

Finance Act, 2002

Section 21 - SUBSTITUTION OF NEW SECTION FOR SECTION 43-A -ForSection 43-A-of the Income Tax Act, the following section shall be

as compared to the liability existing at the time of acquisition of the asset) at the time of making payment- (a) towards the whole or a part of the cost of the asset; or (b) towards repayment of the whole or a part of the moneys borrowed by him from any person, directly or indirectly, in any foreign currency specifically for the purpose of acquiring the asset along with interest, if any, the amount by which the liability as aforesaid is so increased or reduced during such previous year and which is taken into account at the time of making the payment, irrespective of the method of accounting adopted by the assessee, shall be added to, or, as the case may be, deducted from- (i) the actual cost of the asset as defined in clause (1) ofSection 43-; or (ii) the amount of expenditure of a capital nature referred to in clause (;v) of sub-section (1) ofSection 35-; or (iii) the amount of expenditure of a capital nature referred to inSection 35-A-; or (iv) the amount of expenditure of a capital nature referred to in clause (ix) of sub-section (1) ofSection 36-; or (v) the cost of acquisition of a capital asset (not being a capital asset referred to inSection 50-) for the purposes ofSection 48-, and the amount arrived at after such addition or deduction shall be taken to be the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset as aforesaid : Provided that where an addition to or deduction from the actual cost or expenditure or cost of acquisition has been made under this section, as it stood immediately before its substitution by the Finance Act, 2002, on account of an increase or reduction in the liability as aforesaid, the amount to be added to, or, as the case may be, deducted under this section from, the actual cost or expenditure or cost of acquisition at the time of making the payment shall be so adjusted that the total amount added to, or, as the case may be, deducted from, the actual cost or expenditure or cost of acquisition, is equal to the increase or reduction in the aforesaid liability taken into account at the time of making payment. Explanation 1.-In this section, unless the context otherwise requires,- (a) "rate of exchange" means the rate of exchange determined or recognised by the Central Government for the conversion of Indian currency into foreign currency or foreign currency into Indian currency; (b) "foreign currency" and "Indian currency" have the meanings respectively assigned to them inSection 2 of the Foreign Exchange Management Act, 1999-(42 of 1999). Explanation 2.-Where the whole or any part of the liability aforesaid is met, not by the assessee, but, directly or indirectly, by any other person or authority, the liability so met shall not be taken into account for the purposes of this section. Explanation 3.-Where the assessee has entered into a contract with an authorised dealer as defined inSection 2 of the Foreign Exchange Management Act, 1999-(42 of 1999), for providing him with a specified sum in a foreign currency on or after a stipulated future date at the rate of exchange specified in the contract to enable him to meet the whole or any part of the liability aforesaid, the amount, if any, to be added to, or deducted from, the actual cost of the asset or the amount of expenditure of a capital nature or, as the case may be, the cost of acquisition of the capital asset under this section shall, in respect of so much of the sum specified in the contract as is available for discharging the liability aforesaid, be computed with reference to the rate of exchange specified therein.'