

Finance Act, 1988

Section 10B - Special provision in respect of newly established hundred per cent. export-oriented undertakings

(1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1988, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased, - (a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein. (2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds, - (i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then, - (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after, - (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees, of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and (b) the income-tax chargeable shall be calculated as follows :- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in the Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased, - (A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income : Provided that the amount of income-tax so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income. (3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be : Provided that in respect of any income chargeable to tax under section 115B or section 114BB of the Income-tax Act, the income-tax computed under section 115B or section 115BB shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax. (4) In cases in which tax has to be deducted under section 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule and shall be increased, - (a) in the cases to which the provisions of sub-item (a) of item 1 of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge, calculated in each case in the manner provided therein. (5) In cases in which tax has to be deducted under section 194C of the Income-tax Act, the deduction shall be made at the rates specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such deduction. (6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rate specified in that section and shall be increased by a surcharge for

purposes of the Union calculated at the rate of five per cent. of such collection. (7) Subject to the provisions of sub-section (8), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule and shall be increased, - (a) in the cases to which Paragraph A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein : Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be : Provided further that in respect of any income chargeable to tax under section 115B of the Income-tax Act, the "advance tax" computed under the first proviso shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such "advance tax". (8) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds, - (i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force, - (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after, - (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees, (a) "company in which the public are substantially interested" means a company within the meaning of clause (18) of section 2 of the Income-tax Act, and includes a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year; (b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1988, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of the Act; (c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance); (d) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources"; (e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule; (f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government; (g) "trading company" means a company whose business consists mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined in section 80B of the Income-tax Act) is not less than fifty of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and (b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows :- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate

income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased, - (A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income : Provided that the amount of income-tax or "advance tax" so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income. (9) For the purposes of this section and the First Schedule, - one per cent. of the amount of such gross total income; (h) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1988, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased, - (a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein. (2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds, - (i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then, - (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after, - (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees, of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and (b) the income-tax chargeable shall be calculated as follows :- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in the Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased, - (A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income : Provided that the amount of income-tax so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income. (3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be : Provided that in respect of any income chargeable to tax under section 115B or section 114BB of the Income-tax Act, the income-tax computed under section 115B or section 115BB shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax. (4) In cases in which tax has to be deducted under section 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the

First Schedule and shall be increased, - (a) in the cases to which the provisions of sub-item (a) of item 1 of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge, calculated in each case in the manner provided therein. (5) In cases in which tax has to be deducted under section 194C of the Income-tax Act, the deduction shall be made at the rates specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such deduction. (6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rate specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such collection. (7) Subject to the provisions of sub-section (8), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule and shall be increased, - (a) in the cases to which Paragraph A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and (b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein : Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be : Provided further that in respect of any income chargeable to tax under section 115B of the Income-tax Act, the "advance tax" computed under the first proviso shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such "advance tax". (8) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds, - (i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force, - (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after, - (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees, (a) "company in which the public are substantially interested" means a company within the meaning of clause (18) of section 2 of the Income-tax Act, and includes a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year; (b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1988, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of the Act; (c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance); (d) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources"; (e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule; (f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government; (g) "trading company" means a company whose business consists mainly

in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined in section 80B of the Income-tax Act) is not less than fifty of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and (b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows :- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased, - (A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income : Provided that the amount of income-tax or "advance tax" so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income. (9) For the purposes of this section and the First Schedule, - one per cent. of the amount of such gross total income; (h) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act. In section 2 of the Income-tax Act, after clause (28A), the following clause shall be inserted with effect from the 1st day of April, 1989, namely :- (28B) "interest on securities" means - (i) interest on any security of the Central Government or a State Government; (ii) interest on debentures or other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central, State or Provincial Act;'. Section 4 - Amendment Of Section 10 In section 10 of the Income-tax Act, - (a) in clause (6), - (i) for sub-clauses (ii) to (v), the following sub-clause shall be substituted with effect from the 1st day of April, 1989, namely :- "(ii) the remuneration received by him as an official, by whatever name called, of an embassy, high commission, legation, commission, consulate or the trade representation of a foreign State, or as a member of the staff of any of these officials, for service in such capacity : Provided that the remuneration received by him as a trade Commissioner or other official representative in India of the Government of a foreign State (not holding office as such in an honorary capacity), or as a member of the staff of any of those officials, shall be exempt only if the remuneration of the corresponding officials or, as the case may be, members of the staff, if any, of the Government resident for similar purposes in the country concerned enjoys a similar exemption in that country : Provided further that such members of the staff are subjects of the country represented and are not engaged in any business or profession or employment in India otherwise than as members of such staff;"; (ii) in sub-clause (viia), - (1) in the opening paragraph, the brackets, words, figures and letters "(commencing from a date after the 31st day of March, 1971)" shall be omitted; (2) in item (A), for the brackets, letter and words "(A) such remuneration due to or received by him", the following shall be substituted, namely :- "(I) where such services commence from a date after the 31st day of March, 1971, but before the 1st day of April, 1988, - (A) such remuneration due to or received by him"; (3) in the proviso, for the words "Provided that" the following shall be substituted, namely :- '(II) where such services commence from a date after the 31st day of March, 1988, and tax on his income chargeable under the head "Salaries" is paid to the Central Government by the employer [which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956 (1 of 1956)], the tax so paid by the employer for a period not exceeding forty-eight months commencing from the date of his arrival in India : Provided that nothing in this item shall relate to a period exceeding twenty-four months commencing from the date of his arrival in India if the approval of the Central Government for his employment in India for such period is not obtained before the 1st day of October of the relevant assessment year : Provided further that'; (b) in clause (6A), in the Explanation, for the words "For the purposes of this

clause", the words, brackets, figure and letter "For the purposes of this clause and clause (6B)" shall be substituted; (c) after clause (6A), the following clause shall be inserted, namely :- "(6B) where in the case of a non-resident (not being a company) or of a foreign company deriving income (not being salary, royalty or fees for technical services) from Government or an Indian concern in pursuance of an agreement entered into by the Central Government with the Government of a foreign State or an international organisation, the tax on such income is payable by Government or the Indian concern to the Central Government under the terms of that agreement or any other related agreement approved by the Central Government, the tax so paid;"; (d) in clause (15), after sub-clause (iib), the following sub-clause shall be inserted with effect from the 1st day of April, 1989, namely :- "(iic) in the case of an individual or a Hindu undivided family, interest on such Relief Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;"; (e) in clause (20), the words "'Interest on securities',' shall be omitted with effect from the 1st day of April, 1989; (f) in clause (23A), the words "'Interest on securities" or' shall be omitted with effect from the 1st day of April, 1989; (g) in clause (23D) [as inserted by clause (m) of section 6 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], - (i) for the words "any income from", the words "any income of" shall be substituted; (ii) for the words "the income from the Mutual Fund shall be distributed to the unit holders", the words "such income shall be distributed to the holders of its units" shall be substituted; (h) in clause (24), the words "'Interest on securities',' shall be omitted with effect from the 1st day of April, 1989; (i) after clause (30), the following clause shall be inserted with effect from the 1st day of April, 1989, namely :- '(31) in the case of an assessee who carries on the business of growing and manufacturing rubber, coffee, cardamom or such other commodity in India, as the Central Government may, by notification in the Official Gazette, specify in this behalf, the amount of any subsidy received from or through the concerned Board under any such scheme for replantation or replacement of rubber plants, coffee plants, cardamom plants or plants for the growing of such other commodity or for rejuvenation or consolidation of areas used for cultivation of rubber, coffee, cardamom or such other commodity as the Central Government may, by notification in the Official Gazette, specify : Provided that the assessee furnishes to the Assessing Officer, along with his return of income for the assessment year concerned or within such further time as the Assessing Officer may allow, a certificate from the concerned Board, as to the amount of such subsidy paid to the assessee during the previous year.

Explanation : In this clause, "concerned Board" means - (i) in relation to rubber, the Rubber Board constituted under section 4 of the Rubber Act, 1947 (24 of 1947), (ii) in relation to coffee, the Coffee Board constituted under section 4 of the Coffee Act, 1942 (7 of 1942), (iii) in relation to cardamom, the Spices Board constituted under section 3 of the Spices Board Act, 1986 (10 of 1986), (iv) in relation to any other commodity specified under this clause, any Board or other authority established under any law for the time being in force which the Central Government may, by notification in the Official Gazette, specify in this behalf.'

Section 5 - Amendment Of Section 10A In section 10A of the Income-tax Act, with effect from the 1st day of April, 1989, - (a) in sub-section (7), for the words, brackets and figures "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", the words, brackets and figures "before the due date for furnishing the return of income under sub-section (1) of section 139" shall be substituted; (b) in sub-section (8) [as inserted by section 126 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], - (i) for the words "in this section", the words, brackets and figure "in sub-section (5)" shall be substituted; (ii) for the words "purposes of this section", the words "purposes of that sub-section" shall be substituted.

Section 6 - Insertion Of New Section 10B After section 10A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1989, namely :- (1) Subject to the provisions of this section, any profits and gains derived by an assessee from a hundred per cent. export-oriented undertaking (hereafter in this section referred to as the undertaking) to which this section applies shall not be included in the total income of the assessee. (2) This section applies to any undertaking which fulfils all the following conditions, namely :- (i) it manufactures or produces any article or thing; (ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence : Provided that this condition shall not apply in respect of any undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section; (iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

Explanation : The provisions of Explanation 1 and Explanation 2 to sub-section (2) of section 80-I shall apply for the purposes of clause (iii) of this sub-section as they apply for

the purposes of clause (ii) of that sub-section. (3) The profits and gains referred to sub-section (1) shall not be included in the total income of the assessee in respect of any five consecutive assessment years, falling within a period of eight years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things, specified by the assessee at his option : Provided that nothing in this sub-section shall be construed to extend the aforesaid five assessment years to cover any period after the expiry of the said period of eight years. (4) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee of the previous year relevant to the assessment year immediately succeeding the last of the relevant assessment year, or of any previous year relevant to any subsequent assessment year, - (i) section 32, section 32A, section 33 and clause (ix) of sub-section (1) of section 36 shall apply as if every allowance or deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the undertaking in the previous year relevant to such assessment year or any expenditure incurred for the purposes of such business in such previous year had been given full effect to for that assessment year itself and accordingly sub-section (2) of section 32, clause (ii) of sub-section (3) of section 32A, clause (ii) of sub-section (2) of section 33 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such allowance or deduction; (ii) no loss referred to in sub-section (1) of section 72 or sub-section (1) or sub-section (3) of section 74, in so far as such loss relates to the business of the undertaking, shall be carried forward or set off where such loss relates to any of the relevant assessment years; (iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I in relation to the profits and gains of the undertaking; and (iv) in computing the depreciation allowance under section 32, the written down value of any asset used for the purposes of the business of the undertaking shall be computed as if the assessee had claimed and been actually allowed the deduction in respect of depreciation for each of the relevant assessment years. (5) Where the undertaking has begun to manufacture or produce articles or things in any previous year relevant to the assessment year commencing before the 1st day of April, 1989, the assessee may, at his option, before the due date for furnishing the return of his income under sub-section (1) of section 139 for the assessment year commencing on the 1st day of April, 1989, furnish to the Assessing Officer a declaration in writing that the provisions of sub-section (1) may be made applicable to him for any five consecutive assessment years falling within a period of eight years beginning with the assessment year commencing on the 1st day of April, 1989, and if he does so, then, the provisions of sub-section (1) shall apply to him for each of such assessment years and the provisions of sub-section (4) shall also apply in computing the total income of the assessee for the assessment year immediately succeeding the last of such assessment years and any subsequent assessment year. (6) The provisions of sub-section (8) and sub-section (9) of section 80-I shall, so far as may be, apply in relation to the undertaking referred to in this section as they apply for the purposes of the industrial undertaking referred to in section 80-I. (7) Notwithstanding anything contained in the foregoing provisions of this section, where the assessee, before the due date for furnishing the return of his income under sub-section (1) of section 139 furnishes to the Assessing Officer a declaration in writing that the provisions of this section may not be made applicable to him, the provisions of this section shall not apply to him for any of the relevant assessment years. Explanation : For the purposes of this section, - (i) "hundred per cent. export-oriented undertaking" means an undertaking which has been approved as a hundred per cent. export-oriented undertaking by the Board appointed in this behalf by the Central Government in exercise of the powers conferred by section 14 or the Industries (Development and Regulation) Act, 1951 (65 of 1951), and the rules made under that Act; (ii) "relevant assessment years" means the five consecutive assessment years specified by the assessee at his option under sub-section (3) or sub-section (5), as the case may be; (iii) "manufacture" includes any - (a) process, or (b) assembling, or (c) recording of programmes on any disc, tape, perforated media or other information storage device.'. Section 7 - Amendment Of Section 13A In section 13A of the Income-tax Act, the words "'Interest on securities",' shall be omitted with effect from the 1st day of April,