

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2.

3. In section 2 of the Income-tax Act,—

(a) in clause (1A), the *Explanation* shall be numbered as *Explanation 1* thereof, and after *Explanation 1* as so numbered, the following *Explanation* shall be inserted with effect from the 1st day of April, 2001, namely:—

“*Explanation 2.*—For the removal of doubts, it is hereby declared that income derived from any building or land referred to in sub-clause (c) arising from the use of such building or land for any purpose (including letting for residential purpose or for the purpose of any business or profession) other than agriculture falling under sub-clause (a) or sub-clause (b) shall not be agricultural income.”;

(b) in clause (19AA), in *Explanation 4*, for the words, brackets and figures “the conditions specified in sub-clauses (i) to (vii) of this clause, to the extent applicable”, the words “such conditions as may be notified in the Official Gazette, by the Central Government” shall be substituted.

Amendment of section 9.

4. In section 9 of the Income-tax Act, in sub-section (1), in clause (vi), for *Explanation 3*, the following *Explanation* shall be substituted with effect from the 1st day of April, 2001, namely:—

‘*Explanation 3.*—For the purposes of this clause, “computer software” means any computer programme recorded on any disc, tape, perforated media or other information storage device and includes any such programme or any customized electronic data;’.

Amendment of section 10.

5. In section 10 of the Income-tax Act,—

(a) in clause (10C), with effect from the 1st day of April, 2001,—

(i) for the words “voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, to the extent such amount does not exceed five lakh rupees”, occurring after sub-

clause (viii), the words “voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in sub-clause (i), a scheme of voluntary separation, to the extent such amount does not exceed five lakh rupees” shall be substituted;

(ii) in the first proviso, the words, brackets and figures “and such schemes in relation to companies referred to in sub-clause (ii) or co-operative societies referred to in sub-clause (v) are approved by the Chief Commissioner or, as the case may be, Director-General in this behalf” shall be omitted;

(b) in clause (15),—

(i) in sub-clause (iv),—

(A) in item (g), for the words, brackets and figures “being a company approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36”, the words, brackets and figures “being a company eligible for deduction under clause (viii) of sub-section (1) of section 36” shall be substituted;

(B) after *Explanation 1*, the following *Explanation* shall be inserted with effect from the 1st day of April, 2001, 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.’;

(ii) after sub-clause (vi), the following sub-clause shall be inserted with effect from the 1st day of April, 2001, namely:—

“(vii) interest on bonds—

(a) issued by a local authority; and

(b) specified by the Central Government by notification in the Official Gazette;”;

(c) after clause (23E), the following clause shall be inserted with effect from the 1st day of April, 2001, namely:—

“(23EA) any income of such Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax;”;

(d) in clause (23FA), after the second proviso, the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:—

“Provided also that nothing contained in this clause shall apply in respect of any investment made after the 31st day of March, 2000.”;

(e) after clause (23FA), the following shall be inserted with effect from the 1st day of April, 2001, namely:—

‘(23FB) any income of a venture capital company or venture capital fund set up to raise funds for investment in a venture capital undertaking.

Explanation.—For the purposes of this clause,—

(a) “venture capital company” means such company—

(i) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992, and regulations made thereunder;

(ii) which fulfils the conditions as may be specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf;

(b) “venture capital fund” means such fund—

(i) operating under a trust deed registered under the provisions of the Registration Act, 1908;

(ii) which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992, and regulations made thereunder;

(iii) which fulfils the conditions as may be specified, with the approval of the Central

15 of 1992.

16 of 1908.

15 of 1992.

Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf; and

(c) "venture capital undertaking" means a domestic company—

(i) whose shares are not listed in a recognised stock exchange in India;

(ii) which is engaged in the business for providing services, production or manufacture of an article or thing but does not include such activities or sectors which are specified, with the approval of the Central Government, by the Securities and Exchange Board of India, by notification in the Official Gazette, in this behalf;";

(f) in clause (23G), in *Explanation 1*,—

(i) in clause (a), for the words "in the business of developing, maintaining and operating infrastructure facility;", the following shall be substituted, namely:—

"in the business of—

(i) developing; or

(ii) maintaining and operating; or

(iii) developing, maintaining and operating,

any infrastructure facility;";

(ii) in clause (b), for the words "in the business of developing, maintaining and operating infrastructure facility;", the following shall be substituted, namely:—

"in the business of—

(i) developing; or

(ii) maintaining and operating; or

(iii) developing, maintaining and operating,

any infrastructure facility;";

(iii) in clause (c), in sub-clause (i), for the words "irrigation project, sanitation and sewerage system", the words "irrigation project, water treatment system, solid waste management system, sanitation and sewerage system" shall be substituted with effect from the 1st day of April, 2001;

(g) in clause (33), after sub-clause (iii), the following sub-clause shall be inserted with effect from the 1st day of April, 2001, namely:—

"(iv) income referred to in section 115U."

Amendment
of section
10A.

6. In section 10A of the Income-tax Act,—

(a) in sub-section (2), in clause (i), with effect from the 1st day of April, 2001,—

(i) in sub-clause (a), after the words, figures and letters "on or after the 1st day of April, 1981", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(ii) in sub-clause (b), after the words, figures and letters "on or after the 1st day of April, 1994", the words, figures and letters "but before the 1st day of April, 2001" shall be inserted;

(b) in sub-section (3), for the words "any ten", the word "ten" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999.

Amendment
of section
10B.

7. In section 10B of the Income-tax Act,—

(a) in sub-section (2), after clause (ia), the following clause shall be inserted with effect from the 1st day of April, 2001, namely:—

"(iaa) it begins such manufacture or production of any article or thing on or before the 31st day of March, 2000;";

(b) in sub-section (3), for the words "any ten", the word "ten" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1999.

Amendment
of section 11.

8. In section 11 of the Income-tax Act, in sub-section (5),—

(a) in clause (vii), the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:—

"Provided that where an investment or deposit in any public sector company has been made

and such public sector company ceases to be a public sector company,–

(A) such investment made in the shares of such company shall be deemed to be an investment made under this clause for a period of three years from the date on which such public sector company ceases to be a public sector company;

(B) such other investment or deposit shall be deemed to be an investment or deposit made under this clause for the period up to the date on which such investment or deposit becomes repayable by such company;”;

(b) in clauses (viii) and (ix), for the words, brackets and figures “which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36”, the words, brackets and figures “which is eligible for deduction under clause (viii) of sub-section (1) of section 36” shall be substituted;

(c) after clause (ix), the following shall be inserted, with effect from the 1st day of April, 2001, namely:–

‘(ixa) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for urban infrastructure in India.

Explanation.–For the purposes of this clause,–

(a) “long-term finance” means any loan or advance where the terms under which moneys are loaned or advanced provide for repayment along with interest thereof during a period of not less than five years;

(b) “public company” shall have the meaning assigned to it in section 3 of the Companies Act, 1956;

(c) “urban infrastructure” means a project for providing potable water supply, sanitation and sewerage, drainage, solid waste management, roads, bridges and flyovers or urban transport;’.

9. Section 12 of the Income-tax Act shall be numbered as sub-section (1) thereof, and after sub-section (1) as so numbered, the following shall be inserted with effect from the 1st day of April, 2001, namely:– Amendment of section 12.

‘(2) The value of any services, being medical or educational services, made available by any charitable or religious trust running a hospital or medical institution or an educational institution, to any person referred to in clause (a) or clause (b) or clause (c) or clause (cc) or clause (d) of sub-section (3) of section 13, shall be deemed to be the income of such trust or institution derived from property held under trust wholly for charitable or religious purposes during the previous year in which such services are so provided and shall be chargeable to income-tax notwithstanding the provisions of sub-section (1) of section 11.

Explanation.–For the purposes of this sub-section, the expression “value” shall be the value of any benefit or facility granted or provided free of cost or at concessional rate to any person referred to in clause (a) or clause (b) or clause (c) or clause (cc) or clause (d) of sub-section (3) of section 13.’.

10. In section 13 of the Income-tax Act, with effect from the 1st day of April, 2001, after sub-section (5), the following sub-section shall be inserted, namely:– Amendment of section 13.

“(6) Notwithstanding anything contained in sub-section (1) or sub-section (2), but without prejudice to the provisions contained in sub-section (2) of section 12, in the case of a charitable or religious trust running an educational institution or a medical institution or a hospital, the exemption under section 11 or section 12 shall not be denied in relation to any income, other than the income referred to in sub-section (2) of section 12, by reason only that such trust has provided educational or medical facilities to persons referred to in clause (a) or clause (b) or clause (c) or clause (cc) or clause (d) of sub-section (3).”.

11. In section 24 of the Income-tax Act, in sub-section (2), in the second proviso, for the figures, letters and words “1st day of April, 2001”, the figures, letters and words “1st day of April, 2003” shall be substituted with effect from the 1st day of April, 2001. Amendment of section 24.

12. After section 25A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2001, namely:– Insertion of new section 25B.

‘25B. Where the assessee–

(a) is the owner of any property consisting of any buildings or lands appurtenant thereto which has been let to a tenant; and

Special provision for areas of rent received.

(b) has received any amount, by way of arrears of rent from such property, not charged to income-tax for any previous year,

the amount so received, after deducting a sum equal to one-fourth of such amount for repairs of, and collection of rent from, the property, shall be deemed to be the 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 received, whether the assessee is the owner of that property in that year or not.'

Amendment of section 32. **13.** In section 32 of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 2001,—

(a) the first proviso shall be omitted;

(b) in the existing second proviso, for the words "Provided further that", the words "Provided that" shall be substituted.

Amendment of section 33AC. **14.** In section 33AC of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 2001, namely:—

'Provided further that for five assessment years commencing on or after the 1st day of April, 2001 and ending before the 1st day of April, 2006, the provisions of this sub-section shall have effect as if for the words "an amount not exceeding fifty per cent. of profits", the words "an amount not exceeding the profits" had been substituted.'

Amendment of section 35D. **15.** In section 35D of the Income-tax Act, in sub-section (3), in the *Explanation*, in clause (c), in sub-clause (i), for the words, brackets and figures "which is for the time being approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36", the words, brackets and figures "which is eligible for deduction under clause (viii) of sub-section (1) of section 36" shall be substituted.

Amendment of section 36. **16.** In section 36 of the Income-tax Act, in sub-section (1), in clause (viiia), in the *Explanation*, in clause (v), for the words, brackets and figures "approved by the Central Government under clause (vii) of this sub-section", the words, brackets and figures "eligible for deduction under clause (vii) of this sub-section" shall be substituted.

Amendment of section 43. **17.** In section 43 of the Income-tax Act, in clause (6),—

(a) in *Explanation 2A*, for the words "book value of the assets", the words "written down value of the assets" shall be substituted;

(b) in *Explanation 2B*,—

(i) for the words "value of the assets as appearing in the books of account", the words "written down value of the transferred assets as appearing in the books of account" shall be substituted;

(ii) the proviso shall be omitted.

Amendment of section 43B. **18.** In section 43B of the Income-tax Act, in *Explanation 4*, in clause (c), for the words, brackets and figures "approved by the Central Government under clause (vii) of sub-section (1) of section 36", the words, brackets and figures "eligible for deduction under clause (vii) of sub-section (1) of section 36" shall be substituted.

Amendment of section 47. **19.** In section 47 of the Income-tax Act, in clause (vic), in sub-clause (a), for the words "at least seventy-five per cent. of the shareholders", the words "the shareholders holding not less than three-fourths in value of the shares" shall be substituted.

Amendment of section 48. **20.** In section 48 of the Income-tax Act, in the *Explanation*, for clause (v), the following clause shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1993, namely:—

'(v) "Cost Inflation Index", in relation to a previous year, means such Index as the Central Government may, having regard to seventy-five per cent. of average rise in the Consumer Price Index for urban non-manual employees for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify, in this behalf.'

Amendment of section 50B. **21.** In section 50B of the Income-tax Act, for the *Explanation*, the following *Explanations* shall be substituted, namely:—

'*Explanation 1*.—For the purposes of this section, "net worth" shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in its books of account:

Provided that any change in the value of assets on account of revaluation of assets shall be ignored for the purposes of computing the net worth.