

Finance Act 2001

Chapter 3 - Direct Taxes

Section 3 - Amendment of section 2

In section 2 of the Income-tax Act,-

(a) after clause (12), the following clause shall be inserted with effect from the 1st day of June, 2001, namely :-

'(12A) "books or books of account" include ledgers, day-books, cash books, account-books and other books, whether kept in the written form or as print-outs of data stored in a floppy, disc, tape or any other form of electro-magnetic data storage device ;'

(b) after clause (22A), the following clause shall be inserted with effect from the 1st day of June, 2001, namely :-

'(22AA) "document" includes an electronic record as defined in clause (t) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);'

(c) in clause (24), in sub-clause (ix), the following Explanation shall be Inserted with effect from the 1st day of April, 2002, namely :-

'Explanation.-For the purposes of this sub-clause,-

(i) "lottery" includes winnings, from prizes awarded to any person by draw of lots or by chance or in any other manner whatsoever, under any scheme or arrangement by whatever name called ;

(ii) card game and other game of any sort" includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game;'

(d) after clause (28B), the following clause shall be inserted with effect from the 1st day of April, 2002, namely :-

'(28BB) "insurer" means an insurer being an Indian insurance company, as defined under clause (7A) of section 2 of the Insurance Act,1938 (4 of 1938), which has been granted a certificate of registration under section 3 of that Act ;'

Section 4 - Amendment of section 9

In section 9 of the Income-tax Act, in subsection (1), in clause (vi), in Explanation 2, with effect from the 1st day of April, 2002,-

(i) after clause (iv), the following clause shall be inserted, namely :-

"(iva) the use or right to use, any industrial, commercial or scientific equipment but not including the amount referred to in section 44BB ;"

(ii) in clause (vi), for the words, brackets and figures "sub-clauses (i) to (v)", the words, brackets, figures and letter "sub-clauses (i) to (iv), (iva) and (v)" shall be substituted

Section 5 - Amendment of section 10

In section 10 of the Income-tax Act,-

(a) in clause (10C),-

(i) after sub-clause (vii), the following sub-clause shall be inserted, namely :-

"(viia) any State Government; or" ;

(ii) after sub-clause (viia) as so inserted, the following sub-clause shall be inserted with effect from the 1st day of April, 2002, namely :-

"(viib) the Central Government; or" ;

(b) in clause (15), with effect from the 1st day of April, 2002,-

(i) in sub-clause (iv),-

(A) for item (a), the following item shall be substituted, namely :-

"(a) by Government or a local authority on moneys borrowed by it before the 1st day of June, 2001 from, or debts owed by it before the 1st day of June, 2001 to, sources outside India;" ;

(B) in item (b), for the words "a loan agreement entered into with any such financial institution", the words, figures and letters "a loan agreement entered into before the 1st day of June, 2001 with any such financial institution" shall be substituted ;

(C) in item (c), for the words "moneys borrowed or debt incurred by it", the words, figures and letters "moneys borrowed or debt incurred by it before the 1st day of June, 2001" shall be substituted ;

(D) in items (d) and (e), for the words "any moneys borrowed by it from sources outside India", the words, figures and letters "any moneys borrowed by it from sources outside India before the 1st day of June, 2001" shall be substituted ;

(E) in item (f), for the words "a loan agreement approved by the Central Government", the words, figures and letters "a loan agreement approved by the Central Government before the 1st day of June, 2001" shall be substituted ;

(ii) for Explanation 1A to sub-clause (iv), the following Explanation shall be substituted, namely :-

'Explanation 1A.-For the purposes of this sub-clause, the expression "interest" shall not include interest paid on delayed payment of loan or on default if it is in excess of two per cent. per annum over the rate of interest payable in terms of such loan.' ;

(c) in clause (23AAB), with effect from the 1st day of April, 2002,-

(i) in the opening portion, for the words "under a pension scheme", the words "or any other insurer under a pension scheme" shall be substituted ;

(ii) in sub-clause (ii), after the words "the Controller of Insurance", the words, brackets and figures "or the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), as the case may be" shall be inserted ;

(d) after clause (23BBC), the following clause shall be inserted, namely :-

'(23BBD) any income of the Secretariat of the Asian Organisation of the Supreme Audit Institutions registered as "ASOSAI-SECRETARIAT" under the Societies Registration Act, 1860 (21 of 1860), for three previous years relevant to the assessment years beginning on the 1st day of April, 2001 and ending on the 31st day of March, 2004;

(23BBE) any income of the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)';

(e) in clause (23C), -

(a) in the third proviso,-

(i) in clause (a), after the words "the objects for which it is established", the words, figures and letters "and in a case where more than twenty-five per cent of its income is accumulated on or after the 1st day of April, 2001, the period of the accumulation of the amount exceeding twenty-five per cent of its income shall in no case exceed five years" shall be inserted with effect from the 1st day of April, 2002;

(ii) in clause (b),-

(A) after sub-clause (i), the following sub-clause shall be inserted, namely :-

"(ia) any asset, being equity shares of a public company, held by any university or other educational institution or any hospital or other medical institution where such assets form part of the corpus of any university or other educational institution or any hospital or other medical institution as on the 1st day of June, 1998 ;" ;

(B) in sub-clause (iii), after the word, brackets and figure "sub clause (i)", the words, brackets, figure and letter "and sub-clause (ia)" shall be inserted ;

(b) after the eighth proviso, the following proviso shall be inserted, namely :-

"Provided also that where the total receipts of the fund or institution referred to in sub-clause (iv) or of any trust or institution referred to in sub-clause (v) or of any University or other educational institution referred to in sub-clause (vi) or of any hospital or other institution referred to in sub-clause (via) exceed one crore rupees in any preceding year, the fund or trust or institution or university or other educational institution or hospital or other institution, as the case may be, shall-

(i) publish its accounts in a local newspaper; and

(ii) furnish along with the application prescribed in the first proviso to this clause, the copy of the local newspaper in which such accounts have been published ;" ;

(f) in clause (23FB),-

(a) the Explanation shall be numbered as Explanation 1 thereof, and in Explanation 1 as so numbered, in clause (b), for sub-clause (i), the following sub-clause shall be substituted, namely :-

"(i) operating under a trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908), or operating as a venture capital scheme made by the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) ;" ;

(b) after Explanation 1 as so numbered, the following Explanation shall be inserted, namely :-

"Explanation 2.-For the removal of doubts, it is hereby declared that the income of a venture capital company or venture capital fund shall continue to be exempt if the shares of the venture capital undertaking, in which the venture capital company or venture capital fund has made the initial investment, are subsequently listed in a recognised stock exchange in India ;" ;

(g) in clause (23G), with effect from the 1st day of April, 2002,-

(a) after the words "an infrastructure capital fund or an infrastructure capital company" 1 the words "or a co-operative bank" shall be inserted

(b) for the words, brackets and figures "any enterprisewholly engaged in the business of (i) developing, (ii) maintaining andoperating or (iii) developing, maintaining and operating any infrastructurefacility, the words, brackets, figures and letters "any enterprise orundertaking wholly engaged in the business referred to in sub-section (4) ofsection 80-1A" or housing project referred to in sub-section (10) ofsection 80-1B" shall be substituted;

(c) in Explanation 1,-

(i) clause (c) shall be omitted ;

(ii) after clause (d), the following clauses shall be inserted,namely :-

'(e) "co-operative bank" shall have the meaningassigned to it in clause (dd) of section 2 of the Deposit Insurance and CreditGuarantee Corporation Act, 1961 (47 of 1961) ;

(f) "interest" includes any fee or commissionreceived by a financial institution for giving any guarantee to, or providingcredit rating in respect of, an enterprise which has been approved by theCentral Government for the purposes of this clause.' ;

(h) in clause (33), after sub-clause (iii), the followingproviso shall be inserted and shall be deemed to have been inserted with effectfrom the 1st day of April, 2000, namely :-

"Provided that this clause shall not apply to anyincome arising from transfer of units of the Unit Trust of India or a mutualfund, as a case may be."

Section 6 - Amendment of section 10A

In section 10A of the Income-tax Act,

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

(i) in the second proviso, for the words "undertaking was first set up", the words "undertaking began to manufacture or produce such articles or things or computer software" shall be substituted ;

(ii) the third proviso shall be omitted with effect from the 1st day of April, 2002 ;

(b) for sub-section (4), the following sub-section shall be substituted, namely :-

"(4) For the purposes of sub-section (1), the profits derived from export of articles or things or computer software shall be the amount which bears to the profits of the business of the undertaking, the same proportion as the export turnover in respect of such articles or things or computer software bears to the total turnover of the business carried on by the undertaking." ;

(c) after sub-section (9),-

(i) below Explanation 1, the following proviso shall be inserted, namely:-

"Provided that nothing contained in this Explanation shall apply to any change in the shareholding of the company as a result of -

(a) its becoming a company in which the public are substantially interested; or

(b) disinvestment of its equity shares by any venture capital company or venture capital fund."

(ii) in Explanation 2, in clause (iv), for the words "in respect of export", the words "in respect of export by the undertaking" shall be substituted ;

(iii) after Explanation 2, the following Explanation shall be inserted at the end, namely :-

"Explanation 3.-For the removal of doubts, it is hereby declared that the profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India."

Section 7 - Amendment of section 10B

In section 10B of the Income-tax Act,-

(a) in sub-section (1), the second proviso shall be omitted with effect from the 1st day of April, 2002 ;

(b) for sub-section (4), the following sub-section shall be substituted, namely :-

"(4) For the purposes of sub-section (1), the profits derived from export of articles or things or computer software shall be the amount which bears to the profits of the business of the undertaking, the same proportion as the export turnover in respect of such articles or things or computer software bears to the total turnover of the business carried on by the undertaking." ;

(c) after sub-section (9),-

(i) below Explanation 1, the following proviso shall be inserted, namely:-

Provided that nothing contained in the Explanation shall apply to any change in the shareholding of the company as a result of-

(a) its becoming a company in which the public are substantially interested; or

(b) disinvestment of its equity shares by any venture capital company or venture capital fund."

(ii) in Explanation 2, in clause (iii), for the words "in respect of export", the words "in respect of export by the undertaking" shall be substituted ;

(iii) after Explanation 2, the following Explanation shall be inserted at the end, namely :-

"Explanation 3.-For the removal of doubts, it is hereby declared that the profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India."

Section 8 - Insertion of new section 10BB

After section 10B of the Income-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1994, namely :-

'10BB. Meaning of computer programmes in certain cases.-The profits and gains derived by an undertaking from the production of computer programmes under section 10B, as it stood prior to its substitution by section 7 of the Finance Act, 2000 (10 of 2000), shall be construed as if for the words "computer programmes", the words "computer programmes or processing or management of electronic data" had been substituted in that section.'

Section 9 - Amendment of section 11

In section 11 of the Income-tax Act, in sub-section (2), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2002, namely :-

'Provided further that in respect of any income accumulated or set apart on or after the 1st day of April, 2001, the provisions of this sub-section shall have effect as if for the words "ten years" at both the places where they occur, the words "five years" had been substituted.'

Section 10 - Amendment of section 12A

A In section 12A of the Income-tax Act, after clause (b), the following clause shall be inserted with effect from the 1st day of April, 2002, namely :-

"(c) where the total income of the trust or institution as computed under this Act without giving effect to the provisions of sections 11 and 12 exceeds ten lakh rupees in any previous year, the trust or institution-

(i) publishes its accounts in a local newspaper, before the due date for furnishing the return of income under sub-section (4A) of section 139 ; and

(ii) furnishes a copy of such newspaper along with such return."

Section 11 - Insertion of new section 14A

After section 14 of the Income-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely :-

"14A. Expenditure incurred in relation to income not includible in total income.-For the purposes of computing the total income under this Chapter, no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under this Act."

Section 12 - Amendment of section 16

In section 16 of the Income-tax Act, for clauses (i) and (ii), the following clause shall be substituted with effect from the 1st day of April, 2002, namely :-

"(i) in the case of an assessee whose income from salary, before allowing a deduction under this clause,-

(A) does not exceed one lakh fifty thousand rupees, a deduction of a sum equal to thirty-three and one-third per cent of the salary or thirty thousand rupees, whichever is less;

(B) exceeds one lakh fifty thousand rupees but does not exceed three lakh rupees, a deduction of a sum of twenty-five thousand rupees;

(C) exceeds three lakh rupees but does not exceed five lakh rupees, a deduction of a sum of twenty thousand rupees;

(ii) a deduction in respect of any allowance in the nature of an entertainment allowance specifically granted by an employer to the assessee who is in receipt of a salary from the Government, a sum equal to one-fifth of his salary (exclusive of any allowance, benefit or other perquisite) or five thousand rupees, whichever is less ;"

Section 13 - Amendment of section 17

In section 17 of the Income-tax Act,-

(a) in clause (2),-

(i) in sub-clause (iii),-

(A) in item (c), for the words "twenty-four thousand rupees", the words "fifty thousand rupees" shall be

substituted with effect from the 1st day of April, 2002 ;

(B) in the proviso, for the words "the Employees' Stock Option Plan or Scheme of the said company", the words "any Employees' Stock Option Plan or Scheme of the company offered to such employees in accordance with the guidelines issued in this behalf by the Central Government" shall be substituted ;

(ii) after sub-clause (v), the following sub-clause shall be inserted with effect from the 1st day of April, 2002, namely :-

(vi) the value of any other fringe benefit or amenity as may be prescribed." ;

(b) in clause (3), after sub-clause (ii) and the Explanation relating thereto the following sub-clause shall be inserted with effect from the 1st day of April, 2002, namely :-

(iii) any amount due to or received, whether in lump sum or otherwise, by any assessee from any person-

(A) before his joining any employment with that person; or

(B) after cessation of his employment with that person."

Section 14 - Substitution of new section for section 23

For section 23 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2002 namely :-

"23. Annual value how determined.-

(1) For the purposes of section 22, the annual value of any property shall be deemed to be-

(a) the sum for which the property might reasonably be expected to let from year to year; or

(b) where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof is in excess of the sum referred to in clause (a), the amount so received or receivable; or

(c) where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable by the owner in respect thereof is less than the sum referred to in clause (a), the amount so received or receivable :

Provided that the taxes levied by any local authority in respect of the property shall be deducted (irrespective of the previous year in which the liability to pay such taxes was incurred by the owner according to the method of accounting regularly employed by him) in determining the annual value of the property of that previous year in which such taxes are actually paid by him.

Explanation.-For the purposes of clause (b) or clause (c) of this subsection, the amount of actual rent received or receivable by the owner shall not include, subject to such rules as may be made in this behalf, the amount of rent which the owner cannot realise.

(2) Where the property consists of a house or part of a house which -

(a) is in the occupation of the owner for the 'purposes of his own residence; or

(b) cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him.

the annual value of such house or part of the house shall be taken to be nil.

(3) The provisions of sub-section (2) shall not apply if-

(a) the house or part of the house is actually let during the whole or any part of the previous year; or

(b) any other benefit therefrom is derived by the owner.

(4) Where the property referred to in sub-section (2) consists of more than one house

(a) the provisions of that sub-section shall apply only in respect of one of such houses, which the assessee may, at his option, specify in this behalf ;

(b) the annual value of the house or houses, other than the house in respect of which the assessee has exercised an option under clause (a), shall be determined under sub-section (1) as if such house or houses had been let."

Section 15 - Substitution of new section for section 24

For section 24 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2002, namely :-

'24. Deductions from income from house property.-Income chargeable under the head "Income from house property" shall be computed after making the following deductions, namely :-

(a) a sum equal to thirty per cent. of the annual value ;

(b) where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital :

Provided that in respect of property referred to in sub-section (2) of section 23; the amount of deduction shall not exceed thirty thousand rupees :

Provided further that where the property referred to in the first proviso is acquired or constructed with capital borrowed on or after the 1st day of April, 1999 and such acquisition or construction is completed before the 1st day of April, 2003, the amount of deduction under this clause shall not exceed one lakh fifty thousand rupees.

Explanation.-Where the property has been acquired or constructed with borrowed capital, the interest, if any, payable on such capital borrowed for the period prior to the previous year in which the property has been acquired or constructed, as reduced by any part thereof allowed as deduction under any other provision of this Act, shall be deducted under this clause in equal instalments for the said previous year and for each of the four immediately succeeding previous years.'

Section 16 - Amendment of section 25

In section 25 of the Income-tax Act, the words "annual charge or" shall be omitted with effect from the 1st day of April, 2002.

Section 17 - Amendment of section 25A

In section 25A of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) after the words, brackets and figures "under clause (x) of sub-section (1) of section 24", the words and figures "as it stood immediately before its substitution by the Finance Act, 2001" shall be inserted ;

(b) after the words and figures "under section 23 or section 24", the words and figures "as it stood immediately before its substitution by the Finance Act, 2001" shall be inserted.

Section 18 - Insertion of new section 25AA

After section 25A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

'25AA. Unrealised rent received subsequently to be charged to income-tax.-Where the assessee cannot realise rent from a property let to a tenant and subsequently the assessee has realised any amount in respect of such rent, the amount so realised shall be deemed to be income chargeable under the head "Income from house property" and accordingly charged to income-tax as the income of that previous year in which such rent is realised whether or not the assessee is the owner of that property in that previous year.'

Section 19 - Amendment of section 25B

In section 25B of the Income-tax Act, for the words "a sum equal to one-fourth of such amount for repairs of, and collection of rent from, the property", the words "a sum equal to thirty per cent. of such amount" shall be substituted with effect from the 1st day of April, 2002.

Section 20 - Amendment of section 27

In section 27 of the Income-tax Act, clauses (iv) and (v) shall be omitted with effect from the 1st day of April, 2002.

Section 21 - Amendment of section 32

In section 32 of the Income-tax Act, with effect from the 1st day of April, 2002., -

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

(A) in the first proviso, in clause (a) after the figures, letters and words "28th day of February, 1975", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(B) after Explanation 4, the following Explanation shall be inserted, namely :-

"Explanation 5.-For the removal of doubts, it is hereby declared that the provisions of this sub-section shall apply whether or not the assessee has claimed the deduction in respect of depreciation in computing his total income ;"

(b) for sub-section (2), the following sub-section shall be substituted, namely :-

"(2) Where, in the assessment of the assessee, full effect cannot be given to any allowance under sub-section (1) in any previous year, owing to there being no profits or gains chargeable for that previous year, or owing to the profits or gains chargeable being less than the allowance, then, subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73, the allowance or the part of the allowance to which effect has not been given, as the case may be, shall be added to the amount of the allowance for depreciation for the following previous year and deemed to be part of that allowance, or if there is no such allowance for that previous year, be deemed to be the allowance for that previous year, and so on for the succeeding previous years."

Section 22 - Amendment of section 33AB

In section 33AB of the Income-tax Act, in sub-section (1), for the words "a sum equal to twenty per cent. of the profits", the words "a sum equal to forty per cent. of the profits" shall be substituted with effect from the 1st day of April, 2002.

Section 23 - Amendment of section 35

In section 35 of the Income-tax Act, with effect from the 1st day of April, 2002,-

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

(i) for the words "University or an Indian Institute of Technology", the words "University or an Indian Institute of Technology or a specified person" shall be substituted ;

(ii) in the Explanation, after clause (c), the following clause shall be inserted, namely :-

'(d) "specified person" means such person as is approved by the prescribed authority.;

(b) in sub-section (2AB),-

(i) in clause (1), for the words "engaged in the business of", the words "engaged in the business of bio-technology or in the business of" shall be substituted ;

(ii) after clause (1), the following Explanation shall be inserted, namely :-

'Explanation.-For the purposes of this clause, "expenditure on scientific research", in relation to drugs and pharmaceuticals, shall include expenditure incurred on clinical drug trial, obtaining approval from any regulatory authority under any Central, State or Provincial Act and filing an application for a patent under the Patents Act, 1970 (39 of 1970).'

Section 24 - Insertion of new section 35DDA

After section 35DD of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

"35DDA. Amortisation of expenditure incurred under voluntary retirement scheme.-

(1) Where an assessee incurs any expenditure in any previous year by way of payment of any sum to an employee at the time of his voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, one-fifth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance shall be deducted in equal instalments for each of the four immediately succeeding previous years :

(2) No deduction shall be allowed in respect of the expenditure mentioned in sub-section (1) under any other provision of this Act."

Section 25 - Amendment of section 36

In section 36, in sub-section (1), in clause (vii), after the proviso, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1989, namely :-

"Explanation.- For the purposes of this clause, any bad debt or part thereof written off as irrecoverable in the accounts of the assessee shall not include any provision for bad and doubtful debts made in the accounts of the assessee."

Section 26 - Amendment of section 43

In section 43 of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) in clause (1), after Explanation 11, the following Explanation shall be inserted, namely :-

"Explanation 12.- Where any capital asset is acquired by the assessee under a scheme for corporatisation of a recognised stock exchange in India, approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the actual cost of the asset shall be deemed to be the amount which would have been regarded as actual cost had there been no such corporatisation.";

(b) in clause(6), after Explanation 4, the following Explanation shall be inserted, namely :-

"Explanation 5.- Where in a previous year, any asset forming part of a block of assets is transferred by a recognised stock exchange in India to a company under a scheme for corporatisation approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the written down value of the block of assets in the case of such company shall be the written down value of the transferred assets immediately before such transfer."

Section 27 - Amendment of section 43B

In section 43B of the Income-tax Act, with effect from the 1st day of April, 2002,-

(i) in clause (e), the word "or" shall be inserted at the end ;

(ii) after clause (e), the following clause shall be inserted, namely :-

"(f) any sum payable by the assessee as an employer in lieu of any leave at the credit of his employee" ;

(iii) in the first proviso, after the word, brackets and letter "clause (e)", the words, brackets and letter "or clause (f)" shall be inserted ;

(iv) after Explanation 3A, the following Explanation shall be inserted, namely :-

"Explanation 3B.-For the removal of doubts, it is hereby declared that where a deduction in respect of any sum referred to in clause (f) of this section is allowed in computing the income, referred to in section 28, of the previous year (being a previous year relevant to the assessment year commencing on the 1st day of April, 2001, or any earlier assessment year) in which the liability to pay such sum was incurred by the assessee, the assessee shall not be entitled to any deduction under this section in respect of such sum in computing the income of the previous year in which the sum is actually paid by him."

Section 28 - Amendment of section 44AB

In section 44AB of the Income-tax Act,-

(a) in the second proviso, after the words "and a further report", the words "by an accountant" shall be inserted ;

(b) in the Explanation occurring at the end, for clause (ii), the following clause shall be substituted, namely :-

'(ii) "specified date", in relation to the accounts of the assessee of the previous year relevant to an assessment year, means the 31st day of October of the assessment year.'

Section 29 - Amendment of section 47

In section 47 of the Income-tax Act,-

(a) in clause (iii), in the proviso, for the words "the Employees' Stock Option Plan or Scheme", the words "any Employees' Stock Option Plan or Scheme of the Company offered to such Employees in accordance with the guidelines issued by the Central Government in this behalf" shall be substituted ;

(b) in clause (viia), for the word "shares", the words "Global Depository Receipts" shall be substituted with effect from the 1st day of April, 2002.

(c) in clause (xiii), with effect from the 1st day of April, 2002,-

(i) for the portion beginning with the words "where a firm is succeeded" and ending with the words "intangible asset to the company", the following shall be substituted, namely :-

"any transfer of a capital asset or intangible asset by a firm to a company as a result of succession of the firm by a company in the business carried on by the firm, or any transfer of a capital asset to a company in the course of corporatisation of a recognised stock exchange in India as a result of which an association of persons or body of individuals is succeeded by such company:";

(ii) in the proviso,-

(A) in clause (a), after the words "liabilities of the firms" the words "or of the association of persons or body of individuals" shall be inserted;

(B) after clause (d), the following clause shall be inserted namely :-

"(e) the corporatisation of a recognised stock exchange in India is carried out in accordance with a scheme for corporatisation which is approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)."

Section 30 - Amendment of section 49

In section 49 of the Income-tax Act, after sub-section (2A), the following sub-section shall be inserted, namely :-

"(2AA) Where the capital gain arises from the transfer of the shares, debentures or warrants, the value of which has been taken into account while computing the value of perquisite under clause (2) of section 17, the cost of acquisition of such shares, debentures or warrants shall be the value under that clause."

Section 31 - Amendment of section 54EC

In section 54EC of the Income-tax Act, in the Explanation occurring at the end, for clause (b), the following clause shall be substituted with effect from the 1st day of April, 2002, namely :-

(b) "Long-term specified asset" means any bond redeemable after three years, issued,-

(i) on or after the 1st day of April, 2000, by the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981) or by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 (68 of 1988) ;

(ii) on or after the 1st day of April, 2001, by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956 (1 of 1956).'

Section 32 - Insertion of new section 54ED

After section 54EC of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

'54ED. Capital gain on transfer of certain listed securities or unit, not to be charged in certain cases.-

(1) Where the capital gain arises from the transfer of a long-term capital asset, being listed securities or unit (the capital asset so transferred being hereafter in this section referred to as the original asset), and the assessee has, within a period of six months after the date of such transfer, invested the whole or any part of the capital gain in acquiring equity shares forming part of an eligible issue of capital (such equity shares being hereafter in this section referred to as the specified equity shares), the said capital gain shall be dealt with in accordance with the following provisions of this section, that is to say ,-

(a) if the cost of the specified equity shares is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45 ;

(b) if the cost of the specified equity shares is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the specified equity shares acquired bears to the whole of the capital gain shall not be charged under section 45.

Explanation.-For the purposes of this sub-section-

(i) "eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely;-

(a) the issue is made by a public company formed and registered in India ;

(b) the shares forming part of the issue are offered for subscription to the public ;

(ii) "listed securities" shall have the same meaning as in clause (a) of the Explanation to sub-section (1) of section 11a

(iii) "unit" shall have the meaning assigned to it in clause (b) of the Explanation to section 115AB.

(2) Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of their acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such specified equity shares as provided in clause (a) or, as the case may be, clause (b), of sub-section (1) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which such equity shares are sold or otherwise transferred.

(3) Where the cost of the specified equity shares has been taken into account for the purposes of clause (a) or clause (b) of sub-section (1), a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88.'.

Section 33 - Amendment of section 54H

In section 54H of the Income-tax Act, for the figures and letters "54EA, 54EB", the figures and letters "54EC" shall be substituted.

Section 34 - Amendment of section 55

34. In section 55 of the Income-tax Act, in sub-section (2), with effect from 1st day of April, 2002, -

(a) in clause (a), after the words "good will of a business", the words, "or a trade mark or brand name associated with a business" shall be inserted;

(b) after clause (aa), the following clause shall be inserted, namely:-

"(ab) in relation to a capital asset, being equity share or shares allotted to a shareholder of a recognised stock exchange in India under a scheme for corporatisation approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), shall be the cost of acquisition of his original membership of the exchange,".

Section 35 - Amendment of section 72A

In section 72A of the Income-tax Act, in sub-section (7), after clause (a), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2000, namely :-

'(aa) "industrial undertaking" means any undertaking which is engaged in-

(i) the manufacture or processing of goods; or

(ii) the manufacture of computer software; or

(iii) the business of generation or distribution of electricity or any other form of power; or

(iv) mining; or

(v) the construction of ships, aircrafts or rail systems ;'.

Section 36 - Amendment of section 80CCC

In section 80CCC of the Income-tax Act, in sub-section (1), after the words "Life Insurance Corporation of India", the words "or any other insurer" shall be inserted with effect from the 1st day of April, 2002.

Section 37 - Amendment of section 80D

In section 80D of the Income-tax Act, in sub-section (2), for the proviso, the following proviso shall be substituted with effect from the 1st day of April, 2002, namely :-

"Provided that such insurance shall be in accordance with a scheme framed in this behalf by-

(a) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf ; or

(b) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)."

Section 38 - Amendment of section 80DD

In section 80DD of the Income-tax Act, in sub-section (1), in clause (b), for the words "Unit Trust of India", the words "any other insurer or Unit Trust of India" shall be substituted with effect from the 1st day of April, 2002.

Section 39 - Amendment of section 80G

In section 80G of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) in sub-section (1), in clause (i), after the words, brackets, figures and letters "or sub-clause (iiihi)", the words, brackets, figures and letters "or sub-clause (iiihj)" shall be inserted ;

(b) in sub-section (2), in clause (a), after sub-clause (iiihi), the following sub-clause shall be inserted, namely :-

"(iiihj) the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities constituted under sub-section (1) of section 3 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999); or"

Section 40 - Amendment of section 80GG

In section 80GG of the Income-tax Act, in the proviso, in clause (ii), for the words, brackets, figures and letters "under sub-clause (i) of clause (a) or, as the case may be, clause (b) of sub-section (2) of section 23", the words, brackets, letters and figures "under clause (a) of sub-section (2) or, as the case may be, clause (a) of sub-section (4) of section 23" shall be substituted with effect from the 1st day of April, 2002.

Section 41 - Amendment of section 80HHC

In section 80HHC of the Income-tax Act, in sub-section (1B) for clauses (ii), (iii) and (iv), the following clauses shall be substituted with effect from the 1st day of April, 2002, namely:-

"(ii) seventy per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(iii) fifty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(iv) thirty per cent thereof for an assessment year beginning on the 1st day of April, 2004."

Section 42 - Amendment of section 80HHE

In section 80HHE of the Income-tax Act,-

(a) after sub-section (1), the following Explanation shall be inserted, namely:-

"Explanation.-For the removal of doubts, it is hereby declared that the profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India."

(b) in sub-section (1B), for clauses (ii), (iii) and (iv), the following clauses shall be substituted with effect from the 1st day of April, 2002, namely:-

"(ii) seventy per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(iii) fifty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(iv) thirty per cent thereof for an assessment year beginning on the 1st day of April, 2004."

Section 43 - Amendment of section 80HHF

In section 80HHF of the Income-tax Act,-

"(ii) seventy per cent thereof for an assessment year beginning on the 1st day of April, 2002;

(iii) fifty per cent thereof for an assessment year beginning on the 1st day of April, 2003;

(iv) thirty per cent thereof for an assessment year beginning on the 1st day of April, 2004."

Section 44 - Amendment of section 80-IA

In section 80-IA of the Income-tax Act,-

(a) for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of April, 2002, namely :-

"(1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in sub-section (4) (such business being hereinafter referred to as the eligible business), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred per cent. of profits and gains derived from such business for ten consecutive assessment years." ;

(b) in sub-section (2), for the proviso, the following proviso shall be substituted with effect from the 1st day of April, 2002, namely :-

'Provided that where the assessee develops or operates and maintains or develops, operates and maintains any infrastructure facility referred to in clause (a) or clause (b) or clause (c) of the Explanation to clause (i) of sub-section (4), the provisions of this sub-section shall have effect as if for the words "fifteen years", the words "twenty years" had been substituted.' ;

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

"(2A) Notwithstanding anything contained in sub-section (1) or sub-section (2), the deduction in computing the total income of an undertaking providing telecommunication services, specified in clause (ii) of sub-section (4), shall be hundred per cent. of the profits and gains of the eligible business for the first five assessment years commencing at any time during the periods as specified in sub-section (2) and thereafter, thirty per cent. of such profits and gains for further five assessment years." ;

(d) in sub-section (3), for the words "industrial undertaking" where ever they occur, the word "undertaking" shall be substituted with effect from the 1st day of April, 2002 ;

(e) in sub-section (4),-

(i) in clause (i),-

(A) for the words, brackets and figures "of (i) developing, (ii) maintaining and operating or (iii) developing, maintaining and operating", the words, brackets and figures "of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining" shall be substituted with effect from the 1st day of April, 2002 ;

(B) for sub-clause (b), the following sub-clause shall be substitute with effect from the 1st day of April, 2002, namely :-

"(b) it has entered into an agreement with the Central Government or a State Government or a local authority or any other statutory body for (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining a new infrastructure facility ;" ;

(ii) for the Explanation, the following Explanation shall be substituted with effect from the 1st day of April, 2002, namely :-

Explanation.-For the purposes of this clause, "infrastructure facility" means-

(a) a road including toll road, a bridge or a rail system ;

(b) a highway project including housing or other activities being an integral part of the highway project;

(c) a water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system ;

(d) a port, airport, inland waterway or inland port. ;

(iii) for clause (ii), the following clause shall be substituted, namely :-

"(ii) any undertaking which has started or starts providing telecommunication services whether basic or cellular, including radio paging, domestic satellite service, network of trunking, broadband network and internet services on or after the 1st day of April, 1995, but on or before the 31st day of March, 2003 ;" ;

(iv) in clause (iii),-

(A) after the words "an industrial park", the words "or special economic zone" shall be inserted with effect from the 1st day of April, 2002 ;

(B) for the words, figures and letters "the 31st day of March, 2002", the words, figures and letters "the 31st day of March, 2006" shall be substituted ;

(v) in clause (iv),-

(A) for the words "industrial undertaking" at both the places where they occur, the word "undertaking" shall be substituted with effect from the 1st day of April, 2002 ;

(B) in sub-clauses (a) and (b), for the words, figures and letters "ending on the 31st day of March, 2003" the words, figures and letters "ending on the 31st day of March, 2006" shall be substituted with effect from the 1st day of April, 2002 ;

(f) in sub-section (7), for the words "industrial undertaking" at both the places where they occur, the word "undertaking" shall be substituted with effect from the 1st day of April, 2002 ;

(g) in sub-section (8), with effect from the 1st day of April, 2002,-

(i) for the word "goods" wherever it occurs, the words "goods or services" shall be substituted ;

(ii) for the Explanation, the following Explanation shall be substituted, namely :-

'Explanation.-For the purposes of this sub-section, "market value", in relation to any goods or services, means the price that such goods or services would ordinarily fetch in the open market.' ;

(h) in sub-section (9), for the words "industrial undertaking" at both the places where they occur, the word "undertaking" shall be substituted with effect from the 1st day of April, 2002. .

Section 45 - Amendment of section 80-IB

In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) in sub-section (1), for the brackets, figures and word "(3 to (11)", the brackets, figures, words and letter "(3) to (11) and (11A)" shall be substituted ;

(b) after sub-section (11), the following sub-section shall be inserted, namely :-

"(11A) The amount of deduction in a case of an undertaking deriving profit from the integrated business of handling, storage and transportation of food grains, shall be hundred per cent. of the profits and gains derived from such undertaking for five assessment years beginning with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains derived from the operation of such business in a manner that the total period of deduction does not exceed ten consecutive assessment years and subject to fulfilment of the condition that it begins to operate such business on or after the 1st day of April, 2001." ;

(c) in sub-section (14), in clause (c), after sub-clause (iii), the following sub-clause shall be inserted at the end, namely :-

"(iv) in the case of an undertaking engaged in the integrated business of handling, storage and transportation of food grains, means the assessment year relevant to the previous year in which the undertaking begins such business."

Section 46 - Amendment of section 80L

In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2002, in clause (x), for the words "twelve thousand" at both the places where they occur, the words "nine thousand" shall be substituted ;

Section 47 - Amendment of section 88

In section 88 of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) in sub-section (1), after the proviso, the following proviso shall be inserted, namely :-

'Provided further that an individual shall be entitled to a deduction of an amount equal to thirty per cent. of the aggregate of the sums referred to in sub-section (2) if his income chargeable under the head "Salaries"-

(a) does not exceed one lakh rupees during the previous year before allowing deduction under section 16 ; and

(b) is not less than ninety per cent. of his gross total income as defined in sub-section (5) of section 80B: ;

(b) in sub-section (2), in clause (xiiia), after the words "Life Insurance Corporation", the words "or any other insurer" shall be inserted. Back

Section 48 - Amendment of section 90

In section 90 of Income-tax Act, the following Explanation shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely :-

"Explanation.- For the removal of doubts, it is hereby declared that the charge of tax in respect of a foreign company at a rate higher than the rate at which a domestic company is chargeable, shall not be regarded as less favourable charge or levy of tax in respect of such foreign company, where such foreign company has not made the prescribed arrangement for declaration and payment within India, of the dividends (including dividends on preference shares) payable out of its income in India."

Section 49 - Substitution of new sections for section 92

For section 92 of the Income-tax Act, the following sections shall be substituted with effect from the 1st day of April, 2002, namely :-

'92.Computation of income from international transaction having regard to arm's length price.-

(1) Any income arising from an international transaction shall be computed having regard to the arm's length price.

(2) In computing income under sub-section (1), the allowance for any expense or interest shall also be determined having regard to the arm's length price.

(3) Where in an international transaction, two or more associated enterprises enter into a mutual agreement or arrangement for the allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided to anyone or more of such enterprises, the cost or expense allocated or apportioned to, or, as the case may be, contributed by, any such enterprise shall be determined having regard to the arm's length price of such benefit, service or facility, as the case may be.

92A. Meaning of associated enterprise.-

- (1) For the purposes of this section and sections 92, 92B, 92C, 92D, 92E and 92F, "associated enterprise", in relation to another enterprise, means an enterprise-
- (a) which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or
 - (b) in respect of which one or more persons who participate, directly or indirectly, or through one or more intermediaries, in its management or control or capital, are the same persons who participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise.
- (2) Two enterprises shall be deemed to be associated enterprises if, at any time during the previous year,-
- (a) one enterprise holds, directly or indirectly, shares carrying not less than twenty-six per cent. of the voting power in the other enterprise ; or
 - (b) any person or enterprise holds, directly or indirectly, shares carrying not less than twenty-six per cent. of the voting power in each of such enterprises; or
 - (c) a loan advanced by one enterprise to the other enterprise constitutes not less than fifty-one per cent. of the book value of the total assets of the other enterprise; or
 - (d) one enterprise guarantees not less than ten per cent. of the total borrowings of the other enterprise; or
 - (e) more than half of the board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of one enterprise, are appointed by the other enterprise ; or
 - (f) more than half of the directors or members of the governing board, or one or more of the executive directors or members of the governing board, of each of the two enterprises are appointed by the same person or persons; or
 - (g) the manufacture or processing of goods or articles or business carried out by one enterprise is wholly dependent on the use of know-how, patents, copyrights, trade-marks, licences, franchises or any other business or commercial rights of similar nature, or any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, of which the other enterprise is the owner or in respect of which the other enterprise has exclusive rights; or
 - (h) ninety per cent. or more of the raw materials and consumables required for the manufacture or processing of goods or articles carried out by one enterprise, are supplied by the other enterprise, or by persons specified by the other enterprise, and the prices and other conditions relating to the supply are influenced by such other enterprise; or
 - (i) the goods or articles manufactured or processed by one enterprise, are sold to the other enterprise or to persons specified by the other enterprise, and the prices and other conditions relating thereto are influenced by such other enterprise; or
 - (j) where one enterprise is controlled by an individual, the other enterprise is also controlled by such individual or his relative or jointly by such individual and relative of such individual; or
 - (k) where one enterprise is controlled by a Hindu undivided family, the other enterprise is controlled by a member of such Hindu undivided family, or by a relative of a member of such Hindu undivided family, or jointly by such member and his relative; or
 - (l) where one enterprise is a firm, association of persons or body of individuals, the other enterprise holds not less than ten per cent. interest in such firm, association of persons or body of individuals; or
 - (m) there exists between the two enterprises, any relationship of mutual interest, as may be prescribed.

92B. Meaning of international transaction.-

- (1) For the purposes of this section and sections 92, 92C, 92D and 92E, "international transaction" means a transaction between two or more associated enterprises, either or both of whom are non-residents, in the nature of purchase, sale or lease of tangible or intangible property, or provision of services, or lending" or borrowing" money, or any other transaction having a bearing on the profits, income, losses or assets of such enterprises and shall include a mutual agreement or arrangement between two or more associated enterprises for the allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided to anyone or more of such enterprises.
- (2) A transaction entered into by an enterprise with a person other than an associated enterprise shall, for the purposes of sub-section (1), be deemed to be a transaction entered into between two associated enterprises, if there exists a prior agreement in relation to the relevant transaction between such other person and the associated enterprise; or the terms of the relevant transaction are determined in substance between such other person and the associated enterprise.

92C. Computation of arm's length price.-

- (1) The arm's length price in relation to an international transaction shall be determined by any of the following methods, being the most appropriate method, having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board may prescribe, namely :-
- (a) comparable uncontrolled price method ;
 - (b) resale price method;

- (c) cost plus method;
- (d) profit split method ;
- (e) transactional net margin method ;
- (f) such other method as may be prescribed by the Board.

(2) The most appropriate method referred to in sub-section (1) shall be applied, for determination of arm's length price, in the manner as may be prescribed :

Provided that where more than one price may be determined by the most appropriate method, the arm's length price shall be taken to be the arithmetical mean of such prices.

(3) Where during the course of any proceeding for the assessment of income, the Assessing Officer is, on the basis of material or information or document in his possession, of the opinion that-

- (a) the price charged or paid in an international transaction has not been determined in accordance with sub-sections (1) and (2) ; or
- (b) any information and document relating to an international transaction have not been kept and maintained by the assessee in accordance with the provisions contained in sub-section (1) of section 92D and the rules made in this behalf; or
- (c) the information or data used in computation of the arm's length price is not reliable or correct; or
- (d) the assessee has failed to furnish, within the specified time, any information or document which he was required to furnish by a notice issued under sub-section (3) of section 92D,

the Assessing Officer may proceed to determine the arm's length price in relation to the said international transaction in accordance with sub-sections (1) and (2), on the basis of such material or information or document available with him :

Provided that an opportunity shall be given by the Assessing Officer by serving a notice calling upon the assessee to show cause, on a date and time to be specified in the notice, why the arm's length prices

(4) Where an arm's length price is determined by the Assessing Officer under sub-section (3), the Assessing Officer may compute the total income of the assessee having regard to the arm's length price so determined:

Provided that no deduction under section 10A or section 10B or under Chapter VI-A shall be allowed in respect of the amount of income by which the total income of the assessee is enhanced after computation of income under this sub-section :

Provided further that where the total income of an associated enterprise is computed under this sub-section on determination of the arm's length price paid to another associated enterprise from which tax has been deducted under the provisions of Chapter XVIIIB, the income of the other associated enterprise shall not be recomputed by reason of such determination of arm's length price in the case of the first mentioned enterprise.

92D. Maintenance, keeping of information and document by persons entering into an international transaction.-

- (1) Every person who has entered into an international transaction shall keep and maintain such information and document in respect thereof, as may be prescribed.
- (2) Without prejudice to the provisions contained in sub-section (1), the Board may prescribe the period for which the information and document shall be kept and maintained under that sub-section.
- (3) The Assessing Officer or the Commissioner (Appeals) may, in the course of any proceeding under this Act, require any person who has entered into an international transaction to furnish any information or document in respect thereof, as may be prescribed under sub-section (1) within a period of thirty days from the date of receipt of a notice issued in this regard :

Provided that the Assessing Officer or the Commissioner (Appeals) may, on an application made by such person, extend the period of thirty days by a further period not exceeding thirty days.

92E. Report from an accountant to be furnished by persons entering into international transaction.-Every person who has entered into an international transaction during a previous year shall obtain a report from an accountant and furnish such report on or before the specified date in the prescribed form duly signed and verified in the prescribed manner by such accountant and setting forth such particulars as may be prescribed.

92F. Definitions of certain terms relevant to computation of arm's length price, etc.-In sections 92, 92A, 92B, 92C, 92D and 92E, unless the context otherwise requires-

- (i) "accountant" shall have the same meaning as in the Explanation below sub-section (2) of section 288 ;
- (ii) "arm's length price" means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions ;
- (iii) "enterprise" means a person (including a permanent establishment of such person) who is, or has been, or is proposed to be, engaged in any activity, relating to the production, storage, supply, distribution, acquisition or control of articles or goods, or know-how, patents, copyrights, trade-marks, licences, franchises or any other business or commercial rights of similar nature, or any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, of which the other enterprise is the owner or in respect of which the other enterprise has exclusive rights, or the provision of services of any kind, or in investment, or providing loan or in the business of acquiring, holding, underwriting or dealing with shares, debentures or other securities of any other body corporate, whether such activity or business is carried on, directly or through one or more of its units or divisions or subsidiaries, or whether such unit or division or subsidiary is located at the same place where the enterprise is located or at a different place or places ;

(iv) "specified date" means,-

- (a) where the assessee is a company, the 31st day of October of the relevant assessment year ;
- (b) in any other case, the 31st day of July of the relevant assessment year ;

(v) "transaction" includes an arrangement, understanding or action in concert,-

- (A) whether or not such arrangement, understanding or action is formal or in writing; or
- (B) whether or not such arrangement, understanding or action is intended to be enforceable by legal proceeding.'.

Section 50 - Amendment of section 94

In section 94 of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) after sub-section (6) but before the Explanation, the following sub-section shall be inserted, namely :-

"(7) Where-

- (a) any person buys or acquires any securities or unit within a period of three months prior to the record date;
- (b) such person sells or transfers such securities or unit within a period of three months after such date;
- (c) the dividend or income on such securities or unit received or receivable by such person is exempt,

then, the loss, if any, arising to him on account of such purchase and sale of securities or unit, to the extent such loss does not exceed the amount of dividend or income received or receivable on such securities or unit, shall be ignored for the purposes of computing his income chargeable to tax." ;

(b) in the Explanation occurring at the end,-

(i) after clause (a), the following clause shall be inserted, namely :-

'(aa) "record date" means such date as may be fixed by a company or a Mutual Fund or the Unit Trust of India for the purposes of entitlement of the holder of the securities or the unit-holder, to receive dividend or income, as the case may be ;' ;

(ii) after clause (c), the following clause shall be inserted at the end, namely :-

'(d) "unit" shall have the meaning assigned to it in clause (b) of the Explanation to section 115AB.'

Section 51 - Amendment of section 115AB

In section 115AB of the Income-tax Act, in the Explanation, in clause (a), for the words "Central Government", the words and figures "Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992 (15 of 1992)," shall be substituted with effect from the 1st day of June, 2001.

Section 52 - Substitution of new section for section 115AC

For section 115AC of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2002. namely :-

'115AC. Tax on income from bonds or Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer.-

(1) Where the total income of an assessee, being a non-resident, includes-

(a) income by way of interest on bonds of an Indian company issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, or on bonds of a public sector company sold by the Government, and purchased by him in foreign currency; or

(b) income by way of dividends, other than dividends referred to in section 115-O, on Global Depository Receipts-

(i) issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, against the initial issue of shares of an Indian company and purchased by him in foreign currency through an approved intermediary ; or

(ii) issued against the shares of a public sector company sold by the Government and purchased by him in foreign currency through an approved intermediary ; or

(iii) re-issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, against the existing shares of an Indian company purchased by him in foreign currency through an approved intermediary; or

(iv) issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, and purchased by him in foreign currency through an approved intermediary, against the shares of an Indian company arising out of disinvestment by such company in its subsidiary company, and the shares of both such Indian companies are listed in a recognised stock exchange in India; or

(c) income by way of long-term capital gains arising from the transfer of bonds referred to in clause (a) or, as the case may be, Global Depository Receipts referred to in clause (b),

the income-tax payable shall be the aggregate of-

(i) the amount of income-tax calculated on the income by way of interest or dividends other than dividends referred to in section 115-O, as the case may be, in respect of bonds referred to in clause (a) or Global Depository Receipts referred to in clause (b), if any, included in the total income, at the rate of ten per cent. ;

(ii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (c), if any, at the rate of ten per cent. ; and

(iii) the amount of income-tax with which the non-resident would have been chargeable had his total income been reduced by the amount of income referred to in clauses (a), (b) and (c).

(2) Where the gross total income of the non-resident-

(a) consists only of income by way of interest or dividends other than dividends referred to in section 115-O in respect of bonds referred to in clause (a) of sub-section (1) or, as the case may be, Global Depository Receipts referred to in clause (b) of that sub-section, no deduction shall be allowed to him under sections 28 to 44C or clause (i) or clause (iii) of section 57 or under Chapter VI-A;

(b) includes any income referred to in clause (a) or clause (b) or clause (c) of sub-section (1), the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced, were the gross total income of the assessee.

(3) Nothing contained in the first and second provisos to section 48 shall apply for the computation of long-term capital gains arising out of the transfer of long-term capital asset, being bonds or Global Depository Receipts referred to in clause (c) of sub-section (1).

(4) It shall not be necessary for a non-resident to furnish under sub-section (1) of section 139 a return of his income if-

(a) his total income in respect of which he is assessable under this Act during the previous year consisted only of income referred to in clauses (a) and (b) of sub-section (1) ; and

(b) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.

(5) Where the assessee acquired Global Depository Receipts or bonds in an amalgamated or resulting company by virtue of his holding Global Depository Receipts or bonds in the amalgamating or demerged company, as the case may be, in accordance with the provisions of sub-section (1), the provisions of that sub-section shall apply to such Global Depository Receipts or bonds.

Explanation.-For the purposes of this section,-

(a) "approved intermediary" means an intermediary who is approved in accordance with such scheme as may be notified by the Central Government in the Official Gazette ;

(b) "Global Depository Receipts" shall have the same meaning as in clause (a) of the Explanation to section 115ACA. '

Section 53 - Amendment of section 115ACA

53. In section 115ACA of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted, namely :-

'(1) Where the total income of an assessee, being an individual, who is a resident and an employee of an Indian company engaged in specified knowledge based industry or service, or an employee of its subsidiary engaged in specified knowledge based industry or service (hereafter in this section referred to as the resident employee), includes-

(a) income by way of dividends, other than dividends referred to in section 115-O, on Global Depository Receipts of an Indian company engaged in specified knowledge based industry or service, issued in accordance with such Employees' Stock Option Scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf and purchased by him in foreign currency; or

(b) income by way of long-term capital gains arising from the transfer of Global Depository Receipts referred to in clause (a),

the income-tax payable shall be the aggregate of-

(i) the amount of income-tax calculated on the income by way of dividends, other than dividends referred to in section 115-O, in respect of Global Depository Receipts referred to in clause (a), if any, included in the total income, at the rate of ten percent. ;

(ii) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (b), if any, at the rate of ten per cent. ; and

(iii) the amount of income-tax with which the resident employee would have been chargeable had his total income been reduced by the amount of income referred to in clauses (a) and (b).

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

(a) "specified knowledge based industry or service" means-

(i) information technology software ;

(ii) information technology service ;

(iii) entertainment service ;

(iv) pharmaceutical industry ;

(v) bio-technology industry ; and

(vi) any other industry or service, as may be specified by the Central Government, by notification in the Official Gazette ;

(b) "subsidiary" shall have the meaning assigned to it in section 4 of the Companies Act, 1956 (1 of 1956) and includes subsidiary incorporated outside India. .

Section 54 - Amendment of section 115BB

In section 115BB of the Income-tax Act, in clause (i), for the words "forty per cent.", the words "thirty per cent." shall be substituted with effect from the 1st day of April, 2002.

Section 55 - Amendment of section 115-O

In section 115-O of the Income-tax Act, in sub-section (1), for the words "twenty per cent.", the words "ten per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 56 - Amendment of section 115P

In section 115P of the Income-tax Act, for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 57 - Amendment of section 115R

In section 115R of the Income-tax Act, in sub-sections (1) and (2), for the words "twenty per cent.", the words "ten per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 58 - Amendment of section 115S

In section 115S of the Income-tax Act, for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 59 - Amendment of section 139

In section 139 of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted, namely:-

'(1) Every person,-

(a) being a company; or

(b) being a person other than a company, if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year exceeded the maximum amount which is not chargeable to income-tax,

shall, on or before the due date, furnish a return of his income or the income of such other person during the previous year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed :

Provided that a person referred to in clause (b), who is not required to furnish a return under this sub-section and residing in such area as may be specified by the Board in this behalf by notification in the Official Gazette, and who at any time during the previous year fulfils anyone of the following conditions, namely :-

(i) is in occupation of an immovable property exceeding a specified floor area, whether by way of ownership, tenancy or otherwise, as may be specified by the Board in this behalf; or

(ii) is the owner or the lessee of a motor vehicle other than a two-wheeled motor vehicle, whether having any detachable side car having extra wheel attached to such two-wheeled motor vehicle or not; or

(iii) is a subscriber to a telephone; or

(iv) has incurred expenditure for himself or any other person on travel to any foreign country ; or

(v) is the holder of a credit card, not being an "add-on" card, issued by any bank or institution; or

(vi) is a member of a club where entrance fee charged is twenty-five thousand rupees or more,

shall furnish a return, of his income during the previous year, on or before the due date in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed :

Provided further that the Central Government may, by notification in the Official Gazette, specify the class or classes of persons to whom the provisions of the first proviso shall not apply:

Provided also that every company shall furnish on or before the due date the return in respect of its income or loss in every previous year.

Explanation 1.-For the purposes of this sub-section, the expression "motor vehicle" shall have the meaning assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988 (59 of 1988).

Explanation 2.-In this sub-section, "due date" means,-

(a) where the assessee is -

(i) a company; or

(ii) a person (other than a company) whose accounts are required to be audited under this act or under any other law for the time being in force; or

(iii) a working partner of a firm whose accounts are required to be audited under this act or under any other law for the time being in force,

the 31st day of October of the assessment year;

(b) in the case of a person other than a company, referred to in the first proviso to this sub-section, the 31st day of October of the assessment year ;

(c) in the case of any other assessee, the, 31st day of July of assessment year.

Explanation 3.-For the purposes of this sub-section, the expression "travel to any foreign country" does not include travel to the neighbouring countries or to such places of pilgrimage as the Board may specify in the behalf by notification in the Official Gazette.'

Section 60 - Amendment of section 139A

In section 139A of the Income-tax with effect from the 1st day of June, 2001,-

(a) after sub-section (5), the following sub-sections shall be inserted, namely :-

"(5A) Every person receiving any sum or income or amount from which tax has been deducted under the provisions of Chapter XVIIB, shall intimate his permanent account number to the person responsible for deducting such tax under that Chapter :

Provided that nothing contained in this sub-section shall apply to a non-resident referred to in sub-section (4) of section 115AC, or sub-section (2) of section 115BBA, or to a non-resident Indian referred to in section 115G :

Provided further that a person referred to in this sub-section, shall intimate the General Index Register Number till such time permanent account number is allotted to such person.

(5B) Where any sum or income or amount has been paid after deducting tax under Chapter XVIIB, every person deducting tax under that Chapter shall quote the permanent account number of the person to whom such sum or income or amount has been paid by him -

(i) in the statement furnished in accordance with the provisions of sub-section (2C) of section 192 ;

(ii) in all certificates furnished in accordance with the provisions of section 203 ;

(iii) in all returns prepared and delivered or caused to be delivered in accordance with the provisions of section 206 to any income-tax authority :

Provided that the Central Government may, by notification in the Official Gazette, specify different dates from which the provisions of this sub-section shall apply in respect of any class or classes of persons :

Provided further that nothing contained in sub-sections (5A) and (5B) shall apply in case of a person whose total income is not chargeable to income-tax or who is not required to obtain permanent account number under any provision of this Act if such person furnishes to the person responsible for deducting tax, a declaration referred to in section 197A in the form and manner prescribed thereunder to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil.

(5C) Every buyer referred to in section 206C shall intimate his permanent account number to the seller referred to in that section.

(5D) Every seller collecting tax in accordance with the provisions of section 206C shall quote the permanent account number of every buyer referred to in that section-

(i) in all certificates furnished in accordance with the provisions of sub-section (5) of section 206C;

(ii) in all returns prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (5A) or sub-section (5B) of section 206C to an income-tax authority."

Section 61 - Amendment of section 140A

In section 140A of the Income-tax Act, after sub-section (1), the following sub-sections shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1989, namely :-

"(1A) For the purposes of sub-section (1), interest payable under section 234A shall be computed on the amount of the tax on the total income as declared in the return as reduced by the advance tax, if any, paid and any tax deducted or collected at source.

(1B) For the purposes of sub-section (1), interest payable under section 234B shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax.

Explanation.-For the purposes of this sub-section, "assessed tax" means the tax on the total income as declared in the return as reduced by the amount of tax deducted or collected at source, in accordance with the provisions of Chapter XVII, on any income which is subject to such deduction or collection and which is taken into account in computing such total

income."

Section 62 - Amendment of section 143

In section 143 of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 2001,-

(a) in the second proviso, for the words "two years from the end of the assessment year in which the income was first assessable", the words "one year from the end of the financial year in which the return is made" shall be substituted ;

(b) after the second proviso, the following proviso shall be inserted, namely :-

"Provided also that where the return made is in respect of the income first assessable in the assessment year commencing on the 1st day of April, 1999, such intimation may be sent at any time up to the 31st day of March, 2002."

Section 63 - Amendment of section 149

In section 149 of the Income-tax Act, in sub-section (1), for clauses (a) and (b), the following clauses shall be substituted with effect from the 1st day of June, 2001, namely :-

"(a) if four years have elapsed from the end of the relevant assessment year, unless the case falls under clause(b);

(b) if four years, but not more than six years, have elapsed from the end of the relevant assessment year unless the income chargeable to tax which has escaped assessment amounts to or is likely to amount to one lakh rupees or more for that year."

Section 64 - Amendment of section 153

In section 153 of the Income-tax Act, with effect from the 1st day of June, 2001,-

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

(i) for the words "two years", the words "one year" shall be substituted ;

(ii) for the proviso, the following proviso shall be substituted, namely :-

"Provided that where the notice under section 148 was served on or after the 1st day of April, 1999 but before the 1st day of April, 2000, such assessment, reassessment or recomputation may be made at any time up to the 31st day of March, 2002." ;

(b) for sub-section (2A), the following sub-section shall be substituted, namely :-

"(2A) Notwithstanding anything contained in sub-sections (1) and (2), in relation to the assessment year commencing on the 1st day of April, 1971, and any subsequent assessment year, an order of fresh assessment in pursuance of an order under section 250, section 254, section 263 or section 264, setting aside or canceling an assessment, may be made at any time before the expiry of one year from the end of the financial year in which the order under section 250 or section 254 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Chief Commissioner or Commissioner :

Provided that where the order under section 250 or section 254 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Chief Commissioner or Commissioner, on or after the 1st day of April, 1999 but before the 1st day of April, 2000, such an order of fresh assessment may be made at any time up to the 31st day of March, 2002." ;

(c) in sub-section (3), clause (i) shall be omitted,

Section 65 - Amendment of section 154

In section 154 of the Income-tax Act, after sub-section (7), the following sub-section shall be inserted with effect from the 1st day of June, 2001,-

"(8) Without prejudice to the provisions of sub-section (7), where an application for amendment under this section is made by the assessee on or after the 1st day of June, 2001 to an income-tax authority referred to in sub-section (1), the authority shall pass an order, within a period of six months from the end of the month in which the application is received by it,-

(a) making the amendment; or

(b) refusing to allow the claim."

Section 66 - Amendment of section 158B

In section 158B of the Income-tax Act, for clause (a), the following clause shall be substituted with effect from the 1st day of June, 2001, namely :-

'(a) "block period" means the period comprising previous years relevant to six assessment years preceding the previous year in which the search was conducted under section or any requisition was made under section 132A and also includes the period up to the date of the commencement of such search or date of such requisition in the previous year in which the said search was conducted or requisition was made :

Provided that where the search is initiated or the requisition is made before the 1st day of June, 2001, the provisions of this clause shall have effect as if for the words "six assessment years", the words "ten assessment years" had been substituted ;'.

Section 67 - Amendment of section 158BFA

In section 158 BFA of the Income-tax Act, in sub-section (1), for the words "two per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 68 - Amendment of section 192

In section 192 of the Income-tax Act, after sub-section (2B), the following sub-section shall be inserted with effect from the 1st day of June, 2001, namely :-

'(2C) A person responsible for paying any income chargeable under the head "Salaries" shall furnish to the person to whom such payment is made a statement giving correct and complete particulars of perquisites or profits in lieu of salary provided to him and the value thereof in such form and manner as may be prescribed.'

Section 69 - Amendment of section 194A

In section 194A of the Income-tax Act, in sub-section (3), in clause (i), in the proviso, the portion beginning with the words "the provisions of this clause" and ending with the words "have been substituted and" shall be omitted with effect from the 1st day of June, 2001.

Section 70 - Amendment of section 194B

In section 194B of the Income-tax Act after the words "crossword puzzle", the words "or card game and other game of any sort" shall be inserted with effect from the 1st day of June, 2001.

Section 71 - Insertion of new section 194H

After section 194G of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2001, namely :-

'194H. Commission or brokerage.-Any person, not being an individual or a Hindu undivided family, who is responsible for paying on or after the 1st day of June, 2001, to a resident, any income by way of commission (not being insurance commission referred to in section 194D) or brokerage, shall, at the time of credit of such income to the account of the payee or at the time of payment of such income in cash or by the issue a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent. :

Provided that no deduction shall be made under this section in a case where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, does not exceed two thousand five hundred rupees.

Explanation.-For the purposes of this section,-

(i) "commission or brokerage" includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person for services rendered (not being professional services) or for any services in the course of buying or selling of goods or in relation to any transaction relating to any asset, valuable article or thing, not being securities ;

(ii) the expression "professional services" means services rendered by a person in the course of carrying on a legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or such other profession as is notified by the Board for the purposes of section 44AA ;

(iii) the expression "securities" shall have the meaning assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) ;

(iv) where any income is credited to any account, whether called "suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.'

Section 72 - Amendment of section 196C

In section 196C of the Income-tax Act, for the words "bonds or shares" at both the places where they occur, the words "bonds or Global Depository Receipts" shall be substituted with effect from the 1st day of April, 2002.

Section 73 - Amendment of section 197

In section 197 of the Income-tax Act, in sub-section (1), after the figures and letter "194D", the figures and letter ",194H" shall be inserted with effect from the 1st day of June, 2001.

Section 74 - Amendment of section 201

In section 201 of the Income-tax Act,-

(a) in sub-section (1), after the words "does not deduct", the words "the whole or any part of the tax" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962 ;

(b) in sub-section (1A),-

(i) after the words "does not deduct", the words "the whole or any part of the tax" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962 ;

(ii) for the words "eighteen per cent.", the words "fifteen per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 75 - Amendment of section 206C

In section 206C of the Income-tax Act, in sub-section (7), for the words "two per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 76 - Amendment of section 220

In section 220 of the Income-tax Act, in sub-section (2), for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 77 - Omission of section 230A

Section 230A of the Income-tax Act shall be omitted with effect from the 1st day of June, 2001.

Section 78 - Amendment of section 234A

In section 234A of the Income-tax Act,-

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

(i) for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001 ;

(ii) Explanation 4 shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1989 ;

(b) in sub-section (3), for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 79 - Amendment of section 234B

In section 234B of the Income-tax, Act,-

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

(i) for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001 ;

(ii) for Explanation 1, the following Explanation shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1989, namely :-

'Explanation 1.-In this section, "assessed tax" means the tax on the total income determined under sub-section (1) of section 143 or on regular assessment as reduced by the amount of tax deducted or collected at source in accordance with the provisions of Chapter XVII on any income which is subject to such deduction or collection and which is taken into account in computing such total income.' ;

(b) in sub-section (3), for the words "one and one-half per cent.", the words "one and one-fourth per cent." shall be substituted with effect from the 1st day of June, 2001

Section 80 - Amendment of section 234C

In section 234C of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 2001,-

(i) in clause (a), in sub-clauses (i) and (ii), for the words "one and one half per cent.", the words "one and one-fourth per cent." shall be substituted ;

(ii) in clause (b), in sub-clauses (i) and (ii), for the words "one an one-half per cent.", the words "one and one-fourth per cent." shall be substituted.

Section 81 - Omission of section 241

Section 241 of the Income-tax Act shall be omitted with effect from the 1st day of June, 2001.

Section 82 - Amendment of section 244A

In section 244A of the Income-tax Act, in sub-section (1), in clauses (a) and (b), for the words "one per cent.", the words "three-fourth per cent," shall be substituted with effect from the 1st day of June, 2001.

Section 83 - Amendment of section 251

In section 251 of the Income-tax Act, in sub-section (1), in clause (a), the portion beginning with the words "or he may set aside" and ending with the words "on the basis of such fresh assessment;" shall be omitted with effect from the 1st day of June, 2001.

Section 84 - Amendment of section 254

In section 254 of the Income-tax Act, in sub-section (2A), the following provisos shall be inserted with effect from the 1st day of June, 2001, namely :-

"Provided that where an order of stay is made in any proceedings relating to an appeal filed under sub-section (1) of section 253, the Appellate Tribunal shall dispose of the appeal within a period of one hundred and eighty days from the date of such order :

Provided further that if such appeal is not so disposed of within the period specified in the first proviso, the stay order shall stand vacated after the expiry of the said period."

Section 85 - Amendment of section 264

In section 264 of the Income-tax Act, in sub-section (5), for the words "a fee of twenty-five rupees", the words "a fee of five hundred rupees" shall be substituted with effect from the 1st day of June, 2001.

Section 86 - Amendment of section 271

In section 271 of the Income-tax Act, in sub-section (1),-

(a) in clause (ii), for the words "a sum which shall not be less than one thousand rupees but which may extend to twenty-five thousand rupees", the words "a sum of ten thousand rupees" shall be substituted with effect from the 1st day of June, 2001;

(b) after Explanation 6, the following Explanation shall be inserted with effect from the 1st day of April, 2002, namely:-

"Explanation 7.- Where in the case of an assessee who has entered in to an international transaction defined in section 92B, any amount is added or disallowed in computing the total income under sub-section (4) of section 92C, then, the amount so added or disallowed shall, for the purposes of clause (c) of this sub-section, be deemed to represent income in respect of which particulars have been concealed or inaccurate particular have been furnished, unless the assessee proves to the satisfaction of the Assessing Officer or the Commissioner (Appeals) that the price charged or paid in such transaction was computed in accordance with the provisions contained in section 92C and in the manner prescribed under that section, in good faith and with due diligence."

Section 87 - Amendment of section 271A

In section 271 of the Income-tax Act, for the words "a sum which shall not be less than two thousand rupees but which may extend to one hundred thousand rupees", the words "a sum of twenty-five thousand rupees" shall be substituted with effect from the 1st day of June, 2001.

Section 88 - Insertion of new section 271AA

After section 271A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

"271AA. Penalty for failure to keep and maintain information and document in respect of international transaction.- Without prejudice to the provisions of section 271, if any person fails to keep and maintain any such information and document as required by sub-section (1) or sub-section (2) of section 92D, the Assessing Officer or Commissioner (Appeals) may direct that such person shall pay, by way of penalty, a sum equal to two per cent. of the value of each international transaction entered into by such person."

Section 89 - Insertion of new section 271BA

After section 271B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

"271BA. Penalty for failure to furnish report under section 92E.-If any person fails to furnish a report from an accountant as required by section 92E, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of one hundred thousand rupees."

Section 90 - Amendment of section 271F

In section 271F of the Income-tax Act, with effect from the 1st day of June, 2001,-

(a) for the words "one thousand rupees", the words "five thousand rupees" shall be substituted; .

(b) in the proviso, for the words "five hundred rupees", the words "five thousand rupees" shall be substituted.

Section 91 - Insertion of new section 271G

After section 271F of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2002, namely :-

"271G. Penalty for failure to furnish information or document under section 92D.-If any person who has entered into an international transaction fails to furnish any such information or document as required by sub-section (3) of section 92D, the Assessing Officer or the Commissioner (Appeals) may direct that such person shall pay, by way of penalty, a sum equal to two per cent. of the value of the international transaction for each such failure."

Section 92 - Amendment of section 272A

In section 272A of the Income-tax Act,-

(a) in sub-section (1), for the words "a sum which shall not be less than five hundred rupees but which may extend to ten thousand rupees", the words "a sum of ten thousand rupees" shall be substituted with effect from the 1st day of June, 2001 ;

(b) in sub-section (2), after clause (h), the following clause shall be inserted with effect from the 1st day of April, 2002, namely :-

"(i) to furnish a statement as required by sub-section (2C) of section 192."

Section 93 - Amendment of section 272BB

In section 272BB of the Income-tax Act, in sub-section (1), for the words "a sum which may extend to five thousand rupees", the words "a sum of ten thousand rupees" shall be substituted with effect from the 1st day of June, 2001.

Section 94 - Amendment of section 273B

In section 273B of the Income-tax Act, with effect from the 1st day of April, 2002,-

(a) after the word, figures and letter "section 271A", the word, figures and letters", section 271AA" shall be inserted ;

(b) after the word, figures and letter "section 271B", the word, figures and letters", section 271BA" shall be inserted ;

(c) after the word, figures and letter "section 271F", the word, figures and letter", section 271G" shall be inserted.

Section 95 - Amendment of Second Schedule

In the Second Schedule to the Income-tax Act, in rule 68A, in sub-rule (3), for the words "twelve per cent.", the words "nine per cent." shall be substituted with effect from the 1st day of June, 2001.

Section 96 to 100 - Wealth-tax

Section 96 - Amendment of section 17

In section 17 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), in sub-section (1A), for clauses (a) and (b), the following clauses shall be substituted with effect from the 1st day of June, 2001, namely :-

"(a) if four years have elapsed from the end of the relevant assessment year, unless the case falls under clause (b);

(b) if four years, but not more than six years, have elapsed from the end of the relevant assessment year unless the net wealth chargeable to tax which has escaped assessment amounts to or is likely to amount to rupees ten lakh or more for that year."

Section 97 - Amendment of section 17A

In section 17A of the Wealth-tax Act, with effect from the 1st day of June, 2001,-

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

(i) for the words "two years", the words "one year" shall be substituted ;

(ii) for the proviso, the following proviso shall be substituted, namely :-

"Provided that where the notice under sub-section (1) of section 17 was served on or after the 1st day of April, 1999 but before the 1st day of April, 2000, such assessment or reassessment may be made at any time up to the 31st day of March, 2002." ;

(iii) the Explanation shall be omitted ;

(b) in sub-section (3),

(i) for the words "two years", the words "one year" shall be substituted ;

(ii) for the figures "23" at both the places where they occur, the figures and letter "23A" shall be substituted;

(iii) for the proviso, the following proviso shall be substituted, namely,- ,

"Provided that where the order under section 23A or section 24 is received by the Chief Commissioner or Commissioner or, as the case may be, the order under section 25 is passed by the Commissioner, on or after the 1st day of April, 1999 but before the 1st day of April, 2000, such an order of fresh assessment may be made at any time up to the 31st day of March, 2002."

Section 98 - Amendment of section 17B

In section 17B of the Wealth-tax Act, in sub-sections (1) and (3), for the words "two per cent.", the words "one and one-fourth per cent" shall be substituted with effect from the 1st day of June, 2001.

Section 99 - Amendment of section 31

In section 31 of the Wealth-tax Act, in sub-section (2), with effect from the 1st day of June, 2001,-

(i) for the words "one and one-half per cent", the words "one and one-fourth per cent" shall be substituted ;

(ii) in the second proviso, for the words "one and one-half per cent", the words "one and one-fourth per cent" shall be substituted.

Section 100 - Amendment of section 34A

In section 34A of the Wealth-tax Act, with effect from the 1st day of June, 2001,-

(a) in sub-section (3), for the words "fifteen per cent", the words "nine per cent" shall be substituted ;

(b) in sub-section (4B), in clause (a), for the words "one per cent", the words "three-fourth per cent" shall be substituted.

Section 101 - Amendment of section 14 of Act 35 of 1987

Expenditure-tax

In section 14 of the Expenditure-tax Act, 1987 (Act 35 of 1987), for the words "one and one-half per cent", the words, "one and one-fourth per cent" shall be substituted with effect from the 1st day of June, 2001.
