Finance Act 1970

Section 5 - Amendment of Section 11

In section 11 of the Income-tax Act, -

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

(i) in clause (a), the words "and, where any such income is accumulated for application to such purposes in India, to the extent to which the income so accumulated is not in excess of twenty-five per cent. of the income from the property or rupees ten thousand, whichever is higher;" shall be omitted with effect from the 1st day of April, 1971;

(ii) in clause (b), the words "and where any such income is finally set apart for application to such purposes in India, to the extent to which the income so set apart is not in excess of twenty-five per cent. of the income from the property held under trust in part;" shall be omitted with effect from the 1st day of April, 1971;

(iii) for the Explanation, the following Explanation shall be substituted with effect from the 1st day of April, 1971, namely :-

"Explanation : For the purposes of clauses (a) and (b), if in the previous year, the income applied to charitable or religious purposes in India falls short of the income derived during that year from property held under trust, or, as the case may be, held under trust in part, by any amount, so much of the income applied to such purposes in India during the period of three months immediately following the previous year as does not exceed the said amount may, at the option of the person in receipt of the income [such option to be exercised in writing before the expiry of the time allowed under sub-section (1) or sub-section (2), of Section 139, whether fixed originally or on extension, for furnishing the return of income], be deemed to be income applied to such purposes during the previous year, and the income so deemed to have been applied shall not be taken into account in calculating the amount of income applied to such purposes during the immediately following previous year.";

(b) for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :-

"(2) Where any income referred to in clause (a) or clause (b) of sub-section (1) read with the Explanation to that sub-section is not applied or is not deemed to have been applied to charitable or religious purposes in India during the previous year but is accumulated, or finally set apart, for application to such purposes in India, such income shall not be included in the total income of the previous year of the person in receipt of the income provided the following conditions are complied with, namely :-

(a) such person specifies, by notice in writing given to the Income-tax Officer in the prescribed manner, the purposes of which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed ten years;

(b) the money so accumulated or set apart is -

(i) invested in any Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944), or in any other security which may be approved by the Central Government in this behalf, or

(ii) deposited in any account with the Post Office Savings Bank [including deposits made under the Post Office (Time Deposits) Rules, 1970] or a banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank), or

(iii) deposited in an account with a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of Section 36.";

(c) for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :-

"(3) Any income referred to in sub-section (2) which -

(a) is applied to purposes other than charitable or religious purposes as aforesaid or ceases to be accumulated or set apart for application thereto, or

(b) ceases to remain invested in any security referred to in sub-clause (i) or deposited in any account referred to in sub-clause (ii) or sub-clause (iii) of clause (b) of that sub-section, or

(c) is not utilised for the purposes for which it is so accumulated or set apart during the period referred to in clause (a) of that sub-section or in that year immediately following the expiry thereof,

shall be deemed to be the income of such person of the previous year in which it is so applied or ceases to be so accumulated or set apart or ceases to remain so invested or deposited or, as the case may be, of the previous year immediately following the expiry of the period aforesaid.";

(d) in sub-section (4), the words, brackets and figure "and accordingly chargeable to tax within the meaning of sub-section (3)" shall be omitted with effect from the 1st day of April, 1971.