Notes on clauses

Income-tax

Clause 2, read with the First Schedule to the Bill, seeks to specify the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 2006-2007. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2006-2007 from income subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid, tax is to be deducted at source from, or paid on, income chargeable under the head "Salaries" and tax is to be calculated and charged in special cases for the financial year 2006-2007.

Rates of income-tax for the assessment year 2006-2007

Part I of the First Schedule to the Bill specifies the rates at which income is liable to tax for the assessment year 2006-2007. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 2005, for the purposes of deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2005-2006.

Rates for deduction of tax at source during the financial year 2006-2007 from income other than "Salaries"

Part II of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source during the financial year 2006-2007 from incomes other than "Salaries". In the case of a non-resident (not being a company), the rate of deduction of tax at source during the financial year 2006-2007 from income by way of royalties and fees from technical services received from the Government or an Indian concern in pursuance of an agreement entered into by it with the Government or an Indian concern after the 31st day of May, 1997 but before the 1st day of June, 2005 shall be 20 per cent. and in pursuance of an agreement entered into on or after the 1st day of June, 2005, shall be ten per cent. In the case of non-residents, the rate of deduction of tax at source during the financial year 2006-2007 from income by way of short-term capital gains referred to in section 111A shall be ten per cent. In all other cases, the rates are the same as those specified in Part II of the First Schedule to the Finance Act, 2005, for the purposes of deduction of income-tax at source during the financial year 2005-2006.

The amount of tax so deducted shall be increased by a surcharge :-

(i) in the case of every individual, Hindu undivided family, association of persons and body of individuals, whether incorporated or not, at the rate of ten per cent., of such tax where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten lakh rupees;

(ii) in case of every firm, artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, and domestic company, at the rate of ten per cent. of such tax;

(iii) in the case of every company other than a domestic company at the rate of two and one-half per cent. of such tax.

No surcharge shall be levied in the case of any co-operative society or local authority.

Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2006-2007.

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from, or paid on, income under the head "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 2006-2007.

Paragraph A of this Part specifies the rates of income-tax in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of Part III applies.

Paragraph A further provides that the amount of income-tax computed shall in the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, having total income exceeding ten lakh rupees be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income-tax as so reduced, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. However, the total amount payable as income-tax and surcharge on total income exceeding ten lakh rupees shall not exceed the total amount payable as income-tax on a total income of ten lakh rupees by more than the amount of income that exceeds ten lakh rupees.

Paragraph A further provides that the amount of income-tax computed shall in the case of every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, be reduced by the amount of rebate of income-tax calculated under Chapter VIII-A, and the income-tax as so reduced, be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. No change is proposed in the rates of tax or in the rate of surcharge.

Paragraph B of this Part specifies the rates of income-tax in the case of every co-operative society. In such cases, the rates of tax will continue to be the same as those specified for assessment year 2006-2007. No surcharge will be levied.

Paragraph C of this Part specifies the rate of income-tax in the case of every firm. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2006-2007. Surcharge will continue to be levied at the rate of ten per cent. of such tax.

Paragraph D of this Part specifies the rate of income-tax in the case of every local authority. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2006-2007. No surcharge will be levied.

Paragraph E of this Part specifies the rates of income-tax in the case of companies. In the case of domestic companies, the rate of tax will continue to be the same as that specified for assessment year 2006-2007. Surcharge will also continue to be levied at the rate of ten per cent. of such tax. In the case of companies other than domestic companies, the rates of tax will continue to be the same as those specified for the assessment year 2006-2007. Surcharge will continue to be levied at the rate of two and one-half per cent. of such tax.

It is also proposed that the additional surcharge, called the "Education Cess on Income-tax" for the purposes of the Union shall continue to be levied at the rate of two per cent. of income-tax and surcharge in all cases.

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

It is proposed to amend sub-clause (iia) of clause (24) of section 2 so as to provide that voluntary contributions received by any university or other educational institution referred to in sub-clause (vi) or by any hospital or other institution referred to in sub-clause (via) of clause (23C) of section 10 shall be included in the definition of income. The proposed amendment is clarificatory in nature.

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

It is further proposed to amend sub-clause (iia) of clause (24) of section 2 to provide that voluntary contributions received by any university or other educational institution referred to in sub-clause (iiiad) or by any hospital or other institution referred to in sub-clause (iiiae) of clause (23C) of section 10 shall be included in the definition of income. The proposed amendment is consequential to the insertion of new section 115BBC *vide* clause 22 of the Bill which provides for taxing of anonymous donations (being voluntary contributions) in certain cases specified in the said new section.

This amendment will take effect from 1st April, 2007, and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

It is also proposed to insert a new sub-clause (viia) in clause (24) of the said section 2 so as to provide that the profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members shall be included in the income.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

It is also proposed to insert a new clause (26A) in the said section 2 so as to define the expression "infrastructure capital company" to mean such company which makes investments by way of acquiring shares or providing long-term finance to any enterprise or undertaking wholly engaged in the business referred to in sub-section (4) of section 80-IA or sub-section (1) of section 80-IAB or an undertaking developing and building housing projects referred to in sub-section (10) of section 80-IB or a project for constructing a hotel of not less than three-star category as classified by the Central Government or a project for constructing a hospital with at least one-hundred beds for patients.

It is also proposed to insert a new clause (26B) in the said section so as to define the expression "infrastructure capital fund" to mean such fund operating under a trust deed registered under the provisions of the Registration Act, 1908, established to raise moneys by the trustees for investment by way of acquiring shares or providing long-term finance to any enterprise or undertaking wholly engaged in the business referred to in sub-section (4) of section 80-IA or sub-section (1) of section 80-IAB or an undertaking developing and building a housing project referred to in sub-section (10) of section 80-IB or a project for constructing a hotel of not less than three-star category as classified by the Central Government or a project for constructing a hospital with at least one-hundred beds for patients.

These amendments will take effect retrospectively from 1st April, 2006.

Under the existing provisions of clause (37A) of the said section, the expression, 'rate or rates in force' or 'rates in force' in relation to an assessment year or financial year for the purposes of deduction of tax under section 195 has been defined to mean, *inter alia*, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year or the rate or rates of income-tax specified in an agreement entered into by the Central Government under section 90, whichever is applicable by virtue of the provisions of section 90.

Clause 20 of the Bill proposes to insert a new section 90A relating to adoption by the Central Government of agreements between specified associations for double taxation relief.

It is proposed to amend the said clause (37A) of section 2 to provide a reference to the rate or rates of income-tax specified in an agreement notified and adopted by the Central Government under the proposed new section 90A.

This amendment will take effect from 1st June, 2006

Under the existing provisions of clause (48) of the said section, a zero coupon bond has been defined to mean a bond issued by any infrastructure capital company or infrastructure capital fund or public sector company on or after 1st June, 2005 in respect of which no payment or benefit is received or receivable before maturity, and which the Central Government may specify by way of notification. In the *Explanation* to the said clause it has been provided that the expressions "infrastructure capital company" and "infrastructure capital fund" shall have the meanings respectively assigned to them in clauses (a) and (b) of *Explanation* 1 to clause (23G) of section 10.

Clause (23G) of section 10 is proposed to be omitted *vide* clause 4 of the Bill. The *Explanation* to the said clause (48) of section 2 makes references to the said clause (23G). It is proposed to omit the said *Explanation*. The proposed amendment is, therefore, consequential in nature.

This amendment will take effect retrospectively from 1st April, 2006.

Clause 4 seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

Under the existing provisions contained in clause (6BB) of the said section, exemption is provided in respect of any tax paid by an Indian company engaged in the business of operation of aircraft on income derived by the Government of a foreign State or a foreign enterprise as consideration of acquiring an aircraft or an aircraft engine (other than payment for providing spares, facilities or services in connection with the operation of leased aircraft) on lease under an agreement entered into after 31st March, 1997 but before 1st April, 1999 or entered into after 31st March, 2006 and approved by the Central Government in this behalf and tax on such income is payable by such Indian company under the terms of that agreement to the Central Government.

Sub-clause (a) of the said clause seeks to amend the said clause (6BB) so as to allow the said exemption in respect of all such agreements entered into on or after 1st April, 2007. The proposed amendment is in consequence to amendment proposed *vide* sub-clause (b).

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Under the existing provisions contained in clause (15A) of the said section, exemption has been provided on any payment made by an Indian company engaged in the business of operation of aircraft, to acquire an aircraft or an aircraft engine (other than payment for providing spares, facilities or services in connection with the operation of leased aircraft) on lease from the Government of a foreign State or a foreign enterprise under an agreement, not being an agreement entered into between 1st April, 1997 and 31st March, 1999, and approved by the Central Government in this behalf.

Sub-clause (b) seeks to amend the said clause (15A) so as to withdraw the said exemption in respect of all such agreements entered into on or after 1st April, 2007.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

The existing provisions contained in sub-clause (iii) of clause (17) of the said section allows exemption to all other allowances not exceeding two thousand rupees per month in the aggregate received by any person by reason of his membership of any State Legislature or any Committee thereof, which the Central Government may, by notification, specify.

Sub-clause (c) seeks to substitute the said sub-clause (iii) so as to allow an exemption to the constituency allowance received by any person by reason of his membership of any State Legislature under any Act or rules made by that State Legislature.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Sub-clause (d) seeks to insert a new proviso to clause (23C) of the said section so as to provide that any application made on or after 1st June, 2006, for grant of exemption, or continuance

thereof, shall be made at any time during the financial year immediately preceding the assessment year from which such exemption is sought. The proposed amendment would apply only in respect of the applications which shall be made on or after 1st June, 2006 under the first proviso to the said clause (23C).

This amendment will take effect from 1st June, 2006.

Sub-clause (d) also seeks to insert another proviso to the said clause (23C) to provide that any anonymous donation received by any fund or institution referred to in sub-clause (iv) or any trust or institution referred to in sub-clause (v) or any university or other educational institution referred to in sub-clause (iiiad) or in sub-clause (vi) or any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via), on which tax is payable in accordance with the provisions of section 115BBC proposed to be inserted *vide* clause 22 of the Bill, shall be included in the total income. The proposed amendment is consequential in nature.

This amendment will take effect from 1st April, 2007, and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause (23EA) of section 10 excludes from the total income, any income of such Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Sub-clause (e) seeks to amend the said clause (23EA) so as to allow the exemption under the said clause only to income by way of contributions received from recognised stock exchanges and the members thereof.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Under the existing provisions contained in clause (23G) of section 10, any income by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital fund or an infrastructure capital company or a co-operative bank from investments made on or after 1st June, 1998 in any approved enterprise or undertaking wholly engaged in the business referred to in sub-section (4) of section 80-IA, or the development of a Special Economic Zone referred to in sub-section (3) of section 80-IAB, or a housing project referred to in sub-section (10) of section 80-IB, or a hotel project, or a hospital project, is excluded from the total income.

Sub-clause (f) seeks to omit the said clause (23G).

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008.

Under the existing provisions contained in clause (38) of section 10, any income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund, where the transaction of sale of such equity share or unit is entered into on or after 1st October, 2004 and such transaction is chargeable to securities transaction tax, shall not be included in the total income. *Explanation* to the said clause, *inter alia*, defines equity oriented fund to mean a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent. of the total proceeds of such fund.

Sub-clause (g) seeks to insert a proviso to the said clause (38) so as to provide that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit under section 115JB and for payment of income-tax under the said section.

This amendment will take effect from 1st April, 2007, and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Sub-clause (g) also seeks to amend the said Explanation so as to increase the investible funds from fifty per cent. to sixty-five per cent. of the total proceeds of such fund.

This amendment will take effect from 1st June, 2006.

Sub-clause (h) seeks to insert a new clause (42) in the said section 10 to exempt any specified income arising to a body or authority if such body or authority has been established or constituted or appointed under a treaty or an agreement entered into by the Central Government with two or more countries or a convention signed by the Central Government and the body or authority is not for the purposes of profit. Only such bodies or authorities which are notified by the Central Government would be exempt under the said clause. The *Explanation* to the aforesaid clause defines the expression "specified income" to mean the income, of the nature and to the extent, arising to the body or authority referred to in this clause, which the Central Government may notify in the Official Gazette in this behalf.

This amendment will take effect retrospectively from 1st April, 2006, and will, accordingly apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 5 of the Bill seeks to amend section 10B of the Income-tax Act relating to special provisions in respect of newly established hundred per cent. export-oriented undertakings.

Under the existing provisions contained in section 10B, any profits and gains derived by a hundred per cent. export-oriented undertaking, to which the said section applies, is allowed as deduction in the total income of the undertaking for any ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or computer software.

It is proposed to insert a fourth proviso to the said sub-section (1) of the said section 10B so as to provide that no deduction under that section shall be allowed to an assessee who does not furnish a return of his income on or before the due date specified under sub-section (1) of section 139.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 6 of the Bill seeks to amend section 13 of the Income-tax Act relating to section 11 not to apply in certain cases.

Clause 22 of the Bill proposes to insert a new section 115BBC in the Income-tax Act which provides that anonymous donations referred to in that section shall be taxed in certain cases.

It is proposed to insert a new sub-section (7) in the said section 13, so as to, *inter alia*, provide that nothing contained in section 11 or section 12 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof, any anonymous donation referred to in the new section 115BBC on which tax is payable in accordance with the provisions of that section.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 7 of the Bill seeks to amend section 14A of the Income-tax Act relating to expenditure incurred in relation to income not includible in total income.

Under the existing provisions of the said section, it has been provided that for the purposes of computing the total income, no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under the Income-tax Act.

It is proposed to number the said section as sub-section (1) thereof and to insert a new sub-section (2) in the said section so as to provide that the Assessing Officer shall determine the amount of expenditure incurred in relation to such income which does not form part of the total income, in accordance with such method as may be laid down by the Central Board of Direct Taxes by rules, if the Assessing Officer having regard to the accounts of the assessee, is not satisfied with the correctness of the claim of the assessee in

respect of expenditure in relation to income which does not form part of the total income. It is also proposed to provide that provisions of sub-section (2) shall also apply in relation to a case where an assessee claims that no expenditure has been incurred by him in relation to income which does not form part of the total income.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-08 and subsequent years.

Clause 8 of the Bill seeks to amend section 17 of the Income-tax Act providing for definition of "Salary", "perquisite" and "profits in lieu of salary".

Under the existing provisions contained in clause (iii) of the proviso to clause (2) of section 17, any portion of the premium paid by an employer in relation to an employee to effect or to keep in force an insurance on the health of such employee under any Scheme approved by the Central Government for the purposes of clause (ib) of sub-section (1) of section 36 shall not be included in perquisite.

It is proposed to amend the said clause (iii) of the proviso to clause (2) of section 17 so as to give a reference to the Schemes approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 also therein.

Under the existing provisions contained in clause (iv) of the proviso to clause (2) of section 17, any sum paid by the employer in respect of any premium paid by the employee to effect or to keep in force an insurance on his health or the health of any member of his family under any Scheme approved by the Central Government for the purposes of section 80D shall not be included in perquisite.

It is proposed to amend the said clause (iv) of the proviso to clause (2) of section 17 so as to give a reference to the Schemes approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 also therein.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 9 of the Bill seeks to amend section 36 of the Income-tax Act relating to other deductions.

Under the existing provisions contained in section 36, certain deductions are allowed in computing the income chargeable to income-tax under the head 'Profits and gains of business or profession'. Clause (ib) of sub-section (1) of the said section provides for deduction of the amount of any premium paid by cheque by the assessee as an employer to effect or to keep in force an insurance on the health of his employees under a scheme framed in this behalf by the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 and approved by the Central Government.

It is proposed to substitute the said clause (ib) so as to allow the said deduction to an employer to keep in force an insurance on the health of his employees under a Scheme framed also by any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Under the existing provisions contained in clause (iii) of the *Explanation* to clause (iiia) of sub-section (1) of the said section 36, "infrastructure capital company" and "infrastructure capital fund" have been defined to have the same meanings respectively assigned to them in clauses (a) and (b) of *Explanation* 1 to clause (23G) of section 10 which is proposed to be omitted *vide* clause 4 of the Bill.

It is therefore proposed to omit the said clause (iii) of the *Explanation* to clause (iiia) of sub-section (1).

The proposed amendment is, therefore, consequential in nature.

This amendment will take retrospective effect from 1st April, 2006.

Under the existing provisions contained in clause (d) of the *Explanation* to clause (viii) of sub-section (1) of the said section, infrastructure facility is defined to have the meaning as assigned to it in clause (23G) of section 10 which is proposed to be omitted *vide* clause 4 of the Bill.

It is proposed to substitute the said clause (d) so as to define "infrastructure facility".

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 10 of the Bill seeks to amend section 40 of the Income-tax Act relating to amounts not deductible.

Under the existing provisions of sub-clause (ii) of clause (a) of the said section, any sum paid on account of any rate or tax levied on the profits or gains of any business or profession or assessed at a proportion of, or otherwise on the basis of, any such profits or gains, is not allowed as deduction in the computation of income.

Sub-clause (a) seeks to insert *Explanation* 1 in the said sub-clause (ii) to clarify that for the purposes of aforesaid sub-clause (ii), any sum paid on account of any rate or tax levied includes and shall be deemed to have always included any sum eligible for relief of tax under section 90 or, as the case may be, deduction from the Indian income-tax payable under section 91.

This amendment is clarificatory in nature and inserted into the Income-tax Act on 1st April, 2006.

It is proposed to insert a new section 90A in the Income-tax Act relating to adoption by Central Government of agreements between specified associations for double taxation relief *vide* clause 20 of the Bill.

Sub-clause (b) seeks to insert *Explanation* 2 in aforesaid sub-clause (ii) of said clause (a) of section 40 to clarify that for the purposes of sub-clause (ii), any sum paid on account of any rate or tax levied includes any sum eligible for relief of tax under proposed new section 90A. The proposed amendment is consequential in nature.

This amendment shall take effect from 1st June, 2006.

Clause 11 of the Bill seeks to amend section 43 of the Income-tax Act relating to definitions of certain terms relevant to income from profits and gains of business or profession.

The existing clause (d) of the proviso to clause (5) of the said section refers to the meaning of derivative as defined in clause (aa) of section 2 of the Securities Contracts (Regulation) Act, 1956.

It is proposed to insert a reference of clause (ac) of section 2 of the Securities Contracts (Regulation) Act, 1956 instead of clause (aa) of the said section. The proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 2006.

Clause 12 of the Bill seeks to amend section 43B of the Income-tax Act relating to certain deductions to be only on actual payment.

Under the existing provisions contained in clause (d) of the said section, any sum payable by the assessee as interest on any loan or borrowing referred to in the said clause is allowed as deduction in the computation of income if the sum payable as interest is actually paid by the assessee.

It is proposed to insert a new *Explanation* 3C to clarify that if any sum payable by the assessee as interest on any loan or borrowing is converted into a loan or borrowing, the interest so converted, shall not be deemed as actual payment.

This amendment will take effect retrospectively from 1st April, 1989 and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years.

Under the existing provisions contained in clause (e) of the said section, any sum payable by the assessee as interest on any loan or advance referred to in the said clause is allowed as deduction in the computation of income if the sum payable as interest is actually paid by the assessee.

It is proposed to insert a new *Explanation* 3D to clarify that if any sum payable by the assessee as interest on any loan or advance is converted into a loan or advance, the interest so converted, shall not be deemed as actual payment.

This amendment will take effect retrospectively from 1st April, 1997 and will, accordingly, apply in relation to the assessment year 1997-98 and subsequent years.

Clause 13 of the Bill seeks to amend section 54EC of the Income-tax Act relating to capital gain not to be charged on investment in certain bonds.

The existing provisions contained in clause (b) of the *Explanation* to the said section clarify "long-term specified asset" to mean any bond redeemable after three years issued (i) on or after 1st April, 2000 by the National Bank for Agriculture and Rural Development, or by the National Highways Authority of India, (ii) on or after 1st April, 2001 by the Rural Electrification Corporation Limited, or (iii) on or after 1st April, 2002 by the National Housing Bank or by the Small Industries Development Bank of India.

It is proposed to substitute the said clause (b) so as to include in the definition of "long-term specified asset" only those bonds which are redeemable after three years and are issued by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 and notified as such by the Central Government or by the Rural Electrification Corporation Limited, being a company formed and registered under the Companies Act, 1956 and notified by the Central Government for the purposes of the said section.

This amendment will take effect retrospectively from 1st April, 2006.

Clause 14 of the Bill seeks to amend section 54ED of the Income-tax Act relating to capital gains on transfer of certain listed securities or unit not to be charged in certain cases.

The existing provisions of section 54ED provide that the capital gains arising from transfer of long term capital asset, being listed securities or units of a mutual fund or of the Unit Trust of India shall be exempt from tax, to the extent such gains are invested in equity shares forming part of an eligible issue of capital, made by a public company, and offered for subscription to the public.

It is proposed to amend sub-section (1) of the said section so as to provide that no exemption from tax on long-term capital gains shall be provided under the said section for the capital gains arising from the transfer on or after the 1st April, 2006 of a long-term capital asset.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 15 of the Bill seeks to insert a new section 80AC in the Income-tax Act relating to deduction not to be allowed unless return is furnished.

Under the existing provisions contained in sections 80-IA, 80-IAB, 80-IB and 80-IC certain deductions are allowed in computing the total income of the assessee under the Income-tax Act.

The provisions contained in section 80-IA of the Income-tax Act allow deductions of the profits and gains of an undertaking engaged in— (a) development, operation and maintenance of infrastructure facilities; (b) providing telecommunication services; (c) development, operation or maintenance of notified industrial park or Special Economic Zones; and (d) generation, distribution or transmission of power.

The provisions contained in section 80-IAB allow deductions for ten consecutive years on profits and gains derived by an undertaking or an enterprise from any business of developing Special Economic Zone under the Special Economic Zones Act, 2005.

The provisions contained in section 80-IB allow deduction for specified number of years on profits from certain industrial undertakings established before the specified dates and engaged in specified business.

The provisions contained in section 80-IC allow deductions for specified number of years on profits and gains of undertaking or an enterprise established before the specified dates in the notified areas.

The proposed new section 80AC seeks to provide that no deduction under the section 80-IA or section 80-IAB or section 80-IB or section 80-IC shall be allowed unless the assessee furnishes a return of his income on or before the due date as specified in sub-section (1) of section 139.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 16 of the Bill seeks to amend section 80C of the Income-tax Act relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.

Under the existing provisions contained in sub-section (2) of the said section 80C, the aggregate of the sums referred to in the said sub-section (2) of section 80C, as does not exceed one lakh rupees, is eligible for deduction in accordance with the provisions of that section.

It is proposed to insert a new clause (xxi) in sub-section (2) of the said section 80C so as to provide that the term deposit for a fixed period of not less than five years with a scheduled bank shall be eligible for deduction under the said section. It is also proposed to define the expression "scheduled bank" for the purposes of the proposed new clause (xxi).

It is further proposed to amend clauses (xi), (xiii) and (xiv) of sub-section (2) of said section which are consequential in nature.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 17 of the Bill seeks to amend section 80CCC of the Income-tax Act relating to deduction in respect of contribution to certain pension funds.

Under the existing provisions contained in sub-section (1) of the said section, an assessee, being an individual is allowed a deduction up to ten thousand rupees in the computation of his total income, of the amount paid or deposited by him to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the fund referred to in clause (23AAB) of section 10.

It is proposed to amend the said sub-section (1) so as to allow deduction up to one lakh rupees instead of ten thousand rupees, in the computation of the total income of an individual, under the said section.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 18 of the Bill seeks to amend section 80-IA of the Income-tax Act relating to deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.

Sub-section (4) of the said section 80-IA specifies the activities eligible for deduction.

Under the existing provisions contained in clause (iii) of sub-section (4) of said section, an undertaking which develops, develops and operates or maintains and operates an industrial park or special economic zone notified by the Central Government in accordance with the scheme framed and notified by that Government for the period beginning on 1st April, 1997 and ending on 31st March, 2006, is eligible for deduction under the said section.

It is proposed to insert a new proviso after the proviso to the said clause (iii) of sub-section (4) of section 80-IA so as to provide that time-limit for developing, developing and operating or maintaining and operating an industrial park shall be extended from 31st March, 2006 to 31st March, 2009.

Under the existing provisions contained in clause (iv) of sub-section (4) of the said section, an undertaking which (a) is set up in any part of India for the generation or generation and distribution of power if it begins to generate power at any time during the period beginning on the 1st April, 1993 and ending on the 31st March, 2006; (b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on the 1st April, 1999 and ending on the 31st March, 2006; (c) undertakes substantial renovation and modernisation of the existing network of transmission or distribution lines at any time during the period beginning on the 1st April, 2004 and ending on the 31st March, 2006, is eligible for deduction under the said section.

It is proposed to extend the time limit from 31st March, 2006 to 31st March, 2010.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 19 of the Bill seeks to amend section 80P relating to deduction in respect of income of co-operative societies.

Section 80P, *inter alia*, allows a deduction of the profits and gains of business of a co-operative society, of the sums specified in sub-section (2), attributable to carrying on the business of banking or providing credit facilities to its members, or of a cottage industry, or of marketing of agricultural produce of its members, or to the processing, without the aid of power, of the agricultural produce of its members, etc.

It is proposed to insert new sub-section (4) in the said section so as to provide that the provisions of section 80P shall not apply in relation to any co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank. The deductions under the aforesaid section would continue to be allowable in relation to a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

It is also proposed to define the expressions “co-operative bank”, “primary agricultural credit society” and “primary co-operative agricultural and rural development bank”.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 20 of the Bill seeks to insert a new section 90A in Chapter IX of the Income-tax Act relating to adoption by Central Government of agreements between specified associations for double taxation relief.

The proposed new section 90A seeks to provide that any specified association in India may enter into an agreement with any specified association in a specified territory outside India and the Central Government may, by notification in the Official Gazette, make the necessary provisions for adopting and implementing such agreement for grant of double taxation relief, for avoidance of double taxation, for exchange of information for the prevention of evasion or avoidance of income-tax or for recovery of income-tax. It is further proposed to provide that in relation to any assessee to whom the agreement referred to in the said section applies, the provisions of the Income-tax Act shall apply to the extent they are more beneficial to that assessee. It is also proposed to provide that any term used but not defined in the Income-tax Act or in the said agreement shall have the same meaning as assigned to it in the notification issued by the Central Government, unless the context requires otherwise and it is not inconsistent with the provisions of the Income-tax Act or the said agreement. The expression “specified association” is defined to mean any notified institution, association or body, whether incorporated or not, functioning under any law for the time being in force in India or the laws of the specified territory outside India. The expression “specified territory” is defined to mean any area outside India notified by the Central Government for the purposes of the said section.

This amendment will take effect from 1st June, 2006.

Clause 21 of the Bill seeks to amend section 92C of the Income-tax Act relating to computation of arm’s length price.

The existing provisions contained in section 92C provides for computation of arm’s length price. This section, *inter alia*, provides that the arm’s length price in relation to an international transaction shall be determined by (a) comparable uncontrolled price method; or (b) resale price method; or (c) cost plus method; or (d) profit split method; or (e) transactional net margin method; or (f) any other method which may be prescribed by the Central Board of Direct Taxes. One of these methods shall be the most appropriate method which shall be applied for computation of arm’s length price in the manner as may be specified by the rules to be made by the Central Board of Direct Taxes in this behalf. The Assessing Officer can determine the arm’s length price in the case referred to in that section. The first proviso to sub-section (4) of the said section 92C provides that no deduction under section 10A or section 10B or under Chapter VI-A shall be allowed in respect of the amount of income by which the total income of the assessee is enhanced after computation of income under this sub-section.

It is proposed to amend the said proviso so as to provide that no deduction under section 10AA relating to special provisions in respect of newly established units in Special Economic Zones shall be allowed under the first proviso to sub-section (4) of section 92C.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 22 of the Bill seeks to insert a new section 115BBC relating to anonymous donations to be taxed in certain cases.The proposed new section seeks to provide that on any income comprising of any anonymous donation received by any assessee on behalf of any university or other educational institution referred to in sub-clause (iiiad) or sub-clause (vi) or any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via) or any fund or institution referred to in sub-clause (iv) or any trust or institution referred to in sub-clause (v) of clause (23C) of section

10 or any trust or institution referred to in section 11, included in the total income of such assessee, income-tax shall be payable at the rate of thirty per cent.

It is further proposed to provide that the provisions of said new section 115BBC shall not apply to any anonymous donation received by (a) any trust or institution created or established wholly for religious purposes and (b) any trust or institution created or established wholly for religious and charitable purposes, other than any anonymous donation made with a specific direction that such anonymous donation is for any university or other educational institution or any hospital or other medical institution run by the trust or institution.

It is also proposed to provide that the anonymous donation shall mean any voluntary contribution referred to in sub-clause (iia) of clause (24) of section 2, where a person receiving such contribution does not maintain a record of the identity of the person making such contribution indicating the name, address and such other particulars of the person as may be prescribed.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 23 of the Bill seeks to amend section 115JAA of the Income-tax Act relating to tax credit in respect of tax paid on deemed income relating to certain companies.

Under the existing provisions contained in sub-section (1) of the said section, where any amount of tax is paid under sub-section (1) of section 115JA of the Income-tax Act by a company for any assessment year, then credit in respect of the tax so paid shall be allowed in accordance with the provisions of the said section 115JAA. Sub-section (1A) of the said section 115JAA provides for a similar provision with regard to any amount of tax paid under sub-section (1) of section 115JB, for the assessment year commencing on 1st April, 2006 and any subsequent year. Sub-section (2) of the said section 115JAA provides that the tax credit to be allowed under sub-section (1) shall be the difference of the tax paid for any assessment year under section 115JA or section 115JB, as the case may be, and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of the Income-tax Act. Sub-section (3) of the said section 115JAA provides that the amount of credit determined under sub-section (2) shall be carried forward and set off in accordance with the provisions of the said section, but such carry forward shall not be allowed beyond the fifth assessment year immediately succeeding the assessment year in which the tax credit becomes allowable under sub-section (1).

The proposed amendment provides that the amount of tax credit determined, in relation to certain companies to which the provisions of section 115JB apply, shall be carried forward and set off in accordance with the provisions of sub-section (4) and sub-section (5) of the said section but such carry forward shall not be allowed beyond the seventh assessment year, instead of fifth assessment year, immediately succeeding the assessment year in which tax credit becomes allowable under the said section 115JAA.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 24 of the Bill seeks to amend section 115JB of the Income-tax Act relating to special provision for payment of tax by certain companies.

Under the existing provisions contained in the said section 115JB, in case of a company, if the tax payable on the total income as computed under the Income-tax Act in respect of any previous year relevant to the assessment year commencing on or after the 1st April, 2001, is less than seven and one-half per cent. of its book profit, such book profit shall be deemed to be the total income of the assessee and the tax payable for the relevant previous year shall be seven and one-half per cent. of such book profit. The expression "book profit" means the net profit as shown in the profit and loss account prepared in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 as increased or reduced by certain adjustments, as specified in that section. The aforesaid section, *inter alia*, provides that the book profit shall be increased by the amount or amounts of expenditure relatable to any income referred to in section 10 [other than the provisions contained in clause (23G) thereof] if such amount is debited to profit and loss account and it shall be reduced by the amount of income referred to in that section, if any such amount is credited to the profit and loss account.

It is proposed to amend sub-section (1) of said section 115JB to provide that if the income-tax payable on the total income as computed under the Income-tax Act in respect of any previous year relevant to the assessment year commencing on or after 1st April, 2007 is less than ten per cent. of its book profit, such book profit shall be deemed to be the total income of the assessee and the tax payable for the relevant previous year shall be ten per cent. of such book profit.

It is further proposed to amend clause (f) of the *Explanation* occurring after sub-section (2) of section 115JB to provide that the book profit shall be increased by the amount or amounts of expenditure relatable to any income to which section 10 [excluding the income referred to in clause (38) thereof] applies.

It is also proposed to amend clause (ii) of the said *Explanation* so as to provide that the amount of income to which any of the provisions of section 10 [excluding the income referred to in clause (38) thereof] apply, shall be reduced from the book profit for the purposes of calculation of income tax payable under the aforesaid section.

It is, *inter alia*, also proposed to insert a new clause (g) in the said *Explanation* so as to provide that the book profit shall be increased by the amount of depreciation debited to the profit and loss account. It is also proposed to insert a new clause (iia) in the *Explanation* occurring after sub-section (2) of section 115JB so as to provide that the amount of depreciation claimed in the profit and loss account, excluding the claim of depreciation on account of revaluation of assets, shall be reduced from the book profit for the purposes of calculation of income-tax payable under the aforesaid section.

It is also proposed to insert a new clause (iib) in the *Explanation* occurring after sub-section (2) of section 115JB so as to provide that the amount withdrawn from revaluation reserve and credited to the profit and loss account to the extent it does not exceed the amount of depreciation on account of revaluation of assets referred to in the said new clause (iia), shall be reduced from the book profit for the purposes of calculation of income-tax payable under the aforesaid section.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 25 of the Bill seeks to amend section 115-O of the Income-tax Act relating to tax on distributed profits of domestic companies so as to omit the reference to clause (23G) of section 10.

The proposed amendment is consequential to the omission of clause (23G) of section 10 of the Income-tax Act *vide* clause 4 of the Bill.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 26 of the Bill seeks to amend section 115R of the Income-tax Act relating to tax on distributed income to unit holders.

Under the existing provisions contained in sub-section (2) of the said section, any income distributed, *inter alia*, by a Mutual Fund to its unit holders shall be chargeable to tax and such Mutual Fund shall be liable to pay additional income-tax on such distributed income. However, an open-ended equity oriented fund is not liable to pay such additional income-tax.

It is proposed to omit the word 'open-ended' from clause (b) of the proviso to sub-section (2) of the said section so as to provide that all equity oriented funds shall not be liable to pay additional income-tax instead of only open-ended equity oriented funds.

This amendment will take effect from 1st June, 2006.

Clause 27 of the Bill seeks to amend section 115T of the Income-tax Act relating to Unit Trust of India or Mutual Fund to be an assessee in default.

Clause 26 of the Bill proposes to amend section 115R of the Income-tax Act so as to provide that all equity oriented mutual funds shall not be liable to pay additional income-tax instead of only open-ended equity oriented mutual funds defined in the *Explanation* to section 115T.

It is proposed to omit the reference of "open-ended" from the *Explanation* to section 115T of the Income-tax Act. The proposed amendment is of a consequential nature.

Under the existing provisions contained in sub-section (2) of section 115R of the Income-tax Act, any income distributed, *inter alia*, by a Mutual Fund to its unit holders shall be chargeable to tax and such Mutual Fund shall be liable to pay additional income-tax on such distributed income. However, an open-ended equity oriented fund is not liable to pay such additional income-tax. The expression "open-ended equity oriented fund" has been defined in clause (b) of the *Explanation* to section 115T of the Income-tax Act to mean a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent. of the total proceeds of such fund. It is proposed to amend the said *Explanation* so as to increase the investible funds from fifty per cent. to sixty-five per cent. of the total proceeds of such fund.

These amendments will take effect from 1st June, 2006.

Clause 28 of the Bill seeks to amend section 115WB of the Income-tax Act relating to fringe benefits.

Under the existing provisions contained in section 115WB the expression 'fringe benefits' has been defined which, *inter alia*, means any privilege, service, facility or amenity, directly or indirectly, provided by an employer to his employees, any contribution by the employer to an approved superannuation fund for the employees, etc. Sub-section (2) of the said section provides that the fringe benefits shall be deemed to have been provided by the employer to his employees, if the employer has in the course of his business or profession, incurred any expense on or made any payment for the purposes of entertainment, hospitality, conference, sales promotion (including publicity), etc.

The proviso to clause (D) of sub-section (2) of section 115WB excludes certain expenditure on advertisement from sales promotion including publicity.

It is proposed to insert two new clauses in the said proviso so as to provide that the expenditure on distribution of free samples of medicines or of medical equipment, to doctors and the expenditure by way of payment to any person of repute for promoting the sale of goods or services of the business of the employer, shall not be included in sales promotion including publicity for the purposes of valuation of fringe benefits.

It is also proposed to amend clause (F) of sub-section (2) of the said section 115WB so as to omit reference to tour and travel (including foreign travel) from the said clause.

It is also proposed to insert a new clause (Q) in the said sub-section (2) of section 115WB so as to include expenses on tour and travel (including foreign travel) within the meaning of deemed fringe benefits.

Under the existing provisions contained in sub-section (3) of the said section 115WB it is provided that for the purposes of sub-section (1) of the said section, the privilege, service, facility or amenity does not include perquisites in respect of which tax is paid or payable by the employee.

It is proposed to amend the said sub-section (3) of section 115WB so to provide that any benefit or amenity in the nature of free or subsidised transport or any such allowance provided by the employer to his employees for journeys by the employees from their residence to the place of work or such place of work to the place of residence shall not form part of fringe benefits.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 29 of the Bill seeks to amend section 115WC of the Income-tax Act, 1961 relating to value of fringe benefits.

Under the existing provisions contained in section 115WC, the value of fringe benefits is to be determined in terms of percentage of certain expenses specified in section 115WB, which shall be taken as fringe benefits for the purpose of levy of fringe benefit tax.

Under the existing provisions contained in clause (b) of sub-section (1) of section 115WC, it is specified that the actual amount of contribution by the employer to an approved superannuation fund for employees shall be the value of fringe benefit.

It is proposed to amend the said clause (b) so as to provide that only so much of the amount of the contribution by the employer to an approved superannuation fund, which exceeds one lakh rupees in respect of each of his employees, would be taken into account for the purposes of calculating aggregate value of fringe benefits.

It is further proposed to insert a new clause (e) in sub-section (1) of the said section 115WC so as to provide that the value of fringe benefits shall be five per cent. of expenses referred to in clause (Q) of sub-section (2) of section 115WB.

Under the existing provisions contained in sub-section (2) of the said section 115WC lower rate for valuation of fringe benefits in the case of certain employers with regard to certain expenses referred to in sub-section (2) of section 115WB is provided.

It is also proposed to insert new clauses (aa), (ab), (da) and (db) in sub-section (2) of section 115WC, so as to provide that in the case of an employer engaged in the business of carriage of passengers or goods by aircraft or ship, the value of fringe benefits for the purposes referred to in clauses (B) and (G) of sub-section (2) of section 115WB shall be "five per cent." instead of "twenty per cent." referred to in clause (c) of sub-section (1) of the said section 115WC.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 30 of the Bill seeks to amend section 120 of the Income-tax Act relating to jurisdiction of income-tax authorities.

Under the existing provisions contained in sub-section (1) of the said section, the income-tax authorities shall exercise all or any of the powers and perform all or any of the functions conferred on or, assigned to, such authorities in accordance with such directions as the Board may issue for the exercise of such powers and functions by all or any of those authorities.

It is proposed to insert an *Explanation* to sub-section (1) of the said section so as to clarify that any income-tax authority, being an authority higher in rank, may, if so directed by the Board under that section, exercise the powers and perform the functions of the income-tax authority lower in rank and any such direction issued shall be deemed to be a direction issued by the Board under the said sub-section (1).

This amendment will take effect retrospectively from 1st April, 1988.

Clause 31 of the Bill seeks to amend section 139 of the Income-tax Act relating to return of income.

It is proposed that no return shall be required to be furnished under the first proviso to sub-section (1) of said section for the assessment year 2006-2007 and subsequent assessment years.

This amendment will take effect from the assessment year 2006-2007.

The existing provisions of sub-section (9) of the said section, *inter alia*, provide that a return of income shall be regarded as defective unless the conditions specified in clauses (a) to (f) of the *Explanation* to the said sub-section are fulfilled.

Under the existing provisions contained in sub-clause (i) of clause (c) of *Explanation* to sub-section (9) of the said section, where the return of income is not accompanied by the proof of tax, if any, claimed to have been deducted at source, the return of income is regarded defective. The return of income is not regarded defective if the certificate under section 203 is not furnished by the deductor to the deductee and such certificate is produced within a period of two years specified under sub-section (14) of section 155.

It is proposed to amend said clause (c) so as to include collection of tax at source and provide that the return of income if not accompanied by proof of tax, if any, claimed to have been collected at source shall be regarded as defective. It is further proposed to provide that return of income shall not be regarded defective if the certificate under section 206C is not furnished by the collector to the collectee and such certificate is produced within a period of two years specified under sub-section (14) of section 155.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-08 and subsequent years.

Under the existing provisions of the said section a return is regarded defective if not accompanied by proof in respect of tax deducted at source before the 1st day of April, 2006. In respect of tax deducted on or after 1st day of April, 2006, the return is not required to be accompanied by proof of tax.

It is proposed to extend the said date to 1st April, 2008. The extended date shall also apply in respect of non-furnishing of proof of tax collected at source after 1st April, 2008.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years.

It is further proposed to insert a proviso in the *Explanation* to the said sub-section (9) so as to confer power upon the Central Board of Direct Taxes to dispense by rules, any of the conditions specified in clauses (a) to (f) in respect of a class or classes of persons. It also proposes to empower the Board to include any of the conditions specified in clauses (a) to (f) of this *Explanation*, in the form of return.

This amendment will take effect from 1st June, 2006.

Clause 32 of the Bill seeks to amend section 139A of the Income-tax Act relating to permanent account number.

It is proposed to insert a new sub-section (1B) so as to provide that for the purpose of collecting any information which may be useful for or relevant to the purposes of this Act, the Central Government may by notification specify any class or classes of persons, and such persons shall within the prescribed time apply to the Assessing Officer for allotment of a permanent account number.

Under the existing provisions contained in sub-section (2) of the said section, the Assessing Officer may also allot to any other person by whom tax is payable, a permanent account number.

It is proposed to amend the said sub-section so as to provide that the Assessing Officer may, having regard to the nature of transactions as may be specified by the rules made by the Central Board of Direct Taxes, also allot a permanent account number to any other person (whether any tax is payable by him or not), in accordance with the procedure as may be specified by such rules.

This amendment will take effect from 1st June, 2006.

Under the existing provisions contained in clause (iii) of sub-section (5B) of the said section , every person deducting tax under Chapter XVII-B is required to quote the permanent account number of the deductee in all annual returns prepared and delivered or caused to be delivered under section 206 to an income-tax authority. Similarly, under clause (ii) of sub-section (5D) of the said section every person collecting tax under Chapter XVII-BB is required to quote the permanent account number, of every person in respect of whose income tax is collected, in all annual returns prepared and delivered or caused to be delivered under sub-section (5A) or sub-section (5B) of section 206C to an income-tax authority.

It is proposed to insert clause (iv) in sub-section (5B) and clause (iii) in sub-section (5D) of section 139A, so as to provide that every person deducting tax or collecting tax shall quote the permanent account number of the deductee or person in respect of whose income, tax is collected in all quarterly statements furnished in accordance with the provisions of sub-section (3) of section 200 or, as the case may be, sub-section (3) of section 206C which provide for furnishing of quarterly statement.

This amendment is consequential in nature.

These amendments will take effect from 1st June, 2006.

The provisions contained under sub-section (5C) of the said section impose an obligation upon every buyer or licensee or lessee to intimate his permanent account number to the seller.

The provisions contained under sub-section (5D) of the said section impose an obligation upon every seller collecting the tax to quote the permanent account number of the buyer or licensee or lessee.

It is proposed to extend the scope of sub-sections (5C) and (5D) so as to substitute the reference to “seller” by the words “person responsible for collecting tax” in sub-section (5C) and by the word “person” in sub-section (5D).

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 33 of the Bill seeks to insert new section 139B in the Income-tax Act relating to scheme for submission of returns through Tax Return Preparers.

The proposed new section, *inter alia*, provides that for the purpose of enabling any specified class or classes of persons in preparing and furnishing returns of income, the Board may, without prejudice to the provisions of section 139, frame a Scheme, by notification in the Official Gazette, providing that such persons may furnish their returns of income through a Tax Return Preparer authorised to act as such under the Scheme.

It is further provided that every Tax Return Preparer shall assist the persons furnishing the return of income in such manner as may be specified in the Scheme framed under this section and affix his signature on such return.

It is also provided that a Tax Return Preparer shall be an individual (not being a person referred to in clause (ii) or clause (iv) of sub-section (2) of section 288 or an employee of the specified class or classes of persons) who has been authorized to act as a Tax Return Preparer under the Scheme framed under this section.

It is also proposed to confer powers upon the Central Board of Direct Taxes to frame the Scheme providing (i) the manner in which the Tax Return Preparers shall be authorised under the Scheme; (ii) the educational and other qualifications to be possessed, and the training and other conditions required to be fulfilled, by a person to act as a Tax Return Preparer; (iii) the code of conduct for the Tax Return Preparers; (iv) the duties and obligations of the Tax Return Preparers; (v) the manner in which the authorization may be withdrawn; (vi) any other matter which is required to be or may be specified. Every such Scheme shall be laid, as soon as may be after it is framed, before each House of Parliament.

This amendment will take effect from 1st June, 2006.

Clause 34 of the Bill seeks to amend section 140A of the Income-tax Act relating to self-assessment.

Under the existing provisions of the said section, the assessee is liable to pay tax (after taking into account the amount of tax, if any already paid under any provision of the Act) together with interest payable under any provision of the Act before furnishing the return of income. The said section provides that the interest under section 234A shall be computed on the amount of the tax on the total income as declared in the return as reduced by the advance tax paid and tax deducted or collected at source. It is further provided that the interest under section 234B shall be computed on the amount of assessed tax or, as the case may be, on the amount by which advance tax paid falls short of the assessed tax. Assessed tax is defined as the tax on total income as declared in the return of income as reduced by the amount of tax deducted or collected at source.

It is proposed to allow relief of tax under section 90 or section 90A, deduction of tax from the Indian income-tax payable under section 91 and credit available to be set off in accordance with the provisions of section 115JAA for the purposes of computation of interest under sections 234A, 234B and 234C *vide* clauses 48, 49 and 50 of the Bill. Consequent to these proposals, relief of tax under section 90 or section 90A, deduction of tax from the Indian income-tax payable under section 91 and credit available to be set off in accordance with the provisions of section 115JAA will also be taken into account under section 140A for the purposes of computing tax payable, and interest chargeable under sections 234A and 234B, before furnishing the return of income.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to assessment year 2007-08 and subsequent years.

Clause 35 of the Bill seeks to amend section 142 of the Income -tax Act relating to inquiry before assessment.

The existing provisions contained in clause (i) of sub-section (1) of said section provide that where a person has not made a return of income within the time allowed under sub-section (1) of section 139, the Assessing Officer may serve a notice on him requiring him to furnish the return of income.

It is proposed to amend the said clause (i) so as to provide that where a person has not made a return of income before the end of the relevant assessment year, the Assessing Officer may serve a notice under this sub-section on him after the end of the relevant assessment year, requiring him to furnish return of income.

This amendment will take effect from 1st April, 2006.

It is further proposed to provide that the notice referred to in said sub-section for the purposes of said clause served after the end of the relevant assessment year commencing on or after 1st April, 1990 shall be deemed to be a notice served in accordance with the provisions of the aforesaid sub-section.

This amendment will take effect retrospectively from 1st April, 1990.

Clause 36 of the Bill seeks to amend section 148 of the Income-tax Act relating to issue of notice where income has escaped assessment.

The existing provisions of sub-section (1) of the said section provide that before making the assessment, reassessment or re-computation under section 147, the Assessing Officer shall serve a notice on the assessee requiring him to furnish the return of his income and the provisions of the Act shall, so far as may be, apply as if the return furnished in response to the notice under the said section were a return required to be furnished under section 139.

It is proposed to insert a proviso to sub-section (1) so as to provide that where a return has been furnished during the period from 1st October, 1991 to 30th September, 2005 in response to a notice served under this section and subsequently a notice has been served under sub-section (2) of section 143 after the expiry of twelve months specified in the proviso to sub-section (2) of section 143 as it stood immediately before the amendment of said sub-section by the Finance Act, 2002, but before the expiry of the time limit for making the assessment, reassessment or re-computation as specified in sub-section (2) of section 153, such notice shall be deemed to be a valid notice.

It is also proposed to insert a second proviso in the said sub-section so as to provide that where a return has been furnished during the period from 1st October, 1991 to 30th September, 2005 in response to a notice served under this section and subsequently a notice has been served under clause (ii) of sub-section (2) of section 143 after the expiry of twelve months specified in the proviso to clause (ii) of sub-section (2) of section 143, but before the expiry of the time limit for making the assessment, reassessment or re-computation as specified in sub-section (2) of section 153, such notice shall be deemed to be a valid notice.

These amendments will take effect retrospectively from 1st October, 1991.

It is also proposed to insert an Explanation in sub-section (1) so as to clarify that nothing contained in the first proviso or the second proviso shall apply to any return which has been furnished on or after 1st October, 2005 in response to a notice served under the said section.

This amendment will take effect retrospectively from 1st October, 2005.

Clause 37 of the Bill seeks to amend section 153 of the Income-tax Act relating to the time limit for completion of assessments and reassessments.

It is proposed to revise the time limits specified in the said section for completion of assessments and re-assessments. The revised time limits shall be the time limits specified under the aforesaid section, as reduced by three months.

These amendments will take effect from 1st June, 2006.

Clause 38 of the Bill seeks to amend section 153B of the Income-tax Act relating to the time limit for completion of assessment under section 153A.

It is proposed to revise the time limits specified in the said section for completion of assessment or reassessment in case of search or requisition. The revised time limits shall be the time limits specified under the aforesaid section, as reduced by three months.

These amendments will take effect from 1st June, 2006.

Clause 39 of the Bill seeks to amend section 155 of the Income-tax Act relating to other amendments.

Under the existing provisions contained in sub-section (14) of the said section, the Assessing Officer is required to amend the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143 in accordance with the provisions of section 154 where credit for tax deducted in accordance with the provisions of section 199 has not been given on the ground that the certificate furnished to the assessee 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 the income on which tax was deducted was assessable.

The proposed amendment seeks to enable the Assessing Officer to amend the order of assessment or any intimation or deemed intimation under sub-section (1) of section 143 under the aforementioned conditions where credit for tax collected is not given on the ground that the certificate furnished under section 206C was not filed with the return. The proposed amendment is consequential to amendment of section 139 *vide* clause 31 of the Bill.

This amendment will take effect from 1st April, 2007, and will, accordingly apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 40 of the Bill seeks to amend section 194A of the Income-tax Act relating to interest other than "interest on securities".

Under the existing provisions of Explanation 2 to sub-section (3), the "infrastructure capital company" and "infrastructure capital fund" shall have the meanings respectively assigned to them in clauses (a) and (b) of *Explanation 1* to clause (23G) of section 10 which is proposed to be omitted *vide* clause 4 of the Bill.

It is proposed to omit said *Explanation* 2 to sub-clause (3) of the said section.

This amendment will take effect retrospectively from 1st April, 2006.

Clause 41 of the Bill seeks to amend section 199 of the Income-tax Act relating to credit for tax deducted.

Under the existing provisions contained in sub-section (3) of the said section, the amount of tax deducted on or after 1st April, 2006, and paid to the credit of the Central Government and specified in the statement referred to in section 203AA of the Income-tax Act shall be treated as tax paid on behalf of the person from whose income the amount of tax has been deducted and credit is given to him in the assessment in the assessment year in which such income is assessable without the production of certificate.

It is proposed to extend the said date upto 1st April, 2008 so as to provide that the credit for the amount of tax deducted and paid to the Central Government shall be allowed without the production of a certificate of deduction of tax in respect of tax deducted and paid on or after 1st April, 2008. On or after that date credit for the amount of tax deducted shall be allowed on the basis of the amount of the tax deducted and specified in the statement referred to in section 203AA.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years.

Clause 42 of the Bill seeks to amend section 201 of the Income-tax Act relating to consequences of failure to deduct or pay.

It is proposed to amend sub-section (1A) of said section so as to provide that the person, the principal officer and the company referred to in sub-section (1) of the aforesaid section and liable to pay interest under the said sub-section (1A) shall pay the said interest before furnishing the quarterly statement for each quarter in accordance with the provisions of sub-section (3) of section 200.

This amendment will take effect from 1st June, 2006.

Clause 43 of the Bill seeks to amend section 203 of the Income-tax Act relating to certificate for tax deducted.

Under the existing provisions contained in sub-section (3) of the said section, there is no requirement to furnish a certificate referred to in sub-section (1) or, as the case may be, sub-section (2) for the tax deducted or paid on or after 1st April, 2006 in accordance with the provisions of Chapter XVII-B.

It is proposed to extend the said date upto 1st April, 2008 so as to provide that in a case where tax has been deducted or paid on or after 1st April, 2008, there shall be no requirement to furnish the certificate of deduction of tax at source to the person on whose income, tax is deducted.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years.

Clause 44 of the Bill seeks to amend section 203A of the Income-tax Act relating to tax deduction and collection account number.

Under the existing provisions contained in clause (c) of sub-section (2) of the said section, every person deducting tax or collecting tax under the Income-tax Act is required to quote the "tax deduction account number" or "tax collection account number" or "tax deduction and collection account number" in all the returns delivered in accordance with the provisions of section 206 or sub-section (5A) or sub-section (5B) of section 206C, to any income-tax authority.

It is proposed to provide that every person deducting tax or collecting tax shall quote the "tax deduction account number" or "tax collection account number" or "tax deduction and collection account number" of the deductee or collectee in all quarterly statements furnished in accordance with the provisions of sub-section (3) of section 200 or, as the case may be, sub-section (3) of section 206C. This amendment is consequential in nature.

This amendment will take effect from 1st June, 2006.

Clause 45 of the Bill seeks to amend section 203AA of the Income-tax Act relating to furnishing of statement of tax deducted.

Under the existing provisions contained in the said section, the prescribed income-tax authority or the person authorised by such authority is required to prepare and deliver a statement containing the particulars of tax deducted on or after the 1st day of April, 2005 to every person from whose income the tax has been deducted or in respect of whose income the tax has been paid.

It is proposed to extend the said date up to 1st April, 2008 so as to provide that the annual statement of taxes will be prepared and delivered for the taxes deducted or paid on or after 1st April, 2008.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 46 of the Bill seeks to amend section 206 of the Income-tax Act relating to persons deducting tax to furnish prescribed returns.

Under the existing provisions of the said section, any person responsible for deducting tax under the Income-tax Act is required to prepare and deliver to the prescribed income-tax authority an annual return of tax deducted at source.

It is proposed to amend the said section so as to do away with the requirement of furnishing of the annual return of tax deducted at source on or after the 1st day of April, 2005.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

Clause 47 of the Bill seeks to amend section 206C of the Income-tax Act relating to profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.

Under the existing provisions contained in the proviso to sub-section (4) of the said section, the credit for the amount of tax collected is allowed to the person on whose behalf tax has been collected on or after 1st April, 2006 on the basis of the amount specified in the annual statement referred to in the second proviso to sub-section (5) of the aforesaid section and a certificate of collection of tax is not required to be produced along with the return of income for claiming credit for tax collected at source. The first proviso to sub-section (5) of section 206C does not require the tax collector to furnish a certificate to the collectee for taxes collected on or after 1st April, 2006.

The proposed amendment seeks to extend the date to 1st April, 2008 to provide that a certificate of collection of tax is not required to be produced along with the return of income for claiming credit for tax collected at source in the assessment in respect of the taxes collected on or after 1st April, 2008 and there will be no requirement of furnishing a certificate by the collector in respect of taxes collected on or after 1st April, 2008.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

The second proviso to sub-section (5) of section 206C provides that the prescribed income-tax authority or the person authorised by such authority is required to prepare and deliver a statement containing the particulars of tax collected.

It is proposed to provide that the annual statement of taxes will be prepared and delivered in respect of taxes collected on or after 1st April, 2008.

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

Under the existing provisions of the said section, any person collecting tax in accordance with the provisions of Chapter XVII-BB of the Income-tax Act is required to prepare and deliver to the prescribed income-tax authority an annual return of tax collection at source.

It is proposed to amend sub-section (5A) of the said section so as to do away with the requirement of furnishing the annual return of tax collected at source on or after the 1st day of April, 2005.

This amendment will take effect retrospectively from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-2007 and subsequent years.

It is proposed to insert a new sub-section (6A) so as to deem any person responsible for collecting tax in accordance with the provisions of the said section as assessee in default if such person does not collect the whole or any part of the tax or fails to pay such tax after having collected the tax.

It is further proposed to provide that no penalty shall be charged under section 221 from such person unless the Assessing Officer is satisfied that the person has without good and sufficient reasons failed to collect or pay the tax.

Under the existing provisions contained in sub-section (7) of aforesaid section, if the seller does not collect the tax or after collecting the tax fails to pay it as required under the Income-tax Act, 1961, he is liable to pay simple interest at the rate of one per cent. per month under that sub-section.

It is proposed to substitute the word “seller” in sub-section (7) by the words “person responsible for collecting tax” to include all persons responsible for collection of tax within the scope of said sub-section.

It is further proposed to amend sub-section (8) so as to substitute the word “seller” by “any person responsible for collecting tax”. The proposed amendment is consequential in nature.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

It is also proposed to amend sub-section (7) of said section so as to provide that the person responsible for collection of tax and liable to pay interest under the said sub-section (7) shall pay the said interest before furnishing the quarterly statement for each quarter in accordance with the provisions of sub-section (3) of that section.

This amendment will take effect from 1st June, 2006. “

Clause 48 of the Bill seeks to amend section 234A of the Income-tax Act relating to interest for defaults in furnishing return of income.

Under the existing provisions contained in sub-section (1) of the said section, the assessee is held liable to pay simple interest at the rate of one per cent. for every month or part of a month on the amount of the tax on the total income as reduced by the advance tax, if any, paid and tax deducted or collected at source.

It is proposed to provide for (a) reduction of tax credit allowed to be set off under section 115JAA from the tax on the total income and (b) reduction of the amount of relief of tax allowed under sections 90 and 90A and deduction, from the Indian income-tax payable, allowed under section 91, from the tax on the total income.

It is further proposed to provide that interest is to be charged on the amount of the tax on the total income as determined under sub-section (1) of section 143, and where a regular assessment is made, on the total income determined under the regular assessment.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 49 of the Bill seeks to amend section 234B of the Income-tax Act relating to interest for defaults in payment of advance tax.

Under the existing provisions contained in sub-section (1) of the said section, the assessee is held liable to pay simple interest at the rate of one per cent for every month or part of the month on the amount of advance tax which falls short of assessed tax. *Explanation 1* to the said sub-section defines the “assessed tax” which means the tax on the total income as reduced by the amount of tax deducted or collected at source.

It is proposed to also provide for (a) reduction of tax credit allowed to be set off under section 115JAA, (b) reduction of the amount of relief of tax allowed under sections 90 and 90A and (c) deduction, from the Indian income-tax payable, allowed under section 91, from the assessed tax.

It is further proposed to provide that interest is to be charged on the amount of the tax on the total income as determined under sub-section (1) of section 143, and where a regular assessment is made, on the total income determined under the regular assessment.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 50 of the Bill seeks to amend section 234C of the Income-tax Act relating to interest for deferment of advance tax.

Under the existing provisions contained in sub-section (1) of the said section, the assessee is held liable to pay simple interest at the rate of one per cent per month on the amount of shortfall from the specified percentages of the tax due on the returned income. The tax due on the returned income is defined as the tax chargeable on the total income declared in the return of income as reduced by the tax deductible or collectible at source.

It is proposed to also provide for (a) reduction of tax credit allowed to be set off under section 115JAA from the tax due on the returned income and (b) reduction of the amount of relief of tax allowed under sections 90 and 90A and deduction, from the Indian income-tax payable, allowed under section 91, from the tax due on the returned income.

These amendments will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 51 of the Bill seeks to amend section 246A of the Income-tax Act which provides for appeal before Commissioner of Income-tax (Appeals) against certain orders passed by an Income-tax authority specified under various clauses of that section.

Under the existing provisions contained in section 246A, an assessee aggrieved by any of the orders specified in that section may appeal to the Commissioner of Income-tax. The amendment to the said section seeks to include a reference of section 271CA in said section 246A also for the said purpose.

The proposed amendment is consequential to the insertion of section 271CA *vide* clause 52 of this Bill.

This amendment will take effect from 1st April, 2007 and will,

accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 52 of the Bill seeks to insert a new section 271CA in the Income-tax Act relating to penalty for failure to collect tax at source.

The proposed new section 271CA provides for imposition of penalty on any person who fails to collect tax at source in contravention of the provisions of Chapter XVII-BB of the Act. Such penalty shall be a sum equal to the amount of tax which he failed to collect at source.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

Clause 53 of the Bill seeks to amend section 272A of the Income-tax Act relating to penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc.

Under the existing provisions contained in the said section, failure to furnish a return in due time under section 206 or section 206C renders the person, who fails to furnish the return, liable for penalty of a sum of one hundred rupees for every day during which the failure continues. The said section further provides that the amount of penalty for failure in relation to returns under sections 206 and 206C shall not exceed the amount of tax deductible or collectible, as the case may be.

It is proposed to amend the said section so as to provide that the amount of penalty for failure to file statements under sub-section (3) of section 200 and under the proviso to sub-section (3) of section 206C shall not exceed the amount of tax deductible or collectible, as the case may be. This amendment is of consequental nature.

These amendments will take effect from 1st June, 2006.

Clause 54 of the Bill seeks to amend section 272BB of the Income-tax Act relating to penalty for failure to comply with the provisions of section 203A.

It is proposed to insert a new sub-section (1A) in the said section so as to provide that, if a person who is required to quote his 'tax deduction account number' or 'tax collection account number' or 'tax deduction and collection account number' in the challans, certificates, statements or other documents referred to in sub-section (2) of section 203A, quotes a number which is false and which he either knows or believes to be false or does not believe to be true, such person shall pay by way of penalty a sum of ten thousand rupees.

Under the existing provisions contained in sub-section (2), no penalty shall be imposed unless the person concerned has been given a reasonable opportunity of being heard.

It is proposed to amend sub-section (2) so as to include a reference of sub-section (1A) therein for the purpose of giving an opportunity of being heard to the person on whom the penalty is proposed to be imposed under the said sub-section (1A).

These amendments will take effect from 1st June, 2006.

Clause 55 of the Bill seeks to amend section 273B of the Income-tax Act relating to penalty not to be imposed in certain cases.

Under the existing provisions of the said section, no penalty can be imposed on a person or assessee for any failure referred to in that section if the person or assessee proves that there was reasonable cause for such failure.

It is proposed to amend the aforesaid section so as to include a reference of section 271CA also for the said purpose.

The proposed amendment is of consequential nature.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.

It is also proposed to amend the said section to include a reference to sub-section (1A) of section 272BB so as to provide that no penalty shall be imposed if there is a reasonable cause for any failure.This amendment is consequential in nature.

This amendment will take effect from 1st June, 2006.

Clause 56 of the Bill seeks to amend the Fourth Schedule to the Income-tax Act relating to recognized provident funds.

Under the existing provisions contained in rule 3 of Part A of the Fourth Schedule, the Chief Commissioner or the Commissioner may accord recognition to any provident fund which, in his opinion satisfies the conditions prescribed in rule 4 and the rules made by the Board in this behalf, and may, at any time, withdraw such recognition if, the provident fund contravenes any of such conditions.

It is proposed to insert a proviso in sub-rule (1) of the said rule 3 so as to provide that in a case where recognition has been accorded to any provident fund on or before 31st March, 2006 and such provident fund does not satisfy the conditions set out in clause (ea) of rule 4, and any other conditions which the Board may, by rules specify in this behalf, the recognition to such fund shall be withdrawn, if such fund does not satisfy such conditions on or before 31st March, 2007.

Under the existing provisions contained in rule 4 of Part A of the Fourth Schedule, relating to conditions to be satisfied by recognised provident funds, a provident fund may receive and retain recognition if it satisfies certain conditions specified in the said rule.

It is proposed to insert a new clause (ea) in the said rule so as to provide for one more condition that the fund of an establishment shall be such to which the provisions of sub-section (3) or sub-section (4) of section 1 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 are applicable and such establishment has been exempted under section 17 of the said Act from the operation of all or any of the provisions of any Scheme referred to in that section.

This amendment will take effect from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-2008 and subsequent years.