

Amendment of section 115AD.	47. In section 115AD of the Income-tax Act, in sub-section (1), in clause (a), for the word "income", the words, figures and letter "income other than income by way of dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.		
Amendment of section 115C.	48. In section 115C of the Income-tax Act, in clause (c), for the words "income derived", the words, figures and letter "income derived other than dividends referred to in section 115-O" shall be substituted with effect from the 1st day of April, 2004.	5	
Amendment of section 115-O.	49. In section 115-O of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted, namely:— “(1) Notwithstanding anything contained in any other provision of this Act and subject to the provisions of this section, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2003, whether out of current or accumulated profits shall be charged to additional income-tax (hereafter referred to as tax on distributed profits) at the rate of twelve and one-half per cent.”.	10	
Amendment of section 115R.	50. In section 115R of the Income-tax Act, for sub-section (2), the following shall be substituted, namely:— (2) Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate of twelve and one-half per cent.: Provided that nothing contained in this sub-section shall apply in respect of any income distributed,— (a) by the Administrator of the specified undertaking, to the unit holders; or (b) to a unit holder of open-ended equity oriented funds in respect of any distribution made from such funds for a period of one year commencing from the 1st day of April, 2003. <i>Explanation.</i> —For the purposes of this sub-section, "Administrator" and "specified company" shall have the meanings respectively assigned to them in the <i>Explanation</i> to clause (35) of section 10’.	15	
Amendment of section 115S.	51. In section 115S of the Income-tax Act, for the words "Unit Trust of India or a Mutual Fund and the Unit Trust of India", the words, brackets, letter and figures "specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 or a Mutual Fund and the specified company" shall be substituted.	30	58 of 2002.
Amendment of section 115T.	52. In section 115T of the Income-tax Act, in the opening portion, for the words "Unit Trust of India or a Mutual Fund and the Unit Trust of India", the words, brackets, letter and figures "specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 or a Mutual Fund and the specified company" shall be substituted.	35	58 of 2002.
Amendment of section 132.	53. In section 132 of the Income-tax Act, with effect from the 1st day of June, 2003,— (a) in sub-section (1),— (i) after clause (iii), the following proviso shall be inserted, namely:— “Provided that bullion, jewellery or other valuable article or thing, being stock-in-trade of the business, found as a result of such search shall not be seized but the authorised officer shall make a note or inventory of such stock-in-trade of the business;”; (ii) after the second proviso, the following proviso shall be inserted, namely:— “Provided also that nothing contained in the second proviso shall apply in case of any valuable article or thing, being stock-in-trade of the business.”; (b) in sub-section (8), for the words, brackets, letters and figures "under clause (c) of section 158BC", the words, brackets, letters and figures "under section 153A or clause (c) of section 158BC" shall be substituted.	40	
Amendment of section 132B.	54. In section 132B of the Income-tax Act, with effect from the 1st day of June, 2003,— (a) in sub-section (1), in clause (i),— (i) for the words, figures and letter "under Chapter XIV-B for the block period", the words, figures and letter "under section 153A and the assessment of the year relevant to the previous year in which search is initiated or requisition is made, or the amount of liability determined on completion of the assessment under Chapter XIV-B for the block period, as the case may be" shall be substituted; (ii) in the first proviso, for the words "Provided that where the nature and source of acquisition of any such asset is explained", the words "Provided that where the person concerned makes an	45	
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application to the Assessing Officer within thirty days from the end of the month in which the asset was seized, for release of asset and the nature and source of acquisition of any such asset is explained" shall be substituted;

5 (b) in sub-section (4), in clause (b), for the words, figures and letter "under Chapter XIV-B", the words, figures and letters "under section 153A or under Chapter XIV-B" shall be substituted.

55. In section 133A of the Income-tax Act, with effect from the 1st day of June, 2003,—

Amendment of section 133A.

(a) in sub-section (3), in clause (ia), in the proviso, for clause (b), the following clause shall be substituted, namely:—

10 "(b) retain in his custody any such books of account or other documents for a period exceeding ten days (exclusive of holidays) without obtaining the approval of the Chief Commissioner or Director General therefor, as the case may be,";

(b) after sub-section (6) and before the *Explanation*, the following proviso shall be inserted, namely:—

15 "Provided that no action under sub-section (1) shall be taken by an Assistant Director or a Deputy Director or an Assessing Officer or a Tax Recovery Officer or an Inspector of Income-tax without obtaining the approval of the Joint Director or the Joint Commissioner, as the case may be.";

(c) in the *Explanation* below sub-section (6), for clause (a), the following clause shall be substituted, namely:—

20 '(a) "income-tax authority" means a Commissioner, a Joint Commissioner, a Director, a Joint Director, an Assistant Director or a Deputy Director or an Assessing Officer, or a Tax Recovery Officer, and for the purposes of clause (i) of sub-section (1), clause (i) of sub-section (3) and sub-section (5), includes an Inspector of Income-tax;'

56. In section 139 of the Income-tax Act, after sub-section (1A), the following sub-section shall be inserted, namely:—

Amendment of section 139.

25 "(1B) Without prejudice to the provisions of sub-section (1), any person, being a company or being a person other than a company, required to furnish a return of income under sub-section (1), may, at his option, on or before the due date, furnish a return of his income for any previous year in accordance with such scheme as may be specified by the Board in this behalf by notification in the Official Gazette and subject to such conditions as may be specified therein, in such form (including
30 on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media) and in the manner as may be specified in that scheme, and in such case, the return of income furnished under such scheme shall be deemed to be a return furnished under sub-section (1), and the provisions of this Act shall apply accordingly."

57. In section 140A of the Income-tax Act, with effect from the 1st day of June, 2003,—

Amendment of section 140A.

35 (a) in sub-section (1), for the words, figures and letters " , as the case may be, section 158BC", the words, figures and letters "section 153A or, as the case may be, section 158BC" shall be substituted;

(b) in sub-section (2), for the words, figures and letters "an assessment under section 158BC", the words, figures and letters "an assessment under section 153A or section 158BC" shall be substituted.

40 **58.** In section 143 of the Income-tax Act, in sub-section (2), with effect from the 1st day of June, 2003,—

Amendment of section 143.

(a) in clause (i), the following proviso shall be inserted, namely:—

"Provided that no notice under this clause shall be served on the assessee on or after the 1st day of June, 2003;"

45 (b) in the proviso below clause (ii), for the words "no notice under this sub-section", the words, brackets and figures "no notice under clause (ii)" shall be substituted.

59. After section 153 of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of June, 2003, namely:—

Insertion of new sections 153A, 153B and 153C.

50 '153A. Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, in the case of a person where a search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003, the Assessing Officer shall—

Assessment in case of search or requisition.

(a) issue notice to such person requiring him to furnish within such period, as may be specified in the notice, the return of income in respect of each assessment year falling within six assessment years referred to in clause (b), in the prescribed form and verified in the prescribed manner and

setting forth such other particulars as may be prescribed and the provisions of this Act shall, so far as may be, apply accordingly as if such return were a return required to be furnished under section 139;

(b) assess or reassess the total income of six assessment years immediately preceding the assessment year relevant to the previous year in which such search is conducted or requisition is made: 5

Provided that the Assessing Officer shall assess or reassess the total income in respect of each assessment year falling within such six assessment years:

Provided further that assessment or reassessment, if any, relating to any assessment year falling within the period of six assessment years referred to in this section pending on the date of initiation of the search under section 132 or making of requisition under section 132A, as the case may be, shall abate. 10

Explanation.—For the removal of doubts, it is hereby declared that,—

(i) save as otherwise provided in this section, section 153B and section 153C, all other provisions of this Act shall apply to the assessment made under this section; 15

(ii) in an assessment or reassessment made in respect of an assessment year under this section, the tax shall be chargeable at the rate or rates as applicable to such assessment year.

Time-limit for completion of assessment under section 153A.

153B. (1) Notwithstanding anything contained in section 153, the Assessing Officer shall make an order of assessment or reassessment,—

(a) in respect of each assessment year falling within six assessment years referred to in clause (b) of section 153A, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed; 20

(b) in respect of the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. 25

Explanation.—In computing the period of limitation for the purposes of this section,—

(i) the period during which the assessment proceeding is stayed by an order or injunction of any court; or 30

(ii) the period commencing from the day on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (2A) of section 142 and ending on the day on which the assessee is required to furnish a report of such audit under that sub-section; or

(iii) the time taken in reopening the whole or any part of the proceeding or in giving an opportunity to the assessee of being re-heard under the proviso to section 129; or 35

(iv) in a case where an application made before the Settlement Commission under section 245C is rejected by it or is not allowed to be proceeded with by it, the period commencing from the date on which such application is made and ending with the date on which the order under sub-section (1) of section 245D is received by the Commissioner under sub-section (2) of that section,

shall be excluded: 40

Provided that where immediately after the exclusion of the aforesaid period, the period of limitation referred to in clause (a) or clause (b) of this section available to the Assessing Officer for making an order of assessment or reassessment, as the case may be, is less than sixty days, such remaining period shall be extended to sixty days and the aforesaid period of limitation shall be deemed to be extended accordingly. 45

(2) The authorisation referred to in clause (a) and clause (b) of sub-section (1) shall be deemed to have been executed,—

(a) in the case of search, on the conclusion of search as recorded in the last panchnama drawn in relation to any person in whose case the warrant of authorisation has been issued;

(b) in the case of requisition under section 132A, on the actual receipt of the books of account or other documents or assets by the Authorised Officer. 50

- 153C. Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing or books of account or documents seized or requisitioned belongs or belong to a person other than the person referred to in section 153A, then the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A.’
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60. In section 155 of the Income-tax Act, after sub-section (15) and before the *Explanation*, the following sub-sections shall be inserted with effect from the 1st day of April, 2004, namely:—
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- “(16) Where in the assessment for any year, a capital gain arising from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer, the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, is computed by taking the compensation or consideration as referred to in clause (a) or, as the case may be, the compensation or consideration enhanced or further enhanced as referred to in clause (b) of sub-section (5) of section 45, to be the full value of consideration deemed to be received or accruing as a result of the transfer of the asset and subsequently such compensation or consideration is reduced by any court, Tribunal or other authority, the Assessing Officer shall amend the order of assessment so as to compute the capital gain by taking the compensation or consideration as so reduced by the court, Tribunal or any other authority to be the full value of consideration; and the provisions of section 154 shall, so far as may be, apply thereto, and the period of four years shall be reckoned from the end of the previous year in which the order reducing the compensation was passed by the court, Tribunal or other authority.
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- (17) Where a deduction has been allowed to an assessee in any assessment year under section 80RRB in respect of any patent, and subsequently by an order of the Controller or the High Court under the Patents Act, 1970,—
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- 39 of 1970.
- (i) the patent was revoked, or
- (ii) the name of the assessee was excluded from the patents register as patentee in respect of that patent,
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- the deduction from the income by way of royalty attributable to the period during which the patent had been revoked or the period for which the assessee's name was excluded as patentee in respect of that patent, shall be deemed to have been wrongly allowed and the Assessing Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which such order of the Controller referred to in clause (b) of sub-section (1), or the High Court referred to in clause (i) of sub-section (1) of section 2, of the Patents Act, 1970, as the case may be, was passed.”.
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- 39 of 1970.
61. After section 158BH of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 2003, namely:—
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- “158BI. The provisions of this Chapter shall not apply where a search is initiated under section 132, or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003.”.
- Chapter not to apply after certain date.
62. In section 163 of the Income-tax Act, in sub-section (1), after the proviso, the following *Explanation* shall be inserted with effect from the 1st day of April, 2004, namely:—
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- ‘*Explanation*.—For the purposes of this sub-section, the expression “business connection” shall have the meaning assigned to it in *Explanation 2* to clause (i) of sub-section (1) of section 9 of this Act.’.
- Amendment of section 163.
63. In section 184 of the Income-tax Act, for sub-section (5), the following sub-section shall be substituted with effect from the 1st day of April, 2004, namely:—
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- ‘(5) Notwithstanding anything contained in any other provision of this Act, where, in respect of any assessment year, there is on the part of a firm any such failure as is mentioned in section 144, the firm shall be so assessed that no deduction by way of any payment of interest, salary, bonus, commission or remuneration, by whatever name called, made by such firm to any partner of such firm shall be allowed in computing the income chargeable under the head “Profits and gains of business or profession” and such interest, salary, bonus, commission or remuneration shall not be chargeable to income-tax under clause (v) of section 28.’.
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- Amendment of section 184.