

(b) "dependant" means—

(i) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(ii) in the case of a Hindu undivided family, a member of the Hindu undivided family,

5 dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

1 of 1996. (c) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995;

10 (d) "Life Insurance Corporation" shall have the same meaning as in clause (iii) of sub-section (8) of section 88;

1 of 1996. (e) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995;

1 of 1996. 15 (f) "person with disability" means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995;

1 of 1996. (g) "person with severe disability" means a person with eighty per cent. or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995;

58 of 2002. 20 (h) "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

32. For section 80DDB of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:—

Substitution of new section for section 80DDB.

25 '80DDB. Where an assessee who is resident in India has, during the previous year, actually incurred any expenditure for the medical treatment of such disease or ailment as may be specified in the rules made in this behalf by the Board—

Deduction in respect of medical treatment, etc.

(a) for himself or a dependant, in case the assessee is an individual; or

(b) for any member of a Hindu undivided family, in case the assessee is a Hindu undivided family,

30 the assessee shall be allowed a deduction of the expenditure actually incurred or a sum of forty thousand rupees, whichever is less, in respect of that previous year in which such expenditure was incurred:

35 Provided that no such deduction shall be allowed unless the assessee furnishes with the return of income, a certificate in such form, as may be prescribed, from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist, as may be prescribed, working in a Government hospital:

Provided further that the deduction under this section shall be reduced by the amount received, if any, under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the person referred to in clause (a) or clause (b):

40 Provided also that where the expenditure incurred is in respect of the assessee or his dependant or any member of a Hindu undivided family of the assessee and who is a senior citizen, the provisions of this section shall have effect as if for the words "forty thousand rupees", the words "sixty thousand rupees" had been substituted.

Explanation.—For the purposes of this section,—

45 (i) "dependant" means—

(a) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them,

(b) in the case of a Hindu undivided family, a member of the Hindu undivided family,

50 dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance;

(ii) "Government hospital" includes a departmental dispensary whether full-time or part-time established and run by a Department of the Government for the medical attendance and treatment of a class or classes of Government servants and members of their families, a hospital maintained by a local authority and any other hospital with which arrangements have been made by the Government for the treatment of Government servants; 5

(iii) "insurer" shall have the meaning assigned to it in clause (9) of section 2 of the Insurance Act, 1938; 4 of 1938.

(iv) "senior citizen" means an individual resident in India who is of the age of sixty-five years or more at any time during the relevant previous year.'

Amendment of section 80-IA. **33.** In section 80-IA of the Income-tax Act,— 10

(i) in sub-section (2), for the words "or develops or develops and operates or maintains and operates a special economic zone", the words "or develops a special economic zone" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002;

(ii) in sub-section (4),—

(a) in clause (ii), for the figures, letters and words "31st day of March, 2003", the figures, letters and words "31st day of March, 2004" shall be substituted with effect from the 1st day of April, 2004; 15

(b) in clause (iii), for the proviso, the following proviso shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2002, namely:—

"Provided that in a case where an undertaking develops an industrial park on or after the 1st day of April, 1999 or a special economic zone on or after the 1st day of April, 2001 and transfers the operation and maintenance of such industrial park or such special economic zone, as the case may be, to another undertaking (hereafter in this section referred to as the transferee undertaking), the deduction under sub-section (1) shall be allowed to such transferee undertaking for the remaining period in the ten consecutive assessment years as if the operation and maintenance were not so transferred to the transferee undertaking;" 20 25

Amendment of section 80-IB. **34.** In section 80-IB of the Income-tax Act, with effect from the 1st day of April, 2004,—

(a) in sub-section (4), after the second proviso, the following proviso shall be inserted, namely:—

"Provided also that no deduction under this sub-section shall be allowed for the assessment year beginning on the 1st day of April, 2004 or any subsequent year to any undertaking or enterprise referred to in sub-section (2) of section 80-IC."; 30

(b) in sub-section (8A), in clause (iii), for the figures, letters and words "1st day of April, 2003", the figures, letters and words "1st day of April, 2004" shall be substituted;

(c) in sub-section (10),—

(i) in the opening portion, for the figures, letters and words "31st day of March, 2001", the figures, letters and words "31st day of March, 2005" shall be substituted; 35

(ii) in clause (a), the words, figures and letters "and completes the same before the 31st day of March, 2003" shall be omitted;

(d) in sub-section (11), for the figures, letters and words "31st day of March, 2003", the figures, letters and words "1st day of April, 2004" shall be substituted. 40

Insertion of new section 80-IC. **35.** After section 80-IB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:—

Special provisions in respect of certain undertakings or enterprises in certain special category States. '80-IC. (1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in sub-section (2), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains, as specified in sub-section (3). 45

(2) This section applies to any undertaking or enterprise,—

(a) which has begun or begins to manufacture or produce any article or thing, not being any article or thing specified in the Thirteenth Schedule, or which manufactures or produces any article or thing, not being any article or thing specified in the Thirteenth Schedule and undertakes substantial expansion during the period beginning— 50

(i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth

Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in the State of Sikkim; or

5 (ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in the State of Himachal Pradesh or the State of Uttaranchal; or

10 (iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any Export Processing Zone or Integrated Infrastructure Development Centre or Industrial Growth Centre or Industrial Estate or Industrial Park or Software Technology Park or Industrial Area or Theme Park, as notified by the Board in accordance with the scheme framed and notified by the Central Government in this regard, in any of the North-Eastern States;

15 (b) which has begun or begins to manufacture or produce any article or thing, specified in the Fourteenth Schedule or commences any operation specified in that Schedule, or which manufactures or produces any article or thing, specified in the Fourteenth Schedule or commences any operation specified in that Schedule and undertakes substantial expansion during the period beginning—

20 (i) on the 23rd day of December, 2002 and ending before the 1st day of April, 2012, in the State of Sikkim; or

(ii) on the 7th day of January, 2003 and ending before the 1st day of April, 2012, in the State of Himachal Pradesh or the State of Uttaranchal; or

25 (iii) on the 24th day of December, 1997 and ending before the 1st day of April, 2007, in any of the North-Eastern States.

(3) The deduction referred to in sub-section (1) shall be—

(i) in the case of any undertaking or enterprise referred to in sub-clauses (i) and (iii) of clause (a) or sub-clauses (i) and (iii) of clause (b), of sub-section (2), one hundred per cent. of such profits and gains for ten assessment years commencing with the initial assessment year;

30 (ii) in the case of any undertaking or enterprise referred to in sub-clause (ii) of clause (a) or sub-clause (ii) of clause (b), of sub-section (2), one hundred per cent. of such profits and gains for five assessment years commencing with the initial assessment year and thereafter, twenty-five per cent. (or thirty per cent. where the assessee is a company) of the profits and gains.

35 (4) This section applies to any undertaking or enterprise which fulfils all the following conditions, namely:—

(i) it is not formed by splitting up, or the reconstruction, of a business already in existence:

40 Provided that this condition shall not apply in respect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(ii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

45 *Explanation.*—The provisions of *Explanations 1 and 2* to sub-section (3) of section 80-IA shall apply for the purposes of clause (ii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(5) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee, no deduction shall be allowed under any other section contained in Chapter VIA or in section 10A or section 10B, in relation to the profits and gains of the undertaking or enterprise.

50 (6) Notwithstanding anything contained in this Act, no deduction shall be allowed to any undertaking or enterprise under this section, where the total period of deduction inclusive of the period of deduction under this section, or under the second proviso to sub-section (4) of section 80-IB or under section 10C, as the case may be, exceeds ten assessment years.

55 (7) The provisions contained in sub-section (5) and sub-sections (7) to (12) of section 80-IA shall, so far as may be, apply to the eligible undertaking or enterprise under this section.

(8) For the purposes of this section,—

(i) "Industrial Area" means such areas, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(ii) "Industrial Estate" means such estates, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(iii) "Industrial Growth Centre" means such centres, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(iv) "Industrial Park" means such parks, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(v) "initial assessment year" means the assessment year relevant to the previous year in which the undertaking or the enterprise begins to manufacture or produce articles or things, or commences operation or completes substantial expansion;

(vi) "Integrated Infrastructure Development Centre" means such centres, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government;

(vii) "North-Eastern States" means the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura;

(viii) "Software Technology Park" means any park set up in accordance with the Software Technology Park scheme notified by the Government of India in the Ministry of Commerce and Industry;

(ix) "substantial expansion" means increase in the investment in the plant and machinery by at least fifty per cent. of the book value of plant and machinery (before taking depreciation in any year), as on the first day of the previous year in which the substantial expansion is undertaken;

(x) "Theme Park" means such parks, which the Board, may, by notification in the Official Gazette, specify in accordance with the scheme framed and notified by the Central Government.'

Amendment of section 80L.

36. In section 80L of the Income-tax Act, in sub-section (1),—

(a) clauses (iv), (v) and (va) shall be omitted with effect from the 1st day of April, 2004;

(b) in clauses (1) and (2), for the words "nine thousand", the words "twelve thousand" shall be substituted.

Omission of section 80M.

37. Section 80M of the Income-tax Act shall be omitted with effect from the 1st day of April, 2004.

Insertion of new section 80QQB.

38. After section 80QQA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:—

Deduction in respect of royalty income, etc., of authors of certain books other than text books.

'80QQB. (1) Where, in the case of an individual resident in India, being an author, the gross total income includes any income, derived by him in the exercise of his profession, on account of any lump sum consideration for the assignment or grant of any of his interests in the copyright of any book being a work of literary, artistic or scientific nature, or of royalty or copyright fees (whether receivable in lump sum or otherwise) in respect of such book, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income, computed in the manner specified in sub-section (2).

(2) The deduction under this section shall be equal to the whole of such income referred to in sub-section (1), or an amount of three lakh rupees, whichever is less:

Provided that where the income by way of such royalty or the copyright fee, is not a lump sum consideration in lieu of all rights of the assessee in the book, so much of the income, before allowing expenses attributable to such income, as is in excess of fifteen per cent. of the value of such books sold during the previous year shall be ignored:

Provided further that in respect of any income earned from any source outside India, so much of the income shall be taken into account for the purpose of this section 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 in which such income is earned or within such further period as the competent authority may allow in this behalf.

(3) No deduction under this section shall be allowed unless the assessee furnishes a certificate in the prescribed form and in the prescribed manner, duly verified by any person responsible for making such payment to the assessee as referred to in sub-section (1), along with the return of income, setting forth such particulars as may be prescribed.

(4) No deduction under this section shall be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate, in the prescribed form from the prescribed authority, along with the return of income in the prescribed manner.

(5) Where a deduction for any previous year has been claimed and allowed in respect of any income referred to in this section, no deduction in respect of such income shall be allowed under any other provision of this Act in any assessment year.

Explanation.-For the purposes of this section,-

(a) "author" includes a joint author;

5 (b) "books" shall not include brochures, commentaries, diaries, guides, journals, magazines, newspapers, pamphlets, text books for schools, tracts and other publications of similar nature, by whatever name called;

(c) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange;

10 (d) "lump sum", in regard to royalties or copyright fees, includes an advance payment on account of such royalties or copyright fees which is not returnable.'

39. After section 80RRA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2004, namely:-

Insertion of new section 80RRB.

'80RRB. (1) Where in the case of an assessee, being an individual, who is-

Deduction in respect of royalty on patents.

(a) resident in India;

15 (b) a patentee;

39 of 1970. (c) in receipt of any income by way of royalty in respect of a patent registered on or after the 1st day of April, 2003 under the Patents Act, 1970, and

20 his gross total income of the previous year includes royalty, there shall, in accordance with and subject to the provisions of this section, be allowed a deduction, from such income, of an amount equal to the whole of such income or three lakh rupees, whichever is less:

39 of 1970. Provided that where a compulsory licence is granted in respect of any patent under the Patents Act, 1970, the income by way of royalty for the purpose of allowing deduction under this section shall not exceed the amount of royalty under the terms and conditions of a licence settled by the Controller under that Act:

25 Provided further that in respect of any income earned from any source outside India, so much of the income, shall be taken into account for the purpose of this section 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 in which such income is earned or within such further period as the competent authority referred to in clause (c) of the *Explanation* to section 80QQB may allow in this behalf.

30 (2) No deduction under this section shall be allowed unless the assessee furnishes a certificate in the prescribed form, duly signed by the prescribed authority, along with the return of income setting forth such particulars as may be prescribed.

35 (3) No deduction under this section shall be allowed in respect of any income earned from any source outside India, unless the assessee furnishes a certificate in the prescribed form, from the authority or authorities, as may be prescribed, along with the return of income.

(4) Where a deduction for any previous year has been claimed and allowed in respect of any income referred to in this section, no deduction in respect of such income shall be allowed, under any other provision of this Act in any assessment year.

Explanation.-For the purposes of this section,-

39 of 1970. 40 (a) "Controller" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Patents Act, 1970;

(b) "lump sum" includes an advance payment on account of such royalties which is not returnable;

39 of 1970. (c) "patent" means a patent (including a patent of addition) granted under the Patents Act, 1970;

39 of 1970. 45 (d) "patentee" means the person, being the true and first inventor of the invention, whose name is entered on the patent register as the patentee, in accordance with the Patents Act, 1970, and includes every such person, being the true and first inventor of the invention, where more than one person is registered as patentee under that Act in respect of that patent;

39 of 1970. 50 (e) "patent of addition" shall have the meaning assigned to it in clause (q) of sub-section (1) of section 2 of the Patents Act, 1970;

39 of 1970. (f) "patented article" and "patented process" shall have the meanings respectively assigned to them in clause (o) of sub-section (1) of section 2 of the Patents Act, 1970;

(g) "royalty", in respect of a patent, means consideration (including any lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital gains" or consideration for sale of product manufactured with the use of patented process or of the patented article for commercial use) for-

(i) the transfer of all or any rights (including the granting of a licence) in respect of a patent; 5
or

(ii) the imparting of any information concerning the working of, or the use of, a patent; or

(iii) the use of any patent; or

(iv) the rendering of any services in connection with the activities referred to in sub-clauses (i) to (iii); 10

(h) "true and first inventor" shall have the meaning assigned to it in clause (y) of sub-section (1) of section 2 of the Patents Act, 1970.'. 39 of 1970.

Substitution of new section for section 80U. 40. For section 80U of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 2004, namely:-

Deduction in case of a person with disability. '80U. (1) In computing the total income of an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a person with disability, there shall be allowed a deduction of a sum of fifty thousand rupees: 15

Provided that where such individual is a person with severe disability, the provisions of this sub-section shall have effect as if for the words "fifty thousand rupees", the words "seventy-five thousand rupees" had been substituted. 20

(2) Every individual claiming a deduction under this section shall furnish a copy of the certificate issued by the medical authority in the form and manner, as may be prescribed, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

Provided that where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the aforesaid certificate of disability had expired, unless a new certificate is obtained from the medical authority in the form and manner, as may be prescribed, and a copy thereof is furnished along with the return of income under section 139. 25
30

Explanation.-For the purposes of this section,-

(a) "disability" shall have the meaning assigned to it in clause (i) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995; 1 of 1996.

(b) "medical authority" means the medical authority as referred to in clause (p) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995; 35
1 of 1996.

(c) "person with disability" means a person referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995; 1 of 1996.

(d) "person with severe disability" means a person with eighty per cent. or more of one or more disabilities, as referred to in sub-section (4) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.'. 40
1 of 1996.

Amendment of section 88. 41. In section 88 of the Income-tax Act, with effect from the 1st day of April, 2004,-

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

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

"(xivb) as tuition fees (excluding any payment towards any development fees or donation or payment of similar nature), whether at the time of admission or thereafter,- 45

(a) to any university, college, school or other educational institution situated within India;

(b) for the purpose of full-time education of any of the persons specified in sub-section (4);";

(ii) in clause (xvi), for the *Explanation*, the following *Explanation* shall be substituted, namely:- 50

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

(i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are

utilised wholly and exclusively for the purposes of any business referred to in sub-section (4) of section 80-IA;

1 of 1956.

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

5
1 of 1956.

(iii) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956;";

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

“(2A) The provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent. of the actual capital sum assured.

Explanation.—In calculating any such actual capital sum, no account shall be taken-

(i) of the value of any premiums agreed to be returned, or

(ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.”;

15 (c) in sub-section (4), after clause (c), the following clause shall be inserted, namely:—

“(d) for the purpose of clause (xivb) of that sub-section, in the case of an individual, any two children of such individual.”;

(d) in sub-section (5), after the second proviso, the following proviso shall be inserted, namely:—

20 “Provided also that where the aggregate of any sum specified in clause (xivb) of sub-section (2) exceeds an amount of twelve thousand rupees in respect of a child, a deduction under sub-section (1) in respect of such sum shall be allowed with reference to so much of the aggregate as does not exceed an amount of twelve thousand rupees in respect of such child.”.

42. In section 88B of the Income-tax Act, for the words “fifteen thousand rupees”, the words “twenty thousand rupees” shall be substituted with effect from the 1st day of April, 2004. Amendment of section 88B.

25 **43.** In section 90 of the Income-tax Act, with effect from the 1st day of April, 2004,— Amendment of section 90.

(i) in sub-section (1), for clause (a), the following clause shall be substituted, namely:—

“(a) for the granting of relief in respect of—

(i) income on which have been paid both income-tax under this Act and income-tax in that country; or

30 (ii) income-tax chargeable under this Act or under the corresponding law in force in that country to promote mutual economic relations, trade and investment, or”;

(ii) after sub-section (2) and before the *Explanation*, the following sub-section shall be inserted, namely:—

35 “(3) Any term used but not defined in this Act or in the agreement referred to in sub-section (1) shall, unless the context otherwise requires, and is not inconsistent with the provisions of this Act or the agreement, have the same meaning as assigned to it in the notification issued by the Central Government in the Official Gazette in this behalf.”.

44. In section 115A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2004,— Amendment of section 115A.

40 (i) in clause (a), for the word “dividends”, at both the places where it occurs, the words, figures and letter “dividends other than dividends referred to in section 115-O” shall be substituted;

45 (ii) in clause (b), in the opening portion, for the words “a foreign company, includes any income by way of royalty or fees for technical services”, the words, brackets, figures and letters “a non-resident (not being a company) or a foreign company, includes any income by way of royalty or fees for technical services other than income referred to in sub-section (1) of section 44DA” shall be substituted.

45. In section 115AC of the Income-tax Act, for the word “dividends”, wherever it occurs, the words, figures and letter “dividends, other than dividends referred to in section 115-O” shall be substituted with effect from the 1st day of April, 2004. Amendment of section 115AC.

50 **46.** In section 115ACA of the Income-tax Act, for the words “income by way of dividends”, wherever they occur, the words, figures and letter “income by way of dividends, other than dividends referred to in section 115-O” shall be substituted with effect from the 1st day of April, 2004. Amendment of section 115ACA.