

Unit Trust of India (Amendment) Act, 1966

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Unit Trust of India (Amendment) Act, 1966

An Act further to amend the Unit Trust of India Act, 1963.

BE it enacted by Parliament in the Seventeenth Year of the Republic of India as follows:--

1 . Short title and commencement.- (1) This Act may be called the Unit Trust of India (Amendment) Act, 1966.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2 . Amendment of section 2.- In section 2 of the Unit Trust of India Act, 1963(52 of 1963) (hereinafter referred to as the principal Act),-

(i) after clause (c), the following clause shall be inserted, namely:--

'(cc) "first unit scheme" means the unit scheme made before the commencement of the Unit Trust of India (Amendment) Act, 1966;';

(ii) after clause (j), the following clause shall be inserted namely:--

(jj) "subsequent unit scheme" means any scheme made after the commencement of the Unit Trust of

India (Amendment) Act, 1966;';

(iii) in clauses (n), (o), (p) and (q), for the words "the unit scheme", the words "a unit scheme" shall be substituted.

3 . Amendment of section 4.- In section 4 of the principal Act, in sub-section (5), for the words "the contributing institutions", the following words, brackets, letters and figures shall be substituted, namely:--

"any contributing institution, and in making any such refund the Board shall not make any discrimination between the institutions referred to in clause (c) of sub-section (2) or between the institutions referred to in clause (d) of that sub-section".

4 . Amendment of section 19.- In section 19 of the principal Act, in sub-section (1),--

(i) after clause (c), the following clause shall be inserted, namely:--

"(cc) formulating in relation to any unit scheme-

(i) savings and life insurance plan or plans in association with or as the agent of, the Life Insurance Corporation of India, but not including the life insurance business; or

(ii) any other plan or plans,

under which a person may acquire an interest in units;"

(ii) in clause (d), after the words "matters and things", the words "as may promote the sale of units or" shall be inserted.

5 . Amendment of section 20.- In section 20 of the principal Act, for sub-sections (2), (3) and (4), the following sub-sections shall be substituted, namely:--

"(2) The Trust may borrow money from the Reserve Bank-

(i) repayable on demand or on the expiry of a fixed period not exceeding ninety days from the date on which the money is so borrowed, against stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India;

(ii) repayable on demand or within a period of eighteen months from the date on which the money is so borrowed, against the security of the bonds which the Trust may issue with the approval of the Central Government;

(iii) on such terms and conditions and against the security of such other property of the Trust as may

be specified in this behalf by the Reserve Bank for the purposes of any scheme other than the first unit scheme:

Provided that any amount borrowed under this clause and outstanding at any one time shall not exceed--

(a) five crores of rupees in respect of each such scheme; and

(b) ten crores of rupees in respect of all such schemes in the aggregate.

(3) The bonds issued by the Trust under sub-section (2) shall be guaranteed by the Central Government as to the repayment of principal and the payment of interest at such rate as may be fixed by the Central Government at the time the bonds are issued."

6 . Insertion of new sections 20A and 20B.- After section 20 of the principal Act, the following sections shall be inserted, namely:--

"20A.Special contribution by Reserve Bank.- The Reserve Bank may, from time to time, in its discretion pay to the Trust from out of the amount payable to the Reserve Bank under sub-section (1) of section 25A any sum to be utilised by the Trust solely for meeting the losses arising out of, or any additional amount required in connection with, any variation made by the Trust in the sale or re-purchase price of a unit.

20B . Grants donations, etc., to trust.- The Trust may receive gifts, grants, donations or benefactions from Government or any other source and such gifts, grants, donations or benefactions shall be treated by the Board as capital or income of the first unit scheme or, as the case may be, of any subsequent unit scheme according to the purposes for which they are made and in the absence of any indication of such purposes, they shall be treated as capital or income of such unit scheme or schemes and to such extent as the Board thinks fit".

7 . Amendment of section 21.- In section 21 of the principal Act,--

(a) in sub-section (1), for the words "shall make a unit scheme", the words "may make one or more unit schemes" shall be substituted;

(b) in sub-section (3), for the words "the scheme", the words "any scheme" shall be substituted;

(c) in sub-section (4), for the words "The scheme", the words "Every scheme" shall be substituted.

8 . Substitution of new Chapter for Chapter V.- For Chapter V and sections 22 to 25 of the principal Act, the following Chapter and sections shall be substituted, namely:--

CHAPTER V

ALLOCATION AND DISTRIBUTION OF INCOME AND RESERVE FUNDS

22. Capital of the Trust.--(1) The capital of the Trust in relation to the first unit scheme shall consist of--

- (I) the initial capital,
- (ii) the unit capital of the said scheme,
- (iii) any reserves created for that scheme,
- (iv) any amount borrowed for the purposes of that scheme,
- (v) any amount received for the purposes of that scheme by way of gifts, grants, donations or benefactions from the Government or any other source and treated as the capital of that scheme under section 20B,
- (vi) any other capital allocated to that scheme by the Board having regard to the nature of such capital and other relevant factors.

(2) The capital of the Trust in relation to any subsequent unit scheme shall consist of--

- (i) the unit capital of that scheme,
- (ii) any reserves created for that scheme,
- (iii) any amount borrowed for the purposes of that scheme,
- (iv) any amount received for the purposes of that scheme by way of gifts, grants, donations or benefactions from the Government or any other source and treated as the capital of that scheme under section 20B,
- (v) any other capital allocated to that scheme by the Board having regard to the nature of such capital and other relevant factors.

(3) The capital in respect of a unit scheme shall be held separately from the capital in respect of any other unit scheme and such capital shall, subject to the provisions of this Chapter, be applied solely for the purposes of that unit scheme.

23. Income of the Trust.--The income of the Trust shall consist of--

- (i) in relation to the first unit scheme,--
 - (a) the income arising out of the capital referred to in sub-section (1) of section 22,
 - (b) any gifts, grants, donations or benefactions treated as the income of that scheme under section

20B, and

(c) any other income allocated to that scheme by the Board having regard to the nature of the income and other relevant factors;

(ii) in relation to any subsequent unit scheme,--

(a) the income arising out of the capital referred to in sub-section (2) of section 22,

(b) any gifts, grants, donations or benefactions treated as the income of that scheme under section 20B, and

(c) any other income allocated to that scheme by the Board having regard to the nature of the income and other relevant factors

24. Allocation of income in respect of first unit scheme.---The income of the Trust in any year arising out of the capital of the Trust relating to the first unit scheme shall be allocated to the initial capital and the unit capital thereof in the same proportion as the former bears to the latter at the end of that year.

25. Allocation of interest and other expenditure.--(1) The interest payable for any year for any borrowings by the Trust and the total amount of other expenses incurred by the Trust for that year for the purposes of the first unit scheme shall be allocated and charged to the initial capital and the unit capital thereof in the same proportion as is referred to in section 24.

(2) Notwithstanding anything contained in sub-section (1), if in any year the amount of expenses, other than interest allocated to the unit capital relating to the first unit scheme, is more than five per cent of the income allocated in that year to that scheme, only an amount equal to such five per cent shall be charged to that unit capital and the rest of the total amount of expenses other than interest shall be charged to the initial capital.

(3) The interest payable for any year for any borrowings by the Trust and the total amount of other expenses incurred by the Trust in that year for the purposes of any subsequent unit scheme shall be charged to the unit capital of such scheme in such manner and to such extent as the Board may, with the previous approval of the Reserve Bank, determine.

(4) For the purposes of this section, where expenses are incurred in common by the Trust in relation to more than one unit scheme such expenses may be allocated to the different schemes to such extent and in such manner as the Board may, with the previous approval of the Reserve Bank, determine having regard to the nature and purposes of the expenses and other relevant factors.

25A. Distribution of income.--(1) The income allocated to the initial capital in any year reduced by the interest and the amount of other expenses charged for that year to the initial capital may be distributed in the prescribed manner among the contributing institutions in each case in proportion to their respective contributions.

(2) The income allocated in any year to the unit capital relating to the first unit scheme reduced by

the interest and the amount of other expenses charged for that year to such unit capital may, but not less than ninety per cent. of such income so reduced, shall be distributed in respect of that year to the unit holders under that unit scheme.

(3) The income allocated in any year to the unit capital relating to each of the subsequent unit schemes reduced by the interest and the amount of other expenses charged for that year to such unit capital may, having regard to the purposes of that scheme and other relevant factors,--

(i) be distributed in respect of that year to the unit holders under that scheme in such manner and at such percentage of the income so reduced as the Board may determine; or

(ii) be carried forward and re-invested or otherwise utilised for the benefit of the unit holders in accordance with the provisions of that scheme.

25B. Reserve funds.--(1) The Trust may establish one or more reserve funds by transferring such sums as it may deem fit out of the amount of the income in the Trust not distributed to the contributing institutions or unit holders under the provisions of this Chapter.

(2) Subject to the provisions of this Act, the amount in any reserve fund created specifically for the purposes of any unit scheme shall be applied or utilised only for the benefit of the unit holders under that unit scheme and for such purposes and in such manner as the Board may determine.

25C. Definition.--In this Chapter, "year" means the period in respect of which the books and accounts of the Trust are balanced and closed under sub-section (2) of section 26.'

9 . Amendment of section 27.- In section 27 of the principal Act, for sub-section (1), the following sub-section shall be substituted, namely:--

"(1) The affairs of the Trust shall be audited by one or more auditors duly qualified to act as auditor under sub-section (1) of section 226 of the Companies Act, 1956(1 of 1956) (hereinafter referred to as the auditor) who shall be appointed by the Trust with the previous approval of the Reserve Bank and shall receive such remuneration as the Trust may fix."

10 . Amendment of section 32.- In section 32 of the principal Act, in sub-section (1),--

(I) after the words and figures "the Super Profits Tax Act, 1963," , where they occur for the first time, the words, brackets and figures "the Companies (Profits) Surtax Act, 1964(7 of 1964)," shall be inserted;

(ii) for the words "or super profits tax", the words "super profits tax, surtax" shall be substituted;

(iii) in clause (a), after the words "super profits tax", the word, "surtax" shall be inserted;

(iv) in clause (c),--

(a) after the words and figures "the Super Profits Tax Act, 1963," the words, brackets and figures "or to surtax under the Companies (Profits) Surtax Act, 1964(7 of 1964)," shall be inserted;

(b) after the words "for the purposes of super profits tax", the words "or surtax" shall be inserted.

11 . Amendment of Act 2 of 1934.- In section 17 of the Reserve Bank of India Act, 1934, in clause (4BBB),--

(I) the word "or" occurring at the end of sub-clause (I) shall be omitted;

(ii) after sub-clause (ii), the following sub-clause shall be inserted, namely:--

"(iii) for the purpose of any scheme other than the first unit scheme under the Unit Trust of India Act, 1963(52 of 1963) on such terms and conditions and against the security of such other property of the Unit Trust as may be specified in this behalf by the Bank;"