

**Finance Act, 1983**

**Section 17 - Amendment of Section 37**

In section 37 of the Income-tax Act, -

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

(i) for clauses (iii) and (iv), the following shall be substituted with effect from the 1st day of April, 1984, namely :-

(iii) on the balance of the	at the rate of
profit and gain	
of the buisness	
of profession	1/8 percent
(computed in the manner aforesaid)	

(ii) the Explanation shall be numbered and shall be deemed to have been numbered with effect from the 1st day of April, 1976 as Explanation 1 and after Explanation 1 as so numbered, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1976, namely :-

'Explanation 2 : For the removal of doubts, it is hereby declared that for the purposes of this sub-section and sub-section (2B), as it stood before the 1st day of April, 1977, "entertainment expenditure" includes expenditure on provision of hospitality of every kind by the assessee to any person, whether by way of provision of food or beverages or in any other manner whatsoever and whether or not such provision is made by reason of any express or implied contract or custom or usage of trade, but does not include expenditure on food or beverages provided by the assessee to his employees in office, factory or other place of their work.';

(b) after sub-section (3), the following sub-sections shall be inserted with effect from the 1st day of April, 1984, namely :-

'(3A) Notwithstanding anything contained in sub-section (1), where the expenditure or, as the case may be, the aggregate expenditure incurred by an assessee on any one or more of the items specified in sub-section (3B) exceeds one hundred thousand rupees, twenty per cent. of such excess shall not be allowed as deduction in computing the income chargeable under the head "Profits and gains of business or profession".

(3B) The expenditure referred to in sub-section (3A) is that incurred on -

- (i) advertisement, publicity an sales promotion; or
- (ii) running and maintenance of aircraft and motor cars; or
- (iii) payments made to hotels.

Explanation : For the purposes of sub-sections (3A) and (3B), -

(a) the expenditure specified in clause (i) to clause (iii) of sub-section (3B) shall be the aggregate amount of expenditure incurred by the assessee as reduced by so much of such expenditure as is not allowed under any other provision of this Act;

(b) expenditure on advertisement, publicity and sales promotion shall not include remuneration paid to employees of the assessee engaged in one or more of the said activities;

(c) expenditure on running and maintenance of aircraft and motor cars shall include, -

- (i) expenditure incurred on chartering any aircraft and expenditure on hire charges for engaging cars plied for hire;
- (ii) conveyance allowance paid to employees and, where the assessee is a company, conveyance allowance paid to its directors also.

(3C) Nothing contained in sub-section (3A) shall apply in respect of expenditure incurred by an assessee, being a domestic company as defined in clause (2) of section 80B, or a person (other than a company), who is resident in India in respect of expenditure incurred wholly and exclusively on -

(i) advertisement, publicity and sales promotion outside India in respect of the goods, services or facilities which the assessee deals in or provides in the course of his business;

(ii) running and maintenance of motor cars in any branch, office or agency maintained outside India for the promotion, of the sale outside India of such goods, services or facilities.

(3D) No disallowance under sub-section (3A) shall be made -

(i) in the case of an assessee engaged in the business of operation of aircraft, in respect of expenditure incurred on running and maintenance of such aircraft;

(ii) in the case of an assessee engaged in the business of running motor cars on hire, in respect of expenditure incurred in running and maintenance of such motor cars.;

(c) after sub-section (4) the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1979, namely :-

"(5) For the removal of doubts, it is hereby declared that any accommodation, by whatever name called, maintained, hired, reserved or otherwise arranged by the assessee for the purpose of providing lodging or boarding and lodging to any person (including any employee or, where the assessee is a company, also may director of, or the holder of any other office in, the company) on tour or visit to the place at which such accommodation is situated, is accommodation in the nature of a guest house within the meaning of sub-section (4)."

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