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 2005-2006. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2005-2006 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 2005-2006.

Rates of income-tax for the assessment year 2005-2006

Part I of the First Schedule to the Bill specifies the rates at which income is liable to tax for the assessment year 2005-2006. These rates are the same as those specified in Part III of the First Schedule to the Finance (No. 2) Act, 2004, 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 2004-2005.

Rates for deduction of tax at source during financial year 2005-2006 *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 2005-2006 from incomes other than "Salaries". In the case of a company other than a domestic company, the rate of deduction of tax at source during the financial year 2005-2006 from income by way of royalties and fees for technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or an Indian concern after the 1st day of June, 2005, shall be reduced from twenty per cent. to 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 (No.2) Act, 2004, for the purposes of deduction of income-tax at source during the financial year 2004-2005.

The amount of tax so deducted shall be increased by 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 the 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; or

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

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 2005-2006

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 2005-2006.

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. In such cases income-tax exemption limit has been raised to Rs.1,00,000. The new rates of income-tax on total income above Rs.1,00,000 will be as under:–

Rs.1,00,001 to Rs.1,50,000	10 per cent.
Rs.1,50,001 to Rs. 2,50,000	20 per cent.
Above Rs. 2,50,000	30 per cent.

In the case of every woman who is resident in India and is below the age of 65 years during the previous year, the exemption limit shall be raised to Rs. 1,25,000. The new rates of income-tax on total income above Rs. 1,25,000 in such cases will be as under:–

Rs. 1,25,001 to Rs. 1,50,000	10 per cent.
Rs.1,50,001 to Rs. 2,50,000	20 per cent.
Above Rs. 2,50,000	30 per cent.

In the case of every individual who is resident in India and is of the age of 65 years or more at any time during the previous year, the exemption limit shall be raised to Rs.1,50,000. The new rates of income-tax on total income above Rs.1,50,000 in such cases will be as under: –

Rs.1,50,001 to Rs. 2,50,000	20 per cent.
Above Rs. 2,50,000	30 per cent.

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 a total income exceeding ten lakh rupees be reduced by the amount of rebate of income tax calculated under chapter VIIIA, 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 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.

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 2005-2006. However, 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 be reduced from 35 per cent. to 30 per cent. The rate of surcharge for the purposes of the Union shall be increased to ten per cent.

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 the assessment year 2005-2006. However, 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 be reduced from 35 per cent. to 30 per cent. In the case of

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companies other than domestic companies, the rate of tax will continue to be the same as that specified for the assessment year 2005-2006. The amount of income-tax as so computed shall in the case of every domestic company be increased by a surcharge for the purposes of the Union calculated at the rate of ten per cent. of such income-tax and in the case of every company other than a domestic company shall be increased by a surcharge 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.

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

Clause (7) of the said section defines the term "assessee" to include, *inter alia*, every person in respect of whom any proceeding under the Act has been taken for the assessment of his income or of the income of any other person in respect of which he is assessable.

It is proposed to amend the said clause (7) so as to provide that the term "assessee" shall also include every person, being an employer in respect of whom any proceeding under the Act has been taken for the assessment of the fringe benefits in respect of which he is assessable.

It is further proposed to insert a new clause (23B) in the aforesaid section so as to provide that "fringe benefits" means the benefits as referred to in section 115WB.

The existing provisions contained in the proviso to clause (42A) of the said section provides that if a share in a company or any other securities listed in a recognised stock exchange in India or unit of the Unit Trust of India or unit of a Mutual Fund specified under clause (23D) of section 10, is held for not more than twelve months, it shall be in the nature of short-term capital asset. It is proposed to amend the said proviso so as to treat zero coupon bond held not for more than twelve months as a short-term capital asset.

Clause (43) of section 2 defines the term "tax". It is also proposed to amend the said clause so as to provide that the term "tax" shall include the fringe benefit tax chargeable under the proposed new section 115WA.

The existing provisions of clause (47) of said section defines the expression "transfer". It is proposed to insert a new sub-clause (iva) in the said clause (47) so as to provide that the maturity or redemption of a zero coupon bond shall also be treated as transfer.

It is also proposed to insert a new clause (48) and an *Explanation* thereto in the said section so as to define the expression 'zero coupon bond'. A zero coupon bond means a bond issued by any infrastructure capital company or infrastructure capital fund or public sector company on or after 1st day of June, 2005, in respect of which no payment and benefit is received or receivable before maturity or redemption from such company or fund or public sector company and which the Central Government may, by notification in the Official Gazette, specify in this behalf. It is also proposed to provide by way of *Explanation* that the expressions "infrastructure capital company" or "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 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The amendments proposed in clauses (7), (23B) and (43) of the aforesaid section are consequential in nature.

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

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 sub-clause (ii) of clause (4) of section 10, in the case of an individual, any income by way of interest on moneys standing to his credit in a Non-Resident (External) Account in any bank in India referred to in that sub-clause, shall not be included in computing his total income. However, the second proviso to the said sub-clause (ii) provides that such income by way of interest paid or credited on or after 1st April, 2005 to his Non-Resident (External) Account shall be included in the total income of the individual.

It is proposed to omit the said proviso.

Under the existing provisions contained in clause (6BB) of the said section, income-tax exemption is provided in respect of 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, 2005 and approved by the Central Government in this behalf and the tax on such income is payable by such Indian company under the terms of that agreement to the Central Government.

It is proposed to amend the said clause (6BB) so as to allow the said exemption in respect of all such agreements entered on or after 1st October, 2005.

Under the existing provisions of clause (10D), any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy other than any sum received under sub-section (3) of section 80DD or sub-section (3) of section 80DDA or any sum received under a Keyman insurance policy or under an insurance policy issued on or after 1st April, 2003 in respect of which the premium payable during any year exceeds twenty per cent. of the actual capital sum assured, shall be exempt. The second proviso to the said clause provides that the actual capital sum assured is to be calculated in the manner provided in the *Explanation* to sub-section (2A) of section 88.

It is proposed to amend the said second proviso so as to provide that for the purpose of this sub-clause, the actual capital sum assured is to be calculated in the manner provided in the *Explanation* to sub-section (3) of section 80C also.

Clauses 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premium, deferred annuity, contribution to the provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment to clause (10D) is therefore consequential in nature.

Under the existing provisions of item (fa) of sub-clause (iv) of clause (15) of section 10, the interest payable by a scheduled bank before 1st April, 2005 to a non-resident or to a person who is not ordinarily resident within the meaning of sub-section (6) of section 6 on deposits in foreign currency where the acceptance of such deposits by the bank is approved by the Reserve Bank of India shall not be included in computing his total income.

It is proposed to amend the said item (fa) to provide that such income payable by way of interest to a non-resident or to a person who is not ordinarily resident under the said item shall continue to be exempt on or after 1st April, 2005.

Under the existing provisions contained in clause (15A), exemption is 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 a 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.

It is proposed 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 October, 2005.

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

Clause 5 seeks to amend section 10A of the Income-tax Act relating to special provision in respect of newly established undertakings in free trade zones, etc.

Under the existing provisions contained in sub-section (1A) of the said section, an undertaking which begins to manufacture or produce articles or things or computer software during the previous year relevant to any assessment year commencing on or after 1st April, 2003 in any special economic zone, is eligible for hundred per cent. deduction for a period of five years and fifty per cent. for the next two years, followed by fifty per cent. of profits credited to a reserve account to be utilised for the purpose of the business, for the next three years.

It is proposed to insert a proviso in the said sub-section so as to provide that no deduction under section 10A shall be allowed to any undertaking, which begins to manufacture or produce articles or things or computer software after 31st March, 2009, in any special economic zone.

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

Clause 6 seeks to amend section 16 of the Income-tax Act relating to deductions from salaries.

The existing clause (i) of the said section provides for a deduction of forty per cent. of the salary or thirty thousand rupees, whichever is less, in the case of an assessee whose income from salary does not exceed five lakh rupees. In the case of an assessee whose income from salary exceeds five lakh rupees, a deduction of twenty thousand rupees is allowed.

It is proposed to omit the said clause (i) so as to disallow the said deduction.

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

Clause 7 seeks to amend section 17 of the Income-tax Act relating to the definition of "salary", "perquisite" and "profits in lieu of salary".

Under the existing provisions contained in sub-clause (vi) of clause (2) of the said section, "perquisite" includes the value of any other fringe benefit or amenity as may be prescribed.

It is proposed to amend the said sub-clause (vi) to provide that the value of any other fringe benefit or amenity which may be prescribed, shall exclude those fringe benefits which are chargeable to tax under Chapter XII-H proposed to be inserted *vide* clause 37 of the Bill. The proposed amendment is therefore consequential in nature.

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

Clause 8 seeks to amend section 32 of the Income-tax Act relating to depreciation.

Under the existing provisions contained in clause (iia) of sub-section (1) of the said section, a further sum equal to fifteen per cent. of the actual cost of any new machinery or plant (other than ships and aircraft) acquired and installed after the 31st day of March, 2002 by an assessee engaged in the business of manufacture or production of any article or thing, is allowed as deduction as further depreciation.

It is proposed to increase the said sum of further depreciation mentioned in the said clause (iia) from fifteen per cent. to twenty per cent. It is further proposed to omit the conditions relating to industrial undertaking being new or substantial expansion mentioned in the first proviso to the aforesaid clause (iia) and also to omit the requirements of furnishing details of machinery or plant and report of an accountant mentioned in the third proviso of that clause (iia).

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

The existing provisions of clause (2) of *Explanation* below clause (iii) of sub section (1) of said section 32 provide that the expression "sold" includes a transfer by way of exchange or a compulsory acquisition under any law for the time being in force but does not include a transfer, in a scheme of amalgamation, of any asset by the amalgamating company to the amalgamated company where the amalgamated company is an Indian company.

It is proposed to amend the said clause so as to provide that transfer of any asset in a scheme of amalgamation of a banking company referred to in clause (c) of section 5 of the Banking Regulation Act, 1949 with a banking institution referred to in sub-section (15) of section 45 of the Banking Regulation Act, 1949, sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949 would not come within the scope of expressions "sold" for purposes of said clause.

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.

Clause 9 seeks to amend section 33AC of the Income-tax Act relating to reserves for shipping business.

The existing sub-section (4) of the said section contains provisions dealing with the sale or transfer of a ship after the expiry of three years' lock-in period. Where a company sells or transfers the ship after three years' lock-in period and the sale proceeds are not utilised for the purpose of acquiring a new ship within a period of one year from the end of the previous year in which such sale or transfer took place, the sale proceeds shall be deemed to be the profits of the assessment year immediately following the previous year in which the ship was sold or transferred.

It is proposed to amend the said sub-section (4) so as to provide that only so much amount of the sale proceeds which represent the amount credited to the reserve account and utilised for acquisition of the ship would be deemed to be the profits.

This amendment will take retrospective effect from 1st April, 2004, and will, accordingly, apply in relation to the assessment year 2004-2005 and subsequent years.

Clause 10 seeks to amend section 35 of the Income-tax Act relating to expenditure on scientific research.

Under the existing provisions contained in sub-section (2AB) of the said section, a company engaged in the business of bio-technology or in the business of manufacture or production of any drugs, pharmaceuticals, electronic equipments, computers, chemicals, etc. incurs any expenditure on scientific research (not being in the nature of cost of any land or building) on in-house research and development facility, as approved by the prescribed authority, is allowed a deduction of a sum equal to one and one-half times of the expenditure so incurred. However, no deduction with regard to such expenditure incurred after 31st March, 2005 shall be allowed.

It is proposed to amend the said sub-section (2AB) so as to provide that deduction under the said sub-section shall be allowed with regard to such expenditure incurred upto 31st March, 2007.

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

Clause 11 seeks to amend section 35DDA of the Income-tax Act relating to amortisation of expenditure incurred under voluntary retirement scheme.

Under the existing provisions contained in sub-section (1) of the said section, where an assessee incurs any expenditure in any previous year by way of payment of any sum to an employee at the time of his voluntary retirement, under any scheme of voluntary retirement framed in accordance with the guidelines prescribed under clause (10C) of section 10, one-fifth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance shall be deducted in equal instalments for each of the four immediately succeeding previous years.

It is proposed to amend the aforesaid sub-section (1) so as to allow the whole expenditure incurred by the assessee in making payment to the employee in connection with his voluntary retirement either in the year of retirement or in any subsequent year, each part payment being entitled to deduction in five equal annual instalments beginning from the year in which such part payment is made to the employee.

This amendment will take effect retrospectively from 1st April, 2004 and will, accordingly, apply in relation to the assessment year 2004-2005 and subsequent years.

Clause 12 seeks to amend section 36 of the Income-tax Act relating to other deductions.

The existing provisions of sub-section (1) of the said section provides for allowing certain deductions in the manner provided in its various clauses. It is proposed to insert a new clause (iiia) in the said sub-section so as to provide deduction for the discount on a zero coupon bond on *pro rata* basis to be calculated in the manner as may be prescribed. The *Explanation* to the proposed clause provides the meaning of the expression "discount" as a difference of the amount received or receivable on issue of the bond and the amount payable on maturity or redemption of the bond issued by an infrastructural company or infrastructure capital fund or public sector company. It is also proposed to define the terms "period of life of the bond" "infrastructure capital company" and "infrastructure capital fund" by way of an *Explanation*.

It is further proposed to insert a new clause in the said sub-section so as to provide for allowing deduction in respect of banking cash transaction tax paid by the assessee during the year on the taxable banking transactions entered into by him. *Explanation* to this clause provides that for purposes of this clause the expressions "banking cash transaction tax" and the "taxable banking transaction" shall have the same meanings respectively assigned to them under Chapter VII of the Finance Act, 2005.

These amendments will take effect from 1st April, 2006, and shall accordingly apply for assessment year 2006-07 and subsequent years.

Clause 13 seeks to amend section 40 of the Income-tax Act relating to amounts not deductible.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendment is consequential in nature.

It is proposed to insert a new sub-clause (ic) in clause (a), of the said section 40 so as to provide that any sum paid on account of fringe benefit tax under the proposed new Chapter XII-H shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession".

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

Clause 14 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.

Under the existing provisions contained in the proviso to clause (5) of the said section, certain transactions are not deemed to be speculative transactions.

The proposed amendment seeks to provide that an eligible transaction in respect of trading in derivatives carried out in a recognised stock exchange shall also not be deemed to be a speculative transaction.

The proposed amendment also seeks to define certain expressions and prescribed conditions to be fulfilled by the recognised stock exchanges.

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

Clause 15 seeks to amend section 47 the Income-tax Act relating to transactions not regarded as transfer.

The existing provisions contained in the said section, *inter alia*, provide for the transactions which are not regarded as transfer for purpose of section 45 relating to capital gains.

It is proposed to insert a new clause (viaa) and an *Explanation* in said section so as to provide that the provisions of section 45 shall not be applicable in respect of any transfer of a capital asset by a banking company to a banking institution in a scheme of amalgamation of such banking company with such banking institution sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949. The *Explanation* to the said clause proposes to define the meaning of expressions "banking company" and "banking institution" used in the proposed clause (viaa).

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

Clause 16 seeks to amend section 49 of the Income-tax Act relating to cost with reference to certain modes of acquisition.

The existing provisions contained in the said section, *inter alia*, provide the cost of acquisition of certain capital assets which became the property of the assessee by way of modes specified therein.

Clause 19 of the Bill proposes to insert a new clause inserting new section 72AA. It is proposed to amend sub-section (1) of the said section 49 so as to include therein the transfer of a capital asset by a banking company to a banking institution under a scheme sanctioned and brought into force by the Central Government under sub section (7) of section 45 of the Banking Regulation Act, 1949. This amendment is therefore consequential in nature.

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

Clause 17 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 of the said section provide that the capital gain arising from transfer of a long term capital asset shall be exempt from tax if such capital gain is invested, within a period of six months after the date of transfer, in a long term specified asset, being any bond redeemable after three years, issued by the National Bank for Agriculture and Rural Development or the National Highways Authority of India, the Rural Electrification Corporation Limited, the National Housing Bank or the Small Industries Development Bank of India. If part of the capital gain is so invested in acquiring the long term specified asset, proportionate

exemption will be available. The exemption is available subject to the condition that the said long term specified assets are held for a minimum period of three years, failing which the exemption allowed on the basis of such investment will be disallowed and the amount so disallowed will be deemed to be the income chargeable to tax under the head "Capital gains" of the previous year in which such long term assets are sold or otherwise transferred.

Sub-section (3) of the said section provides that where the cost of the long term specified asset has been taken into account for the purposes of exemption under the said section 54EC, a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88.

It is proposed to amend sub-section (3) so as to provide that where the cost of the long term specified asset has been taken into account for the purposes of exemption under this section, a deduction from the income with reference to such cost shall not be allowed under the proposed section 80C.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

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

Clause 18 seeks to amend section 54ED of the Income-tax Act relating to capital gain on transfer of certain listed securities or unit not to be charged in certain cases.

The existing provisions of the said section provide that the capital gain arising from transfer of a long term capital asset, being listed securities or unit of a mutual fund or of the Unit Trust of India shall be exempt from tax if such capital gain is invested, within a period of six months after the date of transfer, in equity shares forming part of an eligible issue of capital, offered for subscription to the public. If part of the capital gain is so invested in acquiring the said equity shares, proportionate exemption will be available. The exemption is available subject to the condition that the said equity shares are held for a minimum period of one year, failing which the exemption allowed on the basis of such investment will be disallowed and the amount so disallowed will be deemed to be the income chargeable to tax under the head "Capital gains" of the previous year in which such equity shares are sold or otherwise transferred.

Sub-section (3) of the said section provides that where the cost of the specified equity shares has been taken into account for the purposes of exemption under the said section 54ED, a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88.

It is proposed to amend sub-section (3) so as to provide that where the cost of the specified equity shares asset has been taken into account for the purposes of exemption under the said section, a deduction from the income with reference to such cost shall not be allowed under section 80C.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

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

Clause 19 seeks to insert a new section 72AA in the Income-tax Act relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in scheme of amalgamation of banking company in certain cases.

The proposed new section seeks to provide that where a banking company has been amalgamated with a banking institution under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949, the accumulated loss and unabsorbed depreciation of the amalgamating banking company shall be deemed to be the loss or the allowance for depreciation of the banking institution with which the banking company has been amalgamated and all the provisions contained in the Income-tax Act relating to set-off and carry forward of loss and unabsorbed depreciation shall apply accordingly.

The *Explanation* to the proposed new section defines the expressions "accumulated loss", "banking company", "banking institution" and "unabsorbed depreciation" used in that section.

This amendment will take effect retrospectively from 1st April, 2005 and shall accordingly apply for assessment year 2005-06 and subsequent years.

Clause 20 seeks to amend section 73 of the Income-tax Act relating to losses in speculation business.

Under the existing provisions contained in sub-section (4) of the said section no loss is allowed to be carried forward for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

It is proposed to amend the said sub-section (4) so as to reduce the period of loss to be carried forward from eight assessment years to four assessment years.

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

Clause 21 seeks to insert a new section 80C in 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.

Sub-section (1) of the proposed new section seeks to provide that in computing the total income of an individual or a Hindu undivided family, a deduction not exceeding one lakh rupees shall be allowed with respect to the amounts paid or deposited, in the previous year out of the income chargeable to tax, in the schemes or plans referred to in sub-section (2) of the said section.

Sub-section (2) of the proposed new section provides that the amount paid or deposited in the previous year to effect or keep in force an insurance or a contract for a deferred annuity on the life of specified persons, as contribution to general provident fund, recognised provident fund, contribution for participation in the Unit-linked insurance plans of LIC Mutual Fund, subscription to any deposit scheme of National Housing Bank, subscription to equity shares or debentures forming part of any eligible issue of capital of a public company or a public financial institution, repayment of housing loan, payment of tuition fees, etc., is eligible for deduction under the proposed new section.

Sub-section (3) of the proposed new section seeks to provide that the provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent. of the actual capital sum assured. It is also proposed to clarify by the *Explanation* to the proposed sub-section (3) that in calculating any such actual capital sum, no account shall be taken of the value of any premiums agreed to be returned, or of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

Sub-section (4) of the proposed new section seeks to specify the persons in whose name the investments can be made.

Sub-section (5) of the proposed new section seeks to provide the consequences in the event of termination of contract of

insurance before the expiry of two years or transfer of the house property referred to in clause (xviii) of sub-section (2) before the expiry of five years.

Sub-section (6) of the proposed new section seeks to provide the consequences in the event of transfer of equity shares or debentures within a period of three years from the date of their acquisition.

Sub-section (7) of the proposed new section seeks to provide that insurance, deferred annuity, provident fund, superannuation fund, unit-linked insurance plan, etc. of sub-section (2) of section 88 shall be eligible for deduction under the proposed new section 80C.

Sub-section (8) of the proposed new section seeks to define certain terms such as contribution, insurance, security, transfer, etc. for the purposes of the said new section.

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

Clause 22 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 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.

Sub-section (3) of the said section provides that where any amount paid or deposited by the assessee, has been allowed as a deduction under this section, a rebate with reference to such amount shall not be allowed under section 88.

It is proposed to amend sub-section (3) so as to provide that where any amount paid or deposited by the assessee, has been allowed as a deduction under the aforesaid section, a deduction with reference to such amount shall not be allowed under section 80C.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

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

Clause 23 seeks to amend section 80CCD of the Income-tax Act relating to deduction in respect of contribution to pension scheme of Central Government.

Under the existing provisions contained in the said section, an assessee being an individual, employed by the Central Government on or after 1st January, 2004 is allowed a deduction in the computation of his total income, of the amount (as does not exceed ten per cent. of his salary) paid or deposited by him in his account under a pension scheme notified by the Central Government. A similar deduction is also allowed with respect to the amount contributed by the Central Government to the said account.

Sub-section (4) of the said section provides that where any amount paid or deposited by the assessee, has been allowed as a deduction under sub-section (1), no rebate with reference to such amount shall be allowed under section 88.

It is proposed to amend sub-section (4) so as to provide that where any amount paid or deposited by the assessee, has been allowed as a deduction under sub-section (1), no deduction with reference to such amount shall be allowed under section 80C.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

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

Clause 24 seeks to insert a new section 80CCE in the Income-tax Act relating to limit on deductions under sections 80C, 80CCC and 80CCD.

The proposed new section seeks to provide that the aggregate amount of deductions under section 80C, section 80CCC and section 80CCD shall not, in any case, exceed one lakh rupees.

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

Clause 25 seeks to substitute section 80E of the Income-tax Act relating to deduction in respect of repayment of loan taken for higher education by a new section.

Under the existing provisions contained in the said section, a deduction of rupees forty thousand is allowed to an individual on account of any amount paid by him in the previous year out of his income chargeable to tax, by way of repayment of loan or interest on such loan, taken from any financial institution or any approved charitable institution for the purpose of pursuing his higher education.

It is proposed to substitute the said section so as to, *inter alia* provide that deduction under the said section shall be available only with respect to the interest on the loan taken from any financial institution or any approved charitable institution for the purposes of pursuing his higher education. It is further proposed that there shall be no limit with regard to the payment of interest on such loan.

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

Clause 26 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.

Under the existing provisions contained in clause (i) of sub-section (4) of the said section, any enterprise carrying on the business of developing or operating and maintaining or developing, operating and maintaining any infrastructure facility and which starts operating and maintaining such infrastructure facility on or after 1st April, 1995, is eligible for a hundred per cent. deduction of profits for a period of ten years. Sub-clause (a) of the said clause provides that the enterprise shall be owned by a company registered in India or by a consortium of such companies.

The proposed amendment seeks to amend the said sub-clause so as to provide that the enterprise shall be owned by a company registered in India or by a consortium of such companies or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act.

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

Clause 27 of the Bill seeks to amend section 80-IB of the Income-tax Act relating to deduction in respect of profits and gains

from certain industrial undertakings other than infrastructure development undertakings.

Sub-section (4) of the said section, *inter alia,* provides for hundred per cent. deduction from profits, for a period of five assessment years followed by twenty-five per cent. (thirty per cent. in the case of a company) for the next five years, to the industrial undertakings engaged in manufacture or production of articles or things or operation of a cold storage plant and set up during the period beginning on 1st April, 1993 and ending on 31st March, 2005 in the State of Jammu and Kashmir.

It is proposed to amend the fourth proviso to the said sub-section so as to extend the said period from 31st March, 2005 to 31st March, 2007 for setting up industrial undertakings in the State of Jammu and Kashmir and for commencement of manufacture or production of articles or things or operation of a cold storage plant.

Under the existing provisions contained in sub-section (8A) of the said section, any company carrying on scientific research and development is allowed a hundred per cent. deduction of the profits of such business for a period of ten consecutive assessment years, if such company has, *inter alia*, been approved by the prescribed authority before 1st April, 2005.

It is proposed to extend the said time limit for obtaining approval upto 31st March, 2007.

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

Clause 28 seeks to omit section 80L of the Income-tax Act relating to deductions in respect of interest on certain securities, dividends, etc.

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

Clause 29 seeks to amend section 88 of the Income-tax Act relating to tax rebate on life insurance premia, contribution to provident fund, etc.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.

It is therefore proposed to insert a new sub-section (9) in section 88 so as to provide that no deduction from the amount of income-tax under the said section shall be allowed to any assessee for the assessment year beginning on 1st April, 2006 and subsequent years.

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

Clause 30 seeks to omit section 88B of the Income-tax Act relating to rebate of income-tax in case of individuals of the age of sixty-five years or above.

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

Clause 31 seeks to omit section 88C of the Income-tax Act relating to rebate of income-tax in case of women below sixty-five years.

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

Clause 32 seeks to omit section 88D of the Income-tax Act relating to rebate of income-tax in case of certain individuals.

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

Clause 33 seeks to amend section 112 of the Income-tax Act relating to tax on long-term capital gains.

The proviso occurring below clause (d) of sub-section (1) of the said section provides that where the tax payable in respect of any income arising from transfer of listed securities or units exceeds ten per cent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

It is proposed to amend the said proviso so as to provide that it shall also be applicable in respect of long-term capital gain arising from zero coupon bonds.

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

Clause 34 seeks to amend section 115A of the Income-tax Act relating to tax on dividends, royalty and technical service fees in the case of foreign companies.

The existing provisions of clause (b) of sub-section (1) of the said section provide for the rates at which income-tax shall be payable where the total income of a non-resident (not being a company) or a foreign company includes any income by way of royalty or fees for technical services other than income referred to in sub-section (1) of section 44DA received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after 31st March, 1976, and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy.

Under the existing provisions contained in the said clause (b), the royalty received in pursuance of an agreement made on or before 31st May, 1997 is taxable at the rate of thirty per cent. under the Income-tax Act and where such royalty is received in pursuance of an agreement made after 31st May, 1997, the same is taxable at twenty per cent. under that Act. The fees for technical services received in pursuance of an agreement made on or before 31st May, 1997 is taxable at the rate of thirty per cent. under the Income-tax Act and where such fees for technical services is received in pursuance of an agreement made after 31st May, 1997, the same is taxable at twenty per cent. under that Act.

It is proposed to amend the said clause (b) of sub-section (1) so as to reduce the said tax rate from twenty per cent. to ten per cent. on royalty received in pursuance of an agreement made on or after 1st June, 2005. It is further proposed to reduce the tax rate from twenty per cent. to ten per cent. on fees for technical services received in pursuance of an agreement made on or after 1st June, 2005.

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

Clause 35 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.

The existing provisions of the said section, *inter alia*, provide that where any amount of tax is paid under sub-section (1) of section 115JA by an assessee, being a company, credit in respect of the tax so paid is allowed. The tax credit is allowed on the difference of the tax paid for any assessment year under sub-section (1) of section 115JA and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of the Act.

It is proposed to amend the provisions of the said section so as to provide that where any amount of tax is paid under sub-

section (1) of section 115JB by a company for any assessment year beginning on or after 1st April, 2006, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of section 115JAA.

It is further proposed to give a reference of section 115JB in sub-section (2) of the section 115JAA.

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

Clause 36 seeks to amend section 115VD of the Income-tax Act relating to qualifying ship.

The existing provisions of the said section contains meaning of the qualifying ship which *inter alia* does not include "dredgers".

It is proposed to omit clause (vii) of the aforesaid section relating to dredgers so as to bring "dredgers" within the meaning of the qualifying ship.

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

Clause 37 seeks to insert a new Chapter XII–H in the Income-tax Act relating to income tax on fringe benefits. This Chapter contains 13 sections from section 115W to section 115WL.

The proposed new section 115W defines certain expressions used in the said Chapter.

The proposed new section 115WA relating to charge of fringe benefit tax provides that in addition to the income tax charged under the Income-tax Act, an income tax called fringe benefit tax shall be charged for every assessment year commencing from 1st April, 2006 in respect of fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year. The fringe benefit tax shall be levied at the rate of thirty per cent. on the value of fringe benefits. It has also been provided that fringe benefit tax shall be payable by an employer irrespective of the fact that such employer is not liable to pay income tax under the other provisions of the Income-tax Act.

The proposed new section 115WB seeks, *inter alia*, to define the term fringe benefits.

The proposed new section 115WC relates to value of fringe benefits. It lays down the value of fringe benefits [in terms of percentage of certain expenses specified in the proposed section 115WB] which shall be taken as fringe benefits for the purpose of levy of fringe benefit tax.

The proposed new section 115WD relates to return of fringe benefits. It, *inter alia*, provides that every person being an employer who has paid or made provision for payment of fringe benefits to his employees during the previous year, is required to furnish on or before the due date a return of fringe benefits to the Assessing Officer. The provisions contained in the said new section 115WD relating to return of fringe benefits are broadly on the lines of section 139 of the Income-tax Act.

The proposed new section 115WE relates to assessment. It, *inter alia*, provides that if any tax or interest is found due on the basis of the return of fringe benefits made under section 115WD, after adjustment of any advance tax paid and any amount paid otherwise by way of tax or interest, an intimation shall be sent to the assessee specifying the sum so payable which shall be deemed to be a notice of demand issued under section 156. The provisions contained in the said new section 115WE relating to assessment of fringe benefits are broadly on the lines of section 143 of the Income-tax Act.

The proposed new section 115WF relates to best judgment assessment. It, *inter alia*, provides that if an employer fails to furnish a return of fringe benefits under section 115WD or having made a return, fails to comply with all the terms of a notice issued under sub-section (2) of section 115WE, the Assessing Officer, shall after taking into account all relevant material and after giving the assessee an opportunity of being heard, make the assessment of the fringe benefits to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment. The provisions contained in the said new section 115WF relating to best judgment assessment of fringe benefits are broadly on the lines of section 144 of the Income-tax Act.

The proposed new section 115WG relates to fringe benefits escaping assessment. It, *inter alia*, provides that where the Assessing Officer has reason to believe that any fringe benefits chargeable to tax has escaped assessment for any assessment year, he may assess or reassess such fringe benefits and also any other fringe benefits chargeable to tax which has escaped assessment and which comes to his notice subsequently in the course of the proceedings under this section. The provisions contained in the said new section 115WG relating to fringe benefits escaping assessment are broadly on the lines of section 147 of the Income-tax Act.

The proposed new section 115WH relates to the issue of notice where fringe benefits have escaped assessment. It, *inter alia*, provides that where fringe benefits have escaped assessment, before making the assessment or reassessment under section 115WG, the Assessing Officer shall serve a notice on the assessee requiring him to furnish a return of fringe benefits within the prescribed period and in the prescribed form and manner, setting forth such particulars as may be prescribed. However, no such notice shall be issued for the relevant assessment year after the expiry of six years from the end of the relevant assessment year. It has also been provided that where an assessment under sub-section (3) of section 115WE or section 115WG has been made for the relevant assessment year, no notice shall be issued under this section, after the expiry of four years from the end of the relevant assessment year, unless the Chief Commissioner or Commissioner is satisfied, on the reasons recorded by the Assessing Officer, that it is a fit case for the issue of such notice.

The proposed new section 115WI relates to payment of fringe benefits. It, *inter alia*, provides that irrespective of the fact that the regular assessment in respect of fringe benefits is to be made in a later assessment year, the tax on such fringe benefits shall be payable in advance during any financial year, in accordance with the provisions of section 115WJ.

The proposed new section 115WJ relates to advance tax in respect of fringe benefits. It, *inter alia*, provides that every employer shall pay advance tax on his current fringe benefits. The amount of advance tax payable in the financial year shall be thirty per cent. of the value of the fringe benefits paid or payable in each quarter. The advance tax shall be payable on or before 15th day of the month following such quarter. It has also been provided that the advance tax payable in relation to the quarter ending on 31st March of the financial year shall be paid by the assessee on or before 15th March of the said financial year. It has also been provided that where an assessee, fails to pay the advance tax for any quarter or where the advance tax paid by him is less than thirty per cent of the value of fringe benefits paid or payable in that quarter, he shall be liable to pay simple interest at the rate of one per cent. on the shortfall, for every month or part of a month for which the shortfall continues.

The proposed new section 115WK relates to interest for default in furnishing return of fringe benefit. It, *inter alia*, provides that where the return of fringe benefits for any assessment year under section 115WD is furnished after the due date, or is not furnished, the employer shall be liable to pay simple interest at the rate of one per cent. for every month or part of a month, comprised in the period commencing on the date immediately following the due date

and ending on the date of furnishing of the return or where no return is furnished ending on the date of completion of the assessment under section 115WF. The interest shall be charged on the amount of fringe benefit tax determined under sub-section (1) of section 115WE or on regular assessment as reduced by the advance tax paid under section 115WJ. The provisions contained in the said new section 115WK relating to interest for default in furnishing return of fringe benefits are broadly on the lines of section 234A of the Income-tax Act.

The proposed new section 115WL relates to application of other provisions of the Income-tax Act. It, *inter alia*, provides that save as otherwise provided in Chapter XII–H, all other provisions of the Income-tax Act shall apply in relation to fringe benefits also.

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

Clause 38 of the Bill seeks to amend section 119 of the Income-tax Act relating to instructions to subordinate authorities.

Under the existing provisions contained in clause (a) of sub-section (2) of the said section, the Board may, if it considers it necessary or expedient so to do, for the purpose of proper and efficient management of the work of assessment and collection of revenue, issue, from time to time, whether by way of relaxation of any of the provisions of the sections specified therein or otherwise, general or special orders in respect of any class of incomes or class of cases, setting forth directions or instructions not being prejudicial to the assessee and for this purpose issue guidelines, principles or procedures to be followed by other income-tax authorities in the work relating to assessment or collection of revenue or the initiation of proceedings for the imposition of penalties.

It is proposed to amend the said clause (a) so as to provide that such general or special orders may be issued by the Board by way of relaxation of the provisions of sections 115WD, 115WE, 115WF, 115WG, 115WH, 115WJ and 115WK also.

It is further proposed to amend the said sub-section (2) so as to substitute the words “any class of incomes” by the words “any class of incomes or fringe benefits” as a consequential amendment to the insertion of a new Chapter XII-H in the Income-tax Act *vide* clause 37 of the Bill.

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

Clause 39 of the Bill seeks to amend section 124 of the Income-tax Act relating to jurisdiction of the Assessing Officer.

The existing provisions of clause (a) of sub-section (3) of the said section provides that no person shall be entitled to call in question the jurisdiction of an Assessing Officer where such person has made a return under sub-section (1) of section 139 after the expiry of one month from the date on which he was served with a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or after the completion of the assessment, whichever is earlier.

It is proposed to amend clause (a) of sub-section (3) to include a reference to a return of fringe benefits made under sub-section (1) of the proposed new section 115WD.

The existing provisions of clause (b) of sub-section (3) of the said section provide that the jurisdiction of the Assessing Officer shall not be called in question where no return has been made, after the expiry of the time allowed by the notice under sub-section (1) of section 142 or under section 148 for the making of the return or by the notice under the first proviso to section 144, whichever is earlier.

It is further proposed to amend clause (b) of the said sub-section so as to include a reference to a notice issued under sub-section (2) of section 115WD or under section 115WH for the making of the return or a notice under the first proviso to section 115WF.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 40 seeks to amend section 139 of the Income-tax Act relating to return of income.

Under the existing provisions of clause (a) of sub-section (1) of said section 139, every person being a company is required to furnish his return of income in prescribed form on or before the due date.

It is proposed to amend this clause so as to provide that every firm in addition to the company shall also furnish a return of its income on or before the due date.

Under the existing provisions of clause (b) of sub-section (1) of section 139, every person, being a person other than a company, if his total income or the total income of any other person in respect of which he is assessable during the previous year exceeded the maximum amount which is not chargeable to income-tax shall on or before the due date furnish a return of his income or income of such other person during the previous year in the prescribed form.

It is proposed to amend this clause so as to exclude a firm also from the ambit of this clause which is of consequential in nature.

Under the existing provisions of the first proviso to sub-section (1) of the said section 139, a person referred to in clause (b) thereof who is not required to furnish a return under sub-section (1) of section 139, if fulfils any of six conditions specified therein has to furnish a return of its income. One such condition specified in clause (iii) of the said proviso is that the person is a subscriber to a cellular telephone not being a wireless in local loop telephone.

It is proposed to omit this condition for purposes of filing the return under the said proviso.

It is further proposed to include in the scope of sub-section (1) of section 139 a person who has incurred an expenditure of fifty thousand rupees or more towards consumption of electricity during the previous year.

Under the existing provisions of the third proviso to aforesaid sub-section (1), every company is required to furnish on or before the due date the return in respect of its income or loss in every previous year.

It is proposed to amend the said proviso so as to provide that every firm in addition to the company shall also furnish on or before the due date the return in respect of its income or loss in every previous year.

Under the existing provisions of clause (b) of aforesaid sub-section (1), a person other than a company is required to furnish the return of income if his total income or the total income of any other person in respect of which he is assessable exceeds the maximum amount which is not chargeable to income-tax. It is proposed to insert a fourth proviso to sub-section (1) of section 139 so as to provide that every person being an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person if his total income or the total income of any other person in respect of which he is assessable under this Act during the previous year, without giving effects to the provisions of section 10A, section 10B, section 10BA and Chapter VI-A exceeded the maximum amount which is not chargeable to income tax, shall, on or before the due date, furnish a return of his income or the income

of such other person during the previous year, in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed.

These amendments will take effect from 1st April, 2006 and will, accordingly, apply in relation to assessment year 2006-2007 and onwards.

Under the existing provisions contained in sub-clause (i) of clause (c) of *Explanation* to sub-section (9) of the said section 139 where the return of income is not accompanied by the proof of tax, if any, claimed to have been deducted at source after 1st April, 2005, the return of income shall not be regarded as defective.

It is proposed to extend the said date to 1st April, 2006 so as to provide that the return of income if not accompanied by proof of tax, if any, claimed to have been deducted at source after 1st April, 2006, shall not be regarded as defective.

This amendment will take effect from 1st April, 2005.

Clause 41 of the Bill seeks to amend section 139A of the Income-tax Act relating to permanent account number.

The existing provisions of sub-section (1) of the said section, *inter alia*, provide that every person whose total income during any previous year exceeded the maximum amount which is not chargeable to income-tax and who has not been allotted a permanent account number, shall, within the prescribed time, apply to the Assessing Officer for allotment of a permanent account number. Sub-section (7) of section 139A provides that no person who has already been allotted a permanent account number under the new series shall apply, obtain or possess another permanent account number.

It is proposed to insert a new clause (iv) in sub-section (1) of the aforesaid section to provide that every person being an employer, who is required to furnish a return of fringe benefits under section 115WD and who has not been allotted a permanent account number, shall apply to the Assessing Officer for allotment of a permanent account number within the prescribed time.

It is further proposed to insert an Explanation in sub-section (7) to clarify that any person, who has been allotted a permanent account number under sub-section (1), shall not be required to obtain another permanent account number under the proposed clause (ia) of the said sub-section and the permanent account number already allotted shall be deemed to be the permanent account number in relation to fringe benefit tax.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 42 seeks to amend section 140 of the Income-tax Act relating to return by whom to be signed.

The existing provision of the said section specifies the persons who are authorised to sign and verify the return of income under section 139 of the Act.

It is proposed to include a reference in the said section to a return of fringe benefits made under section 115WD.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 43 seeks to amend section 140A of the Income-tax Act relating to self-assessment.

Under the existing provisions contained in sub-section (1) of the said section, it is provided that where any tax is payable on the basis of any return required to be furnished under section 139 or section 142 or section 148 or section 153A or section 158BC, after taking into account the amount of tax, if any, already paid under any provision of this Act, the assessee shall be liable to pay such tax together with interest payable for any delay in furnishing the return or any default or delay in payment of advance tax , before furnishing the return and the return shall be accompanied by proof of payment of such tax and interest. Sub-section (1A) of section 140A provides that for the purposes of sub-section (1), interest payable 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, if any, paid and any tax deducted or collected at source.

It is proposed to amend sub-section (1) of the aforesaid section to include a reference to a return of fringe benefits furnished under section 115WD

It is further proposed to substitute sub-section (1A) of the said section, *inter alia*, to provide that interest payable under section 115WK shall be computed on the amount of tax on the value of the fringe benefits as declared in the return as reduced by the advance tax, paid, if any.

It is also proposed to amend sub-section (2) of the said section so as to include a reference to the proposed new section 115WE or section 115WF in the aforesaid sub-section.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 44 of the Bill seeks to amend section 142 of the Income-tax Act relating to inquiry before assessment.

Sub-section(1) of the existing provision, *inter alia*, provides that for the purpose of making assessment under the Act, the Assessing Officer may serve a notice on any person who has made a return under section 139 to produce or cause to be produced such accounts or documents as the Assessing Officer may require.

It is proposed to include a reference in the said sub-section to a return of fringe benefits made under the proposed section 115WD of this Act.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 45 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 insert sub-section (1A) in the said section so as to provide that no order of assessment shall be made under the proposed new section 115WE or new section 115WF at any time after the expiry of two years from the end of the assessment year in which the fringe benefits was first assessable.

It is further proposed to insert sub-section (1B) in the said section so as to provide that no order of assessment or reassessment shall be made under the proposed new section 115WG after the expiry of one year from the end of the financial year in which the notice under the new section 115WH was served.

It is also proposed to amend sub-section (2A)and sub-section (3) of the said section so as to give the reference of newly inserted sub-sections (1A) and (1B) therein.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 46 seeks to amend section 153B of the Income-tax Act relating to time-limit for completion of assessment under section 153A.

Clause (a) of sub-section (1) of the said section 153B confers power upon the Assessing Officer to make an order of assessment or reassessment of total income of six assessment years preceding the assessment year relevant to the previous year in which search is conducted or requisition is made, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. Clause (b) of the said sub-section confers power upon the Assessing Officer to make an order of assessment or reassessment of total income of the assessment year relevant to the previous year in which search is conducted or requisition is made, within a period of two years from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

The time-limit provided in the aforesaid clause (a) and clause (b) is also applicable for making assessment or reassessment in case of other person referred to in section 153C. It is proposed to insert a proviso to sub-section (1) of the said section 153B so as to provide that in case of such other person, the time limit for making assessment or reassessment of total income of the assessment years referred to in clause (a) and clause (b) of said sub-section, shall be the time limit of two years from the end of the financial year in which the last of authorisation for search under section 132 or for requisition under section 132A was executed or one year from the end of the financial year in which books of account or documents or assets seized or requisitioned are handed over under section 153C to the Assessing Officer having jurisdiction over such other person, whichever is later.

This amendment will take effect retrospectively from 1st June, 2003 and will, accordingly, apply in relation to a search initiated under section 132 or in relation to books of account, other documents or any assets requisitioned under section 132A after 31st May, 2003.

Clause 47 seeks to amend section 153C of the Income-tax Act relating to assessment of income of any other person.

Under the existing provisions of section 153A, where the Assessing Officer is satisfied that books of account or documents or assets seized under section 132 or requisitioned under section 132A belong to a person other than a person in whose case search under section 132 or requisition under section 132A was made, he shall handover the same to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against such other person under section 153A. Second proviso to section 153A provides that assessment or reassessment, if any, relating to any assessment year falling within the period of six assessment years referred to in the said section pending on the date of initiation of the search under section 132 or making of requisition under section 132A, as the case may be, shall abate.

It is proposed to amend the said section so as to provide that in case of such other person, the reference to the date of initiation of the search under section 132 or making of requisition under section 132A in the second proviso to section 153A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having the jurisdiction over such other person.

It is further proposed to insert a new sub-section (2) so as to provide that for assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A in case of other person, where (a) no return of income has been furnished by such person and no notice under sub-section (1) of section 142 has been issued to him, or (b) a return of income has been furnished by such person but no notice under sub-section (2) of section 143 has been served and limitation of serving the notice under sub-section (2) of section 143 has expired, or (c) assessment or reassessment, if any, has been made, before the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person, such Assessing Officer shall issue the notice and assess or reassess total income of such other person for such assessment year in the manner provided in section 153A. The provisions of proposed new sub-section (2) would apply where books of account or documents or assets seized or requisitioned referred to in sub-section (1) has been received by the Assessing Officer having jurisdiction over such other person after the due date for furnishing the return of income for the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A.

This amendment will take effect retrospectively from 1st June, 2003 and will, accordingly, apply in relation to a search initiated under section 132 or in relation to books of account, other documents or any assets requisitioned under section 132A after the 31st May, 2003.

Clause 48 seeks to amend section 194A of the Income-tax Act relating to interest other than “interest on securities”.

The existing provisions of sub-section (3) of the said section provide that the provisions of sub-section (1) of said section shall not apply in respect of certain income or receipts. It is proposed to amend the said sub-section (3) so as to provide that provisions of sub-section (1) shall not be applicable in respect of income paid or payable on a zero coupon bond issued by an infrastructure capital company or infrastructure capital fund or public sector company on or after 1st June, 2005. It is also proposed to amend the *Explanation* to sub-section (3) so as to provide that the expression “infrastructure capital company” and “infrastructure capital fund” shall have the same meanings respectively assigned to them in clause (a) and clause (b) of *Explanation 1* to clause (23G) of section 10.

This amendment will take effect from 1st June, 2005.

Clause 49 seeks to amend section 194C of the Income-tax relating to deduction of tax at source on payments to contractors and sub-contractors.

The existing provisions contained in clause (i) of sub-section (3) of the said section provides that no deduction of tax shall be made under sub-section (1) or sub-section (2) of the aforesaid section where the amount of any sum credited or paid or likely to be credited or paid to the account of, or to, the contractor or sub-contractor, if the sum so credited or paid does not exceed twenty thousand rupees. However, where the aggregate of amounts of such sums credited or paid or likely to be credited or paid, during the financial year exceeds fifty thousand rupees, the person responsible for paying such sums referred to in sub-section (1) or, as the case may be, sub-section (2) shall be liable to deduct income-tax under this section.

It is proposed to amend the said clause (i) so as to provide that deduction of tax at source shall not be made on the amount of any sum credited or paid or likely to be credited or paid, during the course of business of plying, hiring or leasing goods carriages, to a sub-contractor being an individual and not owning more than two goods carriages at any time during the previous year. Such sub-contractor is required, however, to furnish a declaration as may be prescribed to the person paying or crediting such sum.

The person responsible for making payment to the sub-contractor shall also furnish to the prescribed income-tax authority or to the persons authorised by such authority, the prescribed particulars in the prescribed form and within the prescribed time.

This amendment will take effect from 1st June, 2005.

Clause 50 seeks to amend section 199 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, 2005, and paid to the credit of the Central Government and specified in the statement referred to in section 203AA shall be treated as tax paid on behalf of the persons from whose income the amount of tax has been deducted and credit is given to him in the assessment without the production of certificate.

The proposed amendment seeks to provide that the credit for the amount of tax deducted and paid to the Central Government shall also be allowed on the basis of a certificate of deduction of tax furnished in respect of tax deducted on or after 1st April, 2005 and before 1st April, 2006.

This amendment will take effect from 1st April, 2005.

Clause 51 seeks to amend section 203 relating to certificate for tax.

Under the existing provisions contained in sub-section (3) there is no requirement to furnish a certificate referred to in sub-section (1) or sub-section (2) for the tax deducted or paid on or after 1st April, 2005 in accordance with the provisions of Chapter XVII.

It is proposed to extend the said date up to 1st April, 2006 to provide that in a case where tax has been deducted or paid on or after 1st April, 2006, there shall be no requirement to furnish the certificate of deduction of tax at source to the deductee.

This amendment will take effect from 1st April, 2005.

Clause 52 seeks to insert a new section 206A in the Income-tax Act relating to furnishing of quarterly return in respect of payment of interest to residents without deduction of tax.

The proposed new section 206A seeks to provide that any banking company or cooperative society or public company referred to in the proviso to clause (i) of sub-section (3) of section 194A responsible for paying to a resident any income not exceeding five thousand rupees by way of interest (other than interest on securities), shall prepare quarterly returns for the period ending on the 30th June, the 30th September, the 31st December and the 31st March in each financial year and deliver or cause to be delivered to the prescribed income-tax authority or the person authorised by such authority the quarterly returns as aforesaid, verified in such manner and within such time as may be prescribed, on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media.

It is further provided that the Central Government may, by notification in the Official Gazette, require any person other than a person mentioned in sub-section (1) responsible for paying to a resident any income liable for deduction of tax at source under Chapter XVII, to prepare and deliver or cause to be delivered quarterly returns in the prescribed form and verified in such manner and within such time as may be prescribed, to the prescribed income-tax authority or the person authorized by such authority on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media.

This amendment will take effect from 1st June, 2005.

Clause 53 seeks to amend section 206C 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, 2005 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, 2005.

The proposed amendment seeks to extend the date to 1st April, 2006 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 for the taxes collected on or after 1st April, 2006 and there is no requirement of furnishing a certificate by the collector in respect of taxes collected on or after 1st April, 2006.

This amendment will take effect from 1st April, 2005.

Clause 54 seeks to amend section 238 of the Income-tax Act relating to the person entitled to claim refund in certain special cases.

The existing provisions of the said section, *inter alia*, provide that where the income of one person is included under any provision of this Act in the total income of any other person, the latter alone shall be entitled to a refund in respect of such income.

It is proposed to insert a new sub-section (1A) so as to provide that where the value of fringe benefits provided or deemed to have been provided by one employer is included in the value of fringe benefits provided or deemed to have been provided by any other employer, the latter alone shall be entitled to a refund in respect of such fringe benefits.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 55 seeks to amend section 239 of the Income-tax Act relating to the form of claim for refund and limitation.

Under the existing provisions contained in the said section, every claim for refund is to be made within one year from the last day of the assessment year.

It is proposed to insert a new clause (d) in sub-section (2) of the said section so as to provide that the claim for refund in respect of fringe benefits assessable for any assessment year commencing on or after the first day of April, 2006, shall be made within one year from the last day of such assessment year.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 56 seeks to amend section 244A of the Income-tax Act relating to interest on refunds.

Under the existing provisions contained in sub-section (1) of the said section, where refund of any amount becomes due to the assessee under the Act, the assessee is entitled to receive, in addition to the said amount, simple interest thereon at the rate of one-half percent. for every month or part of a month comprised in the period of delay specified in the said section. Sub-section (4) provides that the provisions of this section shall apply in respect of assessments for the assessment year commencing on the 1st day of April, 1989 and subsequent assessment years.

It is proposed to amend the said section so as to include a reference to any tax paid under the proposed new section 115WJ and also to provide that in respect of assessment of fringe benefits, the provisions of section 244A shall apply in respect of assessments for the assessment year commencing on the 1st day of April, 2006 and subsequent assessment years.

It is also proposed to include a reference to an order under sub-section (3) of section 115WE or section 115WF or section 115WG in sub-section (3) of sub-section 244A.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 57 seeks to amend section 246A of the Income-tax Act relating to appealable orders before Commissioner (Appeals).

The existing provisions contained in the said section, *inter alia*, provide for appeal by an assessee to the Commissioner (Appeals) against an order under sections 143(3), 147, 150, etc., of the Act.

It is proposed to insert two new clauses (aa) and (ab) in sub-section (1) of the said section so as to provide for appeal by the assessee, being an employer, against the value of fringe benefits assessed in an order of assessment under sub-section (3) of the proposed new section 115WE or section 115WF, or an order of assessment or reassessment under section 115WG.

It is further proposed to amend sub-clause (B) of clause (j) in sub-section (1) of the said section so as to include a reference to an order under the new section 271FB.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 58 seeks to amend section 271 of the Income-tax Act relating to the failure to furnish returns, comply with notices, concealment of income, etc.

Under the existing provisions contained in sub-section (1) of the said section, if the Assessing Officer or the Commissioner (Appeals), in the course of any proceedings under the Act, is satisfied that any person has failed to comply with a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or fails to comply with a direction issued under sub-section (2A) of section 142 of the said Act, he may direct that such person shall pay by way of penalty, in addition to any tax payable by him, a sum which shall not be less than ten thousand rupees for each such failure.

It is proposed to amend the said section so as to include a reference to sub-section (2) of the proposed new section 115WD and sub-section (2) of new section 115WE and provide that any references in section 271 to income shall be construed as references to the income or fringe benefits, as far as may be, and the provisions of the said section shall apply in relation to any assessment in respect of fringe benefits also.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 59 of the Bill seeks to insert a new section 271FB of the Income-tax Act relating to penalty for failure to furnish a return of fringe benefits.

It is proposed to provide that where an employer who is required to furnish a return of fringe benefits under sub-section (1) of the proposed new section 115WD, fails to furnish such return within the prescribed time, he shall be liable to pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 60 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.

The proposed amendment seeks to insert a new clause (l) in sub-section (2) in the said section to provide that where any person notified by the Central Government in this regard fails to deliver or cause to be delivered the quarterly return within the time prescribed in sub-section (1) of section 206A, he shall pay, by way of penalty, a sum of one hundred rupees for every day of such default.

This amendment will take effect from 1st June, 2005.

Clause 61 seeks to amend section 273B of the Income-tax Act relating to penalty not to be imposed in certain cases.

The existing provisions contained in the said section, *inter alia*, provide that no penalty under sections 271A, 271B, 271C, 271D, 271F, etc shall be imposed on any person if he proves that there was reasonable cause for the said failure.

The proposed amendment seeks to include a reference to the proposed new section 271FB in the said section.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendment is therefore consequential in nature.

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

Clause 62 of the Bill seeks to amend section 276CC of the Income-tax Act relating to failure to furnish returns of income.

The existing provisions contained in the said section, *inter alia*, provide that if any person wilfully fails to furnish the return of income under sub-section (1) of section 139 or section 148 in due time, he shall be punishable with rigorous imprisonment for a term not less than six months but which may extend to seven years in a case where the amount of tax, penalty or interest evaded exceeds one hundred thousand rupees.

The proposed amendments seek to include references to sub-section (1) and sub-section (2) of the proposed new section 115WD and section 115WH in the said section.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendments are therefore consequential in nature.

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

Clause 63 seeks to amend section 278 of the Income-tax Act relating to abetment of false return, etc.

The existing provisions contained in the said section, *inter alia*, provide that if a person abets or induces another person to

make and deliver an account or statement or declaration relating to any income chargeable to tax which is false, he is liable for punishment with rigorous imprisonment for a term not less than six months but which may extend to seven years in a case where the amount of tax, penalty or interest evaded exceeds one hundred thousand rupees.

It is proposed to amend the said section so as to substitute the words “any income chargeable to tax” by the words “any income or any fringe benefits chargeable to tax”.

Clause 37 of the Bill seeks to insert a new Chapter XII-H relating to income-tax on fringe benefits. The proposed amendment is therefore consequential in nature.

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

Clause 64 seeks to amend section 295 of the Income-tax Act relating to rule making powers of the Board.

It is proposed to omit clause (e) of sub-section (2) of the said section relating to the percentage or the amount to be prescribed under clause (i) of sub-section (4) of section 80C as this clause is redundant.

Clause 21 of the Bill proposes to insert a new section 80C relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc. The proposed amendment is therefore consequential in nature.

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