excisable garments)	-	-	6101 to 6117
10.	Sports goods and articles and equipment for general physical exercise and equipment for adventure sports/activities, tourism. (to be specified, by notification, by the Central Government)	9506.00		

11.	Paper and paper products excluding those in the Thirteenth Schedule (as per excise classification)			
12.	Pharma products	30.03 to 30.05		
13.	Information and Communication Technology Industry, Computer hardware, Call Centres	84.71	30006/7	
14.	Bottling of mineral water	2201		
15.	Eco-tourism including hotels, resorts, spa, entertainment/amusement parks and ropeways		55101	
16.	Industrial gases (based on atmospheric fraction)			
17.	Handicrafts			
18.	Non-timber forest product based industries".			

Wealth-tax

Section 100 - Amendment of section 17 of Act 27 of 1957

Wealth-tax

In section 17 of the Wealth-tax Act, 1957, in sub-section (1), the words "not being less than thirty days," shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1989.

Section 101 - Amendment of section 16 of Act 18 of 1958

Gift-tax

In section 16 of the Gift-tax Act, 1958, in sub-section (1), the words "not being less than thirty days," shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1989.

Section 102 to 103 - Expenditure-tax

Section 102 - 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 "incurred in a hotel", the words, figures and letters "incurred before the 1st day of June, 2003 in a hotel" shall be substituted with effect from the 1st day of June, 2003.

Section 103 - Amendment of section 4

In the Expenditure-tax Act, in section 4, in clause (a), after the words "the commencement of this Act", the words, figures and letters "but not after the 31st day of May, 2003" shall be inserted with effect from the 1st day of June, 2003.