

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2. **3.** In section 2 of the Income-tax Act,—

(i) in clause (24),—

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(A) in sub-clause (iia),—

(a) after the words, brackets and figures "sub-clause (iv) or sub-clause (v)", the words, brackets, figures and letter "or 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)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1999; 35

(b) for the words, brackets, figures and letter "or 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)", as so inserted by sub-item (a), the words, brackets, figures and letters "or by any university or other educational institution referred to in sub-clause (iiid) or sub-clause (vi) or by any hospital or other institution referred to in sub-clause (iiiae) or sub-clause (via)" shall be substituted with effect from the 1st day of April, 2007; 40

(B) after sub-clause (vii), the following sub-clause shall be inserted with effect from the 1st day of April, 2007, namely:—

"(viii) the profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members;" 45

(ii) after clause (26), the following clauses shall be inserted, namely:—

'(26A) "infrastructure capital company" means 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 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; 50

(26B) "infrastructure capital fund" means such fund operating under a trust deed registered under the provisions of the Registration Act, 1908 established to raise monies 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;'

(iii) in clause (37A), in sub-clause (iii), for the words and figures, "an agreement entered into by the Central Government under section 90, whichever is applicable by virtue of the provisions of section 90;"; the words, figures and letters "an agreement entered into by the Central Government under section 90, or an agreement notified by the Central Government under section 90A, whichever is applicable by virtue of the provisions of section 90, or section 90A, as the case may be;" shall be substituted with effect from the 1st day of June, 2006;

(iv) in clause (48), the *Explanation* shall be omitted.

4. In section 10 of the Income-tax Act,—

Amendment of section 10.

(a) in clause (6BB), for the words, figures and letters "or entered into after the 31st day of March, 2006 and approved by the Central Government in this behalf", the words, figures and letters "or entered into after the 31st day of March, 2007 and approved by the Central Government in this behalf" shall be substituted with effect from the 1st day of April, 2007;

(b) in clause (15A), in the proviso, for the words, figures and letters "the 1st day of April, 2006", the words, figures and letters "the 1st day of April, 2007" shall be substituted with effect from the 1st day of April, 2007;

(c) in clause (17), for sub-clause (iii), the following sub-clause shall be substituted with effect from the 1st day of April, 2007, namely:—

"(iii) any 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;";

(d) in clause (23C),—

(i) after the eleventh proviso, the following proviso shall be inserted with effect from the 1st day of June, 2006, namely:—

"Provided also that in case the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in the first proviso makes an application on or after the 1st day of June, 2006 for the purposes of grant of exemption or continuance thereof, such application shall be made at any time during the financial year immediately preceding the assessment year from which the exemption is sought:";

(ii) after the twelfth proviso as so inserted, the following proviso shall be inserted with effect from the 1st day of April, 2007, namely:—

"Provided also that any anonymous donation referred to in section 115BBC on which tax is payable in accordance with the provisions of the said section shall be included in the total income;";

(e) in clause (23EA), for the words "any income", the words "any income, by way of contributions received from recognised stock exchanges and the members thereof," shall be substituted with effect from the 1st day of April, 2007;

(f) clause (23G) shall be omitted with effect from the 1st day of April, 2007;

(g) in clause (38),—

(i) before the *Explanation*, the following proviso shall be inserted with effect from the 1st day of April, 2007, namely:—

"Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB.";

(ii) in the *Explanation*, in clause (i), for the words "fifty per cent.", the words "sixty-five per cent." shall be substituted with effect from the 1st day of June, 2006;

(h) after clause (41), the following shall be inserted, namely:—

'(42) any specified income arising to a body or authority which—

(a) 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;

(b) is established or constituted or appointed not for the purposes of profit;

(c) is notified by the Central Government in the Official Gazette for the purposes of this clause.

Explanation.—For the purposes of this clause, "specified income" means 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 this behalf. 5

Amendment of section 10B.

5. In section 10B of the Income-tax Act, in sub-section (1),—

(a) in the second proviso, for the word "also", the word "further" shall be substituted;

(b) after the third proviso, the following proviso shall be inserted, namely:—

"Provided also that no deduction under this 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." 10

Amendment of section 13.

6. In section 13 of the Income-tax Act, after sub-section (6) and before *Explanation 1*, the following sub-section shall be inserted with effect from the 1st day of April, 2007, namely:—

"(7) 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 section 115BBC on which tax is payable in accordance with the provisions of that section." 15

Amendment of section 14A.

7. Section 14A of the Income-tax Act shall be numbered as sub-section (1) thereof and after sub-section (1) as so numbered, the following sub-sections shall be inserted, with effect from the 1st day of April, 2007, namely:—

"(2) The Assessing Officer shall determine the amount of expenditure incurred in relation to such income which does not form part of the total income under this Act in accordance with such method as may be prescribed, 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 such expenditure in relation to income which does not form part of the total income under this Act. 20

(3) The 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 under this Act." 25

Amendment of section 17.

8. In section 17 of the Income-tax Act, in clause (2), after sub-clause (vi), in the proviso, with effect from the 1st day of April, 2007,—

(i) in clause (iii), after the words "Central Government", the words, brackets and figures "or the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999," shall be inserted; 30 41 of 1999.

(ii) in clause (iv), after the words "Central Government", the words, brackets and figures "or the Insurance Regulatory and Development Authority established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999," shall be inserted. 35 41 of 1999.

Amendment of section 36.

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

(a) for clause (ib), the following clause shall be substituted with effect from the 1st day of April, 2007, namely:—

"(ib) 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— 40

(A) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 and approved by the Central Government; or 57 of 1972.

(B) 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;" 45 41 of 1999.

(b) in clause (iia), in the *Explanation*, clause (iii) shall be omitted;

(c) in clause (viii), in the *Explanation*, for clause (d), the following clause shall be substituted with effect from the 1st day of April, 2007, namely:—

'(d) "infrastructure facility" means— 50

(i) an infrastructure facility as defined in the *Explanation* to clause (i) of sub-section (4) of section 80-IA, or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette and which fulfils the conditions as may be prescribed;