Finance Act, 2003

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.'.