FINANCE BILL, 2002

PROVISIONS RELATING TO DIRECT TAXES

The provisions in Finance Bill, 2002, in the sphere of direct taxes relate to the following matters :—

(i) Prescribing the rates of income-tax on incomes liable to tax for the assessment year 2002-2003; the rates at which tax will be deductible at source during the financial year 2002-2003 from interest (including interest on securities), winnings from lotteries or crossword puzzles, winnings from horse races, card games and other categories of income liable to deduction or collection of tax at source under the Income-tax Act; rates for computation of "advance tax", deduction of income-tax from or payment of tax on 'Salaries' and charging of income-tax on current incomes in certain cases for the financial year 2002-2003.

(ii) Amendment of the Income-tax Act, interalia, with a view to providing incentives for investment and industrial growth, incentive for debt/capital market and financial sector, measures to accelerate economic development, measures to boost tourism, tax payers assistance, rationalisation and simplification, measures to curb tax avoidance, widening of tax base, welfare measures , resource mobilization measures and strengthening tax administration.

(iii) Amendment of the Wealth-tax Act, 1957.

(iv) Amendment of the Expenditure-tax Act, 1987.

(v) Amendment of the Life Insurance Corporation Act, 1956.

(vi) Amendment of General Insurance Business (Nationalisation) Act, 1972.

(vii) Amendment of Oil Industry (Development) Act, 1974.

(viii) Amendment of National Dairy Development Board Act, 1987.

(ix) Amendment of Prasar Bharati (Broadcasting Corporation of India) Act, 1990.

2. Subject to certain exceptions, which have been indicated while dealing with the relevant provisions, the Bill follows the principle that changes in the provisions of the tax laws, should ordinarily be made operative prospectively in relation to current incomes and not in relation to incomes of past years. The substance of the main provision in the Bill relating to direct taxes is explained in the following paragraphs :—

INCOME-TAX

I. Rates of income-tax in respect of incomes liable to tax for the assessment year 2002-2003.

In respect of incomes of all categories of tax payers (corporate as well as non-corporate) liable to tax for the assessment year 2002-2003, the rates of income-tax have been specified in Part I of the First Schedule to the Bill and are the same as those laid down in Part III of the First Schedule to the Finance Act, 2001, for the purposes of computation of "advance tax", deduction of tax at source from "Salaries" and charging of tax payable in certain cases during the financial year 2001-2002. It has also been specified that in the case of individuals, Hindu undivided families, association of persons and body of individuals having total income exceeding Rs. 60,000/-, the tax so computed after rebate under Chapter VIII-A shall be enhanced by a surcharge of two per cent. for purposes of the Union. In the case of every artificial juridical person, a firm, a local authority, a co-operative society and a domestic company, the tax so computed shall be enhanced by a surcharge of two per cent.

II. Rates for deduction of income-tax at source during the financial year 2002-2003 from income other than "Salaries".

The rates for deduction of income-tax at source during the financial year 2002-2003 from incomes other than "Salaries", have been specified in Part II of the First Schedule to the Bill. These rates apply to income by way of dividend interest on securities, interest other than interest on securities, insurance commission, winnings from lotteries or crossword puzzles, winnings from horse races and income of non-residents (including non-resident Indians). These rates are broadly the same as those specified in Part II of the First Schedule to the Finance Act, 2001, for the purposes of deduction of income-tax at source during the financial year 2001-2002. However, the rate of deduction of tax with respect to dividends paid to a person other than a company, where the person is resident in India and in the case of a domestic company, has been prescribed at ten per cent. The rate of deduction of tax in respect of income of a foreign company other than those for which specific rates are prescribed in Part-II, has been reduced to forty per cent. from the existing rate of forty-eight per cent. The tax deducted at source in each case (including a foreign company) shall be enhanced by a surcharge of five per cent.

III. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of Income-tax in special cases during the financial year 2002-2003.

The rates for deduction of income-tax at source from or payment of tax on "Salaries" during the financial year 2002-2003 and also for computation of "advance tax" payable during that year in the case of all categories of tax payers have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the financial year 2002-2003 on current incomes in cases where accelerated assessments have to be made, e.g., provisional assessment of shipping profits arising in India

to non-residents, assessment of persons leaving India for good during that financial year, assessment of persons who are likely to transfer property to avoid tax, or assessment of bodies formed for short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs:—

A. Individuals, Hindu undivided families, etc.

Paragraph A of Part III of the First Schedule specifies the rates of income-tax in the case of individuals, Hindu undivided families, association of persons, etc.

No change is proposed in the rate structure. However, the tax payable would be enhanced by a surcharge for the purposes of the Union at the rate of five per cent. of the tax payable (after allowing rebate under Chapter VIII-A) in cases of persons having total income exceeding Rs.60,000/-. No surcharge would be payable by persons having incomes of Rs.60,000/- or below. Marginal relief would be provided to ensure that the additional amount of income-tax payable, including surcharge, on the excess of income over Rs.60,000/- is limited to the amount by which the income is more than Rs.60,000/-.

The Table below gives the income slabs and the rates of income-tax. Column (a) specifies the rates given in Paragraph A of Part I of the First Schedule to the Bill; and column (b) specifies the rates given in Paragraph A of Part III of the First Schedule to the Bill.

TABLE

(a)		(b)	
Income slab	**Rates as specified in Part I of First Schedule to the Bill (i.e., existing rates)**	**Income slab**	**Rates as specified in Part III of First Schedule to the Bill (i.e., proposed rates)**
Upto Rs. 50,000/-	Nil	Upto Rs. 50,000/-	Nil
Rs.50,001/- to Rs.60,000/-	10 %	Rs.50,001/- to Rs.60,000/-	10 %
Rs.60,001/- to Rs.1,50,000/-	20 %[1]	Rs.60,001/- to Rs.1,50,000/-	20 % [2]
Above Rs.1,50,000/-	30 % [3]	Above Rs.1,50,000/-	30 %[4]

[1] *Persons in this slab would be required to pay two per cent. surcharge on the total income-tax payable after rebate under Chapter VIII-A.*
[2] *Persons in this slab would be required to pay five per cent. surchage on the total income-tax payable after rebate under Chapter VIII-A.*
[3] *Persons in this slab would be required to pay two per cent. surchage on the total income-tax payable after rebate under Chapter VIII-A.*
[4] *Persons in this slab would be required to pay five per cent. surcharge on the total income-tax payable after rebate under Chapter VIII-A.*

The impact of levy of surcharge in the case of individuals, HUFs, etc. at different income levels would be as under :—

Total income (Rs.)	Existing Tax liability (Rs.)	New Tax liability (Rs.)	Additional Tax liability (Rs.)	Additional Tax (%)
50,000	Nil	Nil	Nil	Nil
55,000	500	500	Nil	Nil
60,000	1,000	1,000	Nil	Nil
60,010	1,010 *	1,010 *	Nil	Nil
60,020	1,020 *	1,020 *	Nil	Nil
60,050	1,030	1,050 *	20	1.94
60,100	1,040	1,071	31	2.98
60,200	1,061	1,092	31	2.92
65,000	2,040	2,100	60	2.94
75,000	4,080	4,200	120	2.94
1,50,000	19,380	19,950	570	2.94
2,00,000	34,680	35,700	1,020	2.94
3,00,000	65,280	67,200	1,920	2.94
4,00,000	95,880	98,700	2,820	2.94
5,00,000	1,26,480	1,30,200	3,720	2.94
10,00,000	2,79,480	2,87,700	8,220	2.94
25,00,000	7,38,480	7,60,200	21,720	2.94
1,00,00,000	30,33,480	31,22,700	89,220	2.94

* *Marginal relief would be provided to ensure that the additional income-tax payable, including surcharge, on the excess of income over Rs.60,000/- is limited to the amount by which the income is more than Rs.60,000/-.*

B. Co-operative societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates are the same as those specified in the corresponding Paragraph of Part I of the First Schedule to the Bill. The tax payable would be enhanced by a surcharge for the purposes of the Union at the rate of five per cent. of the tax payable.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate remains at 35 per cent. The tax payable by firms would be enhanced by a surcharge for the purposes of the Union at the rate of five per cent. of the tax payable.

D. Local authorities

In the case of local authorities, the rate of income-tax has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate is the same as that specified in the corresponding Paragraph of Part I of the First Schedule to the Bill. The tax payable would be enhanced by a surcharge for the purposes of the Union at the rate of five per cent. of the tax payable.

E. Companies

In the case of companies, the rate of income-tax has been specified in Paragraph E of Part III of the First Schedule to the Bill. There is no change in the existing rates of 35 per cent for domestic companies. However, for foreign companies, the rate has been reduced to 40 per cent. The tax payable by the domestic as well as foreign companies would be enhanced by a surcharge at the rate of five per cent. of the tax payable for the purposes of the Union. [*Clause 2 & First Schedule*]

INCENTIVES FOR INVESTMENT AND INDUSTRIAL GROWTH

Additional depreciation on new machinery and plant

Under the existing provisions contained in sub-section (1) of section 32 of the Income-tax Act, deduction is allowed in respect of depreciation on assets owned wholly or partly by the assessee and used for the purposes of the business or profession at the rates prescribed under the Income-tax Rules, 1962.

With a view to give a boost to the manufacturing sector, it is proposed to allow a deduction of a further sum equal to fifteen per cent of the actual cost of such machinery or plant acquired and installed after 31st day of March, 2002—

(i) in the case of a new industrial undertaking in the previous year in which it begins to manufacture or produce any article or thing; or

(ii) in the case of an existing industrial undertaking in the previous year in which it achieves substantial expansion by way of increase in the installed capacity by not less than twenty five per cent.

Such further sum shall be deductible from the written down value of the asset. "Installed capacity" has been defined to mean the capacity of production as existing on the last day of any previous year commencing on or after the 31st March, 2002.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 14*]

Fiscal incentives for modernization and fleet expansion of the shipping business

Under the existing provisions of section 33AC of the Income-tax Act, 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 hundred per cent of the profits derived from the business of operation of ships and carried to a reserve account, subject to certain conditions. The first proviso to sub-section (1) of the said section, however, provides that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid-up share capital (excluding the amounts capitalized from the reserves) of the assessee, no allowance shall be made in respect of such excess.

In order to help the shipping industry modernise and expand its fleet, it is proposed to expand the scope of the reserve to provide that in case the aggregate of the amounts carried to the reserve account exceeds twice the aggregate of the amounts of the paid-up share capital, the general reserves and amount credited to the share premium account of the assessee, no allowance shall be made in respect of such excess.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 15*]

Amount transferred to reserve under section 33AC in the case of shipping companies not to be added to the book profits

Section 115JB of the Income-tax Act, provides for a Minimum Alternate Tax (MAT) on companies. Under the provisions of this section, a company is required to pay at least 7.5% of its book profit as corporate tax. In case the tax liability of the company under regular provisions is more than this amount, the provisions of MAT will not apply and the company shall pay corporate tax as per the regular scheme.

The profits of the shipping industry are exempt to the extent such profits are transferred to reserves specified in section 33AC. However, provisions of MAT continue to apply in respect of such companies, since the amounts transferred to the reserve specified under section 33AC are added back to the book profits under section115JB.

With a view to ensure that shipping companies are not required to pay MAT, it is proposed to provide that the amounts transferred to a reserve specified under section 33AC of the Income-tax Act, shall not be added to the book profit, under section 115JB.

This amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 49*]

Measures to boost investment in small-scale industries

Under the existing provisions of section 54EC of the Income-tax Act, the capital gain arising from the transfer of a long-term capital asset is exempt from tax if such capital gain is invested in any bond redeemable after three years, issued on or after 1st April, 2000 by the National Bank for Agriculture and Rural Development or the National Highway Authority of India, or on or after the 1st day of April, 2001 by the Rural Electrification Corporation Limited.

In order to boost investment in the small scale sector, it is proposed to extend the benefit provided under section 54EC to cases where long-term capital gains are invested in bonds redeemable after three years issued on or after the 1st day of April, 2002 by the Small Industries Development Bank of India (SIDBI).

This amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-04 and subsequent years. [*Clause 25*]

In order to give further support to the small scale industries, it is proposed to exempt income of the Credit Guarantee Fund Trust for Small Scale Industries for a period of five previous years relevant to the assessment years beginning on 1st day of April, 2002 and ending on 31st day of March, 2007.

The proposed amendment will take effect retrospectively from 1st April, 2002 and will, accordingly, apply in relation to the assessment year 2002-2003 and four subsequent assessment years. [*Clause 4(v)*]

Incentive for investment in housing

Under the existing provisions contained in section 24 of the Income-tax Act, interest payable on capital borrowed on or after 1st April, 1999, for acquiring or constructing one self-occupied house is deductible upto one lakh fifty thousand rupees where such acquisition or construction is completed before 1st April, 2003.

To sustain the pace of investment in the housing sector, it is proposed to allow this deduction even where the acquisition or construction is completed on or after 1st April, 2003, so long as the acquisition or construction is completed within three years from the end of the financial year in which the capital was borrowed.

Further, the benefit of exemption from capital gains tax provided under section 54EC of the Income-tax Act is proposed to be extended to cases of investment in bonds redeemable after 3 years issued on or after 1st Apirl, 2002 by the National Housing Bank.

These amendments will take effect from 1st April, 2003, and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 12 and 25*]

INCENTIVE FOR DEBT/CAPITAL MARKET AND FINANCIAL SECTOR

Fiscal incentive for provisioning in respect of bad and doubtful debts in the case of banks and financial institutions

Under the existing provisions of sub-clause (a) of clause (viia) of sub-section (1) of section 36, a scheduled bank (not being a bank incorporated by or under the laws of a foreign country) or a non-scheduled bank is allowed a deduction in respect of any provision for bad and doubtful debts to the extent of five per cent of the total income (computed before making any deduction under the said clause and Chapter VI-A) and an amount not exceeding ten per cent of the aggregate average advances made by the rural branches of such banks.

In order to provide fiscal incentive to scheduled and non-scheduled banks, it is proposed to amend sub-clause (a) of clause (viia) of sub-section (1) of section 36 to increase the present limit of deduction of five per cent of the total income to seven and one-half per cent of the total income.

The first proviso to section 36(1)(viia)(a) gives an option to a scheduled bank or a non-scheduled bank to claim deduction in respect of any provision made by the bank to the extent of five per cent of the amount of any assets classified by the Reserve Bank of India as doubtful assets or loss assets shown in the books of account of the bank on the last day of the previous year. This option is available for five consecutive assessment years commencing on or after 1st April, 2000 and ending before 1st April, 2005.

Further, under sub-clause (c) of clause (viia) of sub-section (1) of section 36, a deduction to the extent of five per cent of the total income (computed before making any deduction under this clause and Chapter VI-A) is allowed to a public financial institution, a State financial corporation and a State industrial investment corporation in respect of any provision for bad and doubtful debts made by such institutions or corporations.

It is proposed to increase the limit of five per cent given under the proviso to sub-clause (a) to ten per cent and also extend this facility to a public financial institution, State financial corporation or State industrial investment corporation. This optional deduction shall be available for a period of two assessment years commencing on or after 1st April, 2003 and ending before 1st April, 2005.

The proposed amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 19*]

Exemption of capital gains on lending of securities through the RBI

Under the existing provision contained in clause (xv) of section 47 of the Income-tax Act, any transfer in a scheme for lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subject to the guidelines issued by the Securities and Exchange Board of India, shall not be regarded as transfer for the purpose of charging capital gains tax.

With a view to ensure guaranteed settlement of transactions in money, government securities and forex markets, the RBI has established the Clearing Corporation of India Limited (CCIL). Since the settlement process may involve lending of securities it is proposed to extend the benefit of exemption from capital gains tax to any transfer in a scheme for lending of any securities under an agreement or arrangement, which is subject to the guidelines issued by the Reserve Bank of India.

This amendment will take effect from 1st April, 2003, and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 23*]

Amendment of section 115AC

Under the existing provisions contained in sub-clause (iii) of clause (b) of sub-section (1) of section 115AC, in the case of an assessee who is a non-resident, income by way of dividend and long-term capital gains arising from Global Depository Receipts (GDRs), "re-issued" in accordance with a scheme notified by the Central Government, against the existing shares of an Indian company purchased by him in foreign currency, through an approved intermediary, is taxed at a concessional rate of ten per cent. However, the GDRs "issued" against the existing shares are not covered by these provisions.

It is proposed to amend the said sub-clause (iii) so as to extend the concessional rate of tax on income by way of dividend and long-term capital gains arising from GDRs issued or re-issued in accordance with a scheme, as specified by the Central Government, against the existing shares of an Indian company, and purchased by the assessee in foreign currency through an approved intermediary.

In view of the above amendment, even the GDRs issued against the existing shares of an Indian company would be covered by the provisions of section 115AC. The condition that the Indian company issuing such GDRs should be listed on a recognised stock exchange, would no longer be a statutory requirement to avail the benefit under this section, as long as the GDRs are issued in accordance with a scheme notified by the Central Government. Sub-clause (iv) would now, not be required and is, therefore, proposed to be omitted.

The proposed amendments will take effect retrospectively from 1st April, 2002 and will, accordingly, apply in relation to the assessment year 2002-2003 and subsequent years. [*Clause 43*]

MEASURES TO ACCELERATE ECONOMIC DEVELOPMENT

Incentive for amalgamation in telecom sector

Under the existing provisions contained in section 72A of the Income-tax Act, the benefit of carry forward of losses and unabsorbed depreciation is allowed in cases of amalgamation of a company owning an industrial undertaking or a ship, with another company. Industrial undertaking is defined to mean any undertaking which is engaged in the manufacture or processing of goods or computer software, the business of generation or distribution of electricity or any other form of power, mining or the construction of ships, aircrafts and railway systems.

With a view to encourage rapid consolidation and growth in an important infrastructural area it is proposed to extend the benefit under this section to an industrial undertaking engaged in the business of providing telecommunication services, related to infrastructure.

This amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004, and subsequent years. [*Clause 27*]

Tax holiday for convention centres and multiplex theatres

Under the existing provisions of section 80-IB, deduction is available to industrial undertakings set up in backward districts/ backward states, undertakings engaged in scientific research and development, undertakings engaged in developing and building housing projects and those engaged in the integrated business of handling, storage and transportation of food grains, etc.

The entertainment industry in the country is a major source of employment and has a significant potential to boost the economy. The Bill therefore, proposes to allow 50% deduction for a period of 5 years from the profits of the business of building, owning and operating a multiplex theatre of prescribed norms, in cities other than New Delhi, Chennai, Kolkata and Mumbai, if such multiplex theatre is constructed during 1st April, 2002 to 31st March, 2005. The deduction is available from the year the multiplex theatre starts commercial operation. It is expected that such multiplex theatres in addition to encouraging the entertainment industry, would also lead to economic growth by promoting consumption at multiple points.

There is a dearth of well-equipped convention centres in the country. With a view to encourage construction of large-scale modern convention centres, the bill proposes to allow 50% deduction for a period of 5 years from the profits of the business of building, owning and operating a convention centre of prescribed norms, if such convention centre is constructed during 1st April, 2002 to 31st March, 2005. The deduction is available from the year the convention centre starts commercial operation.

These amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 33*]

MEASURES TO BOOST TOURISM

Incentive on the foreign exchange earnings of hotels and tour operators

Under the existing provisions of Section 80HHD, a deduction is available to the business of a hotel, tour operator or travel agent, in respect of earnings in convertible foreign exchange from services provided to foreign tourists. The total amount of deduction, for

the assessment year 2003-2004 is computed by taking the aggregate of 20% of the profits derived from services provided to foreign tourists and a further amount equal to 20% of such profits, as are transferred to a reserve account and utilised in the prescribed manner for development of tourism related infrastructure within five years. For the assessment year 2004-2005, the total amount of deduction is equal to 10% of eligible profits and a further 10% of such profits, as are transferred to the reserve account.

In view of the slowdown in the tourism sector, subsequent to the recent global events, as a measure to provide fiscal support to this sector, the Bill seeks to enhance the rate of deduction in the following manner. For the assessment year 2003-2004, 25% of profits from services to foreign tourists, and further 25% of such profits, as are transferred to the reserve, thereby raising the overall deduction from 40% to 50%. For the assessment year 2004-2005, 15% of profits from services to foreign tourists, and further 15% of such profits as are transferred to the reserve, thereby raising the overall deduction from 20% to 30%.

This amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 31*]

Relief to hotel industry under Expenditure-tax Act

Under the existing provisions of the Expenditure-tax Act, tax is levied on expenditure incurred in, or payments made to a hotel, where the room charges are two thousand rupees or more, per day per individual, in connection with the provision of any accommodation, residential or otherwise; or food or drink; or any accommodation in such hotel on hire or lease; or any other service at the hotel, by way of beauty parlour, health club, swimming pool or other services.

In order to give a boost to the tourism sector and reduce the incidence of tax on the hotel industry, it is proposed to amend sections 3 and 5 of the Expenditure-tax Act to make the provisions of the Act applicable only to room charges, and only where such charges for any unit of residential accommodation are three thousand rupees or more per day.

These amendments will take effect from 1st June, 2002 and will, accordingly, apply in relation to expenditure incurred on or after that date. [*Clauses 111 and 112*]

MEASURES FOR TAX PAYERS ASSISTANCE

Balance instalments of expenditure incurred under voluntary retirement scheme to be allowed to the resulting entity

Under the existing provisions of sub-section (1) of section 35DDA of the Income-tax Act, where an assessee incurs any expenditure in any previous year by way of payment of any sum to an employee at the time of his voluntary retirement under any scheme of voluntary retirement, one-fifth of the amount so paid is deducted in computing the profits and gains of the business for that previous year and the balance amount is allowed to be deducted in equal instalments for each of the four immediately succeeding previous years.

It is proposed to amend the said section so as to provide that where the undertaking of an Indian company entitled to deduction for amortization of voluntary retirement expenses is transferred before the expiry of the period specified to another Indian company in a scheme of amalgamation or demerger, the deduction shall continue to be available to the amalgamated company or the resulting company as if the amalgamation or demerger had not taken place.

Similarly, in case of reorganization of certain forms of business whereby a firm or a proprietary concern is succeeded by a company, the deduction shall continue to be available to the successor company.

In the year of transfer, no deduction shall be available to the amalgamating company, the demerged company or to the firm or proprietary concern.

The proposed amendment will take effect retrospectively from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-2002 and subsequent years. [*Clause 18*]

Publication of accounts by religious and charitable trusts in a local news paper

Under the existing provision contained in clause (c) of section 12A, the exemption under sections 11 and 12 is not available to a trust or institution, having total income exceeding one crore rupees without giving effect to the provisions of sections 11 and 12, unless such trust or institution publishes its accounts in a local newspaper, before the due date of furnishing the return of income and also furnishes a copy of such newspaper along with the return of income.

Under the existing provisions contained in the ninth proviso of clause (23C), income of trust or fund or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clauses (iv), (v), (vi), (via) of the said clause, whose gross receipts exceed one crore rupees, is not exempt, unless the said trust or fund or institution or university or other educational institution or hospital or other institution, publishes its accounts in a local newspaper and furnishes a copy of such newspaper, along with the form of application for exemption or continuance thereof.

This requirement of publication of accounts in local newspapers results in increasing the expenses of the trusts. Since the trusts or institutions registered under section 12AA are already filing their returns, and the entities exempt under sub-clauses (iv), (v), (vi) and (via) are now also required to file their return of income, it is proposed to dispense with the requirement of publishing accounts in a local newspaper and furnishing a copy of such newspaper along with the return of income or alongwith the form of application for exemption or continuance thereof, as the case may be.

It is, therefore, proposed to omit clause (c) of section 12A and ninth proviso to clause (23C) of section 10.

These amendments will take effect retrospectively from 1st April, 2002 and will, accordingly, apply in relation to the assessment year 2002-2003 and subsequent years. [*Clause 4(s) and 9*]

Reduction in the rate of tax deduction at source on commission or brokerage

Under the existing provisions contained in section 194H of the Income-tax Act, tax is required to be deducted at source at the rate of ten per cent on income by way of commission (other than insurance commission referred to in section 194D) or brokerage.

With a view to rationalize the rate at which tax is required to be deducted at source under the said section, the Bill proposes to reduce the rate from ten per cent to five per cent.

The proposed amendment will take effect from 1st June, 2002. [*Clause 73*]

Credit for tax deduction at source

Under the existing provisions of section 199 of the Income-tax Act, any deduction made in accordance with the provisions of sections 192 to 194, 194A, 194B, 194BB, 194C, 194D, 194E, 194EE, 194F, 194G, 194H, 194-I, 194J, 194K, 194L, 195, 196A, 196B, 196C and 196D and paid to the account of Central Government is treated as a payment of tax on behalf of the person from whose income the deduction was made or the owner of the security or depositor or owner of property or of unit-holder or of the shareholder, as the case may be, and credit is given to such person for the amounts so deducted on the production of a certificate furnished under section 203 in the assessment made under this Act for the assessment year for which such income is assessable.

Hardship is being faced by the assessees since in many cases certificates under section 203 are not furnished to them and as a result credit is not given for the tax so deducted.

With a view to mitigate this hardship, it is proposed to insert a new sub-section (14) in section 155 to provide that where in the assessment for any previous year or in any intimation or deemed intimation under sub-section (1) of section 143 for any previous year, credit for tax deducted in accordance with the provisions of section 199 has not been given on the ground that the certificate furnished under section 203 was not filed with the return and subsequently such certificate is produced before the Assessing Officer within two years from the end of the assessment year in which such income is assessable, credit of tax deducted at source shall be given to the assessee on production of such certificate. Nothing contained in the proposed sub-section shall apply unless the income from which tax has been deducted has been disclosed in the return of income filed by the assessee for that assessment year.

The proposed amendment shall enable the Assessing Officer to rectify the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143.

As a consequence, it is also proposed to amend sub-section (9) of section 139 to provide that where the return is not accompanied by proof of the tax, if any, claimed to have been deducted at source, the return of income shall not be regarded as defective if such certificate was not furnished under section 203 to the person furnishing his return of income and such person produces the certificate within a period of two years specified under sub-section (14) of section 155.

The proposed amendment will take effect from 1st June, 2002. [*Clauses 56 and 59*]

The scheme of pre-emptive purchase of immovable properties under Chapter XX-C to be abolished

Under the existing provision contained in Chapter XX-C of the Income-tax Act, any person intending to transfer immovable property in specified areas at values exceeding specified amounts is required to file a statement in Form 37-I before the Appropriate Authority within the prescribed time before the intended date of transfer. The transfer can be registered only if the Appropriate Authority does not pass an order of pre-emptive purchase of the property, and issues a no objection certificate.

Since these provisions were causing procedural delays in registration of transfers, and with a view to remove a source of hardship for the tax-payers, it is proposed to make the provisions of Chapter XX-C inapplicable in respect of any transfer of immovable property effected on or after 1st July, 2002

This amendment will take effect from 1st July, 2002. [*Clause 96*]

Bulk filing of returns on computer readable medium by certain salaried tax-payers

Under the existing provisions contained in section 139 of the Income-tax Act, every company whether it has a profit or loss and every person other than a company, if the total income in respect of which he is assessable under this Act during the previous year exceeded the maximum amount not chargeable to income-tax, is required to file a return of such income on or before the due date in the prescribed form and manner.

In order to enable salaried taxpayers to fulfil their tax obligations and receive refunds, if any, within a very short period without any interface with the Income-tax Department, it is proposed to amend section 139 to provide that a return furnished by an employee through his employer, in accordance with a scheme to be notified by the Central Board of Direct Taxes for bulk filing of returns on computer readable media, will be deemed to be a return furnished under that section by the employee.

This amendment will take effect retrospectively from 1st April, 2002, and will, accordingly, apply in relation to the assessment year 2002-2003 and subsequent years. [*Clause 56*]

Amendment of section 14A

Through the Finance Act, 2001, a new section namely 14A was inserted in the Income-tax Act retrospectively with effect from 1.4.1962 to clarify the intention of the legislature that no deduction shall be allowed in respect of any expenditure incurred by an assessee in relation to income which does not form part of the total income under the Income-tax Act.

The intention of inserting the new section retrospectively was to set the existing controversy on this issue at rest and not to unsettle the cases by raising the issue afresh. It is proposed to insert a proviso to section 14A so as to clarify that the Assessing Officer shall not reassess the cases under section 147 or pass an order enhancing the assessment or reducing a refund already made or otherwise increasing the liability of the assessee under section 154, for any assessment year beginning on or before the 1st day of April, 2001.

The proposed amendment will take effect retrospectively from 11th May, 2001, that is, the date on which the Finance Bill, 2001 received the assent of the President of India. [*Clause 10*]

MEASURES FOR RATIONALISATION AND SIMPLIFICATION

Casual and non-recurring receipts

Under the existing provisions contained in clause (3) of section 10, any receipt below Rs.5,000, which is of casual and non-recurring nature is exempt from payment of income-tax. In the case of winnings from horse races, the exemption is available for Rs.2,500 only. This clause does not apply to receipts arising from business or profession or receipts by way of addition to the remuneration of an employee or to the capital gains income.

It is proposed to withdraw this exemption so as to bring all the casual and non-recurring receipts under the tax net.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent assessment years. [*Clause 4(a)*]

Sunset clause for exemption with respect to bonds etc.

Sub-clause (i) of clause (4) of section 10 provides exemption in respect of income by way of interest on notified securities or bonds, including income by way of premium on redemption of such bonds. Clause (4B) of section 10 provides for exemption with respect to income by way of interest on notified saving certificates subscribed by an individual in convertible foreign exchange. Sub-clause (iib) of clause (15) of section 10 provides similar exemption in respect of interest on notified Capital Investment Bonds. Sub-clause (iid) of clause (15) of section 10 provides exemption in respect of interest on notified bonds arising to a non-resident Indian or a nominee or survivor of the non-resident Indian or any individual to whom the bonds have been gifted by the non-resident Indian.

It is proposed to provide a sunset clause in all the aforesaid clauses of section 10 so that no bonds, certificates, securities, savings certificates, etc., are specified or issued by the Central Government for the purposes of the said clauses for tax exemption on or after 1st day of June, 2002.

The proposed amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent assessment years. [*Clauses 4(b), 4(c), 4(k)(i) and 4(k)(ii)*]

Withdrawl of exemption of grossing up of tax in certain cases

Under the existing provision contained in clause (5B) of section 10, the tax paid by an employer (being the Government, local authority, any corporation set up under any special law or any approved institution or body carrying on scientific research), on remuneration payable to a technician, (being an individual not resident in India in any of the four financial years immediately preceding the year in which he arrived in India) is not included in computing the total income of the technician.

Under the existing provision of clause (6A) of section 10, the tax paid by Government or Indian concern, on royalty/ or fees for technical services paid by them under an agreement, which either relates to a matter included in the industrial policy of the Government and is in accordance with that policy or is approved by Central Government, is not included in computing the total income of the person on whose behalf the tax is paid.

Similarly, clause (6B) of section 10 provides that the tax paid by Government or an Indian concern, under certain conditions, is not included in computing the total income of the non-resident/foreign company, on whose behalf the tax is so paid.

The tax paid by another person on behalf of an assessee is a part of the total income of the assessee and in a moderate tax regime these exemptions are not needed.

It is, therefore, proposed to delete clause (5B) and to provide a sunset clause in clauses (6A) and (6B) of section 10 so that exemptions will not be made available with respect to agreements entered into on or after 1st June, 2002.

The proposed amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent assessment years. [*Clauses 4(d), 4(f), 4(g)*]

Remuneration received by an employee who is a foreign citizen

Under the existing provisions contained in sub-clause (i) of clause (6) of section 10, passage money or the value of any free or concessional passage, received by or due to an employee, who is not a citizen of India, for himself, his spouse and children, is exempt, subject to certain conditions.

It is proposed to withdraw the tax exemption by omitting sub-clause (i) of clause (6) of section 10.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 4(e)*]

Exchange risk premium received by Public Financial Institutions

Under clause (23E) of section 10, the income of a notified Exchange Risk Administration Fund (ERAF) set up by Public Financial Institutions is exempt from payment of income tax. Under clause (14A) of section 10, any income received by a Public Financial Institution as Exchange Risk Premium from any person borrowing in foreign currency from such institutions is exempt, provided the premium is credited by the Institution to the ERAFs.

These exemptions were introduced in 1989 for providing exchange risk protection to borrowers of foreign currency loans from the financial institutions. The operations of these ERAFs are commercial in nature, wherein they collect an exchange risk premium to meet the actual losses on account of exchange fluctuation. The ERAFs have been in existence for a considerable period now and the tax exemptions have outlived their utility.

It is, therefore, proposed to withdraw exemption on income of Exchange Risk Administration Funds and income received as Exchange Risk Premium by a Public Financial Institution by deleting clauses (14A) and (23E) of section 10.

The proposed amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 4(j) and 4(u)*]

Addition or deduction to the actual cost of a capital asset on account of change in the rate of exchange to be allowed on actual discharge of the liability

Under the existing provisions contained in section 43A, where an assessee has acquired any capital asset from a country outside India for the purposes of his business or profession on deferred payment terms or against a foreign loan, before the date of devaluation of the rupee, the additional rupee liability incurred by him in meeting the instalments of the cost of the asset or of the foreign loan, as the case may be, falling due for payment after the date of devaluation, will be allowed to be added to the original actual cost of the asset for the purpose of calculating the allowance on account of depreciation in computing the profits.

Similar increase in the original actual cost is allowed to be made in respect of capital assets acquired by the assessee used in scientific research related to the business carried on by him or patent rights or copyrights acquired from abroad or any capital asset acquired by a company for the purpose of promoting family planning amongst its employees. Further, in computing the capital gains arising to the assessee on the sale or transfer of a capital asset acquired by him from abroad on deferred payment terms or against a foreign loan, the additional rupee liability incurred by him in repaying the instalments of the cost or the foreign loan, as the case may be, after the date of devaluation of the rupee, is added to the original actual cost of the asset. The section also secures that where there is a decrease in the rupee liability of the assessee in respect of assets acquired by him from abroad, due to a change in the exchange value of the rupee, the original actual cost of the asset will be correspondingly reduced.

With a view to rationalize the provisions of the said section, the Bill proposes to substitute the existing section 43A to provide that where a capital asset has been acquired from a foreign country, the addition or deduction from the actual cost of the asset on account of change in the rate of exchange in any previous year shall be allowed to be made only on actual payment by the assessee towards the cost of the asset or repayment of the foreign loan or interest irrespective of the method of accounting adopted by the assessee.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 21*]

Tax not to be deducted at source from dividends and interest on securities in certain cases

Certain statutory bodies have made a special provision in the Acts through which they were created regarding no deduction of tax at source to be made under sections 193 and 194 from interest or dividend paid to the respective institutions.

Section 43A of the Life Insurance Corporation Act, 1956, provides that no deduction of income-tax shall be made on any interest or dividend payable to the Corporation in respect of any securities or shares owned by it or in which it has full beneficial interest.

Section 35A of the General Insurance Business (Nationalisation) Act, 1972 provides that no deduction of income-tax shall be made on any interest or dividend payable to the Corporation or to any of the four companies formed by virtue of the schemes framed under sub-section (1) of section 16 of that Act, in respect of any securities or shares owned by the Corporation or such company or in which the Corporation or such company has full beneficial interest.

It is proposed to omit section 43A of the Life Insurance Corporation Act, 1956 and section 35A of the General Insurance Business (Nationalisation) Act, 1972.

It is also proposed to amend section 193 and section 194 to provide that no tax shall be deducted at source under the said sections in respect of any interest or dividend payable to the Life Insurance Corporation of India or the General Insurance Corporation of India or to any of the four companies formed by virtue of the schemes framed under sub-section (1) of section 16 of the General Insurance Business (Nationalisation) Act, 1972 or any other insurer in respect of any securities or shares owned by them or in which they have full beneficial interest.

These amendments will take effect from 1st June, 2002. [*Clauses 69, 70, 148 and 149*]

Rationalisation of deduction of interest paid to partner

Under the existing provisions of sub-clause (iv) of clause (b) of section 40, payment of interest by a firm to any partner is allowed as a deduction to the extent of eighteen per cent. simple interest per annum.

With a view to rationalize the provisions, the Bill proposes to amend the said sub-clause so as to reduce the above rate of interest from eighteen per cent to twelve per cent.

The proposed amendment will take effect from 1st June, 2002. [*Clause 20*]

Rationalization of MAT provisions under sections 115JA and 115JB

Section 115JB of the Income-tax Act, 1961 provides for a Minimum Alternate Tax (MAT) on companies. Under the provisions of this section, a company is required to pay at least 7.5% of its book profit as corporate tax. In case the tax liability of a company under regular provisions is more than this amount, the provisions of MAT will not apply and the company shall pay corporate tax as per the regular scheme.

It is proposed to amend the section so as to provide that in case the tax liability of a company is less than 7.5% of the book profits, such book profits shall be deemed to be the 'total income', chargeable to tax at the rate of seven and one-half per cent.

Further, it is proposed to provide that amounts withdrawn from reserves created before the 1st day of April, 1997, not out of profits, if credited to the profit and loss account, shall not be reduced from the book profit.

It is also proposed that any amount withdrawn from a reserve or a provision created on or after the 1st day of April, 1997, and which is credited to the profit and loss account shall not be reduced from the book profit, unless the book profits in the year of creation of such reserves or provisions were increased by the amount transferred to such reserves or provisions at that time.

It is also proposed to clarify that where the value of the amount of either loss brought forward or unabsorbed depreciation is 'nil', no amount on account of such loss brought forward or unabsorbed depreciation would be reduced from the book profit.

This clarification is also being provided in section 115JA of the Income-tax Act, 1961, with retrospective effect from the 1st day of April, 1997.

The proposed amendments in section 115JB shall take effect retrospectively from 1st April, 2001.

[*Clauses 48 and 49*]

Presumptive income for truck owners revised for inflation-adjustment

Under the existing provisions of section 44AE of the Income-tax Act, 1961 a presumptive scheme is available to assessees engaged in business of plying, hiring or leasing goods carriages. The scheme applies to an assesee, who owns not more than ten goods carriages. Under this scheme, which is optional for the assessee, a fixed amount of income per vehicle is presumed to accrue to the owner of the vehicle and charged to tax at applicable tax rates for the year. Under the existing provisions, income under this section is presumed to be Rs.2,000/- per month, per vehicle for owners of heavy goods vehicles, and Rs.1,800/- per month, per vehicle for the owners of light goods vehicles. An assessee opting for this scheme is exempted from maintaining books of accounts and other details to substantiate the income.

With a view to rationalize the presumptive rates on account of inflation, it is proposed to enhance the amounts of income to Rs. 3,500/- per vehicle, per month for the owners of heavy goods vehicles and to Rs. 3,150/- per vehicle, per month for the owners of light goods vehicles.

This amendment will take effect from the 1st day of April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 22*]

Consequential amendment of section 158A

Finance (No.2) Act, 1998 inserted section 260A in the Income-tax Act to provide for direct appeal to High Court against the order of the Appellate Tribunal. By the same Act, sections 256 and 257, which required the Tribunal to refer a case to the High Court or the Supreme Court, became inoperative. It is proposed to make consequential changes in section 158A of the Income-tax Act relating to procedure for avoiding repetitive appeals so as to include therein references to appeals to High Court under section 260A, and omit references to sections 256 and 257, wherever necessary.

Amendments on similar lines are proposed to be made in section 18C of the Wealth-tax Act.

These amendments will take effect from 1st June, 2002. [*Clauses 60 and 107*]

Rationalisation of provision relating to deduction of interest from income from house property

Under the existing provisions contained in section 24 of the Income-tax Act, interest payable on capital borrowed on or after 1st April, 1999, for acquiring or constructing one self-occupied house is deductible upto one lakh fifty thousand rupees where such acquisition or construction is completed within a specified period.

With a view to prevent the un-intended benefit of deduction of interest paid on amounts not actually used in acquiring or constructing the house, it is proposed to provide that no such deduction shall be allowed in respect of such interest unless the person extending the loan certifies that such interest was payable in respect of the amount advanced for acquisition or construction of the house, or as refinance of the principle amount outstanding under an earlier loan taken for such acquisition or construction.

This amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 12*]

Modification of the provisions relating to mode of repayment of certain deposits

Under the existing provisions of section 269T of the Income-tax Act, no branch of a banking company, cooperative bank and no

other company or cooperative society or partnership firm or other person, can repay any deposit made with such entity otherwise than by an account payee cheque or an account payee draft drawn in the name of the person who has made the deposit, in cases where the amount of deposit or the aggregate of the deposits held, exceeds twenty thousand rupees. The Explanation below sub-section (2) of the said section defines 'deposit' to mean any deposit of money, which is repayable after notice or repayable after a period and, in the case of a person other than a company, includes deposit of any nature.

The said section, which is intended to counteract tax evasion, is applicable only to deposits. It is proposed to substitute the existing section by a new section so as to extend its scope to loans also, and delete provisions contained therein, which have become obsolete.

These amendments will take effect from 1st June, 2002. [*Clause 95*]

Modifications of provisions relating to set off of long-term capital loss

The existing provision contained in section 70 of the Income-tax Act provides that where the net result for any assessment year in respect of any source falling under any head of income is a loss, the assessee shall be entitled to have the amount of such loss set off against his income from any other source under the same head. Further, section 74 of the Income-tax Act provides that a loss under the head "Capital Gains" can be carried forward and set off against capital gains in the following eight assessment years.

Since long-term capital gains are subject to lower incidence of tax, it is proposed to rectify the anomaly by amending the said sections to provide that while losses from transfer of short-term capital assets can be set off against any capital gains, whether short-term or long-term, losses arising from transfer of long-term capital assets, will be allowed to be set off only against long-term capital gains. It is further proposed to provide that a long-term capital loss shall be carried forward separately for eight years to be set off only against long-term capital gains. However, a short-term capital loss may be carried forward and set off against any income under the head "Capital gains".

Transitory provisions with regard to carry forward of capital losses relating to assessment year 1987-88 and earlier years, are proposed to be omitted, being redundant.

These amendments will take effect from 1st April, 2003, and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 26 and 28*]

Rationalisation of provisions relating to search and seizure

The Finance Act, 1995 inserted a new procedure of block assessment in search cases in Chapter XIV-B of the Income-tax Act, and the provisions of sub-section (5) of section 132 which required an estimate of the undisclosed income to be made in a summary manner, were made inoperative for any search initiated on or after the 1st day of July, 1995. As the provisions of sub-section (5) have now become redundant it is proposed to omit the said sub-section and also omit sub-sections (6), (7), (11), (11A) and (12), being specifically related to the estimate of undisclosed income made under sub-section (5).

Various time limits have been specified in subsections (8), (8A) and (9A) of section 132 of the Income-tax Act relating to retention of books of accounts seized during search, prohibitory orders to remain in force and handing over of books of accounts to the Assessing Officer. With a view to rationalise the provisions, it is accordingly proposed—

(i) to amend sub-section (8) to provide that the books of accounts or other documents seized shall not be retained for a period exceeding thirty days after the completion of the relevant assessment proceedings under Chapter XIV-B, unless the reasons for retaining the same are recorded in writing and the approval of the specified authorities is obtained;

(ii) to amend sub-section (8A) of the said section to provide that the prohibitory order passed under sub-section (3) shall not remain in force for a period exceeding sixty days from the date of the order.

(iii) to substitute sub-section (9A) to provide that the books of account, other documents and assets seized shall be handed over to the Assessing Officer within sixty days from the date on which the last of the authorisations for search was executed. The proposed new Explanation 1 occurring below sub-section (14) of the said section clarifies the meaning of execution of an authorisation for search.

The existing provisions of section 132B of the Income-tax Act provide for the manner in which assets seized during search and retained under section 132(5) are to be dealt with in the discharge of any existing liability as well as the amount of the liability arising on assessments or re-assessments made as a result of search.

It is proposed to substitute section 132B to harmonise the provisions contained therein with the provisions for assessment in search cases laid down under Chapter XIV-B, and to further provide for release of assets seized during search and subsequently found to be explained to the satisfaction of the Assessing Officer, within a period of one hundred and twenty days from the date on which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. It is also proposed to reduce the rate at which interest is payable under sub-section (4) by the Central Government to eight per cent per annum. Such interest shall be payable for the period commencing on the expiry of one hundred and twenty days from the date on which the last of the authorisations for search or for requisition was executed and ending on the date on which the assessment under Chapter XIV-B is made.

It is further proposed to insert an Explanation at the end of the section to clarify the meaning of block period and of execution of an authorisation for search or for requisition.

These amendments will take effect from 1st June,2002, and will, accordingly, apply in relation to a search initiated or requisition made on or after that date. [*Clauses 53 and 54*]

Rationalisation of the provisions of Chapter XIV-B relating to block assessments in cases of search and requisition

The existing provisions contained in Chapter XIV-B of the Income-tax Act provide for a single assessment of undisclosed income of a block period of six years, in cases of search under section 132 or requisition under section 132A, and lay down the manner in which such income is to be computed, and the interest or penalty which may be levied in certain circumstances. In order to remove inconsistencies in some of the provisions of block assessment and to rationalise the provisions it is proposed to-

(i) amend the definition of undisclosed income in clause (b) of section 158B to specifically include therein income based on entries in books of account or other documents which represent a false claim of any expense, deduction, or allowance under the Income-tax Act;

(ii) amend sub-section (1) of section 158BB to clarify that the block assessment of undisclosed income is to be based on the evidence found in the search and the evidence gathered in post-search inquiries made on the basis of material found in the search.

(iii) amend clauses (a) and (b) of the said sub-section to clarify that the assessments mentioned in clause (a) are those which have been concluded prior to the date of commencement of search or date of requisition, and the returns mentioned in clause (b) include a return filed in response to notice issued under sub-section (1) of section 142;

(iv) substitute clause (c) of the said sub-section to clarify that losses incurred in years for which no return has been filed by the due date shall be added back while computing the undisclosed income, and further, that where returns were not filed because the total income was not taxable, undisclosed income shall not include such total income;

(v) amend the Explanation to the said sub-section to provide that for the purpose of aggregation, the total income or loss of each previous year shall be computed in accordance with the provisions of the Income-tax Act without giving effect to set off of brought forward losses or unabsorbed depreciation, and to further provide that in computing deductions under Chapter VI-A for the purposes of the said aggregation, effect shall be given to the set-off of the said brought forward losses or unabsorbed depreciation;

(vi) amend clause (b) of section 158BC to include a reference therein to section 145, so as to make the provisions of that section relating to method of accounting etc., applicable in block assessments;

(vii) amend clause (d) of section 158BC to provide that the assets seized or requisitioned may be dealt with in accordance with the provisions of section 132B as proposed to be substituted;

(viii) amend section 158BD to provide that in the circumstances specified in the said section, the proceedings against a person other than the person in whose case the search was conducted or requisition was made, shall be the proceedings under section 158BC, and all the provisions of Chapter XIV-B shall apply accordingly;

(ix) amend Explanation 1 of section 158BE to further exclude from the period of limitation for completing the block assessment, the time taken in giving an opportunity to be reheard under section 129 on change of incumbent and the time taken by the Settlement Commission for passing an order rejecting or not allowing the application to be proceeded with, and to further provide that the minimum time available with the Assessing Officer after excluding any of the periods specified in the Explanation shall be six months.

It is further proposed to amend section 113 of the Income-tax Act to provide that the tax chargeable on the undisclosed income determined under Chapter XIV-B shall be increased by the amount of surcharge applicable in the previous year in which the search commenced or requisition was made, and to amend clause (a) of sub-section (2) of section 119 of the Income-tax Act to enable the Central Board of Direct Taxes to issue such directions as it deems fit for relaxing the provisions of section 158BFA relating to charging of interest.

These amendments will take effect from 1st June,2002. [*Clauses 41, 52, 61, 62, 63, 64 and 65*]

Clarificatory amendments in section 271 relating to penalty for concealment of income etc

Section 271 of the Income-tax Act provides that the Assessing Officer or the Commissioner (Appeals) shall levy penalty in cases of failure to comply with certain notices issued in the course of assessment proceedings and cases in which particulars of income have been concealed or inaccurate particulars furnished.

It is proposed to amend the section to include a reference to the Commissioner as being an authority who can initiate and levy penalty under sub- section (1) of the said section. Similar reference is proposed to be made in Explanation 1 and Explanation 7 to the said sub-section.

Amendment on similar lines is proposed to be made in section 18 of the Wealth-tax Act.

These amendments will take effect from 1st June, 2002.

The existing provisions of clauses (ii) and (iii) of sub-section (1) of the said section provide for levy of the penalty specified therein, in addition to any tax payable.

It is proposed to amend the said clauses to clarify that the penalty specified in them can be levied even if no tax is payable on the total income assessed.

The Bill further proposes to amend Explanation 4 which defines the expression ‘the amount of tax sought to be evaded' in different circumstances, to clarify that in cases where the income in respect of which particulars have been concealed or inaccurate particulars have been furnished has the effect of reducing the loss declared in the return or of converting that loss into income, the tax sought to the evaded shall be the tax that would have been chargeable on the amount of such income as if it were the total income.

These amendments will take effect from 1st April, 2003.

Explanation 3 to sub-section (1) of the said section provides that if any person who has not been assessed earlier, fails to furnish a return under section 139(1), and is found to have taxable income for a year, and no notice under sections 142(1) or 148 calling for return was issued to him till the expiry of the period during which an assessment could have been made, it will be deemed that the person has concealed the particulars or furnished inaccurate particulars of his income for that year.

It is proposed to amend the said Explanation 3 so as to provide that even if a person who has been assessed earlier, fails to furnish a return till the end of the specified period, he shall be deemed to have concealed the particulars or furnished inaccurate particulars of his income.

Amendment on similar lines is proposed to be made in section 18 of the Wealth-tax Act.

These amendments will take effect from 1st April, 2003. [*Clause 97 and 106*]

Clarification regarding provisions of Transfer Pricing

Under the existing provisions contained in section 92 of the Income-tax Act, any income arising from an international transaction shall be computed having regard to the arm's length price.

The intention underlying the provision is to prevent avoidance of tax by shifting taxable income to a jurisdiction outside India, through abuse of transfer pricing. With a view to clarify this intention, it is proposed to substitute the section so as to provide that even where the international transaction comprises of only an outgoing, the allowance for such expenses or interest arising from the international transaction shall also be determined having regard to the arm's length price, and that the provision would not be applicable in a case where the application of arm's length price results in a downward revision in the income chargeable to tax in India.

The existing provisions contained in section 92A of the Income-tax Act to provide as to when two enterprises shall be deemed to be associated enterprises.

It is proposed to amend sub-section (2) of the said section to clarify that the mere fact of participation by one enterprise in the management or control or capital of the other enterprise, or the participation of one or more persons in the management or control or capital of both the enterprises shall not make them associated enterprises, unless the criteria specified in sub-section (2) are fulfilled.

Under the existing provisions contained in the proviso to sub-section (2) of section 92C of the Income-tax Act, if the application of the most appropriate method leads to determination of more than one price, the arithmetical mean of such prices shall be taken to be the arm's length price in relation to the international transaction.

With a view to allow a degree of flexibility in adopting an arm's length price, it is proposed to amend the proviso to sub-section (2) of the said section to provide that where the most appropriate method results in more than one price, a price which differs from the arithmetical mean by an amount not exceeding five per cent of such mean may be taken to be the arm's length price, at the option of the assessee.

Under the existing provisions contained in the second proviso to sub-section (4) of section 92C, where the total income of an enterprise is computed by the Assessing Officer on determination of the arm's length price paid to the associated enterprise from which tax has been deducted under the provisions of Chapter XVII-B, the income of the associated enterprise shall not be recomputed by reason of such determination of arm's length price in the case of the first mentioned enterprise.

It is proposed to amend the said second proviso to clarify that the provisions contained therein apply not only in a case where tax has been deducted under Chapter XVII-B, but also in cases where such tax was deductible, even if not actually deducted.

Section 92F of the Income-tax Act provides definitions of certain terms relevant to computation of arm's length price. It is proposed to amend the definition of 'enterprise' contained therein so as to include the business of construction as one of the activities in which an enterprise may be engaged, and to provide a separate definition of permanent establishment on the lines of the definition found in tax treaties entered into by India, and to amend the definition of "specified date" to provide that it shall have the same meaning as assigned to "due date" for furnishing of return.

These amendments being of clarificatory nature, will take effect retrospectively from 1st April, 2002 and will, accordingly, apply to the assessment year 2002-2003 and subsequent years. [*Clauses 37, 38, 39 and 40*]

Providing limitation of time for admission of application and passing of orders by the Settlement Commission

Under the existing provisions contained in sections 245C, 245D and 245HA of the Income-tax Act, the Settlement Commission on receipt of an application for settlement, calls for a report from the Commissioner, and on the basis of the report and having regard to the nature of the case, or complexity of investigation, the Settlement Commission passes an order either allowing the application to be proceeded with or rejecting the same. After admitting the application, and after making or causing to be made such enquiry as it deems necessary and after giving an opportunity to the applicant of being heard, the Settlement Commission may pass such orders as it thinks fit. Further, the Commission has been vested with the powers to send a case back to the Assessing Officer if the assessee does not cooperate in the proceedings before the Commission.

In order to ensure early settlement of such applications, and speedy recovery of taxes at low cost, it is proposed to amend sub-section (1) of section 245D to provide that the Settlement Commission may where it is possible, pass an order rejecting the application or allowing the application to be proceeded with within a period of one year from the end of the month in which such application is made. It is further proposed to amend sub-section (4) of section 245D of the Income-tax Act to provide that in every application admitted, the Settlement Commission may, where it is possible, pass a final order within a period of four years from the end of the financial year in which such application was allowed to be proceeded with.

The Bill also proposes to withdraw the power of Settlement Commission given under section 245HA of sending back the case to the Assessing Officer, thereby requiring the Settlement Commission to finally decide and settle all applications admitted by it.

Similar amendments are proposed to be made in sections 22B and 22HA of the Wealth-tax Act.

It is also proposed to delete sub-section (1E) of section 245C, being consequential in nature.

These amendments will take effect from 1st June, 2002. [*Clauses 91,92,93,108 and 109*]

Modification of provision relating to appointment of President of Appellate Tribunal

Under the existing provision contained in sub-section (3) of section 252 of the Income-tax Act, the Central Government ordinarily appoints a judicial member of the Appellate Tribunal to be the President thereof.

With the creation of the posts of Vice-Presidents and Senior Vice-President, and considering the functions performed by them, it is proposed to substitute the said sub-section to provide that the Central Government shall appoint the Senior Vice-President or one of the Vice-Presidents of the Tribunal to be the President thereof.

This amendment will take effect retrospectively from 1st April, 2002. [*Clause 94*]

Computation of capital gains in real estate transactions

The Bill proposes to insert a new section 50C in the Income-tax Act to make a special provision for determining the full value of consideration in cases of transfer of immovable property.

It is proposed to provide that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed shall be deemed to be the full value of the consideration, and capital gains shall be computed accordingly under section 48 of the Income-tax Act.

It is further proposed to provide that where the assessee claims that the value adopted or assessed for stamp duty purposes exceeds the fair market value of the property as on the date of transfer, and he has not disputed the value so adopted or assessed in any appeal or revision or reference before any authority or Court, the Assessing Officer may refer the valuation of the relevant asset to a Valuation Officer in accordance with section 55A of the Income-tax Act. If the fair market value determined by the Valuation Officer is less than the value adopted for stamp duty purposes, the Assessing Officer may take such fair market value to be the full value of consideration. However, if the fair market value determined by the Valuation Officer is more than the value adopted or assessed for stamp duty purposes, the Assessing Officer shall not adopt such fair market value and will take the full value of consideration to be the value adopted or assessed for stamp duty purposes.

It is also proposed to provide that if the value adopted or assessed for stamp duty purposes is revised in any appeal, revision or reference, the assessment made shall be amended to recompute the capital gains by taking the revised value as the full value of consideration.

These amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 24 and 59*]

Modification of provisions relating to interest payable to the assessee

Under the existing provisions of the Income-tax Act, interest is payable to the assessee at the rate of three-fourth per cent. for every month or part of a month or nine per cent. per annum.

The Bill seeks to reduce the aforesaid rate of interest from three-fourth per cent. to two-third per cent. for every month or part of a month and from 9% to 8% per annum, as the case may be. Accordingly, it is proposed to amend section 244A and sub-rule (3) of rule 68A of the Second Schedule to the Income-tax Act.

Similar amendment is also proposed in section 34A of the Wealth-tax Act.

The proposed amendment shall be effective from the 1st day of June, 2002. [*Clauses 90, 105 and 110*]

Requirement to apply for tax collection account number

Under the existing provisions of section 206C, every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of the cheque or draft or by any other mode, collect from the buyer a sum equal to the percentage specified in the Table under sub-section (1) of the said section.

The Bill proposes to insert a new section 206CA to provide that every person collecting tax at source in accordance with the provisions of section 206C shall apply to the Assessing Officer for the allotment of a tax collection account number. It is also proposed to provide that such tax collection account number shall be quoted in all challans for payment of any tax collected at source, in all certificates for tax collected and in all returns to be furnished under the provisions of section 206C. Such tax collection account number would also be required to be quoted in all other documents pertaining to such transactions as may be prescribed in the interests of revenue.

It is also proposed to introduce a new section 272BBB to provide for a provision for levy of penalty of ten thousand rupees in cases where the persons who are required to apply for such account number have failed to do so without a reasonable cause.

It is further proposed to insert a reference to section 272BBB in section 273B of the Income-tax Act to provide that such penalities shall not be imposed if it is proved that there was reasonable cause for the failure. The proposed amendment is consequential in nature.

This amendment will take effect from 1st June, 2002. [*Clauses 88,101 and 102*]

MEASURES TO CURB TAX AVOIDANCE

New provisions for taxing the receipts in the nature of non-compete fees and exclusivity rights

This amendment proposes to insert a new provision in the Income-tax Act, 1961, for charging to tax any sum received or receivable in cash or in kind under an agreement for not carrying out activity in relation to any business; or not to share any know-how, patent, copyright, trade-mark, licence, franchise or any other business or commercial right of similar nature or information or technique likely to assist in the manufacture or processing of goods or provision for services, under the head "Profits and gains of business or profession".

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 3 and 13*]

Provisions of section 197A not to apply in certain cases

Under the existing provisions of section 197A, no tax is deducted at source on the basis of declaration furnished by the assessee that tax on his estimated total income of the relevant previous year would be nil. The provisions of sub-section (1) of the said section apply to deduction at source from payments by way of dividends and payments in respect of deposits under National Saving Schemes, etc. Provisions of sub-section (1A) apply in respect of income from interest on securities, interest other than "Interest on securities" and units in the case of a person other than a company or a firm.

With a view to rationalise the provisions of the said section, it is proposed to amend the said section to provide that the provisions of the section shall not apply in cases where the amount of any income of the nature referred to in sub-section (1) or sub-section (1A), as the case may be, or the aggregate of the amounts of such incomes credited or paid or likely to be credited or paid during the previous year in which such income is to be included exceeds the maximum amount which is not chargeable to income-tax.

This amendment will take effect from 1st June, 2002. [*Clause 82*]

Separate audit for undertakings claiming deduction under section 80-IA and 80-IB made mandatory for companies and co-operative societies also

Section 80IA of the Income-tax Act, 1961 provides for a deduction to undertakings or enterprises engaged in the business of developing, or/and maintaining, or/and operating the infrastructure facilities specified in that section.

Section 80IB of the Income-tax Act, 1961 provides for a deduction at specified percentage from profits and gains of an undertaking/ enterprise, being a small-scale industrial undertaking, an industrial undertaking in the industrially backward States or in industrially backward districts.

For availing the deduction under sections 80IA and 80IB of the Income-tax Act, 1961, a separate audit report in respect of the eligible undertaking is to be furnished by an eligible assessee, other than a company or a co-operative society.

It is proposed to make the requirement of furnishing separate audit report (in the prescribed form and in the prescribed manner), mandatory for companies or co-operative societies as well, for claiming deductions under sections 80IA and 80IB.

The proposed amendment under sub-section (2) of section 80IA of the Income-tax Act, 1961, for making reference to the undertakings or enterprise which develops, develops and operates, or maintains and operates a Special Economic Zone, is clarificatory in nature.

These amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clause 32*]

WIDENING OF TAX BASE

Taxation of Dividends

Under the existing provisions contained in section 115-O, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by way of dividends is charged to additional income-tax at the rate of 10 per cent. The tax so paid by the company is treated as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend. Such dividend referred to in section 115-O is exempt in the hands of the shareholders under sub-clause (i) of clause (33) of section 10. The incidence of tax is, thus, on the payer company and not on the recipient, where it should normally be.

The dividend is income in the hands of the shareholders and not in the hands of the company. The incidence of the tax should therefore, be on the recipient. Moreover, the present provisions levy tax at a flat rate of 10% on the distributed profits, across the board, irrespective of the marginal rate at which the recipient is otherwise taxed. The provisions are hence, considered, iniquitous also.

It is, therefore, proposed to revert to the earlier system of taxing dividend and shift the incidence of tax on to the shareholder receiving the dividends, by omitting sub-clause (i) of clause (33) of section 10 and amending section 115-O so as to make the provisions of this section applicable only in respect of the profits distributed by the domestic companies before the 31st day of March, 2002.

However, to prevent cascading effect in the case of a company, it is proposed to re-introduced section 80M in a revised form. A deduction under this section would be available to a domestic company, which receives dividend from another domestic company, and again distributes dividend out of its profits. The amount of deduction on the dividends, so received by a domestic company from another domestic company, shall be limited to the extent of dividends distributed by the recipient company on or before the due date of filing of return.

Under the existing provisions contained in section 194, no tax is required to be deducted at source in the case of a shareholder, who is resident in India, for dividends referred to in section 115-O.

With this shifting of the tax-incidence to the recipient, it is also proposed to revive the provisions of tax deduction at source. The principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payments of dividends within India before making any payment in cash or before issuing any cheque or warrant in respect of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend, would be required to deduct from the amount of such dividend, income-tax at the rates in force. These rates are specified in Part II of the First Schedule to the Finance Act. The tax will be required to be deducted for any amount of dividend declared, without any threshold limit.

As per the second proviso to sub-section (1) of section 195, no tax is required to be deducted at source in the case of a shareholder, who is a non-resident, or a foreign company, in respect of dividends referred to in section 115-O.

Consequent upon the change in the scheme of taxation of dividend, it is also proposed to revive section 195. Thus, any person responsible for paying to a non-resident, not being a company, or a foreign company, at the time of credit of income by way of dividend also, to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, would be required to deduct tax at the rates in force. These rates are specified in Part II of the First Schedule to the Finance Act.

Since provisions of section 115-O would now be inoperative, it is also proposed to omit references to "other than dividends referred to in section 115-O" in sections 10(23FA), 10(23G), 115A, 115AC, 115ACA, 115AD and 115C. It is further proposed to omit the provisos to sections 196C and 196D, so that the tax shall be deducted at source with respect to incomes referred to in sections 115AC and 115AD, where the income is received in the form of dividends referred to in section 115-O also.

The proposed amendments will take effect from 1st April, 2003, and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. However, the provisions relating to tax deduction at source under sections 194, 195, 196C and 196D will take effect from 1st June, 2002. [*Clauses 4(w), 4(x), 4(y), 34, 42, 43, 44, 45, 47, 50, 70, 77, 80 and 81*]

Taxation of income received in respect of units of UTI and Mutual Funds

Under the existing provision contained in section 115R any amount of income distributed by the Unit Trust of India (UTI) or a Mutual Fund to its unit holders is chargeable to tax and the UTI or the Mutual fund is liable to pay additional income-tax on such distributed income at the rate of ten per cent. Such income is, however, exempt in the hands of the unit holders under sub-clauses (ii) and (iii) of clause (33) of section 10.

In the case of dividends distributed by a domestic company, it has been proposed to shift the incidence of tax to the shareholders receiving the dividends. In a similar way, it is proposed to shift the incidence of tax on to the unit holders of the UTI and Mutual Funds. Sub-clause (ii) and (iii) of clause (33) of section 10 are, therefore, proposed to be omitted. Section 115R is also proposed be made in-operative so that the UTI and the Mutual Funds will not be required to pay tax on income distributed by them on or after the 1st day of April, 2002, to their unit holders.

Income from units of the UTI and the Mutual Funds would now be taxable in the hands of the recipients. However, in order to continue support to the open-ended equity oriented funds of the UTI and of the Mutual Funds, it is proposed to insert a new section 115BBB, to provide that income from the units of such funds of the UTI or a Mutual Fund, arising on or before the 31st day of March, 2003, shall be taxed at a concessional rate of ten per cent.

In view of the changed scheme of taxation of the income from units, it is also proposed to revive section 194K in a new form so as to provide that where any income is payable to a resident in respect of units of a Mutual Fund specified under clause (23D) of section 10, or of the UTI, the person responsible for making the payment shall, at the time of credit of such income to the account of payee or at the time of payment thereof, in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent. Consequential amendment is also proposed in section 10(23D).

It is also proposed to revive the provisions of section 196A, so as to provide that tax shall be deducted at source from any income paid to a non-resident, not being a company, or to a foreign company, in respect of units of UTI or Mutual Funds at the rate of twenty per cent.

The proposed amendments will take effect from 1st April, 2003, and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. However, the provisions relating to tax deduction at source under sections 194K and 196A will take effect from 1st June, 2002. [*Clauses 4(t), 4(y), 46, 51, 76 and 79*]

Local Authorities

Under the existing provisions contained in clause (20) of section 10, the income of a local authority chargeable under the head 'Income from house property', 'Capital gains' or 'Income from other sources' or from a trade or business carried on by it which accrue or arises from the supply of a commodity or service within its jurisdictional area or from the supply of water or electricity within or outside its own jurisdictional area is exempt from payment of income-tax.

It is proposed to restrict this exemption to the Panchayats and Municipalities as referred to in Article 243(d) and 243(P)(e) of the Constitution of India, Municipal Committees and District Boards, legally entitled to or entrusted by the Government with the control or management of a Municipal or a local fund and Cantonment Boards as defined under section 3 of the Cantonments Act, 1924.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly,apply in relation to assessment year 2003-2004 and subsequent years. [*Clause 4(l)*]

Housing Boards etc.

Under the existing provisions contained in clause (20A) of section 10, income of the Housing Boards or other statutory authorities set-up for the purpose of dealing with or satisfying the need for housing accommodations or for the purpose of planning, development or improvement of cities, towns and villages is exempt from payment of income-tax.

It is proposed to withdraw the exemption available to such bodies by deleting clause (20A) of section 10.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to assessment year 2003-2004 and subsequent years. [*Clause 4(m)*]

Sports Bodies

Under the existing provisions contained in clause (23) of section 10, income of a notified association or institution established in India and having as its object the control, supervision, regulation or encouragement of the games of cricket, hockey, football, tennis or other notified sports, is exempt from income-tax.

It is proposed to withdraw the tax exemption available to the these bodies.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent assessment years. [*Clause 4(p)*]

Authorities for Marketing of Commodities

Under the existing provisions contained in clause (29) of section 10, in the case of an authority constituted under law, for marketing of commodities, any income derived from the letting of godown or warehouses for storage, processing or facilitating the marketing of commodities, is exempt from payment of income-tax.

It is proposed that the exemption provided to these marketing authorities under clause (29) of section 10 may be withdrawn.

The proposed amendment will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent assessment years. [*Clause 4(y)*]

National Dairy Development Board, Prasar Bharati and Oil Industries Development Board to pay income-tax

Certain statutory bodies have been exempted from payment of any income-tax by having a provision for the same in the Act through which these bodies were set up.

National Dairy Development Board (NDDB) is exempted from payment of income-tax or any other tax in respect of its income, profits or gains derived, under section 44 of the National Dairy Development Board Act, 1987.

Prasar Bharati (Broadcasting Corporation of India) is exempted from payment of any income-tax or any other tax in respect of any income, profits or gains, accruing or arising out of the Fund of the corporation or any amount received in that Fund, and on any income, profits or gains, derived or any amount received, by the corporation under section 22 of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990.

The Oil Industry Development Board is exempted from payment of income-tax on its income, profits or gains under section 22A of the Oil Industry (Development) Act, 1974.

It is proposed to omit section 44 of the National Dairy Development Board Act, 1987, section 22 of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990 and section 22A of the Oil Industry (Development) Act, 1974.

The proposed amendments will take effect from 1st April, 2003 and will, accordingly, apply in relation to the assessment year 2003-2004 and subsequent years. [*Clauses 150, 152 and 153*]

Individuals and Hindu undivided families to deduct tax in cases where total turnover or gross receipts exceed the specified limit under section 44AB

Individuals and Hindu undivided families are not required to deduct tax at source under the existing provisions of sections 194A, 194C, 194H, 194-I and 194J.

Individuals and Hindu undivided families whose sales, turnover or gross receipts of the business or profession exceed rupees forty lakhs or rupees ten lakhs, as the case may be, are required to maintain books of account and other documents and get their accounts audited. Hence, the books of account and other documents are required to be maintained.

It is, therefore, proposed to amend the provisions of the above sections to provide that an individual or a Hindu undivided family, whose total sales, turnover or gross receipts from the business or profession carried on by him exceed the monetary limits specified under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year in which the income is to be credited or paid, shall be liable to deduct income-tax under the relevant provisions of the aforementioned sections.

These amendments will take effect from 1st June, 2002. [*Clauses 71,72,73,74,75*]