

## CHAPTER XII-F

## SPECIAL PROVISIONS RELATING TO TAX ON INCOME DISTRIBUTED BY VENTURE CAPITAL COMPANIES AND VENTURE CAPITAL FUNDS

115U. (1) Notwithstanding anything contained in any other provisions of this Act, any amount of income distributed by a venture capital company or venture capital fund to the investors shall be chargeable to tax and such company or fund shall be liable to pay income-tax on such distributed income at the rate of twenty per cent. Tax on distributed income.

(2) Notwithstanding anything contained in any other provisions of this Act, a venture capital company or venture capital fund shall be liable to pay income-tax at the rate of twenty per cent. on any income which is not distributed to the investors within such time 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.

(3) The person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

(4) The person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund, shall, on or before the 15th day of September in each year, furnish to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving details of amount of income distributed to the investors during the previous year, the tax paid thereon and such other relevant details as may be prescribed.

(5) No deduction under any other provisions of this Act shall be allowed to the venture capital company or venture capital fund or to an investor in respect of the income which has been charged to tax under sub-section (1) or sub-section (2).

115V. Where the person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund fails to pay the whole or any part of the tax referred to in sub-section (1) or sub-section (2) of section 115U, within the time allowed under sub-section (3) of that section, he or it shall be liable to pay simple interest at the rate of one and one-half per cent. every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid. Interest payable for non-payment of tax.

115W. If any person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the venture capital company or venture capital fund, as the case may be, does not pay tax, as is referred to in sub-section (1) or sub-section (2) of section 115U, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply. Venture capital company and venture capital fund to be assessee in default.

*Explanation.*—For the purposes of this Chapter, “venture capital company”, “venture capital fund” and “venture capital undertaking” shall have the meanings respectively assigned to them in clause (23FB) of section 10.

**55.** In section 139A of the Income-tax Act, after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of June, 2000, namely:— Amendment of section 139A.

“(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, by notification in the Official Gazette, specify, any class or classes of persons by whom tax is payable under this Act or any tax or duty is payable under any other law for the time being in force and such persons shall, within such time as mentioned in that notification, apply to the Assessing Officer for the allotment of a permanent account number.”.

**56.** In section 158BFA of the Income-tax Act, in sub-section (3), in clause (c), after the words, brackets and figures “the Commissioner (Appeals) under section 246”, the words, figures and letter “or section 246A” shall be inserted with effect from the 1st day of June, 2000. Amendment of section 158BFA.

**57.** In section 194A of the Income-tax Act, in sub-section (3), in clause (i), in the proviso, in clause (c), for the words “for residential purposes”, the words, brackets and figures “for residential purposes and which is eligible for deduction under clause (viii) of sub-section (1) of section 36” shall be substituted. Amendment of section 194A.

**58.** In section 220 of the Income-tax Act, in sub-section (6), after the words and figures “under section 246”, the words, figures and letter “or section 246A” shall be inserted with effect from the 1st day of June, 2000. Amendment of section 220.

Amendment of section 245N. **59.** In section 245N of the Income-tax Act, for clauses (a) and (b), the following clauses shall be substituted with effect from the 1st day of June, 2000, namely:—

(a) “advance ruling” means—

(i) a determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a non-resident applicant; or

(ii) a determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a resident applicant with a non-resident,

and such determination shall include the determination of any question of law or of fact specified in the application;

(iii) a determination or decision by the Authority in respect of an issue relating to computation of total income which is pending before any income-tax authority or the Appellate Tribunal and such determination or decision shall include the determination or decision of any question of law or of fact relating to such computation of total income specified in the application;

(b) “applicant” means any person who—

(i) is a non-resident referred to in sub-clause (i) of clause (a); or

(ii) is a resident referred to in sub-clause (ii) of clause (a); or

(iii) is a resident falling within any such class or category of persons as the Central Government may, by notification in the Official Gazette, specify in this behalf; and

(iv) makes an application under sub-section (1) of section 245Q;’.

Amendment of section 245R. **60.** In section 245R of the Income-tax Act, in sub-section (2), for the first proviso, the following proviso shall be substituted with effect from the 1st day of June, 2000, namely:—

“Provided that the Authority shall not allow the application where the question raised in the application—

(i) is already pending before any income-tax authority or Appellate Tribunal [except in the case of a resident applicant falling in sub-clause (iii) of clause (b) of section 245N] or any court;

(ii) involves determination of fair market value of any property;

(iii) relates to a transaction or issue which is designed *prima facie* for the avoidance of income-tax [except in the case of a resident applicant falling in sub-clause (iii) of clause (b) of section 245N].”.

Amendment of section 246. **61.** In section 246 of the Income-tax Act, with effect from the 1st day of June, 2000,—

(a) in sub-section (1), after the words and brackets “Deputy Commissioner (Appeals)”, the words, figures and letters “before the 1st day of June, 2000” shall be inserted;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) Notwithstanding anything contained in sub-section (1), every appeal filed, on or after the 1st day of October, 1998 but before the 1st day of June, 2000, before the Deputy Commissioner (Appeals) and any matter arising out of or connected with such appeal and which is so pending shall stand transferred to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day.”;

(c) in sub-section (2), after the words and brackets “Commissioner (Appeals)”, the words, figures and letters “before the 1st day of June, 2000” shall be inserted.

Amendment of section 246A. **62.** In section 246A of the Income-tax Act, with effect from the 1st day of June, 2000,—

(i) in sub-section (1), after clause (h), the following clause shall be inserted, namely:—

“(ha) an order made under section 201;”;

(ii) after sub-section (1), the following sub-section shall be inserted, namely:—

“(1A) Every appeal filed by an assessee in default against an order under section 201 on or after the 1st day of October, 1998 but before the 1st day of June, 2000 shall be deemed to have been filed under this section.”.

Amendment of section 249. **63.** In section 249 of the Income-tax Act, after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of June, 2000, namely:—

“(2A) Notwithstanding anything contained in sub-section (2), where an order has been made under section 201 on or after the 1st day of October, 1998 but before the 1st day of June, 2000 and

the assessee in default has not presented any appeal within the time specified in that sub-section, he may present such appeal before the 1st day of July, 2000.”.

**64.** In section 254 of the Income-tax Act, in sub-section (2A), after the words, brackets and figure Amendment of “under sub-section (1)”, the words, brackets and figure “or sub-section (2)” shall be inserted with effect section 254. from the 1st day of June, 2000.

**65.** In section 267 of the Income-tax Act, after the words and figures “an appeal under section 246”, Amendment of the words, figures and letter “or section 246A” shall be inserted with effect from the 1st day of June, section 267. 2000.

**66.** In section 275 of the Income-tax Act, in sub-section (1), in clause (a), after the words, brackets Amendment of and figures “Commissioner (Appeals) under section 246”, the words, figures and letter “or section section 275. 246A” shall be inserted with effect from the 1st day of June, 2000.

**67.** In section 285B of the Income-tax Act, for the words “twenty-five thousand rupees”, the words Amendment of “fifty thousand rupees” shall be substituted with effect from the 1st day of April, 2001. section 285B.