

Finance Act, 1985

Section 10 - Amendment of Section 36

In section 36 of the Income-tax Act, -

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

(i) to clause (vii), the following proviso shall be added, namely :-

"Provided that in the case of a bank to which clause (viia) applies, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under that clause;"

(ii) in clause (viia), -

(1) for the portion beginning with the words "in respect of any provision" and ending with the words "in the prescribed manner.", the following shall be substituted, namely :-

"in respect of any provision for bad and doubtful debts made by a scheduled bank [not being a bank approved by the Central Government for the purposes of clause (viiia) or a bank incorporated by or under the laws of a country out-side India] or a non-scheduled bank, an amount not exceeding ten per cent. of the total income (computed before making any deduction under this clause and Chapter VIA) or an amount not exceeding two per cent. of the aggregate average advances made by the rural branches of such bank, computed in the prescribed manner, whichever is higher.";

(2) in the Explanation, in clause (ii), for the words, brackets, letter and figure "at the end of clause (b) of sub-section (2)", the words, brackets, and figures "to clause (iii) of sub-section (5)" shall be substituted;

(iii) in clauses (viii) and (viiia), for the brackets, words, figures and letter "(computed before making any deduction under Chapter VIA)", the brackets, words, figures and letter "(computed before making any deduction under this clause and Chapter VIA)" shall be substituted;

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

"(v) where such debt or part of debt relates to advances made by a bank to which clause (viia) of sub-section (1) applies, no such deduction shall be allowed unless the bank has debited the amount of such debt or part of debt in that previous year to the provision for bad and doubtful debts account made under that clause.".
