

Notes on clauses

Income-tax

Clause 2, read with the First Schedule to the Bill, seeks to specify the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 2000-2001. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2000-2001 from income subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid, tax is to be deducted at source from income chargeable under the head "Salaries" and tax is to be calculated and charged in special cases for the financial year 2000-2001.

Rates of income-tax for the assessment year 2000-2001

Part I of the First Schedule to the Bill specifies the rates of income-tax liable to tax for the assessment year 2000-2001. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1999, for the purposes of deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 1999-2000.

Rates for deduction of tax at source during the financial year 2000-2001 from income other than "Salaries"

Part II of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source during the financial year 2000-2001 from incomes other than "Salaries". These rates are broadly the same as those specified in Part II of the First Schedule to the Finance Act, 1999, for the purposes of deduction of income-tax at source during the financial year 1999-2000. The amount of tax so deducted shall be increased—

(i) in the case where the payment is made to a person other than a co-operative society, firm, local authority and company, by a surcharge for purposes of the Union, calculated at the following rates:—

(a) ten per cent. of such tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees,

(b) fifteen per cent. of such tax where the total income exceeds one lakh fifty thousand rupees;

(ii) in the case of a co-operative society, a firm, local authority, and a domestic company, by a surcharge calculated at the rate of ten per cent. of such tax.

Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2000-2001

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 2000-2001.

Paragraph A of this Part specifies the rates of income-tax in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of Part III applies. No change is proposed in the rate structure.

Paragraph B of this Part specifies the rates of income-tax in the case of every co-operative society. In such cases, the rates of tax will continue to be the same as those specified for assessment year 2000-2001.

Paragraph C of this Part specifies the rate of income-tax in the case of every firm. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2000-2001.

Paragraph D of this Part specifies the rate of income-tax in the case of every local authority. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2000-2001.

Paragraph E of this Part specifies the rates of income-tax in the case of companies. The rate of tax in the case of domestic companies will continue to be the same as that specified for the assessment year 2000-2001. The rate of tax in the case of domestic companies will continue to be thirty-five per cent. and in the case of foreign companies it will be forty-eight per cent.

In the case of every person being an individual, Hindu undivided family, association of persons or body of individuals whose income exceeds sixty thousand rupees and where income-tax is to be deducted at source or "advance tax" is payable in accordance with the provisions of this Part such amount of income-tax after allowing rebate under Chapter VIII-A, is proposed to be increased by a surcharge for purposes of the Union calculated at the following rates:—

(a) ten per cent. of such tax where the total income exceeds sixty thousand rupees but does not exceed one lakh fifty thousand rupees;

(b) fifteen per cent. of such tax where the total income exceeds one lakh fifty thousand rupees.

In the case of every co-operative society, firm or local authority where income-tax is to be computed in accordance with the provisions of this Part, such amount of income-tax is proposed to be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such tax.

In the case of every domestic company, the amount of income-tax computed in accordance with the provisions of this Part shall be increased by a surcharge calculated at the rate of ten per cent. of such income-tax.

It is also proposed that marginal relief shall be provided in the case of individual, Hindu undivided family, association of persons and body of individuals to ensure that the total tax including surcharge payable by an assessee does not exceed the amount by which his total income exceeds sixty thousand rupees or one lakh fifty thousand rupees, as the case may be.

Clause 3 seeks to amend section 2 of the Income-tax Act relating to definitions.

Sub-clause (a) seeks to insert a new *Explanation* in clause (1A) so as to clarify 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.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Under the existing provisions contained in *Explanation 4* of clause (19AA), splitting up or the reconstruction of any authority or a body constituted or established under a Central, State or Provincial Act or a local authority or a public sector company into separate authorities or bodies or local authorities or companies, shall be deemed to be a demerger if such split up or reconstruction fulfils the conditions specified in sub-clauses (i) to (vii) of that clause, to the extent applicable.

Sub-clause (b) proposes to amend *Explanation 4* to provide

that the conditions shall be such as may be notified by the Central Government.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 4 seeks to amend section 9 of the Income-tax Act relating to income deemed to accrue or arise in India.

The existing provisions contained in *Explanation 3* of clause (vi) of sub-section (1) of section 9 provide that the expression "computer software" shall have the meaning assigned to it in clause (v) of the *Explanation* to section 80HHE.

It is proposed to substitute the said *Explanation* so as to provide that the expression "computer software" means any computer programme recorded on any disk, tape, perforated media or other information storage device and includes any such programme or any customized electronic data. The proposed amendment is consequential in nature.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 5 seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

Sub-clause (a) seeks to amend clause (10C). Under the existing provisions contained in clause (10C), any amount received by an employee covered under sub-clauses (i) to (viii) at the time of his voluntary retirement, in accordance with any scheme or schemes of voluntary retirement, is exempt from income-tax. Such schemes are framed in accordance with guidelines prescribed by the Central Board of Direct Taxes in this behalf and the guidelines, *inter alia*, include criteria of economic viability.

It is proposed to enlarge the scope of the exemption by extending it to an employee on the termination of his services under a voluntary separation scheme in the case of a public sector company referred to in sub-clause (i) of the said clause.

The first proviso to clause (10C) requires that the scheme in relation to companies (other than public sector companies) or co-operative societies is required to be approved by the Chief Commissioner or the Director-General of Income-tax, as the case may be. It is also proposed to amend the said proviso so as to dispense with the requirement of such approval.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (b) seeks to amend clause (15).

Under the existing provisions contained in item (g) of sub-clause (iv) of clause (15), approval of the Central Government is required by a public company referred to in the said item for purposes of clause (viii) of sub-section (1) of section 36.

It is proposed to amend the said item so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is further proposed to insert a new *Explanation* in sub-clause (iv) to define the expression "interest" so that the benefit of exemption from withholding of tax under the said sub-clause (iv) is not available for interest paid on delayed payment of loan or on default.

This amendment will take effect from 1st April, 2001 and will,

accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

It is also proposed to insert a new sub-clause (vii) so as to provide that the income by way of interest on such bonds, issued by a local authority as the Central Government may, by notification in the Official Gazette, specify in this behalf, shall not be included in computing the total income.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (c) seeks to insert a new clause (23EA) to exclude from the total income, 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. The proviso to the new clause specifies a condition in relation to the proposed exemption to say 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.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (d) seeks to amend clause (23FA) relating to income by way of dividends or long-term capital gains of a venture capital company or venture capital fund.

It is proposed to insert a third proviso in the said clause so as to provide that the provisions of that clause shall not apply to any investment made after 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (e) seeks to insert a new clause (23FB) so as to exempt any income of a venture capital company or venture capital fund from investments made in a venture capital undertaking. In order to obtain the income-tax exemption, the venture capital company or venture capital fund will require a certificate of registration under the Securities and Exchange Board of India Act, 1992 and the regulations made thereunder in accordance with the conditions 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.

It is also proposed to define the expressions "venture capital company", "venture capital fund" and "venture capital undertaking".

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (f) seeks to amend clauses (a) and (b) of *Explanation 1* to clause (23G) so as to provide that any income referred to in those clauses arising from the business of (i) developing, (ii) maintaining and operating, or (iii) developing, maintaining and operating any infrastructure facility will be exempt. These amendments are consequential in nature.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to amend sub-clause (i) of clause (c) of *Explanation 1* relating to the definition of "infrastructure facility". This amendment is consequential to the definition of "infrastructure facility" contained in sub-section (4) of section 80-IA which has

been enlarged so as to include "solid waste management and water treatment" within its scope.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (g) seeks to amend clause (33) by inserting a new sub-clause (iv) so as to exempt any income referred to in section 115U.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 6 seeks to amend section 10A of the Income-tax Act relating to special provision in respect of newly established industrial undertakings in free trade zones.

Under the existing provisions, any profits and gains derived by an assessee from an industrial undertaking to which this section applies shall not be included in the total income of the assessee in respect of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things.

Sub-clause (a) seeks to amend sub-section (2) so as to provide that only those industrial undertakings which are set up before 1st April, 2000 will be able to avail tax holiday for the unexpired period.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (b) seeks to amend sub-section (3) so as to omit the word "any" preceding the words "ten consecutive years" occurring therein.

This amendment will take effect retrospectively from 1st April, 1999 and will, accordingly, apply in relation to the assessment year 1999-2000 and subsequent years.

Clause 7 seeks to amend section 10B of the Income-tax Act relating to special provision in respect of newly established hundred per cent. export-oriented undertakings.

Under the existing provisions, any profits and gains derived by an assessee from a hundred per cent. export-oriented undertaking to which this section applies shall not be included in the total income of the assessee for any ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things.

Sub-clause (a) seeks to provide that only those industrial undertakings which begin manufacturing or production before 1st April, 2000 will be able to avail tax holiday for the unexpired period.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Sub-clause (b) seeks to amend sub-section (3) so as to omit the word "any" preceding the words "ten consecutive years" occurring therein.

This amendment will take effect retrospectively from 1st April, 1999 and will, accordingly, apply in relation to the assessment year 1999-2000 and subsequent years.

Clause 8 seeks to amend section 11 of the Income-tax Act relating to income from property held for charitable or religious purposes.

Under the existing provisions contained in sub-section (5), the forms and modes of investment or deposit of money accumulated or set apart by a trust are provided.

Sub-clause (a) proposes to insert a proviso in clause (vii) of

the said sub-section to provide that where an investment is made in the shares of any public sector company and such public sector company ceases to be a public sector company, the investment so made shall be deemed to be an investment made for a period of three years from the date of such cesser and in the case of any other investment or deposit, it shall be deemed to be an investment made for the period up to the date on which such investment or deposit becomes repayable by such company.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Under the existing provisions contained in clauses (viii) and (ix) of sub-section (5), approval of the Central Government is required by a financial corporation and a public company referred to in the said clauses for the purpose of clause (viii) of sub-section (1) of section 36.

Sub-clause (b) proposes to amend the said clauses so as to do away with the requirement of approval by the Central Government. These amendments are consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Sub-clause (c) seeks to insert clause (ixa) in the said sub-section to include 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 as one of the specified forms or modes of investment or deposit. It is also proposed to insert an *Explanation* to define the expressions "long term finance", "public company" and "urban infrastructure".

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 9 seeks to amend section 12 of the Income-tax Act relating to income of trusts or institutions from contributions.

It is proposed to insert a new sub-section (2) so as to provide that the value of any 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.

It is also proposed to insert an *Explanation* to define the expression "value".

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 10 seeks to amend section 13 of the Income-tax Act relating to certain cases in which the exemption under section 11 is not admissible.

It is proposed to insert a new sub-section (6) to provide that a charitable or religious trust running an educational institution or a medical institution or a hospital shall not be denied the benefit of exemption under section 11 or section 12, 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).

This amendment will take effect from 1st April, 2001, and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 11 seeks to amend section 24 of the Income-tax Act relating to deductions from income from house property.

It is proposed to amend the second proviso to sub-section (2) to extend the last date of completion of the acquisition or construction of self-occupied property from 1st April, 2001 to 1st April, 2003 to avail of the deduction of seventy-five thousand rupees on account of interest on the capital borrowed.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 12 seeks to insert a new section 25B in the Income-tax Act relating to special provision for arrears of rent received.

It is proposed to insert a new section 25B so as to provide that where an assessee is the owner of any property which has been let to a tenant and the assessee has received from such property any amount by way of arrears of rent 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 and collection of rent shall be deemed to be income chargeable under the head "Income from house property" and charged to income-tax as the income of the previous year in which the rent is received irrespective of whether the assessee is the owner of that property in that year or not.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 13 seeks to amend section 32 of the Income-tax Act relating to depreciation.

Under the existing provisions contained in sub-section (2) of section 32, the unabsorbed depreciation allowance which cannot be wholly set off against the income under any head of income in the previous year is allowed to be carried forward to the following assessment year for setting off against the business income for that assessment year. The first proviso to sub-section (2) of section 32 provides that the business or profession for which the depreciation allowance was originally computed continued to be carried on by the assessee in the previous year relevant for that assessment year.

It is proposed to omit the said first proviso so as to provide that the condition of continuance of the same business or profession for the purposes of setting off of unabsorbed depreciation allowance will not apply for the purpose of the said section.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 14 seeks to amend section 33AC of the Income-tax Act relating to reserves for shipping business.

Under the existing provisions, a Government company or a public company formed and registered in India with the main object of carrying on the business of operation of ships is allowed a deduction of an amount not exceeding fifty per cent. of profits derived from the business of operation of ships, subject to certain conditions.

It is proposed to enhance the amount of deduction to an amount not exceeding whole of the profits derived from such business for a period of five assessment years commencing on or after 1st April, 2001 and ending before 1st April, 2006.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment years 2001-2002 to 2005-2006.

Clause 15 seeks to amend section 35D of the Income-tax Act relating to amortisation of certain preliminary expenses.

Under the existing provisions contained in sub-clause (i) of clause (c) of the *Explanation* to sub-section (3), approval of the Central Government is required by the financial institution referred to in the said sub-clause for the purposes of clause (viii) of sub-section (1) of section 36.

It is proposed to amend the said sub-clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 16 seeks to amend section 36 of the Income-tax Act relating to other deductions.

Under the existing provisions contained in clause (v) of the *Explanation* to clause (viiia) of sub-section (1), approval of the Central Government is required by a Government company referred to in the said clause for the purposes of clause (viii) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 17 seeks to amend section 43 of the Income-tax Act relating to definitions of certain terms relevant to income from profits and gains of business or profession.

It is proposed to amend *Explanation 2A* in clause (6) so as to substitute the expression "book value of the assets" by the expression "written-down value of the assets" for the purposes of the said clause.

It is further proposed to amend *Explanation 2B* so as to substitute the expression "value of the assets as appearing in the books of account" by the expression "written down value of the transferred assets as appearing in the books of account" for the purposes of the said clause.

It is also proposed to omit the proviso in the said *Explanation*.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 18 seeks to amend section 43B of the Income-tax Act relating to certain deductions to be only on actual payment.

Under the existing provisions contained in clause (c) of *Explanation 4* to the said section, approval of the Central Government is required by a Government company referred to in that clause for the purposes of clause (viii) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 19 seeks to amend section 47 of the Income-tax Act relating to transactions not regarded as transfer.

It is proposed to amend sub-clause (a) of clause (vic) so as to

substitute the words "at least seventy-five per cent. of the shareholders" by the words "the shareholders holding not less than three-fourths in value of the shares" so as to bring the provisions contained in said sub-clause (a) in conformity with the provisions contained in sub-clause (v) of clause (19AA) of section 2.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 20 seeks to amend section 48 of the Income-tax Act relating to mode of computation of capital gains.

Under the existing provisions, the cost of acquisition and the cost of any improvement of a long-term capital asset will be computed with reference to the Index to be notified by the Central Government having regard to seventy-five per cent. of average rise in the Consumer Price Index for urban non-manual employees for each year.

It is proposed to substitute the existing clause (v) of *Explanation* so as to provide that the 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. The proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 1993.

Clause 21 seeks to amend section 50B of the Income-tax Act relating to special provision for computation of capital gains in case of slump sale.

It is proposed to substitute the *Explanation* to define the expression "net worth". The "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 the books of account. The aggregate value of total assets of such undertaking or division shall be the written down value of block of assets determined in accordance with the provisions contained in sub-item (C) of item (i) of sub-clause (c) of clause (6) of section 43 in the case of depreciable assets and the book value for all other assets.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 22 seeks to amend section 54EA of the Income-tax Act relating to capital gain on transfer of long-term capital assets not to be charged in the case of investment in specified securities.

Under the existing provisions, the capital gain arising from the transfer of a long-term capital asset shall be exempt from tax if the net consideration is invested in specified securities. If net consideration is more than the amount invested, exemption on proportionate basis will be available. The exemption will be subject to the condition that the specified securities are held for a minimum period of three years, failing which the exemption will stand withdrawn. Where exemption from capital gain is availed of in respect of re-investment in such specified securities, rebate under section 88 will not be available.

It is proposed to restrict the exemption from capital gain tax under the said section to the long-term capital asset transferred upto 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 23 seeks to amend section 54EB of the Income-tax Act relating to capital gain on transfer of long-term capital asset not to be charged in certain cases.

Under the existing provisions, the capital gain arising from the transfer of a long-term capital asset shall be exempt from tax if the capital gain is invested in long-term specified assets. If part of the capital gain is so invested in the long-term specified assets, proportionate exemption will be available. The exemption will be subject to the condition that the long-term specified asset is held for a minimum period of seven years, failing which the exemption will be disallowed and the amount so disallowed will be deemed to be income chargeable to tax under the head "Capital gains" of the previous year in which such long-term specified asset is transferred or converted. It is further provided that where the assessee takes any loan or advance on the security of such long-term specified assets, he shall be deemed to have converted such specified asset into money on the date on which such loan or advance is taken. Further, where the exemption from capital gain is availed of in respect of investment in specified assets, rebate under section 88 will not be available.

It is proposed to restrict the exemption from capital gain tax under the said section to the long-term capital asset transferred upto 31st March, 2000.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 24 seeks to insert a new section 54EC relating to capital gain not to be charged on investment in certain bonds.

It is proposed to provide that the capital gain arising from transfer of a long-term capital asset shall be exempt from tax if such capital gain is invested in a long-term specified asset, being any bond redeemable after five years, issued on or after 1st April, 2000 by the National Bank for Agriculture and Rural Development or the National Highways Authority of India. If part of the capital gain is so invested in the long-term specified assets, proportionate exemption will be available. The exemption will be subject to the condition that the long-term specified asset is held for a minimum period of five years, failing which the exemption will be disallowed and the amount so disallowed will be deemed to be income chargeable to tax under the head "Capital gains" of the previous year in which such long-term specified asset is transferred or converted.

It is further provided that where the assessee takes any loan or advance on the security of such long-term specified asset, he shall be deemed to have converted such asset into money on the date on which such loan or advance is taken. Further, where the exemption from capital gain is availed of in respect of investment in long term specified asset, rebate under section 88 will not be available.

The proposed amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 25 seeks to amend section 54F of the Income-tax Act relating to capital gain on transfer of certain capital assets not to be charged in case of investment in residential house.

Under the existing provisions, in the case of an assessee being an individual or Hindu undivided family the long-term capital gains arising from the transfer of an asset will be exempt from income-tax if such individual or family has, within a period of one year before or two years after the date on which the transfer took place, purchased, or within a period of three years after that date, constructed a residential house. The exemption of the long-term capital gains will be granted proportionately on the basis of the investment of net consideration either for the purchase or construction of the residential house. This exemption will not be available in a case where the assessee owns, on the date of transfer of the original asset, any residential house, or purchases, within the period of one year after such date or constructs, within a

period of three years after such date, any other residential house. Where the assessee so purchases or constructs a residential house, the capital gains, if not charged to tax, will be charged to tax as long-term capital gains of the year in which the house is so purchased or constructed.

It is proposed to amend the proviso to sub-section (1) so as to provide that the said exemption will be available in a case where the assessee owns only one residential house, other than the new asset, on the date of transfer of the original asset and does not acquire within one year or constructs within three years any residential house other than new asset, the income from which is chargeable under the head "Income from house property".

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 26 seeks to amend section 72A of the Income-tax Act which contains provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger, etc.

It is proposed to amend clause (i) of sub-section (2) so as to provide that the amalgamated company is required to hold at least three-fourths in the book value of fixed assets instead of three-fourths in the value of assets of the amalgamating company continuously for a minimum period of five years.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 27 seeks to amend section 80E of the Income-tax Act relating to deduction in respect of repayment of loan taken for higher education.

This section allows a deduction of an amount not exceeding twenty-five thousand rupees, actually paid by an individual by way of repayment of loan, taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education, or interest on such loan, in accordance with the provisions contained in that section.

It is proposed to enhance the said limit of deduction from twenty-five thousand rupees to forty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 28 seeks to amend section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions, etc.

Under the existing provisions, an assessee is allowed a deduction from his total income in respect of donations made by him. In respect of donations to certain funds, hundred per cent. deduction is allowed.

It is proposed that in case of an assessee, being a company, deduction of an amount equal to hundred per cent. of the sum donated to Indian Olympic Association for the development of infrastructure for sports and games or for sponsorship of sports and games in India shall be allowed.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 29 seeks to amend section 80HHB of the Income-tax Act relating to deduction in respect of profits and gains from projects outside India.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) who is resident in India, deriving income from the business of execution of a foreign project undertaken by him in pursuance of a contract entered into

by him with the Government of a foreign State or any statutory or other public authority or agency in a foreign State, or a foreign enterprise, is entitled to a deduction of an amount equal to fifty per cent. of the income so received, or brought into India in convertible foreign exchange, within a period of six months. This deduction is also available for the execution of any work undertaken by the assessee and forming part of a foreign project undertaken by any other person in pursuance of a contract entered into by such other person.

Sub-clause (a) seeks to amend sub-section (1) so as to phase out the deduction over a period of five years by allowing deduction at forty per cent. for an assessment year 2001-2002, thirty per cent. for an assessment year 2002-2003, twenty per cent. for an assessment year 2003-2004 and ten per cent. for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

Sub-clause (b) seeks to amend sub-section (3) so as to specify that the percentage of amount specified under this section to be allowed and credited to a reserve account (to be called the "Foreign Projects Reserve Account") shall also be equal to such percentage of deduction as is allowed under this section for that particular assessment year. Where the amount so credited is less than the amount specified, the deduction shall be limited to the amount so credited or the amount brought into India, whichever is less.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 30 seeks to amend section 80HHBA of the Income-tax Act relating to deduction in respect of profits and gains from housing projects in certain cases.

Under the existing provisions, where the income of an assessee, being an Indian company or a person (other than a company) who is a resident in India includes any profits and gains derived from the execution of a housing project awarded to the assessee on the basis of global tender and such project is aided by the World Bank, he shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total taxable income of the assessee, a deduction from such profits and gains of an amount equal to fifty per cent. thereof.

It is proposed to amend section 80HHBA so as to phase out the deduction over a period of five years by allowing deduction at forty per cent. for an assessment year 2001-2002, thirty per cent. for an assessment year 2002-2003, twenty per cent. for an assessment year 2003-2004 and ten per cent. for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

It is also proposed that the percentage of amount specified under this section to be allowed and credited to a reserve account (to be called the "Housing Projects Reserve Account") be also equal to such percentage of deduction as is allowed under this section for that particular assessment year. Where the amount credited by the assessee is less than the amount specified, the deduction shall be limited to such lower amount.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 31 seeks to amend section 80HHC of the Income-tax Act relating to deduction in respect of profits retained for export business.

Under the existing provisions, an assessee, being an Indian company or a person resident in India, engaged in the business of export out of India of any goods or merchandise to which this

section applies, is allowed a deduction of the profits derived by the assessee from the export of such goods or merchandise.

It is proposed to amend section 80HHC so as to phase out the deduction over a period of five years by allowing eighty per cent. deduction for an assessment year 2001-2002, sixty per cent. deduction for an assessment year 2002-2003, forty per cent. deduction for an assessment year 2003-2004 and twenty per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 32 seeks to amend section 80HHD of the Income-tax Act relating to deduction in respect of earnings in convertible foreign exchange.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) resident in India, engaged in the business of a hotel or of a tour operator or a "travel agent" is allowed a deduction, in computing its total income, of a sum equal to—

- (i) fifty per cent. of the profits derived from services provided to foreign tourists; and
- (ii) so much of the profits as are credited to a reserve fund to be utilised in the manner specified in sub-section (4).

It is proposed to amend section 80HHD so as to phase out the deduction over a period of five years by allowing forty per cent. deduction for an assessment year 2001-2002, thirty per cent. deduction for an assessment year 2002-2003, twenty per cent. deduction for an assessment year 2003-2004 and ten per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 33 seeks to amend section 80HHE of the Income-tax Act relating to deduction in respect of profits from export of computer software, etc.

Under the existing provisions, hundred per cent. deduction is allowed to a resident tax-payer on profits derived from export of computer software, provided the sale consideration is received in or brought into India, in convertible foreign exchange.

It is proposed to amend section 80HHE so as to phase out the deduction over a period of five years by allowing eighty per cent. deduction for an assessment year 2001-2002, sixty per cent. deduction for an assessment year 2002-2003, forty per cent. deduction for an assessment year 2003-2004 and twenty per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 34 seeks to amend section 80HHF of the Income-tax Act relating to deduction in respect of profits and gains from export or transfer of film software, etc.

Under the existing provisions, hundred per cent. deduction is allowed to an assessee, being an Indian company, engaged in the business of export or transfer of film software, television software, music software and television news software including telecast

rights, provided the sale consideration is received in or brought into India in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80HHF so as to extend the benefit to an assessee, other than a company, who is resident in India.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to phase out the deduction allowable under this section over a period of five years by allowing a deduction of eighty per cent. for an assessment year 2001-2002, sixty per cent. for an assessment year 2002-2003, forty per cent. for an assessment year 2003-2004 and twenty per cent. for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 35 seeks to amend section 80-IA of the Income-tax Act relating to deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.

It is proposed to amend sub-section (3) so as to provide that the deductions under section 80-IA will be available to an industrial undertaking if such industrial undertaking is an industrial undertaking referred to in clause (iv) of sub-section (4).

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

It is also proposed to substitute clause (c) of the *Explanation* below clause (i) of sub-section (4) so as to amend the definition of "infrastructure facility" to include therein water treatment system and solid waste management system.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 36 seeks to amend section 80-IB of the Income-tax Act relating to deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings.

Under the existing provisions, an industrial undertaking, being a small-scale industrial undertaking, is entitled to a deduction of twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains derived from such industrial undertaking for a period of ten consecutive assessment years beginning with the assessment year in which it begins to manufacture or produce articles or things or to operate its cold storage plant at any time during the period beginning on 1st April, 1995 and ending on 31st March, 2000.

Sub-clause (a) seeks to amend sub-section (3) so as to extend the time limit for setting up a small scale industry from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (4), an industrial undertaking in an industrially backward State specified in the Eighth Schedule is allowed hundred per cent. deduction of the profits and gains derived from such industrial undertaking for five assessment years beginning with the initial assessment year and thereafter twenty-five per cent. (thirty per cent. where the assessee is a company) of the profits and gains derived from such

industrial undertaking. The deduction under this sub-section is allowed subject to fulfilment of the condition that the said industrial undertaking begins to manufacture or produce articles or things or to operate its cold storage plant or plants during the period 1st April, 1993 to 31st March, 2000.

Sub-clause (b) proposes to extend the said period from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (5), tax holiday is available to an industrial undertaking located in such backward districts of category 'A' and category 'B', as are notified by the Central Government. The tax holiday is available to an undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants at any time during the period 1st October, 1998 to 31st March, 2000.

Sub-clause (c) proposes to extend the said period from 31st March, 2000 to 31st March, 2002.

Under the existing provisions contained in sub-section (10), hundred per cent. deduction of the profits of an undertaking developing and building housing projects approved by a local authority is allowed, if such undertaking has commenced or commences development and construction of the housing project on or after 1st October, 1998 and completes the same before 31st March, 2001.

Sub-clause (d) proposes to provide that the housing project approved by a local authority before 31st March, 2001 and completed before 31st March, 2003 will be allowed deduction under this sub-section.

These amendments will take effect from the 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 37 seeks to amend section 80L of the Income-tax Act relating to deductions in respect of interest on certain securities, dividends, etc.

Under the existing provisions contained in clause (vii) of sub-section (1), approval of the Central Government is required by a financial corporation referred to in the said clause for the purposes of clause (viii) of sub-section (1) of section 36.

It is proposed to amend the said clause so as to do away with the said requirement of approval by the Central Government.

It is also proposed to insert a reference of clause (viii) of sub-section (1) of section 36 in clause (x) so as to provide that the public company referred to in the said clause is a public company which is eligible for deduction under said clause (viii).

These amendments are consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 38 seeks to amend section 80-O of the Income-tax Act relating to deduction in respect of royalties, etc., from certain foreign enterprises.

Under the existing provisions, an assessee, being an Indian company or a person (other than a company) who is resident in India, deriving income from the Government of a foreign State or a foreign enterprise in consideration for the use outside India of any patent, invention, design or registered trade mark is entitled to a deduction of an amount equal to fifty per cent. of the income so received, or brought into India in convertible foreign exchange within a period of six months.

It is proposed to amend section 80-O so as to phase out the deduction over a period of five years by allowing forty per cent. deduction for an assessment year 2001-2002, thirty per cent.

deduction for an assessment year 2002-2003, twenty per cent. deduction for an assessment year 2003-2004 and ten per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 39 seeks to amend section 80R of the Income-tax Act relating to deduction in respect of remuneration from certain foreign sources in the case of professors, teachers, etc.

Under the existing provisions, a professor, teacher or a research worker rendering service abroad, is entitled to a deduction from the remuneration received from a foreign university, institution, etc., while computing his income chargeable to tax. This deduction is available to a resident, being an Indian citizen. The existing provision provides for a deduction equal to seventy-five per cent. of such income or remuneration as is brought into India within a period of six months from the end of the previous year.

It is proposed to amend section 80R so as to phase out the deduction over a period of five years by allowing sixty per cent. deduction for an assessment year 2001-2002, forty-five per cent. deduction for an assessment year 2002-2003, thirty per cent. deduction for an assessment year 2003-2004 and fifteen per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 40 seeks to amend section 80RR of the Income-tax Act relating to deduction in respect of professional income from foreign sources in certain cases.

Under the existing provisions, an individual resident in India, being an author, playwright, artist, musician, actor, etc., deriving income in the exercise of his profession from the Government of a foreign State or any person not resident in India is allowed deduction from such income of an amount equal to seventy-five per cent. of such income as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80RR so as to phase out the deduction over a period of five years by allowing sixty per cent. deduction for an assessment year 2001-2002, forty-five per cent. deduction for an assessment year 2002-2003, thirty per cent. deduction for an assessment year 2003-2004 and fifteen per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 41 seeks to amend section 80RRA of the Income-tax Act relating to deduction in respect of remuneration received for services rendered outside India.

Under the existing provisions, an individual, being resident in India, whose gross total income includes any remuneration in foreign currency from any employer (being a foreign employer or an Indian concern) for any service rendered by him outside India, is allowed in computing his total income a deduction from such remuneration of an amount equal to seventy-five per cent. of such remuneration as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six

months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

It is proposed to amend section 80RRA so as to phase out the deduction over a period of five years by allowing sixty per cent. deduction for an assessment year 2001-2002, forty-five per cent. deduction for an assessment year 2002-2003, thirty per cent. deduction for an assessment year 2003-2004 and fifteen per cent. deduction for an assessment year 2004-2005. No deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 42 seeks to amend section 87 of the Income-tax Act relating to rebate to be allowed in computing income-tax.

It is proposed to insert a new section 88C relating to rebate of income-tax in case of women below sixty-five years *vide* clause 45 of the Bill. It is proposed to incorporate a reference of that section in section 87. The proposed amendment is of consequential nature.

These amendments will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 43 seeks to amend section 88 of the Income-tax Act relating to rebate on life insurance premia, contribution to provident fund, etc.

Under the existing provisions contained in item (5) of sub-clause (c) of clause (xv) of sub-section (2), approval of the Central Government is required by the public company referred to in the said item for the purposes of clause (viii) of sub-section (1) of section 36.

Sub-clause (a) proposes to amend the said item so as to do away with the said requirement of approval by the Central Government. This amendment is consequential to the omission of the first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Under the existing provisions, an assessee, being an individual or a Hindu undivided family, is entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable for any assessment year, of an amount equal to twenty per cent. of the aggregate of the investments made in provident funds, national saving certificates, premium paid for life insurance policy or any pension fund, etc. This aggregate also includes repayment of amount upto rupees ten thousand, borrowed by the assessee from some specified institutions like banks, Life Insurance Corporation of India, National Housing Bank, etc. for the purposes of purchase or construction of his own residential house.

Sub-clause (b) seeks to amend sub-section (5) so as to raise the limit of aggregate of sums specified in clause (xv) of sub-section (2) of the said section for repayment of loan from ten thousand rupees to twenty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 44 seeks to amend section 88B of the Income-tax Act relating to rebate of income-tax in case of individuals of sixty-five years or above.

Under the existing provisions, individuals in the age group of sixty-five years or more are entitled to a deduction from the amount of income-tax on their total income in any assessment year with

which they are chargeable to tax for that assessment year of an amount equal to hundred per cent. of such income-tax or an amount of ten thousand rupees, whichever is less.

It is proposed to enhance the said limit of rebate from ten thousand rupees to fifteen thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 45 seeks to insert section 88C in the Income-tax Act relating to rebate of income-tax in case of women below the age of sixty-five years.

It is proposed to insert a new section 88C in the Income-tax Act so as to provide that an assessee being a woman resident in India and who is below the age of sixty-five years at any time during the previous year, shall be entitled to a deduction from the amount of income-tax (as computed before allowing a deduction under Chapter VIII-A) on her total income, with which she is chargeable for any assessment year, of an amount equal to hundred per cent. of such income-tax or an amount of five thousand rupees, whichever is less.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 46 seeks to amend section 112 of the Income-tax Act relating to tax on long-term capital gains.

Under the existing provisions contained in the proviso to sub-section (1), where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being listed securities, exceeds ten per cent. of the amount of capital gains, before giving effect to the provisions of the second proviso to section 48, then, the amount of such excess shall be ignored for the purpose of computing the tax payable by the assessee. The *Explanation* below sub-section (1) defines the expression "listed securities".

It is proposed to amend the said proviso to include therein units of Unit Trust of India and Mutual Funds also. It is also proposed to amend the *Explanation* to sub-section (1) to define the expression "unit".

These amendments will take effect retrospectively from 1st April, 2000 and will, accordingly, apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 47 seeks to amend section 115JA of the Income-tax Act relating to deemed income relating to certain companies.

The proposed amendment seeks to provide that the provisions of this section shall not apply to an assessment year commencing on or after 1st April, 2001.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 48 seeks to amend section 115JAA of the Income-tax Act relating to tax credit in respect of tax paid on deemed income relating to certain companies.

It is proposed to amend the said section to provide that in case of an assessee, being a company, the tax credit shall be allowed to be set off when tax becomes payable on the total income computed in accordance with the provisions of the Act other than the provisions of section 115JB.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 49 seeks to insert a new section 115JB relating to special provisions for payment of tax by certain companies.

It is proposed to provide that in case of a company, if the income-tax payable on the total income as computed under the Income-tax Act in respect of any previous year relevant to the assessment year commencing on or after 1st April, 2001 is less than seven and one-half per cent. of its book profit, the tax payable for the relevant previous year shall be deemed to be seven and one-half per cent. of such book profit. The book profit shall mean the net profit as shown in the profit and loss account prepared in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 as reduced by certain adjustments, as specified. The profits received in convertible foreign exchange and eligible for deduction under section 80HHC or section 80HHE or section 80HHF or the income referred to in section 10 or section 10A or section 10B shall be excluded while working out 'book profits'. It is also proposed to provide that in respect of the relevant previous year, the amounts determined under the provisions of sub-section (2) of section 32 or sub-section (3) of section 32A or clause (ii) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A, shall be allowed to be carried forward to the subsequent year or years.

This amendment will take effect from 1st April, 2001 and will accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.

Clause 50 seeks to amend section 115-O of the Income-tax Act relating to tax on distributed profits of domestic companies.

Under the existing provisions the amount declared, distributed or paid by way of dividends by a domestic company shall be charged to additional income-tax at a flat rate of ten per cent., in addition to the normal income-tax chargeable in respect of the total income of the company.

It is proposed to enhance the said rate of additional income-tax from ten per cent. to twenty per cent.

This amendment will take effect from 1st June, 2000.

Clause 51 seeks to amend section 115P of the Income-tax Act relating to interest payable for non-payment of tax by domestic companies.

Under the existing provisions, the principal officer of a domestic company and the company is liable to pay simple interest at the rate of two per cent. for every month or part thereof if he or it fails to pay the whole or part of the tax in accordance with the provisions contained in section 115-O.

The proposed amendment seeks to reduce the rate of interest from two per cent. to one and one-half per cent. for every month or part thereof, as the case may be.

This amendment will take effect from 1st June, 2000.

Clause 52 seeks to amend section 115R of the Income-tax Act relating to tax on distributed income to unit holders.

Under the existing provisions, the income distributed by the Unit Trust of India or a Mutual Fund to its unit holders shall be chargeable to tax at a flat rate of ten per cent. to be payable by the Unit Trust of India or the Mutual Fund, as the case may be.

Sub-clause (a) seeks to amend sub-sections (1) and (2) of section 115R so as to enhance the said rate of tax from existing ten per cent. to twenty per cent.

Sub-clause (b) seeks to insert a new sub-section (3A) in section 115R so as to provide that the person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall be liable to file a statement before the 15th September each year to the prescribed income-tax authority in the prescribed form and verified in the prescribed manner, giving

the details of the amount of income distributed to unit holders during the previous year, the tax paid thereon and other relevant details.

These amendments will take effect from 1st June, 2000.

Clause 53 seeks to amend section 115S of the Income-tax Act relating to interest payable for non-payment of tax.

Under the existing provisions, the person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund is liable to pay simple interest at the rate of two per cent. for every month or part thereof if he or it fails to pay the tax in accordance with the provisions contained in section 115R.

The proposed amendment seeks to reduce the rate of interest from two per cent. to one and one-half per cent. for every month or part thereof, as the case may be.

This amendment will take effect from 1st June, 2000.

Clause 54 seeks to insert a new Chapter XII-F in the Income-tax Act relating to special provisions with regard to the tax on the income distributed by venture capital companies and venture capital funds.

The new Chapter contains sections 115U, 115V and 115W.

Under the provisions of the newly inserted section 115U, it is proposed that the income distributed to investors of the venture capital company and the venture capital fund shall be charged to tax at a flat rate of twenty per cent. to be payable by such company and such fund. This tax liability of the company and fund is notwithstanding the provisions of clauses (23FB) and (33) of section 10 of the Act which exempts the income of a venture capital company and a venture capital fund and its investors from income-tax.

It is further proposed that the venture capital company and venture capital fund will be liable to pay income-tax at the rate of twenty per cent. in respect of any income which is not distributed to its investors within such time as may be prescribed by the Securities and Exchange Board of India, with the approval of the Central Government, by notification in the Official Gazette.

Sub-section (3) of the proposed new section seeks to provide that the person responsible for making the payment of income distributed by the venture capital company or venture capital fund and such company or fund, shall be liable to pay the tax under this provision to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

Sub-section (4) of the proposed new section seeks to provide that the person responsible for making payment of the income distributed by the venture capital company or venture capital fund and the company or fund shall furnish a statement giving the details of amount of income distributed, the tax paid and such other relevant details as may be prescribed, to the prescribed income-tax Authority before the 15th September, each year.

Sub-section (5) of the proposed new section seeks to provide that no deduction under any other provisions of the Act shall be allowed to the venture capital company or venture capital fund or the investor in respect of the income on which tax has been paid under sub-section (1) or sub-section (2).

The proposed new section 115V seeks to provide that if the person or venture capital company or the venture capital fund liable to make the payment fails to so pay the income-tax to the credit of Central Government, 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 such amount of tax which has not been paid or was not paid in time.

The proposed new section 115W seeks to provide that if the person responsible for making the payment of tax or the venture

capital company or the venture capital fund liable to make the payment fails to so pay the income-tax to the credit of the Central Government, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable and all the provisions of this Act for the collection and recovery of income-tax shall apply.

It is also proposed to define the expressions "venture capital company", "venture capital fund" and "venture capital undertaking" for the purposes of the newly inserted Chapter XII-F of the Income-tax Act.

These amendments will take effect from 1st June, 2000.

Clause 55 seeks to amend section 139A of the Income-tax Act relating to permanent account number.

Under the existing provisions, it is obligatory for certain categories of persons to apply for allotment of permanent account numbers.

It is proposed to insert a new sub-section (1A) so as to empower the Central Government to specify, by notification in the Official Gazette, any class or classes of persons by whom tax is payable under the Income-tax Act or any tax or duty is payable under any other law for the time being in force, and such persons shall be required to apply within such time as may be mentioned in that notification to the Assessing Officer for the allotment of a permanent account number.

This amendment will take effect from 1st June, 2000.

Clause 56 seeks to amend section 158BFA of the Income-tax Act relating to levy of interest and penalty in certain cases.

It is proposed to amend clause (c) of sub-section (3) so as to insert in that clause a reference of section 246A relating to appealable orders before Commissioner (Appeals). The proposed amendment is consequential in nature .

This amendment will take effect from 1st June, 2000.

Clause 57 seeks to amend section 194A of the Income-tax Act relating to interest other than "Interest on securities".

It is proposed to insert a reference of clause (viii) of sub-section (1) of section 36 in clause (c) of the proviso to clause (i) of sub-section (3) of section 194A. The proposed amendment seeks to provide that the provisions of the said clause (c) shall apply to a public company which is also eligible for deduction under clause (viii) of sub-section (1) of section 36. This amendment is consequential to the omission of first proviso to clause (viii) of sub-section (1) of section 36.

This amendment will take effect retrospectively from 1st April, 2000 and will, accordingly apply in relation to the assessment year 2000-2001 and subsequent years.

Clause 58 seeks to amend section 220 of the Income-tax Act relating to when tax payable and when assessee deemed in default.

It is proposed to amend sub-section (6) so as to insert therein a reference of section 246A relating to appealable orders before the Commissioner (Appeals). The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Clause 59 seeks to amend section 245N of the Income-tax Act relating to definitions.

Clause (a) defines the expression "advance ruling". It is proposed to substitute the said clause (a) so as to provide that advance ruling means a determination by the Authority in relation to transaction which has been undertaken or proposed to be undertaken by a non-resident applicant or by a resident applicant with a non-resident and such determination includes determination

of any question of law or fact specified in the application. It is also proposed to provide that the advance ruling shall include determination or decision (including any question of law or fact) by the Authority in respect of an issue relating to computation of total income which is pending before an income-tax authority or the Appellate Tribunal.

It is also proposed to substitute clause (b) relating to definition of "applicant". Under the new definition, applicant means any person who is a non-resident or a resident referred to in sub-clauses (i) and (ii) of clause (a) of section 245N or a resident notified by the Central Government.

These amendments will take effect from 1st June, 2000.

Clause 60 seeks to amend section 245R of the Income-tax Act relating to procedure on receipt of application.

It is proposed to substitute the first proviso to sub-section (2) to provide that the Authority shall not allow the application where the question raised in the application is already pending before any income-tax authority or the Appellate Tribunal or any court. However, such exclusion will not be applicable in the case of a resident applicant falling in sub-clause (iii) of clause (b) of section 245N in so far as it relates to a question pending before an income-tax authority or the Appellate Tribunal. Further, the Authority shall not allow the application where the question raised in the application involves determination of fair market value of any property. The Authority shall also not proceed if the question relates to a transaction or issue which is designed *prima facie* for the avoidance of income-tax. The said condition, however, will not apply in the case of a resident applicant falling in sub-clause (iii) of clause (b) of section 245N.

This amendment will take effect from 1st June, 2000.

Clause 61 seeks to amend section 246 of the Income-tax Act relating to appealable orders.

It is proposed to amend sub-section (1) and sub-section (2) so as to provide that any assessee aggrieved by any of the orders may appeal before 1st June, 2000 to the Deputy Commissioner (Appeals) or to the Commissioner (Appeals).

It is also proposed to provide that every appeal filed under sub-section (1) on or after 1st October, 1998 but which is pending before 1st June, 2000 shall be transferred to the Commissioner (Appeals).

These amendments will take effect from 1st June, 2000.

Clause 62 seeks to amend section 246A of the Income-tax Act relating to appealable orders before the Commissioner (Appeals).

It is proposed to insert clause (ha) in sub-section (1) of section 246A to provide that an order made under section 201 is appealable before the Commissioner (Appeals).

It is also proposed to insert a new sub-section (1A) to provide that any appeal filed by an assessee in default against an order made under section 201 on or after the 1st October, 1998 but before 1st June, 2000 shall be deemed to have been filed before the Commissioner (Appeals).

These amendments will take effect from 1st June, 2000.

Clause 63 seeks to amend section 249 of the Income-tax Act relating to form of appeal and limitation.

It is proposed to insert a new sub-section (2A) so as to enable an assessee in default to present an appeal before 1st July, 2000 against an order made under section 201, on and after 1st October, 1998 but before 1st June, 2000, if he has not presented any appeal.

This amendment will take effect from 1st June, 2000.

Clause 64 seeks to amend section 254 of the Income-tax

Act relating to orders of Appellate Tribunal.

Under the existing provisions under sub-section (2A), the Appellate Tribunal, where it is possible, may hear and decide appeals within a period of four years from the end of the financial year in which such appeal is filed by an assessee under sub-section (1) of section 253.

It is proposed to amend the said sub-section so as to include appeals referred to in sub-section (2) of section 253 also within the time-limit specified in that sub-section.

This amendment will take effect from 1st June, 2000.

Clause 65 seeks to amend section 267 of the Income-tax Act relating to amendment of assessment on appeal.

It is proposed to include reference of section 246A relating to appealable orders before the Commissioner (Appeals) in section 267. The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Clause 66 seeks to amend section 275 of the Income-tax Act relating to bar of limitation for imposing penalties.

It is proposed to amend clause (a) of sub-section (1) so as to insert in that clause a reference of section 246A relating to appealable orders before Commissioner (Appeals). The amendment is consequential in nature.

This amendment will take effect from 1st June, 2000.

Clause 67 seeks to amend section 285B of the Income-tax Act relating to submission of statements by producers of cinematograph films.

Under the existing provisions, any person carrying on the production of a cinematograph film is required to prepare and deliver within the time specified in the said section to the Assessing Officer a statement in the prescribed form containing particulars of all payments of over twenty-five thousand rupees in the aggregate made by him or due from him to each such person as is engaged by him in such production.

It is proposed to increase the said monetary ceiling from twenty-five thousand rupees to fifty thousand rupees.

This amendment will take effect from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years.