

Finance Act,1990

Chapter III - Direct Taxes

In section 2 of the Income-tax Act, -

(i) in clause (24), -

'(a) existing sub-clause (va) shall be renumbered as sub-clause (vd) and before sub-clause (vd) as so renumbered, the following sub-clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely :-

"(va) any sum chargeable to income-tax under clause (iiia) of section 28;"

(b) after sub-clause (va), the following sub-clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1967, namely :-

"(vb) any sum chargeable to income-tax under clause (iiib) of section 28;"

(c) after sub-clause (vb), the following sub-clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1972, namely :-

"(vc) any sum chargeable to income-tax under clause (iiic) of section 28;"

(ii) in clause (40), for the word and figures "section 143", the words, brackets and figures "sub-section (3) of section 143" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1989;

(iii) clause (42C) [as inserted by clause (ii) of section 2 of the Direct Tax Laws (Second Amendment) Act, 1989 (36 of 1989)] shall be omitted.

Section 4 - Amendment Of Section 6

In section 6 of the Income-tax Act, in clause (1), in sub-clause (c), in the Explanation, in clause (a), after the words "previous year", the words, brackets and figures "as a member of the crew of an Indian ship as defined in clause (18) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958) or" shall be inserted.

Section 5 - Amendment Of Section 10

In section 10 of the Income-tax Act, in clause (15), -

(i) in sub-clause (iv), in item (i), after the words "State Government", the words "or a public sector company" shall be inserted with effect from the 1st day of April, 1991;

(ii) after sub-clause (iv), the following sub-clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1989, namely :-

"(v) interest on securities held by the Registrar, Supreme Court, in Reserve Bank's SGL Account No. SL/DH 048;"

Section 6 - Amendment Of Section 28

In section 28 of the Income-tax Act, -

(a) after clause (iii), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely :-

"(iiia) profits on sale of a licence granted under the Imports (Control) Order, 1955, made under the Imports and Exports (Control) Act, 1947 (18 of 1947);";

(b) after clause (iiia), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1967, namely :-

"(iiib) cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of the Government of India;"

(c) after clause (iib), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1972, namely :-

"(iic) any duty of customs or excise re-paid or re-payable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971;"

Section 7 - Amendment Of Section 32A

In section 32A of the Income-tax Act, -

(i) in sub-section (4), in clause (ii), in the opening portion, for the words "the previous year in respect of which the deduction is to be allowed", the words, brackets and figure "any previous year in respect of which the deduction is to be allowed under sub-section (3) or any earlier previous year (being a previous year not earlier than the year in which the ship or aircraft was acquired or the machinery or plant was installed or the ship, aircraft, machinery or plant was first put to use)" shall be substituted and shall be deemed to have substituted with effect from the 1st day of April, 1976;

(ii) sub-section (9) shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1976.

Section 8 - Amendment Of Section 32AB

In section 32AB of the Income-tax Act, in sub-section (1), after the first proviso, the following proviso shall be inserted, namely :-

"Provided further that no such deduction shall be allowed in relation to the assessment year commencing on the 1st day of April, 1991, or any subsequent assessment year."

Section 9 - Amendment Of Section 33A

In section 33A of the Income-tax Act, in sub-section (1), for the proviso, the following provisos shall be substituted, namely :-

"Provided that no deduction under clause (i) shall be allowed unless the planting has commenced after the 31st day of March, 1965, and been completed before the 1st day of April, 1990 :

Provided further that no deduction shall be allowed under clause (ii) unless the planting has commenced after the 31st day of March, 1965, and been completed before the 1st day of April, 1970."

Section 10 - Substitution Of New Section For Section 33AB

For section 33AB of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1991, namely :-

'33AB. Tea Development Account. -

(1) Where an assessee carrying on business of growing and manufacturing tea in India has, before the expiry of six months from the end of the previous year or before furnishing the return of his income, whichever is earlier, deposited with the National Bank any amount or amounts in an account (hereafter in this section referred to as the special account) maintained by the assessee with that Bank in accordance with, and for the purposes specified in, a scheme (hereafter in this section referred to as the scheme) approved in this behalf by the Tea Board, the assessee shall, subject to the provisions of this section, be allowed a deduction (such deduction being allowed before the loss, if any, brought forward from earlier years is set off under section 72) of -

(a) a sum equal to the amount or the aggregate of the amounts so deposited; or

(b) a sum equal to twenty per cent. of the profits of such business (computed under the head "Profits and gains of business or profession" before making any deduction under this section),

whichever is less :

Provided that where such assessee is a firm, or any association of persons or any body of individuals, the deduction under this section shall not be allowed in the computation of the income any partner, or as the case may be, any member of such firm, association of persons or body of individuals :

Provided further that where any deduction, in respect of any amount deposited in the special account, has been allowed under this sub-section in any previous year, no deduction shall be allowed in respect of such amount in

any other previous year.

(2) The deduction under sub-section (1) shall not be admissible unless the accounts of such business of the assessee for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the Explanation below sub-section (2) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant :

Provided that in a case where the assessee is required by or under any other law to get his accounts audited, it shall be sufficient compliance with the provisions of this sub-section if such assessee gets the accounts of such business audited under such law and furnishes the report of the audit as required under such other law a further report in the form prescribed under this sub-section.

(3) Any amount standing to the credit of the assessee in the special account shall not be allowed to be withdrawn except for the purposes specified in the scheme or in the circumstances specified below :-

- (a) closure of business;
- (b) death of an assessee;
- (c) partition of a Hindu undivided family;
- (d) dissolution of a firm;
- (e) liquidation of a company.

(4) Notwithstanding anything contained in sub-section (3), no deduction under sub-section (1) shall be allowed in respect of any amount 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.

(5) Where any amount, standing to the credit of the assessee in the special account, is withdrawn during any previous year by the assessee in the circumstance specified in clause (a) or clause (d) of sub-section (3), the whole of such amount shall be deemed to be the profits and gains of business or profession of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year, as if the business had not closed or, as the case may be, the firm had not been dissolved.

(6) Where any amount standing to the credit of the assessee in the special account is utilised by the assessee of the purposes of any expenditure in connection with such business in accordance with the scheme, such expenditure shall not be allowed in computing the income chargeable under the head "Profits and gains of business or profession".

(7) Where any amount, standing to the credit of the assessee in the special account, which is released during any previous year by the National Bank for being utilised by the assessee for the purposes of such business in accordance with the scheme is not so utilised, either wholly or in part, within that previous year, the whole of such amount or, as the case may be, part thereof which is not so utilised shall be deemed to be profits and gains of business and accordingly chargeable to income-tax as the income of that previous year :

Provided that this sub-section shall not apply in a case where such amount is released during any previous year at the closure of the account in circumstances specified in clauses (b), (c) and (e) of sub-section (3).

(8) Where any asset acquired in accordance with the scheme is sold or otherwise transferred in any previous year by the assessee to any person at any time before the expiry of eight years from the end of the previous year in which it was acquired, such part of the cost of such asset as is relatable to the deduction allowed under sub-section (1) shall be deemed to be the profits and gains of business or profession of the previous year in which the asset is sold or otherwise transferred and shall accordingly be chargeable to income-tax as the income of that previous year :

Provided that nothing in this sub-section shall apply -

(i) where the asset is sold or otherwise transferred by the assessee to Government, a local authority, a corporation established by or under a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956); or

(ii) where the sale or transfer of the asset is made in connection with the succession of a firm by a company in the business or profession carried on by the firm as a result of which the firm sells or otherwise transfers to the company any asset and the scheme continues to apply to the company in the manner applicable to the firm.

Explanation : The provisions of clause (ii) of the proviso shall apply only where -

(i) all the properties of the firm relating to the business or profession immediately before the succession become the properties of the company;

(ii) all the liabilities of the firm relating to the business or profession immediately before the succession become the liabilities of the company; and

(iii) all the shareholders of the company were partners of the firm immediately before the succession.

(9) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, direct that the deduction allowable under this section shall not be allowed after such date as may be specified therein.

Explanation : In this section, -

(a) "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).

(b) "Tea Board" means the Tea Board established under section 4 of the Tea Act, 1953 (29 of 1953)'.

Section 11 - Amendment Of Section 34

In section 34 of the Income-tax Act, in sub-section (3), in clause (a), -

(i) for the words "the relevant previous year", the words, brackets and figure "any previous year in respect of which the deduction is to be allowed under sub-section (2) of that section or any earlier previous year (being a previous year not earlier than the year in which the ship was acquired or the machinery or plant was installed or the ship, machinery or plant was first put to use)" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1962;

(ii) the Explanation shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1962.

Section 12 - Amendment Of Section 35CCB

In section 35CCB of the Income-tax Act, with effect from the 1st day of April, 1991,

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

"(1) Where an assessee incurs any expenditure by way of payment of any sum -

(a) to an association or institution, which has as its object the undertaking of any programme of conservation of natural resources or of afforestation, to be used for carrying out any programme of conservation of natural resources or afforestation approved by the prescribed authority; or

(b) to such fund for afforestation as may be notified by the Central Government,

the assessee shall, subject to the provisions of sub-section (2), be allowed a deduction of the amount of such expenditure incurred during the previous year.";

(ii) in sub-section (2), in the opening portion, after the words "deduction under", the words, brackets and letter "clause (a) of" shall be inserted.

Section 13 - Amendment Of Section 43B

In section 43B of the Income-tax Act, with effect from the 1st day of April, 1991, -

(a) in clause (d), after the words "any public financial institution", the words "or a State financial corporation or a State industrial investment corporation" shall be inserted;

(b) for Explanation 4, the following Explanation shall be substituted, namely :-

'Explanation 4 : For the purposes of this section, -

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

(b) "State financial corporation" means a financial corporation established under section 3 or section 3A or an institution notified under section 46 of the State Financial Corporations Act, 1951 (63 of 1951);

(c) "State industrial investment corporation" means a Government company within the meaning of section 617 of the Companies Act, 1956 (1 of 1956), engaged in the business of providing long-term finance for industrial projects and approved by the Central Government under clause (viii) of sub-section (1) of section 36.'

Section 14 - Amendment Of Section 44AC

In section 44AC of the Income-tax Act, with effect from the 1st day of April, 1991, -

(a) in sub-section (1), in clause (a), the following Explanation shall be inserted at the end, namely :-

'Explanation : For the purposes of this clause, "purchase price" means any amount (by whatever name called) paid or payable by the buyer to obtain the goods referred to in this clause, but shall not include the amount paid or payable by him towards the bid money in an auction, or, as the case may be, the highest accepted offer in case of tender or any other mode;'

(b) in the Explanation, after the word "firm", the words "or co-operative society" shall be inserted.

Section 15 - Amendment Of Section 45

In section 45 of the Income-tax Act, after sub-section (5) and the Explanation thereto, the following sub-section shall be inserted with effect from the 1st day of April, 1991, namely :-

'(6) Notwithstanding anything contained in sub-section (1), the difference between the repurchase price of the units referred to in sub-section (2) of section 80CCB and the capital value of such units shall be deemed to be the capital gains arising to the assessee in the previous year in which such repurchase takes place or the plan referred to in that section is terminated and shall be taxed accordingly.

Explanation : For the purposes of this sub-section, "capital value of such units" means any amount invested by the assessee in the units referred to in sub-section (2) of section 80CCB.'

Section 16 - Amendment Of Section 80CCA

In section 80CCA of the Income-tax Act, with effect from the 1st day of April, 1991, -

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

'Provided that in relation to -

(a) the assessment years commencing on the 1st day of April, 1989 and the 1st day of April, 1990, this sub-section shall have effect as if for the words "twenty thousand rupees", the words "thirty thousand rupees" had been substituted;

(b) the assessment year commencing on the 1st day of April, 1991 and subsequent assessment years, this sub-section shall have effect as if for the words "twenty thousand rupees", the words "forty thousand rupees" had been substituted.;

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

"(3) Notwithstanding anything contained in any other provision of this Act, where a partition has taken place among the members of a Hindu undivided family or where an association of persons has been dissolved after a deduction has been allowed under sub-section (1), the provisions of sub-section (2) shall apply as if the person in receipt of income referred to therein is the assessee."

Section 17 - Insertion Of New Section 80CCB

After section 80CCA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1991, namely :-

"80CCB. Deduction in respect of investment made under Equity Linked Savings Scheme. -

(1) Where an assessee, being -

(a) an individual, or

(b) a Hindu undivided family, or

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

has acquired in the previous year, out of his income chargeable to tax, units of any Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf (hereafter in this section referred to as the Equity Linked Savings Scheme), he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income of so much of the amount invested as does not exceed the amount of ten thousand rupees in the previous year.

(2) Where any amount invested by the assessee in the units issued under a plan formulated under the Equity Linked Savings Scheme in respect of which a deduction has been allowed under sub-section (1) is returned to him in whole or in part either by way of repurchase of such units or on the termination of the plan, by the Fund or the Trust, as the case may be, in any previous year, it shall be deemed to be the income of the assessee of that previous year and chargeable to tax accordingly.

(3) Notwithstanding anything contained in any other provision of this Act, where a partition has taken place among the members of a Hindu undivided family or where an association of persons has been dissolved after a deduction has been allowed under sub-section (1), the provisions of sub-section (2) shall apply as if the person in receipt of income referred to therein is the assessee."

Section 18 - Insertion Of New Section 80DD

In the Income-tax Act, after section 80D, the following section shall be inserted with effect from the 1st day of April, 1991, namely :-

'80DD. Deduction in respect of medical treatment, etc., of handicapped dependants. -

(1) Where an assessee who is resident in India, being an individual or a Hindu undivided family has, during the previous year, incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a person who -

(a) is a relative of the individual or, as the case may be, is a member of the Hindu undivided family and is not dependent on any person other than such individual or Hindu undivided family for his support or maintenance, and

(b) is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, being a permanent physical disability or mental retardation specified in the rules made in this behalf by the Board, which is certified by a physician, a surgeon, an oculist or a psychiatrist, as the case may be, working in a Government hospital, and which has the effect of reducing considerably such person's capacity for normal work or engaging in a gainful employment or occupation,

the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of a sum of six thousand rupees in respect of the previous year.

(2) Nothing contained in this section shall apply in a case, where the assessee's total income in respect of the previous year as computed before making any deduction under this section exceeds one lakh rupees.

Explanation : For the purposes of this section, the expression "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.'

Section 19 - Amendment Of Section 80GGA

In section 80GGA of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 1991, -

(i) in clause (c), after the words "natural resources", at both the places where they occur, the words "or of afforestation" shall be inserted;

(ii) after clause (c), the following clause shall be inserted, namely :-

"(cc) any sum paid by the assessee in the previous year to such fund for afforestation as is notified by the Central Government under clause (b) of sub-section (1) of section 35CCB;"

Section 20 - Amendment Of Section 80HH

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

(a) in sub-section (2), in clause (i), after the words, figures and letters "the 31st day of December, 1970", the words, figures and letters "but before the 1st day of April, 1990" shall be inserted;

(b) in sub-section (3), in clause (i), after the words, figures and letters "the 31st day of December, 1970", the words, figures and letters "but before the 1st day of April, 1990" shall be inserted.

Section 21 - Amendment Of Section 80HHA

In section 80HHA of the Income-tax Act, in sub-section (2), in clause (i), after the words, figures and letters "the 30th day of September, 1977", the words, figures and letters "but before the 1st day of April, 1990" shall be inserted.

Section 22 - Amendment Of Section 80HHC

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

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

(i) for the word "receivable", the words "received in, or brought into, India" shall be substituted with effect from the 1st day of April, 1991;

(ii) after the word "assessee", the brackets and words "(other than the supporting manufacturer)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1989;

(iii) after the words "convertible foreign exchange", the words and brackets, "within a period of six months from the end of the previous year or, where the Chief Commissioner or Commissioner is satisfied (for reasons to be recorded in writing) that the assessee is, for reasons beyond his control, unable to do so within the said period of six months, within such further period as the Chief Commissioner or Commissioner may allow in this behalf" shall be inserted with effect from the 1st day of April, 1991;

(b) for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 1991, namely :-

'(3) For the purposes of sub-section (1), profits derived from the export of goods or merchandise out of India shall be the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession"), the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.;

(c) in the Explanation, with effect from the 1st day of April, 1991, -

(i) in clause (b), -

(1) for the word "receivable", the words ", received in, or brought into, India" shall be substituted;

(2) after the words "foreign exchange", the words, brackets and figure "in accordance with clause (a) of sub-section (2)" shall be inserted;

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

'(bb) "total turnover" shall not include any sum referred to in clauses (iiia), (iiib) and (iiic) of section 28;';

(iii) in clause (d), for the words "manufacturing goods", the words and brackets "manufacturing (including processing) goods" shall be substituted.

Section 23 - Amendment Of Section 80HHD

In section 80HHD of the Income-tax Act, with effect from the 1st day of April, 1991, -

(a) in sub-section (2), for the words "by the assessee in convertible foreign exchange", the words and brackets "in, or brought into, India by the assessee in convertible foreign exchange within a period of six months from the end of the previous year or, where the Chief Commissioner or Commissioner is satisfied (for reasons to be recorded in writing) that the assessee is, for reasons beyond his control, unable to do so within the said period of six months, within such further period as the Chief Commissioner or Commissioner may allow in this behalf" shall be substituted;

(b) for sub-section (3), the following sub-section shall be substituted, namely :-

'(3) For the purposes of sub-section (1), profits derived from services provided to foreign tourists shall be the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession") the same proportion as the receipts specified in sub-section (2) bear to the total receipts of the business carried on by the assessee.'

Section 24 - Amendment Of Section 80-I

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

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

'(1A) Notwithstanding anything contained in sub-section (1), in relation to any profits and gains derived by an

assessee from -

(i) an industrial undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants; or

(ii) a ship which is first brought into use; or

(iii) the business of a hotel which starts functioning,

on or after the 1st day of April, 1990, 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 of an amount equal to twenty-five per cent. thereof :

Provided that in the case of an assessee, being a company, the provisions of this sub-section shall have effect in relation to profits and gains derived from an industrial undertaking or a ship or the business of a hotel as if for the words "twenty-five per cent.", the words "thirty per cent." had been substituted.;

(b) in sub-section (2), in clause (iii), for the words "nine years", the words "fourteen years" shall be substituted;

(c) in sub-section (3), in clause (iii), for the words "nine years", the words "fourteen years" shall be substituted;

(d) in sub-section (4), in clause (iv), for the words, figures and letters "before the 1st day of April, 1990", the words, figures and letters "before the 1st day of April, 1995" shall be substituted;

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

'Provided also that in the case of -

(i) an industrial undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants; or

(ii) a ship which is first brought into use; or

(iii) the business of a hotel which starts functioning,

on or after the 1st day of April, 1990, provisions of this sub-section shall have effect as if for the words "seven assessment years", the words "nine assessment years" had been substituted :

Provided also that in the case of an assessee, being a co-operative society, deriving profits and gains from an industrial undertaking or a ship or a hotel referred to in the third proviso, the provisions of that proviso shall have effect as if for the words "nine assessment years", the words "eleven assessment years" had been substituted.'

Section 25 - Amendment Of Section 80L

In section 80L of the Income-tax Act, in sub-section (1), the following Explanation shall be inserted at the end, namely :-

'Explanation : For the purposes of this sub-section, the expression "security" means a Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944).'

Section 26 - Substitution Of New Section For Section 80M

For section 80M of the Income-tax Act, the following section shall be substituted, with effect from the 1st day of April, 1991, namely :-

80M. Deduction in respect of certain inter-corporate dividends. -

(1) Where the gross total income of a domestic company, in any previous year, includes any income by way of dividends from another domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of such domestic company, a deduction of an amount equal to, -

(i) in the case of a scheduled bank or a public financial institution or a State financial corporation or a State industrial investment corporation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956), sixty per cent. of the income by way of dividends from another domestic company;

(ii) in the case of any other domestic companies, so much of the amount of income by way of dividends from another domestic company as does not exceed the amount of dividend distributed by the first-mentioned domestic company on or before the due date.

(2) Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under clause (ii) of sub-section (1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

(3) Where the dividend distributed is in respect of any period comprised in the previous year ending on the 31st day of March, 1990, no deduction shall be allowed in respect of such dividend.

Explanation : For the purposes of this section, the expressions -

(i) "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), 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), or any other bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934) and which is a

domestic company;

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

(iii) "State financial corporation" and "State industrial investment corporation" shall have the same meanings as in section 43B;

(iv) "due date" means the date for furnishing the return of income under sub-section (1) of section 139.!

Section 27 - Amendment Of Section 80R

In section 80R of the Income-tax Act, with effect from the 1st day of April, 1991, -

(a) for the words "allowed a deduction from such remuneration of an amount equal to fifty per cent. thereof, in computing the total income of the individuals :", the words and figures "allowed, in computing the total income of the individual, a deduction from such remuneration of an amount equal to, -

(i) fifty per cent. of the remuneration; or

(ii) seventy-five per cent. of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made thereunder,

which is higher." shall be substituted;

(b) the proviso shall be omitted.

Section 28 - Amendment Of Section 80RR

In section 80RR of the Income-tax Act, for the words and figures "and such income is received in, or brought into, India by him or on his behalf in accordance with the Foreign Exchange Regulation Act, 1947 (7 of 1947), and any rules made thereunder, there shall be allowed a deduction from such income of an amount equal to twenty-five per cent. of the income so received or brought, in computing the total income of the individual", the words and figures "there shall be allowed, in computing the total income of the individual, a deduction from such income of an amount equal to, -

(i) fifty per cent. of the income; or

(ii) seventy-five per cent. of such income as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any rules made thereunder,

whichever is higher" shall be substituted with effect from the 1st day of April, 1991.

Section 29 - Amendment Of Section 80RRA

In section 80RRA of the Income-tax Act, in sub-section (1), the proviso shall be omitted with effect from the 1st day of April, 1991.

Section 30 - Amendment Of Chapter VIII

In the Income-tax Act, in Chapter VIII, with effect from the 1st day of April, 1991, -

(a) for the heading, the following heading shall be substituted, namely :-

"REBATES AND RELIEFS";

(b) before section 89, the following sub-headings and sections shall be inserted, namely :-

'A. - Rebate of income-tax

87. Rebate to be allowed in computing income-tax. -

(1) In computing the amount of income-tax on the total income of an assessee with which he is chargeable for any assessment year, there shall be allowed from the amount of income-tax (as computed before allowing the deductions under this Chapter), in accordance with and subject to the provisions of sections 88 and 88A, the deductions specified in those sections.

(2) The aggregate amount of the deductions under section 88 or section 88A shall not, in any case, exceed the amount of income-tax (as computed before allowing the deductions under this Chapter) on the total income of the assessee with which he is chargeable for any assessment year.

88. Rebate on life insurance premia, contribution to provident fund, etc. -

(1) Subject to the provisions of this section, an assessee, being -

(a) an individual, or

(b) a Hindu undivided family, or

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

shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to twenty per cent. of the aggregate of sums referred to in sub-section (2).

(2) The sums referred to in sub-section (1) shall be any sums paid or deposited in the previous year by the assessee out of his income chargeable to tax -

(i) to effect or to keep in force an insurance on the life of persons specified in sub-section (4);

(ii) to effect or to keep in force a contract for a deferred annuity, not being an annuity plan referred to in clause (ii) of sub-section (1) of section 80CCA, on the life of persons specified in sub-section (4) :

Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(iii) by way of deduction from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(iv) as a contribution by an individual to any provident fund to which the Provident Funds Act, 1925 (19 of 1925), applies;

(v) as a contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of any person specified in sub-section (4);

(vi) as a contribution by an employee to a recognised provident fund;

(vii) as a contribution by an employee to an approved superannuation fund;

(viii) is a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time, where such sums are deposited in an account standing in the name of the persons specified in sub-section (4);

(ix) As subscription to any such security of the Central Government as that Government may, by notification in the Official Gazette, specify in this behalf;

(x) as subscription to the National Savings Certificates (VI Issue) and National Savings Certificates (VII Issue) issued under the Government Savings Certificates Act, 1959 (46 of 1959);

(xi) as subscription to any such savings certificate as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xii) as a contribution, by any person specified in sub-section (4), for participation in the Unit-linked Insurance Plan, 1971 (hereafter in this section referred to as the Unit-linked Insurance Plan) deemed to have been made under sub-clause (a) of clause (8) of section 19 of the Unit Trust of India Act, 1963 (52 of 1963);

(xiii) as a contribution by an individual for participation in any such unit-linked insurance plan of the LIC Mutual Fund notified under clause (23D) of section 10, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xiv) as subscription to any such deposit scheme of the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987) (hereafter in this section referred to as the National Housing Bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(xv) for the purposes of purchase or construction of a residential house property the construction of which is completed after the 31st day of March, 1987, and the income from which is chargeable to tax under the head "Income from house property" (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of -

(a) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

(b) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or

(c) repayment of the amount borrowed by the assessee from -

(1) the Central Government or any State Government, or

(2) any bank, including a co-operative bank, or

(3) the Life Insurance Corporation, or

(4) the National Housing Bank, or

(5) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is approved for the purposes of clause (viii) of sub-section (1) of section 36, or

(6) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or

(7) the assessee's employer where such employer is a public company or a public sector company or a university established by law or a college affiliated to such university or a local authority;

(d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,

but shall not include any payment towards or by way of -

(A) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

(B) the cost of the land, except where the consideration for purchase of the house property is a composite amount and the cost of the land alone cannot be separately ascertained; or

(C) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or

(D) any expenditure in respect of which deduction is allowable under the provisions of section 24.

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

Explanation : In calculating any such 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.

(4) The persons referred to in sub-section (2) shall be the following, namely :-

(a) for the purposes of clause (i) of that sub-section, -

(i) in the case of an individual, the individual, the wife or husband and any child of such individual, and

(ii) in any other case, any member of the Hindu undivided family or association of persons or body of individuals and any child of any of the members of such association or body;

(b) for the purposes of clause (ii) of that sub-section, -

(i) in the case of an individual, the individual, the wife or husband and any child of such individual, and

(ii) in the case of an association of persons or body of individuals, any member and any child of any of the members of such association or body;

(c) for the purposes of clauses (v) and (viii) of that sub-section, -

(i) in the case of an individual, such individual or a minor of whom he is the guardian;

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

(iii) in the case of an association of persons or body of individuals, such association or body;

(d) for the purposes of clause (xii) of that sub-section, -

(i) in the case of an individual, such individual;

(ii) in the case of an association of persons or body of individuals, any one member of such association or body.

(5) Where the aggregate of any sums specified in clause (xv) of sub-section (2) exceeds an amount of ten thousand rupees, a deduction under sub-section (1) shall be allowed with reference to so much of the aggregate as does not exceed an amount of ten thousand rupees.

(6) The deduction from the amount of income-tax under sub-section (1) shall not exceed -

(i) in the case of an individual, being an author, playwright, artist, musician, actor or sportsman (including an athlete), fourteen thousand rupees;

(ii) in any other case, ten thousand rupees.

(7) Where, in any previous year, an assessee -

(i) terminates his contract of insurance referred to in clause (i) of sub-section (2), by notice to that effect or where the contract ceases to be in force by reason of failure to pay any premium, by not reviving contract of insurance, before premiums have been paid for two years; or

(ii) terminates his participation in any unit-linked insurance plan referred to in clause (xii) or clause (xiii) of sub-section (2), by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation, before contributions in respect of such participation have been paid for five

years; or

(iii) transfers the house property referred to in clause (xv) of sub-section (2) before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sum specified in that clause,

then, -

(a) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums, referred to in clauses (i), (xii), (xiii) and (xv) of sub-section (2), paid in such previous year; and

(b) the aggregate amount of the deductions of income-tax so allowed in respect of the previous year or years preceding such previous year, shall be deemed to be tax payable by the assessee in the assessment year relevant to such previous year and shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year.

(8) In this section, -

(i) "contribution" to any fund shall not include any sums in repayment of loan;

(ii) "insurance" shall include -

(a) a policy of insurance on the life of an individual or the spouse or the child of such individual or a member of a Hindu undivided family securing the payment of specified sum on the stipulated date of maturity, if such person is alive on such date notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the event of such person dying before the said stipulated date;

(b) a policy of insurance effected by an individual or a member of a Hindu undivided family for the benefit of a minor with the object of enabling the minor, after he has attained majority to secure insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;

(iii) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956);

(iv) "public company" shall have the same meaning as in section 3 of the Companies Act, 1956 (1 of 1956);

(v) "security" means a Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944);

(vi) "transfer" shall be deemed to include also the transactions referred to in clause (f) of section 269UA.

88A. Rebate in respect of investment in certain new shares or units. -

(1) Where an assessee being -

(a) an individual; or

(b) a Hindu undivided family; or

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

has acquired, in the previous year, out of his income chargeable to tax, -

(i) equity shares forming part of any eligible issue of capital; or

(ii) units issued under any scheme of any Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India, established under section 3 of the Unit Trust of India Act, 1963 (52 of 1963), if the amount of subscription to such units is subscribed, within a period of six months from the close of subscription under such scheme, only to eligible issue of capital,

he shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to twenty per cent. of the cost of such shares or units to such assessee :

Provided that the amount of subscription to such units may be subscribed, for a period not exceeding six months from the close of subscription under any scheme referred to in clause (ii) in such securities of the Central Government, as may be approved by the Board in this behalf :

Provided further that no deduction shall be allowed in respect of units issued under any scheme referred to in clause (ii) where the subscription under such scheme closes after the 30th day of September, 1990.

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

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

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

(a) the issue is made by a public company formed and registered in India and the issue is wholly and exclusively for the purposes of carrying on the business of -

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

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

Provided that in the case of a public company carrying on the business referred to in this sub-clause, such company is approved by the Central Government for the purposes of this section; or

(iii) a hospital; or

(iv) a hotel approved by the prescribed authority; or

(v) operation of ships;

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

Provided that this clause shall not apply in the case of an issue of equity shares made by a public company formed and registered in India with the main object of carrying on the business of operation of ships;

(c) the shares forming part of the issue are offered for subscription to the public and such offer for subscription is made by the company before the 1st day of April, 1991;

(d) such other conditions as may be prescribed :

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

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

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

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

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

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

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

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

(5) If any equity shares or units, with reference to the cost of which a deduction is allowed under sub-section (1), are sold or otherwise transferred by the assessee to any person at any time within a period of three years from the date of their acquisition, the aggregate amount of the deductions of income-tax so allowed in respect of such equity shares or units in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be tax payable by the assessee for the assessment year relevant to such previous year and shall be added to the amount of income-tax on the total income of the assessee with which he is chargeable for such assessment year.

Explanation : A person shall be treated as having acquired any shares or units on the date on which his name is entered in relation to those shares or units in the register of members of the company or in the relevant records of any Mutual Fund or Unit Trust of India, referred to in sub-section (1).

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

B. - Relief for income-tax'