

Finance Act, 1988

Section 87 - Amendment of Act 11 of 1983

In section 40 of the Finance Act, 1983, -

(i) in sub-section (1), before the Explanation, the following proviso shall be inserted, namely :-

"Provided that the amount of wealth-tax computed in accordance with the provisions of this sub-section shall, in relation to the assessment year commencing on the 1st day of April, 1988, be increased by a surcharge calculated at the rate of ten per cent. of such wealth-tax.";

(ii) in sub-section (3), with effect from the 1st day of April, 1989, -

(a) in clause (i), the words ", not being any such precious metal or alloy held for use as raw material in industrial production" shall be inserted at the end;

(b) to clause (v), the following proviso shall be added, namely :-

"Provided that nothing in this clause shall apply to any unused land held by the assessee for industrial purposes for a period of two years from the date of its acquisition by him;"

(c) for clause (vi), the following clauses shall be substituted, namely :-

'(vi) building or land appurtenant thereto, other than building or part thereof used by the assessee as factory, godown, warehouse, cinema house, hotel or office for the purposes of its business or as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch room mainly used for the welfare of its employees or used as residential accommodation, except as provided in clauses (via) and (vib), and the land appurtenant to such building or part;

(via) any building used as residential accommodation in the nature of a guest house and land appurtenant thereto;

(vib) any building and the land appurtenant to such building used as residential accommodation by any director, manager, secretary or any other employee of the assessee, such employee holding not less than one per cent. of the equity share of the assessee or by any relative of any person who holds not less than one per cent. of the equity share of the assessee.

Explanation : For the purposes of this clause, "relative" shall have the meaning assigned to it in clause (b) of Explanation 1 to section 80F of the Income-tax Act.;

(d) after clause (viii), the following proviso and Explanation shall be inserted, namely :-

"Provided that this section shall not apply to any asset referred to in clause (i), (ii), (iii), (iv), (v) or (vi), which is held by the assessee as stock-in-trade in a business carried on by it or, in the case of motor-cars referred to in clause (vii), they are held as stock-in-trade in such business or registered as taxies and used as such in a business of running motor-cars on hire carried on by the assessee.

Explanation : Where any question arises as to whether all or any of the assets referred to in clause (i), (ii), (iii), or (iv) are held by the assessee as stock-in-trade in a business carried on by it, the question shall be decided in accordance with such directions as the Board may, by general or special order, issue for the guidance of the Assessing Officer, having regard to the ratio which the yearly turnover of a business of trading in such assets bears to the average of the stocks of such assets held from time to time during the year in such business ordinarily and other relevant factors."
