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Finance Act 1970

Section 10 - Amendment of Section 37

In section 37 of the Income-tax Act, -

(a) in the Explanation to sub-se'ction (2A), for the words "For the purposes of this sub-section", the words, brackets, figure and letter "For the purposes of this sub-section and sub-section (2B)" shall be substituted;

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

"(2B) Notwithstanding anything contained in this section, no allowance shall be made in respect of expenditure in the nature of entertainment expenditure incurred within India by any assessee after the 28th day of February, 1970.";

(c) after sub-section (3), the following sub-section shall be inserted, namely :-

(4) Notwithstanding anything contained in sub-section (1) or sub-section (3), -

(i) no allowance shall be made in respect of any expenditure incurred by the assessee after the 28th day of February, 1970, on the maintenance of any residential accommodation in the nature of a guest house (such residential accommodation being hereafter in this sub-section referred to as "guest house");

(ii) in relation to the assessment year commencing on the 1st day of April, 1971, or any subsequent assessment year, no allowance shall be made in respect of depreciation of any building used as a guest house or depreciation of any assets in a guest house :

Provided that the aggregate of the expenditure referred to in clause (i) and the amount of any depreciation referred to in clause (ii) shall, for the purposes of this sub-section, be reduced by the amount, if any, received from persons using the guest house :

Provided further that nothing in this sub-section shall apply in relation to any guest house maintained as a holiday home if such guest house -

(a) is maintained by an assessee who has throughout the previous year employed not less than one hundred whole-time employees in a business or profession carried on by him; and

(b) is intended for the exclusive use of such employees while on leave.

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

(i) residential accommodation in the nature of a guest house shall include accommodation hired or reserved by the assessee in a hotel for a period exceeding one hundred and eighty-two days during the previous year; and

(ii) the expenditure incurred on the maintenance of a guest house shall, in a case where the residential accommodation has been hired by the assessee, include also the rent paid in respect of such accommodation..

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