(*5*) Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee to whom the provisions of sub-section (*4*) are applicable and whose total income exceeds the maximum amount which is not chargeable to income-tax, shall be required to keep and maintain such books of account and other documents as required under sub-section (*2*) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.]

[1][(*6*) The provisions of this section, notwithstanding anything contained in the foregoing provisions, shall not apply to—

(*i*) a person carrying on profession as referred to in sub-section (*1*) of section 44AA;

(*ii*) a person earning income in the nature of commission or brokerage; or

(*iii*) a person carrying on any agency business.]

Explanation.—For the purposes of this section,—

(*a*) "eligibleassessee" means,—

(*i*) an individual, Hindu undivided family or a partnership firm, who is a resident, but not a limited liability partnership firm as defined under clause (*n*) of sub-section (*1*) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009); and

(*ii*) who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BAor deduction under any provisions of Chapter VIA under the heading "C. - Deductions in respect of certain incomes" in the relevant assessment year;

(*b*) "eligible business" means,—

(*i*) any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and

(*ii*) whose total turnover or gross receipts in the previous year does not exceed an amount of [2][two crore rupees].]

[3]**[44ADA. Special provision for computing profits and gains of profession on presumptive basis**.—(*1*) Notwithstanding anything contained in sections 28 to 43C, in the case of an assessee, being a resident in India, who is engaged in a profession referred to in sub-section (*1*) of section 44AAand whose total gross receipts do not exceed fifty lakh rupees in a previous year, a sum equal to fifty per cent. of the total gross receipts of the assessee in the previous year on account of such profession or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the assessee, shall be deemed to be the profits and gains of such profession chargeable to tax under the head "Profits and gains of business or profession".

(*2*) Any deduction allowable under the provisions of sections 30 to 38shall, for the purposes of sub-section (*1*), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.

1. Ins. by Act 23 of 2012, s. 14 (w.e.f. 1-4-2011).

2. Subs. by Act 28 of 2016, s. 26, for "one crore rupees" (w.e.f. 1-4-2017).

3. Ins. by s. 27, *ibid*. (w.e.f. 1-4-2017).

(*3*) The written down value of any asset used for the purposes of profession shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

(*4*) Notwithstanding anything contained in the foregoing provisions of this section, an assessee who claims that his profits and gains from the profession are lower than the profits and gains specified in sub-section (*1*) and whose total income exceeds the maximum amount which is not chargeable to income-tax, shall be required to keep and maintain such books of account and other documents as required under sub-section (*1*) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.]

[1]**[44AE. Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages**.—(*1*) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, who owns not more than ten goods carriages [2][at any time during the previous year] and who is engaged in the business of plying, hiring or leasing such goods carriages, the income of such business chargeable to tax under the head "Profits and gains of business or profession" shall be deemed to be the aggregate of the profits and gains, from all the goods carriages owned by him in the previous year, computed in accordance with the provisions of sub-section (*2*).

[3][(*2*) For the purposes of sub-section (*1*), the profits and gains from each goods carriage,—

(*i*) being a heavy goods vehicle, shall be an amount equal to one thousand rupees per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month during which the heavy goods vehicle is owned by the assessee in the previous year or an amount claimed to have been actually earned from such vehicle, whichever is higher;

(*ii*) other than heavy goods vehicle, shall be an amount equal to seven thousand five hundred rupees for every month or part of a month during which the goods carriage is owned by the assessee in the previous year or an amount claimed to have been actually earned from such goods carriage, whichever is higher.]

(*3*) Any deduction allowable under the provisions of sections 30 to 38shall, for the purposes of sub-section (*1*), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed:

[4][Provided that where the assessee is a firm, the salary and interest paid to its partners shall be deducted from the income computed under sub-section (*1*) subject to the conditions and limits specified in clause (*b*) of section 40.]

(*4*) The written down value of any asset used for the purpose of the business referred to in sub-section (*1*) shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

(*5*) The provisions of sections 44AA and 44ABshall not apply in so far as they relate to the business referred to in sub-section (*1*) and in computing the monetary limits under those sections, the gross receipts or, as the case may be, the income from the said business shall be excluded.

[5][(*6*) Nothing contained in the foregoing provisions of this section shall apply, where the assessee claims and produces evidence to prove that the profits and gains from the aforesaid business during the previous year relevant to the assessment year commencing on the 1st day of April, 1997 or any earlier assessment year, are lower than the profits and gains specified in sub-sections (*1*) and (*2*), and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee and determine the sum payable by the assessee on the basis of assessment made under sub-section (*3*) of section 143.]

---

1. Ins. by Act 32 of 1994, s. 16 (w.e.f. 1-4-1994).
2. Ins. by Act 32 of 2003, s. 24 (w.e.f. 1-4-2004).
3. Subs. by Act 13 of 2018, s. 16, for sub-section (*2*) (w.e.f. 1-4-2019). Earlier it was substituted by Act 25 of 2014, s. 16 (w.e.f. 1-4-2015).
4. Ins. by Act 26 of 1997, s. 13 (w.e.f. 1-4-1994).
5. Ins. by Act 11 of 1999, s. 7 (w.e.f. 1-4-1997).

[1][(*7*) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-sections (*1*) and (*2*), if he keeps and maintains such books of account and other documents as required under sub-section (*2*) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB.]

Explanation.—For the purposes of this section,—

[2][(*a*) the expressions "goods carriage", "gross vehicle weight" and "unladen weight" shall have the respective meanings assigned to them in section 2 of the Motor Vehicles Act, 1988;

(*aa*) the expression "heavy goods vehicle" means any goods carriage, the gross vehicle weight of which exceeds 12000 kilograms;']

(*b*) anassessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.]

[3]**[44AF. Special provisions for computing profits and gains of retail business**.—(*1*) Notwithstanding anything to the contrary contained in sections 28 to 43C,in the case of an assessee engaged in retail trade in any goods or merchandise, a sum equal to five per cent of the total turnover in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum as declared by the assessee in his return of income shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession":

Provided that nothing contained in this sub-section shall apply in respect of an assessee whose total turnover exceeds an amount of forty lakh rupees in the previous year.

(*2*) Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of sub-section (*1*), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed:

Provided that where the assessee is a firm, the salary and interest paid to its partners shall be deducted from the income computed under sub-section (*1*) subject to the conditions and limits specified in clause (*b*) of section 40.

(*3*) The written down value of any asset used for the purpose of the business referred to in sub-section (*1*) shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

(*4*) The provisions of sections 44AA and 44AB shall not apply in so far as they relate to the business referred to in sub-section (*1*) and in computing the monetary limits under those sections, the total turnover or, as the case may be, the income from the said business shall be excluded.]

[4][(*5*) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-section (*1*), if he keeps and maintains such books of account and other documents as required under sub-section (*2*) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB.]

[5][(*6*) Nothing contained in this section shall apply to any assessment year beginning on or after the 1st day of April, 2011.]

---

1. Ins. by Act 27 of 1999, s. 30 (w.e.f. 1-4-1998).
2. Subs. by Act 13 of 2018, s. 16, for clause (*a*) (w.e.f. 1-4-2019) which was earlier substituted by Act 25 of 2014, s. 16 (w.e.f. 1-4-2015).
3. Ins. by Act 26 of 1997, s. 14 (w.e.f. 1-4-1998).
4. Ins. by Act 27 of 1999, s. 31 (w.e.f. 1-4-1998).
5. Ins. by Act 33 of 2009, s. 22 (w.e.f. 1-4-2009).

[1]**[44B. Special provision for computing profits and gains of shipping business in the case of non-residents**.—(*1*) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of ships, a sum equal to seven and a half per cent of the aggregate of the amounts specified in sub-section (*2*) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".

(*2*) The amounts referred to in sub-section (*1*) shall be the following, namely:—

(*i*) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods shipped at any port in India; and

(*ii*) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods shipped at any port outside India.]

[2][*Explanation*.—For the purposes of this sub-section, the amount referred to in clause (*i*) or clause (*ii*) shall include the amount paid or payable or received or deemed to be received, as the case may be, by way of demurrage charges or handling charges or any other amount of similar nature.]

[3][**44BB. Special provision for computing profits and gains in connection with the business of exploration, etc., of mineral oils**.—(*1*) Notwithstanding anything to the contrary contained in sections 28 to 41 and sections 43 and 43A, [4][in the case of an assessee, being a non-resident,] engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils, a sum equal to ten per cent of the aggregate of the amounts specified in sub-section (*2*) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession":

Provided that this sub-section shall not apply in a case where the provisions of section 42 or section 44D or [5][section 44DA or] section 115A or section 293A apply for the purposes of computing profits or gains or any other income referred to in those sections.

(*2*) The amounts referred to in sub-section (*1*) shall be the following, namely:—

(*a*) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils in India; and

(*b*) the amount received or deemed to be received in India by or on behalf of the assessee on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils outside India.

[6][(*3*) Notwithstanding anything contained in sub-section (*1*), an assessee may claim lower profits and gains than the profits and gains specified in that sub-section, if he keeps and maintains such books of account and other documents as required under sub-section (*2*) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB, and thereupon the Assessing

1. Ins. by Act 25 of 1975, s. 8 (w.e.f. 1-4-1976).
2. Ins. by Act 26 of 1997, s. 15 (w.e.f. 1-4-1976).
3. Ins. by Act 11 of 1987, s. 11 (w.e.f. 1-4-1983).
4. Subs. by Act 26 of 1988, s. 16, for "in the case of an assessee" (w.e.f. 1-4-1983).
5. Ins. by Act 14 of 2010, s. 16 (w.e.f. 1-4-2011).
6. Ins. by Act 32 of 2003, s. 25 (w.e.f. 1-4-2004).

Officer shall proceed to make an assessment of the total income or loss of the assessee under sub-section (*3*) of section 143 and determine the sum payable by, or refundable to, the assessee.]

Explanation.—For the purposes of this section,—

(*i*) "plant" includes ships, aircraft, vehicles, drilling units, scientific apparatus and equipment, used for the purposes of the said business;

(*ii*) "mineral oil" includes petroleum and natural gas.]

[1]**[44BBA. Special provision for computing profits and gains of the business of operation of aircraft in the case of non-residents**.—(*1*) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of aircraft, a sum equal to five per cent. of the aggregate of the amounts specified in sub-section (*2*) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".

(*2*) The amounts referred to in sub-section (*1*) shall be the following, namely:—

(*a*) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods from any place in India; and

(*b*) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods from any place outside India.]

[2][**44BBB. Special provision for computing profits and gains of foreign companies engaged in the business of civil construction, etc., in certain turnkey power projects**.—[3][(*1*)] Notwithstanding anything to the contrary contained insections 28 to 44AA, in the case of an assessee, being a foreign company, engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project approved by the Central Government in this behalf [4]***, a sum equal to ten per cent. of the amount paid or payable (whether in or out of India) to the said assessee or to any person on his behalf on account of such civil construction, erection, testing or commissioning shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".]

[5][(*2*) Notwithstanding anything contained in sub-section (*1*), an assessee may claim lower profits and gains than the profits and gains specified in that sub-section, if he keeps and maintains such books of account and other documents as required under sub-section (*2*) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB, and thereupon the Assessing Officer shall proceed to make an assessment of the total income or loss of the assessee under sub-section (*3*) of section 143 and determine the sum payable by, or refundable to, the assessee.]

[6]**[44C. Deduction of head office expenditure in the case of non-residents**.—Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, no allowance shall be made, in computing the income chargeable under the head "Profits and gains of business or profession", in respect of so much of the expenditure in the nature of head office expenditure as is in excess of the amount computed as hereunder, namely:—

(*a*) an amount equal to five per cent of the adjusted total income; or

---

1. Ins. by Act 11 of 1987, s. 12 (w.e.f. 1-4-1988).
2. Ins. by Act 13 of 1989, s. 10 (w.e.f. 1-4-1990).
3. The existing section numbered as sub-section (*1*) thereof by Act 32 of 2003, s. 26 (w.e.f. 1-4-2004).
4. The words "and financed under any international aid programme" omitted by s. 26, *ibid.* (w.e.f. 1-4-2004).
5. Ins. by s. 26, *ibid*. (w.e.f. 1-4-2004).
6. Ins. by Act 66 of 1976, s. 10 (w.e.f. 1-6-1976).

[1]* * * * *

(*c*) the amount of so much of the expenditure in the nature of head office expenditure incurred by the assessee as is attributable to the business or profession of the assessee in India,

whichever is the least:

Provided that in a case where the adjusted total income of the assessee is a loss, the amount under clause (*a*) shall be computed at the rate of five per cent.of the average adjusted total income of the assessee.

Explanation.—For the purposes of this section,—

(*i*) "adjusted total income" means the total income computed in accordance with the provisions of this Act, without giving effect to the allowance referred to in this section or in sub-section (*2*) of section 32or the deduction referred to in section 32Aor section 33or section 33A or the first proviso to clause (*ix*) of sub-section (*1*) of section 36 or any loss carried forward under sub-section (*1*) of section 72 or sub-section (*2*) of section 73 or [2][sub-section (*1*) or sub-section (*3*) of section 74] or sub-section (*3*) of section 74A or the deductions under Chapter VI-A;

(*ii*) "average adjusted total income" means,—

(*a*) in a case where the total income of the assessee is assessable for each of the three assessment years immediately preceding the relevant assessment year, one-third of the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid three assessment years;

(*b*) in a case where the total income of the assessee is assessable only for two of the aforesaid three assessment years, one-half of the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid two assessment years;

(*c*) in a case where the total income of the assessee is assessable only for one of the aforesaid three assessment years, the amount of the adjusted total income in respect of the previous year relevant to that assessment year;

[3]* * * * *

(*iv*) "head office expenditure" means executive and general administration expenditure incurred by the assessee outside India, including expenditure incurred in respect of—

(*a*) rent, rates, taxes, repairs or insurance of any premises outside India used for the purposes of the business or profession;

(*b*) salary, wages, annuity, pension, fees, bonus, commission, gratuity, perquisites or profits in lieu of or in addition to salary, whether paid or allowed to any employee or other person employed in, or managing the affairs of, any office outside India;

(*c*) travelling by any employee or other person employed in, or managing the affairs of, any office outside India; and

(*d*) such other matters connected with executive and general administration as may be prescribed.]

1. Clause (*b*) omitted by Act 38 of 1993, s. 11 (w.e.f. 1-4-1993).
2. Subs. by Act 11 of 1987, s. 74, for "sub-section (*1*) of section 74" (w.e.f. 1-4-1988).
3. Clause (*iii*) omitted by Act 38 of 1993, s. 11 (w.e.f. 1-4-1993).

[1]**[44D. Special provisions for computing income by way of royalties, etc., in the case of foreign companies.—**Notwithstanding anything to the contrary contained in sections 28 to 44C, in the case of an assessee, being a foreign company,—

(*a*) the deductions admissible under the said sections in computing the income by way of royalty or fees for technical services received [2][from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or with the Indian concern] before the 1st day of April, 1976, shall not exceed in the aggregate twenty per cent of the gross amount of such royalty or fees as reduced by so much of the gross amount of such royalty as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process or trade mark or similar property;

(*b*) no deduction in respect of any expenditure or allowance shall be allowed under any of the said sections in computing the income by way of royalty or fees for technical services received [from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or with the Indian concern] after the 31st day of March, 1976 [3][but before the 1st day of April, 2003;]

[4]* * * * *

Explanation.—For the purposes of this section,—

(*a*) "fees for technical services" shall have the same meaning as in [5][*Explanation* 2 to clause (*vii*) of sub-section (*1*) of section 9] ;

(*b*) "foreign company" shall have the same meaning as in section 80B;

(*c*) "royalty" shall have the same meaning as in [6][*Explanation* 2 to clause (*vi*) of sub-section (*1*) of section 9];

(*d*) royalty received [2][from Government or an Indian concern in pursuance of an agreement made by a foreign company with Government or with the Indian concern] after the 31st day of March, 1976, shall be deemed to have been received in pursuance of an agreement made before the 1st day of April, 1976, if such agreement is deemed, for the purposes of the proviso to clause (*vi*) of sub-section (*1*) of section 9, to have been made before the 1st day of April, 1976.]

[7]**[44DA. Special provision for computing income by way of royalties, etc., in case of non-residents.**— (*1*) The income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by a non-resident (not being a company) or a foreign company with Government or the Indian concern after the 31st day of March, 2003, where such non-resident (not being a company) or a foreign company carries on business in India through a permanent establishment situated therein, or performs professional services from a fixed place of

1. Ins. by Act 66 of 1976, s. 10 (w.e.f. 1-6-1976).
2. Subs. by Act 11 of 1983, s. 19, for certain words (w.e.f. 1-6-1983).
3. Ins. by Act 32 of 2003, s. 27 (w.e.f. 1-4-2004).
4. Clause (*c*) and (*d*) omitted by Act 32 of 1994, s. 17 (w.e.f. 1-4-1995).
5. Subs. by Act 29 of 1977, s. 29, for "the *Explanation* to, clause (*vii*) of sub-section (*1*) of section 9" (w.e.f. 1-4-1977).
6. Subs. by s. 29, *ibid*., for "the *Explanation* to clause (*vi*) of sub- section (*1*) of section 9" (w.e.f 1-4-1977).
7. Ins. by Act 32 of 2003, s. 28 (w.e.f 1-4-2004).

profession situated therein, and the right, property or contract in respect of which the royalties or fees for technical services are paid is effectively connected with such permanent establishment or fixed place of profession, as the case may be, shall be computed under the head "Profits and gains of business or profession" in accordance with the provisions of this Act :

Provided that no deduction shall be allowed,—

(*i*) in respect of any expenditure or allowance which is not wholly and exclusively incurred for the business of such permanent establishment or fixed place of profession in India; or

(*ii*) in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to its head office or to any of its other offices :

[1][Provided further that the provisions of section 44BB shall not apply in respect of the income referred to in this section.]

(*2*) Every non-resident (not being a company) or a foreign company shall keep and maintain books of account and other documents in accordance with the provisions contained in section 44AA and get his accounts audited by an accountant as defined in the *Explanation* below sub-section (*2*) of section 288 and furnish along with the return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

Explanation.—For the purposes of this section,—

(*a*) "fees for technical services" shall have the same meaning as in *Explanation* 2 to clause (*vii*) of sub-section (*1*) of section 9;

(*b*) "royalty" shall have the same meaning as in *Explanation* 2 to clause (*vi*) of sub-section (*1*) of section 9;

(*c*) "permanent establishment" shall have the same meaning as in clause (*iiia*) of section 92F.]

[2]**[44DB. Special provision for computing deductions in the case of business reorganization of co-operative banks.—**(*1*) The deduction under section 32, section 35D, section 35DD or section 35DDA shall, in a case where business reorganisation of a co-operative bank has taken place during the financial year, be allowed in accordance with the provisions of this section.

(*2*) The amount of deduction allowable to the predecessor co-operative bank under section 32, section 35D, section 35DD or section DDA shall be determined in accordance with the formula—

$$A \quad X \quad \frac{B}{C}$$

where A = the amount of deduction allowable to the predecessor co-operative bank if the business reorganisation had not taken place;

B = the number of days comprised in the period beginning with the 1st day of the financial year and ending on the day immediately preceding the date of business reorganisation; and

C = the total number of days in the financial year in which the business reorganisation has taken place.

1. Ins. by Act 14 of 2010, s. 17 (w.e.f. 1-4-2011).
2. Ins. by Act 22 of 2007, s. 15 (w.e.f. 1-4-2008).

(3) The amount of deduction allowable to the successor co-operative bank under section 32, section 35D, section 35DD or section 35DDA shall be determined in accordance with the formula—

$$A \quad X \quad \frac{B}{C}$$

where A = the amount of deduction allowable to the predecessor co-operative bank if the business reorganisation had not taken place;

B = the number of days comprised in the period beginning with the date of business reorganisation and ending on the last day of the financial year; and

C = the total number of days in the financial year in which the business reorganisation has taken place.

(*4*) The provisions of section 35D, section 35DD or section 35DDA shall, in a case where an undertaking of the predecessor co-operative bank entitled to the deduction under the said section is transferred before the expiry of the period specified therein to a successor co-operative bank on account of business reorganisation, apply to the successor co-operative bank in the financial years subsequent to the year of business reorganisation as they would have applied to the predecessor co-operative bank, as if the business reorganisation had not taken place.

(*5*) For the purposes of this section,—

(*a*) "amalgamated co-operative bank" means—

(*i*) a co-operative bank with which one or more amalgamating co-operative banks merge; or

(*ii*) a co-operative bank formed as a result of merger of two or more amalgamating co-operative banks;

(*b*) "amalgamating co-operative bank" means—

(*i*) a co-operative bank which merges with another co-operative bank; or

(*ii*) every co-operative bank merging to form a new co-operative bank;

(*c*) "amalgamation" means the merger of an amalgamating co-operative bank or banks with an amalgamated co-operative bank, in such manner that—

(*i*) all the assets and liabilities of the amalgamating co-operative bank or banks immediately before the merger (other than the assets transferred, by sale or distribution on winding up, to the amalgamated co-operative bank) become the assets and liabilities of the amalgamated co-operative bank;

(*ii*) the members holding seventy-five per cent or more voting rights in the amalgamating co-operative bank become members of the amalgamated co-operative bank; and

(*iii*) the shareholders holding seventy-five per cent or more in value of the shares in the amalgamating co-operative bank (other than the shares held by the amalgamated co-operative bank or its nominee or its subsidiary, immediately before the merger) become shareholders of the amalgamated co-operative bank;

(*d*) "business reorganisation" means the reorganisation of business involving the amalgamation or demerger of a co-operative bank;

(*e*) "co-operative bank" shall have the meaning assigned to it in clause (*cci*) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(*f*) "demerger" means the transfer by a demerged co-operative bank of one or more of its undertakings to any resulting co-operative bank, in such manner that—

(*i*) all the assets and liabilities of the undertaking or undertakings immediately before the transfer become the assets and liabilities of the resulting co-operative bank;

(*ii*) the assets and the liabilities are transferred to the resulting co-operative bank at values (other than change in the value of assets consequent to their revaluation) appearing in its books of account immediately before the transfer;

(*iii*) the resulting co-operative bank issues, in consideration of the transfer, its membership to the members of the demerged co-operative bank on a proportionate basis;

(*iv*) the shareholders holding seventy-five per cent or more in value of the shares in the demerged co-operative bank (other than shares already held by the resulting bank or its nominee or its subsidiary immediately before the transfer), become shareholders of the resulting co-operative bank, otherwise than as a result of the acquisition of the assets of the demerged co-operative bank or any undertaking thereof by the resulting co-operative bank;

(*v*) the transfer of the undertaking is on a going concern basis; and

(*vi*) the transfer is in accordance with the conditions specified by the Central Government, by notification in the Official Gazette, having regard to the necessity to ensure that the transfer is for genuine business purposes;

(*g*) "demerged co-operative bank" means the co-operative bank whose undertaking is transferred, pursuant to a demerger, to a resulting bank;

(*h*) "predecessor co-operative bank" means the amalgamating co-operative bank or the demerged co-operative bank, as the case may be;

(*i*) "successor co-operative bank" means the amalgamated co-operative bank or the resulting bank, as the case may be;

(*j*) "resulting co-operative bank" means—

(*i*) one or more co-operative banks to which the undertaking of the demerged co-operative bank is transferred in a demerger; or

(*ii*) any co-operative bank formed as a result of demerger.]

E. — Capital gains

45. Capital gains. — [1][(*1*)] Any profits or gains arising from the transfer of a capital asset effected in previous year shall, save as otherwise provided in [2][sections [3]*** 54, [4]*** [5][54B, [6][54D, [7][54E, [8][54EA, 54EB,] 54F, [9][54G and 54H]]]]], be chargeable to income-tax under the head "Capital gains", and shall be deemed to be the income of the previous year in which the transfer took place.

[10][(*1A*) Notwithstanding anything contained in sub-section (*1*), where any person receives at any time during any previous year any money or other assets under an insurance from an insurer on account of damage to, or destruction of, any capital asset, as a result of—

(*i*) flood, typhoon, hurricane, cyclone, earthquake or other convulsion of nature; or

(*ii*) riot or civil disturbance; or

(*iii*) accidental fire or explosion; or

(*iv*) action by an enemy or action taken in combating an enemy (whether with or without a declaration of war),

then, any profits or gains arising from receipt of such money or other assets shall be chargeable to income-tax under the head "Capital gains" and shall be deemed to be the income of such person of the previous year in which such money or other asset was received and for the purposes of section 48, value of any money or the fair market value of other assets on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of such capital asset.

Explanation.—For the purposes of this sub-section, the expression "insurer" shall have the meaning assigned to it in clause (*9*) of section 2 of the Insurance Act, 1938 (4 of 1938).]

[11][(*2*) Notwithstanding anything contained in sub-section (*1*), the profits or gains arising from the transfer by way of conversion by the owner of a capital asset into, or its treatment by him as stock-in-trade of a business carried on by him shall be chargeable to income-tax as his income of the previous year in which such stock-in-trade is sold or otherwise transferred by him and, for the purposes of section 48, the fair market value of the asset on the date of such conversion or treatment shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.]

[12][(*2A*) Where any person has had at any time during previous year any beneficial interest in any securities, then, any profits or gains arising from transfer made by the depository or participant of such beneficial interest in respect of securities shall be chargeable to income-tax as the income of the beneficial owner of the previous year in which such transfer took place and shall not be regarded as

1. Sub-section (*I*) renumbered as sub-section (*1*) thereof by Act 5 of 1964, s. 12 (w.e.f. 1-4-1964).
2. Subs. by Act 19 of 1970, s. 11, for "sections 53 and 54" (w.e.f. 1-4-1970).
3. The figures "53," omitted by Act 18 of 1992, s. 22 (w.e.f. 1-4-1993).
4. The figures and letter "54C" omitted by Act 66 of 1976, s. 26 (w.e.f. 1-4-1976).
5. Subs. by Act 29 of 1977, s. 29, for "54B and 54D" (w.e.f. 1-4-1978).
6. Subs. by Act 14 of 1982, s. 32 for "54D and 54E" (w.e.f. 1-4-1983)
7. Subs. by Act 11 of 1987, s. 13, for "54E and 54F (w.e.f. 1-10-1987).
8. Subs. by Act 33 of 1996, s. 19, for "54E" (w.e.f. 1-10-1996).
9. Subs. by Act 49 of 1991, s. 17, for "and 54G" (w.e.f. 1-4-1991).
10. Ins. by Act 27 of 1999, s. 32 (w.e.f. 1-4-2000).
11. Ins. by Act 67 of 1984, s. 12 (w.e.f. 1-4-1985).
12. Ins. by Act 22 of 1996, s. 30 and the Schedule (w.e.f. 20-9-1995).

income of the depository who is deemed to be the registered owner of securities by virtue of sub-section (*1*) of section 10 of the Depositories Act, 1996, and for the purposes of—

(*i*) section 48; and

(*ii*) proviso to clause (*42A*) of section 2,

the cost of acquisition and the period of holding of any securities shall be determined on the basis of the first-in-first-out method.

Explanation.—For the purposes of this sub-section, the expressions "beneficial owner", "depository" and "security" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*l*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.]

[1][(*3*) The profits or gains arising from the transfer of a capital asset by a person to a firm or other association of persons or body of individuals (not being a company or a co-operative society) in which he is or becomes a partner or member, by way of capital contribution or otherwise, shall be chargeable to tax as his income of the previous year in which such transfer takes place and, for the purposes of section 48, the amount recorded in the books of account of the firm, association or body as the value of the capital asset shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

(*4*) The profits or gains arising from the transfer of a capital asset by way of distribution of capital assets on the dissolution of a firm or other association of persons or body of individuals (not being a company or a co-operative society) or otherwise, shall be chargeable to tax as the income of the firm, association or body, of the previous year in which the said transfer takes place and, for the purposes of section 48, the fair market value of the asset on the date of such transfer shall be deemed to be the full value of the consideration received or accruing as a result of the transfer.]

(*5*) Notwithstanding anything contained in sub-section (*1*), where the capital gain arises from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, and the compensation or the consideration for such transfer is enhanced or further enhanced by any court, Tribunal or other authority, the capital gain shall be dealt with in the following manner, namely:—

(*a*) the capital gain computed with reference to the compensation awarded in the first instance or, as the case may be, the consideration determined or approved in the first instance by the Central Government or the Reserve Bank of India shall be chargeable as [2][income under the head "Capital gains" of the previous year in which such compensation or part thereof, or such consideration or part thereof, was first received]; and

(*b*) the amount by which the compensation or consideration is enhanced or further enhanced by the court, Tribunal or other authority shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such amount is received by the assessee:

[3][Provided that any amount of compensation received in pursuance of an interim order of a court, Tribunal or other authority shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which the final order of such court, Tribunal or other authority is made;]

1. Ins. by Act 11 of 1987, s. 13 (w.e.f. 1-4-1988).
2. Subs. by Act 49 of 1991, s. 17, for "income under the head "Capital gains" of the previous year in which the transfer took place" (w.e.f. 1-4-1988).
3. Ins. by Act 25 of 2014, s. 17 (w.e.f. 1-4-2015).

[1][(*c*) where in the assessment for any year, the capital gain arising from the transfer of a capital asset is computed by taking the compensation or consideration referred to in clause (*a*) or, as the case may be, enhanced compensation or consideration referred to in clause (*b*), and subsequently such compensation or consideration is reduced by any court, Tribunal or other authority, such assessed capital gain of that year shall be recomputed by taking the compensation or consideration as so reduced by such court, Tribunal or other authority to be the full value of the consideration.]

Explanation.—For the purposes of this sub-section,—

(*i*) in relation to the amount referred to in clause (*b*), the cost of acquisition and the cost of improvement shall be taken to be nil;

(*ii*) the provisions of this sub-section shall apply also in a case where the transfer took place prior to the 1st day of April, 1988;

(*iii*) where by reason of the death of the person who made the transfer, or for any other reason, the enhanced compensation or consideration is received by any other person, the amount referred to in clause (*b*) shall be deemed to be the income, chargeable to tax under the head "Capital gains", of such other person.]

[2][(*5A*) Notwithstanding anything contained in sub-section (*1*), where the capital gain arises to an assessee, being an individual or a Hindu undivided family, from the transfer of a capital asset, being land or building or both, under a specified agreement, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority; and for the purposes of section 48, the stamp duty value, on the date of issue of the said certificate, of his share, being land or building or both in the project, as increased by the consideration received in cash, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset:

Provided that the provisions of this sub-section shall not apply where the assessee transfers his share in the project on or before the date of issue of the said certificate of completion, and the capital gains shall be deemed to be the income of the previous year in which such transfer takes place and the provisions of this Act, other than the provisions of this sub-section, shall apply for the purpose of determination of full value of consideration received or accruing as a result of such transfer.

Explanation.—For the purposes of this sub-section, the expression—

(*i*) "competent authority" means the authority empowered to approve the building plan by or under any law for the time being in force;

(*ii*) "specified agreement" means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both, in consideration of a share, being land or building or both in such project, whether with or without payment of part of the consideration in cash;

(*iii*) "stamp duty value" means the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of an immovable property being land or building or both.'.]

[3][(*6*) Notwithstanding anything contained in sub-section (*1*), the difference between the repurchase price of the units referred to in sub-section (*2*) of section 80CCB and the capital value of such units shall be deemed to be the capital gains arising to the assessee in the previous year in which such repurchase takes place or the plan referred to in that section is terminated and shall be taxed accordingly.

Explanation.—For the purposes of this sub-section, "capital value of such units" means any amount invested by the assessee in the units referred to in sub-section (*2*) of section 80CCB.]

---

1. Ins. by Act 32 of 2003, s. 29 (w.e.f. 1-4-2004).
2. Ins. by Act 7 of 2017, s. 22 (w.e.f 1-4-2018).
3. Ins. by Act 12 of 1990, s. 15 (w.e.f. 1-4-1991).

46. Capital gains on distribution of assets by companies in liquidation.—(*1*) Notwithstanding anything contained in section, where the assets of a company are distributed to its shareholders on its liquidation, such distribution shall not be regarded as a transfer by the company for the purposes of section 45.

(*2*) Where a shareholder on the liquidation of a company receives any money or other assets from the company, he shall be chargeable to income-tax under the head "Capital gains", in respect of the money so received or the market value of the other assets on the date of distribution, as reduced by the amount assessed as dividend within the meaning of sub-clause (c) of clause (22) of section 2 and the sum so arrived at shall be deemed to be the full value of the consideration for the purposes of section 48.

[1][**46A. Capital gains on purchase by company of its own shares or other specified securities.—** Where a shareholder or a holder of other specified securities receives any consideration from any company for purchase of its own shares or other specified securities held by such shareholder or holder of other specified securities, then, subject to the provisions of section 48, the difference between the cost of acquisition and the value of consideration received by the shareholder or the holder of other specified securities, as the case may be, shall be deemed to be the capital gains arising to such shareholder or the holder of other specified securities, as the case may be, in the year in which such shares or other specified securities were purchased by the company.

Explanation.—For the purposes of this section, "specified securities" shall have the meaning assigned to it in *Explanation* to section 77A of the Companies Act, 1956 (1 of 1956).]

47. Transactions not regarded as transfer.—Nothing contained in section 45 shall apply to the following transfers:—

(*i*) any distribution of capital assets on the total or partial partition of a Hindu undivided family;

[2]* * * * *

(*iii*) any transfer of a capital asset under a gift or will or an irrevocable trust :

[3][Provided that this clause shall not apply to transfer under a gift or an irrevocable trust of a capital asset being shares, debentures or warrants allotted by a company directly or indirectly to its employees under [4][any Employees' Stock Option Plan or Scheme of the company offered to such employees in accordance with the guidelines issued by the Central Government in this behalf];]

(*iv*) any transfer of a capital asset by a company to its subsidiary company, if—

(*a*) the parent company or its nominees hold the whole of the share capital of the subsidiary company, and

(*b*) the subsidiary company is an Indian company;

[5][(*v*) any transfer of a capital asset by a subsidiary company to the holding company, if—

(*a*) the whole of the share capital of the subsidiary company is held by the holding company, and

(*b*) the holding company is an Indian company:]

1. Ins. by Act 27 of 1999, s. 33 (w.e.f. 1-4-2000).
2. Clause (*ii*) omitted by Act 11 of 1987, s. 14 (w.e.f. 1-4-1988).
3. Ins. by Act 10 of 2000, s. 21 (w.e.f. 1-4-2001).
4. Subs. by Act 14 of 2001, s. 29, for "the Employees' Stock option Plan or Scheme" (w.e.f. 1-4-2001).
5. Ins. by Act 10 of 1965, s. 15 (w.e.f. 1-4-1965).

[1][Provided that nothing contained in clause (*iv*) or clause (*v*) shall apply to the transfer of a capital asset made after the 29th day of February, 1988, as stock-in-trade;]

[2][(*vi*) any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company;

[3][(*via*) any transfer, in a scheme of amalgamation, of a capital asset being a share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if—

(*a*) at least twenty-five per cent of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company, and

(*b*) such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated;]

[4][(*viaa*) any transfer, in a scheme of amalgamation of a banking company with a banking institution sanctioned and brought into force by the Central Government under sub-section (*7*) of section 45 of the Banking Regulation Act, 1949 (10 of 1949), of a capital asset by the banking company to the banking institution.

Explanation.—For the purposes of this clause,—

(*i*) "banking company" shall have the same meaning assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(*ii*) "banking institution" shall have the same meaning assigned to it in sub-section (*15*) of section 45 of the Banking Regulation Act, 1949 (10 of 1949);]

[5][(*viab*) any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company, referred to in the *Explanation* 5 to clause (*i*) of sub-section (*1*) of section 9, which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the amalgamating foreign company to the amalgamated foreign company, if—

(*A*) at least twenty-five per cent. of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company; and

(*B*) such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated;]

[6][(*vib*) any transfer, in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;

(*vic*) any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if—

(*a*) the shareholders holding not less than three-fourths in value of the shares of the demerged foreign company continue to remain shareholders of the resulting foreign company; and

1. Ins. by Act 26 of 1988, s. 17 (w.e.f. 1-4-1988).
2. Ins. by Act 20 of 1967, s. 19 (w.e.f. 1-4-1967).
3. Ins. by Act 18 of 1992, s. 23 (w.e.f. 1-4-1993).
4. Ins. by Act 18 of 2005, s. 15 (w.e.f. 1-4-2005).
5. Ins. by Act 20 of 2015, s. 14 (w.e.f. 1-4-2016).
6. Ins. by Act 27 of 1999, s. 34 (w.e.f. 1-4-2000).

(*b*) such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated:

Provided that the provisions of sections 391 to 394 of the Companies Act, 1956 (1 of 1956) shall not apply in case of demergers referred to in this clause;

[1][(*vica*) any transfer in a business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank;

(*vicb*) any transfer by a shareholder, in a business reorganisation, of a capital asset being a share or shares held by him in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the successor co-operative bank.

Explanation.—For the purposes of clauses (*vica*) and (*vicb*), the expressions "business reorganisation", "predecessor co-operative bank" and "successor co-operative bank" shall have the meanings respectively assigned to them in section 44DB;]

[2][(*vicc*) any transfer in a demerger, of a capital asset, being a share of a foreign company, referred to in the *Explanation* 5 to clause (*i*) of sub-section (*1*) of section 9, which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the demerged foreign company to the resulting foreign company, if—

(*a*) the shareholders, holding not less than three-fourths in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company; and

(*b*) such transfer does not attract tax on capital gains in the country in which the demerged foreign company is incorporated:

Provided that the provisions of sections 391 to 394 of the Companies Act, 1956 (1 of 1956) shall not apply in case of demergers referred to in this clause;]

(*vid*) any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking;]

(*vii*) any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shares held by him in the amalgamating company, if—

(*a*) the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company except where the shareholder itself is the amalgamated company, and

(*b*) the amalgamated company is an Indian company;

[3][(*viia*) any transfer of a capital asset, being bonds or [4][Global Depository Receipts] referred to in sub-section (*1*) of section 115AC, made outside India by a non-resident to another non-resident;

[5][(*viiaa*) any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company outside India, by a non-resident to another non-resident;]

[6][(*viiab*) any transfer of a capital asset, being—

(*a*) bond or Global Depository Receipt referred to in sub-section (*1*) of section 115AC; or

(*b*) rupee denominated bond of an Indian company; or

(*c*) derivative,

made by a non-resident on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency.

1. Ins. by Act 22 of 2007, s. 16 (w.e.f. 1-4-2008).
2. Ins. by Act 20 of 2015, s. 14 (w.e.f. 1-4-2016).
3. Ins. by Act 18 of 1992, s. 23 (w.e.f. 1-6-1992).
4. Subs. by Act 14 of 2001, s. 29, for "shares" (w.e.f. 1-4-2002).
5. Ins. by Act 7 of 2017, s. 23 (w.e.f. 1-4-2018).
6. Ins. by Act 13 of 2018, s. 17 (w.e.f. 1-4-2019).

Explanation.—For the purposes of this clause,—

(*a*) "International Financial Services Centre" shall have the meaning assigned to it in clause (*q*) of section 2 of the Special Economic Zones Act, 2005;

(*b*) "recognised stock exchange" shall have the meaning assigned to it in clause (*ii*) of *Explanation* 1 to clause (*5*) of section 43;

(*c*) "derivative" shall have the meaning assigned to it in clause (*ac*) of section 2 of the Securities Contracts (Regulation) Act, 1956.]

[1][(*viib*) any transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident.

Explanation.—For the purposes of this clause, "Government Security" shall have the meaning assigned to it in clause (*b*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);]

[2][(*viic*) any transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an assessee being an individual;]

[3][(*viii*) any transfer of agricultural land in India effected before the 1st day of March, 1970;]

[4][(*ix*) any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, to the Government or a University or the National Museum, National Art Gallery, National Archives or any such other public museum or institution as may be notified by the Central Government in the Official Gazette to be of national importance or to be of renown throughout any State or States.

Explanation.—For the purposes of this clause, "University" means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be a University for the purposes of that Act;]

[5][(*x*) any transfer by way of [6][conversion of bonds or debentures], debenture-stock or deposit certificates in any form, of a company into shares or debentures of that company;]

[7][(*xa*) any transfer by way of conversion of bonds referred to in clause (*a*) of sub-section (*1*) of section 115AC into shares or debentures of any company;]

[8][(*xb*) any transfer by way of conversion of preference shares of a company into equity shares of that company;]

[9][(*xi*) any transfer made on or before the [10][31st day of December, 1998] by a person (not being a company) of a capital asset being membership of a recognised stock exchange to a company in exchange of shares allotted by that company to the transferor.

Explanation.—For the purposes of this clause, the expression "membership of a recognised stock exchange" means the membership of a stock exchange in India which is recognised under the provisions of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*xii*) any transfer of a capital asset, being land of a sick industrial company, made under a scheme prepared and sanctioned under section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) where such sick industrial company is being managed by its workers' co-operative:

---

1. Ins. by Act 25 of 2014, s. 18 (w.e.f. 1-4-2015).
2. Ins. by Act 28 of 2016, s. 28 (w.e.f. 1-4-2017).
3. Ins. by Act 19 of 1970, s. 11 (w.e.f. 1-4-1970).
4. Ins. by Act 66 of 1976, s. 11 (w.e.f. 1-4-1977).
5. Ins. by Act 49 of 1991, s. 18 (w.e.f. 1-4-1962).
6. Subs. by Act 18 of 1992, s. 23 for "conversion of debentures" (w.e.f. 1-4-1962).
7. Ins. by Act 18 of 2008, s. 14 (w.e.f. 1-4-2008).
8. Ins. by Act 7 of 2017, s. 23 (w.e.f. 1-4-2018).
9. Ins. by Act 26 of 1997, s. 16 (w.e.f. 1-4-1998).
10. Subs. by Act 21 of 1998, s. 21 for "31st day of December, 1997" (w.e.f. 1-4-1998).

Provided that such transfer is made during the period commencing from the previous year in which the said company has become a sick industrial company under sub-section (*1*) of section 17 of that Act and ending with the previous year during which the entire net worth of such company becomes equal to or exceeds the accumulated losses.

Explanation.—For the purposes of this clause, "net worth" shall have the meaning assigned to it in clause (*ga*) of sub-section (*1*) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986);]

[1][(*xiii*) [2][any transfer of a capital asset or intangible asset by a firm to a company as a result of succession of the firm by a company in the business carried on by the firm, or any transfer of a capital asset to a company in the course of [3][demutualisation or corporatisation] of a recognised stock exchange in India as a result of which an association of persons or body of individuals is succeeded by such company:]

Provided that—

(*a*) all the assets and liabilities of the firm or of the association of persons or body of individuals relating to the business immediately before the succession become the assets and liabilities of the company;

(*b*) all the partners of the firm immediately before the succession become the shareholders of the company in the same proportion in which their capital accounts stood in the books of the firm on the date of the succession;

(*c*) the partners of the firm do not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company; and

(*d*) the aggregate of the shareholding in the company of the partners of the firm is not less than fifty per cent of the total voting power in the company and their shareholding continues to be as such for a period of five years from the date of the succession;

[4][(*e*) the [3][demutualisation or corporatisation] of a recognised stock exchange in India is carried out in accordance with a scheme for [3][demutualisation or corporatisation] which is approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);]

[5][(*xiiia*) any transfer of a capital asset being a membership right held by a member of a recognised stock exchange in India for acquisition of shares and trading or clearing rights acquired by such member in that recognised stock exchange in accordance with a scheme for demutualisation or corporatisation which is approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);]

[6][(*xiiib*) any transfer of a capital asset or intangible asset by a private company or unlisted public company (hereafter in this clause referred to as the company) to a limited liability partnership or any transfer of a share or shares held in the company by a shareholder as a result of conversion of the company into a limited liability partnership in accordance with the provisions of section 56 or section 57 of the Limited Liability Partnership Act, 2008 (6 of 2009):

1. Ins. by Act 21 of 1998, s. 21 (w.e.f.1-4-1999).
2. Subs. by Act 14 of 2001, s. 29, for certain words (w.e.f. 1-4-2002).
3. Subs. by Act 32 of 2003, s. 30, for "corporatisation" (w.e.f. 1-4-2004).
4. Ins. by Act 14 of 2001, s. 29 (w.e.f. 1-4-2002).
5. Ins. by Act 32 of 2003, s. 30 (w.e.f. 1-4-2004).
6. Ins. by Act 14 of 2010, s. 18 (w.e.f. 1-4-2011).

Provided that—

(*a*) all the assets and liabilities of the company immediately before the conversion become the assets and liabilities of the limited liability partnership;

(*b*) all the shareholders of the company immediately before the conversion become the partners of the limited liability partnership and their capital contribution and profit sharing ratio in the limited liability partnership are in the same proportion as their shareholding in the company on the date of conversion;

(*c*) the shareholders of the company do not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of share in profit and capital contribution in the limited liability partnership;

(*d*) the aggregate of the profit sharing ratio of the shareholders of the company in the limited liability partnership shall not be less than fifty per cent at any time during the period of five years from the date of conversion;

(*e*) the total sales, turnover or gross receipts in the business of the company in any of the three previous years preceding the previous year in which the conversion takes place does not exceed sixty lakh rupees; [1]***

[2][(*ea*) the total value of the assets as appearing in the books of account of the company in any of the three previous years preceding the previous year in which the conversion takes place does not exceed five crore rupees; and]

(*f*) no amount is paid, either directly or indirectly, to any partner out of balance of accumulated profit standing in the accounts of the company on the date of conversion for a period of three years from the date of conversion.

Explanation.—For the purposes of this clause, the expressions "private company" and "unlisted public company" shall have the meanings respectively assigned to them in the Limited Liability Partnership Act, 2008 (6 of 2009);]

(*xiv*) where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which the sole proprietary concern sells or otherwise transfers any capital asset or intangible asset to the company :

Provided that—

(*a*) all the assets and liabilities of the sole proprietary concern relating to the business immediately before the succession become the assets and liabilities of the company;

(*b*) the shareholding of the sole proprietor in the company is not less than fifty per cent of the total voting power in the company and his shareholding continues to remain as such for a period of five years from the date of the succession; and

(*c*) the sole proprietor does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company;

1. The word "and" omitted by Act 28 of 2016, s. 28 (w.e.f. 1-4-2017).
2. Ins. by s. 28, *ibid*. (w.e.f. 1-4-2017).

(*xv*) any transfer in a scheme for lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subject to the guidelines issued by the Securities and Exchange Board of India, established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) [1][or the Reserve Bank of India constituted under sub-section (*1*) of section 3 of the Reserve Bank of India Act, 1934 (2 of 1934)], in this regard;

[2][(*xvi*) any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government;]

[3][(*xvii*) any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor.

Explanation.—For the purposes of this clause, the expression "special purpose vehicle" shall have the meaning assigned to it in the *Explanation* to clause (*23FC*) of section 10;]

[4][(*xviii*) any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating scheme of a mutual fund, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated scheme of the mutual fund:

Provided that the consolidation is of two or more schemes of equity oriented fund or of two or more schemes of a fund other than equity oriented fund.

Explanation.—For the purposes of this clause,—

(*a*) "consolidated scheme" means the scheme with which the consolidating scheme merges or which is formed as a result of such merger;

(*b*) "consolidating scheme" means the scheme of a mutual fund which merges under the process of consolidation of the schemes of mutual fund in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*c*) "equity oriented fund" shall have the meaning assigned to it in clause (*38*) of section 10;

(*d*) "mutual fund" means a mutual fund specified under clause (23D) of section 10.]

[5][(*xix*) any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund.

Explanation.—For the purposes of this clause,—

(*a*) "consolidating plan" means the plan within a scheme of a mutual fund which merges under the process of consolidation of the plans within a scheme of mutual fund in accordance

1. Ins. by Act 20 of 2002, s. 23 (w.e.f. 1-4-2003).
2. Ins. by Act 18 of 2008, s. 14 (w.e.f. 1-4-2008).
3. Ins. by Act 25 of 2014, s. 18 (w.e.f. 1-4-2015).
4. Ins. by Act 20 of 2015, s. 14 (w.e.f. 1-4-2016).
5. Ins. by Act 28 of 2016, s. 28 (w.e.f. 1-4-2017).

with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*b*) "consolidated plan" means the plan with which the consolidating plan merges or which is formed as a result of such merger;

(*c*) "mutual fund" means a mutual fund specified under clause (*23D*) of section 10.]

[1][**47A. Withdrawal of exemption in certain cases**.—(*1*) Where at any time before the expiry of a period of eight years from the date of the transfer of a capital asset referred to in clause (*iv*) or, as the case may be, clause (v) of section 147,—

(*i*) such capital asset is converted by the transferee company into, or is treated by it as, stock-in-trade of its business; or

(*ii*) the parent company or its nominees or, as the case may be, the holding company ceases or cease to hold the whole of the share capital of the subsidiary company,

the amount of profits or gains arising from the transfer of such capital asset not charged under section 45 by virtue of the provisions contained in clause (*iv*) or, as the case may be, clause (*v*) of section 47 shall, notwithstanding anything contained in the said clauses, be deemed to be income chargeable under the head "Capital gains" of the previous year in which such transfer took place.]

[2][(*2*) Where at any time, before the expiry of a period of three years from the date of the transfer of a capital asset referred to in clause (*xi*) of section 47, any of the shares allotted to the transferor in exchange of a membership in a recognised stock exchange are transferred, the amount of profits and gains not charged under section 45 by virtue of the provisions contained in clause (*xi*) of section 47 shall, notwithstanding anything contained in the said clause, be deemed to be the income chargeable under the head "Capital gains" of the previous year in which such shares are transferred.]

[3][(*3*) Where any of the conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*) of section 47 are not complied with, the amount of profits or gains arising from the transfer of such capital asset or intangible asset not charged under section 45 by virtue of conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*) of section 47 shall be deemed to be the profits and gains chargeable to tax of the successor company for the previous year in which the requirements of the proviso to clause (*xiii*) or the proviso to clause (*xiv*), as the case may be, are not complied with.]

[4][(*4*) Where any of the conditions laid down in the proviso to clause (*xiiib*) of section 47 are not complied with, the amount of profits or gains arising from the transfer of such capital asset or intangible assets or share or shares not charged under section 45 by virtue of conditions laid down in the said proviso shall be deemed to be the profits and gains chargeable to tax of the successor limited liability partnership or the shareholder of the predecessor company, as the case may be, for the previous year in which the requirements of the said proviso are not complied with.]

---

1. Ins. by Act 67 of 1984, s. 13 (w.e.f. 1-4-1985).
2. Ins. by Act 26 of 1997, s. 17 (w.e.f. 1-4-1998).
3. Ins.by Act 21 of 1998, s. 22 (w.e.f. 1-4-1999).
4. Ins. by Act 14 of 2010, s. 19 (w.e.f. 1-4-2011).

[1][**48. Mode of computation.**—The income chargeable under the head "Capital gains" shall be computed, by deducting from the full value of the consideration received or accruing as a result of the transfer of the capital asset the following amounts, namely:—

(*i*) expenditure incurred wholly and exclusively in connection with such transfer;

(*ii*) the cost of acquisition of the asset and the cost of any improvement thereto:

Provided that in the case of an assessee, who is a non-resident, capital gains arising from the transfer of a capital asset being shares in, or debentures of, an Indian company shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilised in the purchase of the shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency, so, however, that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares in, or debentures of, an Indian company:

Provided further that where long-term capital gain arises from the transfer of a long-term capital asset, other than capital gain arising to a non-resident from the transfer of shares in, or debentures of, an Indian company referred to in the first proviso, the provisions of clause (*ii*) shall have effect as if for the words "cost of acquisition" and "cost of any improvement", the words "indexed cost of acquisition" and "indexed cost of any improvement" had respectively been substituted:

[2][Provided also that nothing contained in the first and second provisos shall apply to the capital gains arising from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A:]

[3][Provided also that nothing contained in the second proviso shall apply to the long-term capital gain arising from the transfer of a long-term capital asset, being a bond or debenture other than—

(*a*) capital indexed bonds issued by the Government; or

(*b*) Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015:

Provided also that in case of an assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company [4][held] by him, shall be ignored for the purposes of computation of full value of consideration under this section:]

[5][Provided also that where shares, debentures or warrants referred to in the proviso to clause (*iii*) of section 47 are transferred under a gift or an irrevocable trust, the market value on the date of such transfer shall be deemed to be the full value of consideration received or accruing as a result of transfer for the purposes of this section:]

[6][Provided also that no deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004).]

---

1. Subs. by Act 18 of 1992, s. 24, for section 48 (w.e.f. 1-4-1993).
2. Ins. by Act 13 of 2018, s. 18 (w.e.f. 1-4-2018).
3. Subs. by Act 28 of 2016, s. 29, for the third proviso (w.e.f. 1-4-2017) which was earlier inserted by Act 26 of 1997, s. 18 (w.e.f. 1-4-1998).
4. Subs. by Act 7 of 2017, s. 24 to read as "subscribed" (w.e.f. 1-4-2018).
5. Ins. by Act 10 of 2000, s. 22 (w.e.f. 1-4-2001).
6. Ins. by Act 23 of 2004, s. 12 (w.e.f. 1-4-2005).

Explanation.—For the purposes of this section,—

(*i*) "foreign currency" and "Indian currency" shall have the meanings respectively assigned to them in section 2 of [1][the Foreign Exchange Management Act, 1999 (42 of 1999);]

(*ii*) the conversion of Indian currency into foreign currency and the reconversion of foreign currency into Indian currency shall be at the rate of exchange prescribed in this behalf;

(*iii*) "indexed cost of acquisition" means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the [2][1st day of April, 2001,] whichever is later;

(*iv*) "indexed cost of any improvement" means an amount which bears to the cost of improvement the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the year in which the improvement to the asset took place;

[3][(*v*) "Cost Inflation Index", in relation to a previous year, means such Index as the Central Government may, having regard to seventy-five per cent of average rise in the [4][Consumer Price Index (urban)] for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify, in this behalf.]]

49. Cost with reference to certain modes of acquisition.—[5][(*1*)] Where the capital asset became the property of the assessee—

(*i*) on any distribution of assets on the total or partial partition of a Hindu undivided family;

(*ii*) under a gift or will;

(*iii*) (*a*) by succession, inheritance or devolution, or

[6][(*b*) on any distribution of assets on the dissolution of a firm, body of individuals, or other association of persons, where such dissolution had taken place at any time before the 1st day of April, 1987, or]

(*c*) on any distribution of assets on the liquidation of a company, or

(*d*) under a transfer to a revocable or an irrevocable trust, or

(*e*) under any such transfer as is referred to in clause (*iv*) [7][or clause (*v*)] [8][or clause (*vi*)] [9][or clause (*via*)] [10][or clause (*viaa*) or clause (*viab*) or clause (*vib*) [11][or clause (*vic*)] or clause (*vica*) or clause (*vicb*) or clause (*vicc*)] [12][or clause (*xiii*) or clause (*xiiib*) or clause (*xiv*) of section 47];

[13][(*iv*) such assessee being a Hindu undivided family, by the mode referred to in sub-section (*2*) of section 64 at any time after the 31st day of December, 1969,]

---

1. Subs. by Act 17 of 2013, s. 4, for "the Foreign Exchange Regulation Act, 1973 (46 of 1973)" (w.e.f. 1-4-2013).
2. Subs. by Act 7 of 2017, s. 24 for "1st day of April, 1981" (w.e.f. 1-4-2018).
3. Subs. by Act 10 of 2000, s. 22, for clause (*v*) (w.e.f. 1-4-1993).
4. Subs. by Act 25 of 2014, s. 19, for "Consumer Price Index for Urban non-manual employees" (w.e.f. 1-4-2016).
5. Section 49 re-numbered as sub-section (*1*) thereof by Act 20 of 1967, s. 20 (w.e.f. 1-4-1967).
6. Subs. by Act 11 of 1987, s. 16, for sub-clause (*b*) (w.e.f. 1-4-1988).
7. Ins. by Act 10 of 1965, s. 16 (w.e.f. 1-4-1965).
8. Ins. by Act 20 of 1967, s. 20 (w.e.f. 1-4-1967).
9. Ins. by Act 18 of 1992, s. 25 (w.e.f. 1-4-1993).
10. Subs. by Act 20 of 2015, s. 15, for "or clause (*viaa*) or clause (*vica*) or clause (*vicb*)" (w.e.f. 1-4-2016).
11. Ins. by Act 7 of 2017, s. 25 (w.e.f. 1-4-2018).
12. Subs. by Act 23 of 2012, s. 16, for "clause (*xiiib*) of section 47" (w.e.f. 1-4-1999).
13. Ins. by Act 41 of 1975, s. 12 (w.e.f. 1-4-1976).

the cost of acquisition of the asset shall be deemed to be the cost for which the previous owner of the property acquired it, as increased by the cost of any improvement of the assets incurred or borne by the previous owner or the assessee, as the case may be.

[1][*Explanation*.—In this [2][sub-section] the expression "previous owner of the property" in relation to any capital asset owned by an assessee means the last previous owner of the capital asset who acquired it by a mode of acquisition other than that referred to in clause (*i*) or [3][clause (*ii*) or clause (*iii*) or clause (*iv*)] of this [2][sub-section].]

[4][(*2*) Where the capital asset being a share or shares in an amalgamated company which is an Indian company became the property of the assessee in consideration of a transfer referred to in clause (*vii*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share or shares in the amalgamating company.]

[5][(*2A*) Where the capital asset, being a share or debenture of a company, became the property of the assessee in consideration of a transfer referred to in clause (*x*) or clause (*xa*) of section 47, the cost of acquisition of the asset to the assessee shall be deemed to be that part of the cost of debenture, debenture-stock, bond or deposit certificate in relation to which such asset is acquired by the assessee.]

[6][(*2AA*) Where the capital gain arises from the transfer of specified security or sweat equity shares referred to in sub-clause (*vi*) of clause (*2*) of section 17, the cost of acquisition of such security or shares shall be the fair market value which has been taken into account for the purposes of the said sub-clause.]

[7][(*2AAA*) Where the capital asset, being rights of a partner referred to in section 42 of the Limited Liability Partnership Act, 2008 (6 of 2009), became the property of the assessee on conversion as referred to in clause (*xiiib*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share or shares in the company immediately before its conversion.]

[8][(*2AB*) Where the capital gain arises from the transfer of specified security or sweat equity shares, the cost of acquisition of such security or shares shall be the fair market value which has been taken into account while computing the value of fringe benefits under clause (*ba*) of sub-section (*1*) of section 115WC.]

[9][(*2ABB*) Where the capital asset, being share or shares of a company, is acquired by a non-resident assessee on redemption of Global Depository Receipts referred to in clause (*b*) of sub-section (*1*) of section 115AC held by such assessee, the cost of acquisition of the share or shares shall be the price of such share or shares prevailing on any recognised stock exchange on the date on which a request for such redemption was made.

Explanation.—For the purposes of this sub-section, "recognised stock exchange" shall have the meaning assigned to it in clause (*ii*) of the *Explanation* 1 to sub-section (*5*) of section 43.]

[10][(*2AC*) Where the capital asset, being a unit of a business trust, became the property of the assessee in consideration of a transfer as referred to in clause (*xvii*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share referred to in the said clause.]

[9][(*2AD*) Where the capital asset, being a unit or units in a consolidated scheme of a mutual fund, became the property of the assessee in consideration of a transfer referred to in clause (*xviii*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the unit or units in the consolidating scheme of the mutual fund.]

---

1. Ins. by Act 10 of 1965, s. 16 (w.e.f. 1-4-1965).
2. Subs. by Act 20 of 1967, s. 20, for "section" (w.e.f. 1-4-1967).
3. Subs. by Act 41 of 1975, s. 12, for "clause (*ii*) or clause (*iii*)" (w.e.f. 1-4-1976).
4. Ins. by Act 20 of 1967, s. 20 (w.e.f. 1-4-1967).
5. Subs. by Act 18 of 2008, s. 15, for sub-section (*2A*) (w.e.f. 1-4-2008).
6. Subs. by Act 33 of 2009, s. 23, for sub-section (*2AA*) (w.e.f. 1-4-2010).
7. Ins. by Act 14 of 2010, s. 20 (w.e.f. 1-4-2011).
8. Ins. by Act 22 of 2007, s. 17 (w.e.f 1-4-2008).
9. Ins. by Act 20 of 2015, s. 15 (w.e.f. 1-4-2015).
10. Ins. by Act 25 of 2014, s. 20 (w.e.f. 1-4-2015).

[1][(*2AE*) Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in clause (*xb*) of section 47, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee.]

[2][(*2AF*) Where the capital asset, being a unit or units in a consolidated plan of a mutual fund scheme, became the property of the assessee in consideration of a transfer referred to in clause (*xix*) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the unit or units in the consolidating plan of the scheme of the mutual fund.]

[3]* * * * *

[4][(*2C*) The cost of acquisition of the shares in the resulting company shall be the amount which bears to the cost of acquisition of shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger.

(*2D*) The cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount as so arrived at under sub-section (*2C*).]

[5][(*2E*) The provisions of sub-section (*2*), sub-section (*2C*) and sub-section (*2D*) shall, as far as may be, also apply in relation to business reorganisation of a co-operative bank as referred to in section 44DB.]

Explanation.—For the purposes of this section, "net worth" shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger.]

[6][(*3*) Notwithstanding anything contained in sub-section (*1*), where the capital gain arising from the transfer of a capital asset referred to in clause (*iv*) or, as the case may be, clause (*v*) of section 47 is deemed to be income chargeable under the head "Capital gains" by virtue of the provisions contained in section 47A, the cost of acquisition of such asset to the transferee-company shall be the cost for which such asset was acquired by it.]

[7][(*4*) Where the capital gain arises from the transfer of a property, the value of which has been subject to income-tax under clause (*vii*) [8][or clause (*viia*)] [2][or clause (*x*)] of sub-section (*2*) of section 56, the cost of acquisition of such property shall be deemed to be the value which has been taken into account for the purposes of the said clause (*vii*) [8][or clause (*viia*)] [2][or clause (*x*)].]

[9][(*5*) Where the capital gain arises from the transfer of an asset declared under the Income Declaration Scheme, 2016, and the tax, surcharge and penalty have been paid in accordance with the provisions of the Scheme on the fair market value of the asset as on the date of commencement of the Scheme, the cost of acquisition of the asset shall be deemed to be the fair market value of the asset which has been taken into account for the purposes of the said Scheme.]

---

1. Ins. by Act 7 of 2017, s. 25 (w.e.f. 1-4-2018).
2. Ins. by s. 25, *ibid*. (w.e.f. 1-4-2017).
3. Sub-section (*2B*) omitted by Act 10 of 2000, s. 23 (w.e.f. 1-4-2000).
4. Ins. by Act 27 of 1999, s. 35 (w.e.f. 1-4-2000).
5. Ins. by Act 22 of 2007, s. 17 (w.e.f. 1-4-2008).
6. Ins. by Act 67 of 1984, s. 14 (w.e.f. 1-4-1985).
7. Ins. by Act 33 of 2009, s. 23 (w.e.f. 1-10-2009).
8. Ins. by Act 14 of 2010, s. 20 (w.e.f. 1-6-2010).
9. Ins. by Act 28 of 2016, s. 30 (w.e.f. 1-4-2017).

[1][(*6*) Where the capital gain arises from the transfer of a specified capital asset referred to in clause (*c*) of the *Explanation* to clause (*37A*) of section 10, which has been transferred after the expiry of two years from the end of the financial year in which the possession of such asset was handed over to the assessee, the cost of acquisition of such specified capital asset shall be deemed to be its stamp duty value as on the last day of the second financial year after the end of the financial year in which the possession of the said specified capital asset was handed over to the assessee.

Explanation.—For the purposes of this sub-section, "stamp duty value" means the value adopted or assessed or assessable by any authority of the State Government for the purpose of payment of stamp duty in respect of an immovable property.

(*7*) Where the capital gain arises from the transfer of a capital asset, being share in the project, in the form of land or building or both, referred to in sub-section (*5A*) of section 45, not being the capital asset referred to in the proviso to the said sub-section, the cost of acquisition of such asset, shall be the amount which is deemed as full value of consideration in that sub-section;]

[2][(*8*) Where the capital gain arises from the transfer of an asset, being the asset held by a trust or an institution in respect of which accreted income has been computed and the tax has been paid thereon in accordance with the provisions of Chapter XII-EB, the cost of acquisition of such asset shall be deemed to be the fair market value of the asset which has been taken into account for computation of accreted income as on the specified date referred to in sub-section (*2*) of section 115TD.".]

[3][(*9*) Where the capital gain arises from the transfer of a capital asset referred to in clause (*via*) of section 28, the cost of acquisition of such asset shall be deemed to be the fair market value which has been taken into account for the purposes of the said clause.]

[4]**[50. Special provision for computation of capital gains in case of depreciable assets.**—Notwithstanding anything contained in clause (*42A*) of section 2, where the capital asset is an asset forming part of a block of assets in respect of which depreciation has been allowed under this Act or under the Indian Income-tax Act, 1922 (11 of 1922), the provisions of sections 48 and 49 shall be subject to the following modifications:—

(*1*) where the full value of the consideration received or accruing as a result of the transfer of the asset together with the full value of such consideration received or accruing as a result of the transfer of any other capital asset falling within the block of the assets during the previous year, exceeds the aggregate of the following amounts, namely:—

(*i*) expenditure incurred wholly and exclusively in connection with such transfer or transfers;

(*ii*) the written down value of the block of assets at the beginning of the previous year; and

(*iii*) the actual cost of any asset falling within the block of assets acquired during the previous year,

such excess shall be deemed to be the capital gains arising from the transfer of short-term capital assets;

(*2*) where any block of assets ceases to exist as such, for the reason that all the assets in that block are transferred during the previous year, the cost of acquisition of the block of assets shall be the written down value of the block of assets at the beginning of the previous year, as increased by the actual cost of any asset falling within that block of assets, acquired by the assessee during the previous year and the income received or accruing as a result of such transfer or transfers shall be deemed to be the capital gains arising from the transfer of short-term capital assets.]

[5]**[50A. Special provision for cost of acquisition in case of depreciable asset**.—Where the capital asset is an asset in respect of which a deduction on account of depreciation under clause (*i*) of sub-section (*1*) of section 32 has been obtained by the assessee in any previous year, the provisions of section 48 and 49 shall apply subject to the modification that the written down value, as defined in clause (*6*) of section 43, of the asset, as adjusted, shall be taken as the cost of acquisition of the asset.]

---

1. Ins. by Act 7 of 2017, s. 25 (w.e.f. 1-4-2018).
2. Ins. by s. 25, *ibid*. (w.e.f. 1-6-2016).
3. Ins. by Act 13 of 2018, s. 19 (w.e.f. 1-4-2019).
4. Subs. by Act 46 of 1986, s. 9, for section 50 (w.e.f. 1-4-1988).
5. Ins. by Act 21 of 1998, s. 23 (w.e.f. 1-4-1998).

[1]**[50B. Special provision for computation of capital gains in case of slump sale.**—(*1*) Any profits or gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of long-term capital assets and shall be deemed to be the income of the previous year in which the transfer took place:

Provided that any profits or gains arising from the transfer under the slump sale of any capital asset being one or more undertakings owned and held by an assessee for not more than thirty-six months immediately preceding the date of its transfer shall be deemed to be the capital gains arising from the transfer of short-term capital assets.

(*2*) In relation to capital assets being an undertaking or division transferred by way of such sale, the "net worth" of the undertaking or the division, as the case may be, shall be deemed to be the cost of acquisition and the cost of improvement for the purposes of section 48 and 49 and no regard shall be given to the provisions contained in the second proviso to section 48.

(3) Every assessee, in the case of slump sale, shall furnish in the prescribed form along with the return of income, a report of an accountant as defined in the *Explanation* below sub-section (*2*) of section 288, indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

[2][*Explanation* 1.—For the purposes of this section, "net worth" shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in its books of account:

Provided that any change in the value of assets on account of revaluation of assets shall be ignored for the purposes of computing the net worth.

Explanation 2.—For computing the net worth, the aggregate value of total assets shall be,—

(*a*) in the case of depreciable assets, the written down value of the block of assets determined in accordance with the provisions contained in sub-item (*C*) of item (*i*) of sub-clause (*c*) of clause (*6*) of section 43; [3]***

[4][(*b*) in the case of capital assets in respect of which the whole of the expenditure has been allowed or is allowable as a deduction under section 35AD, nil; and

(*c*) in the case of other assets, the book value of such assets.]]]

[5]**[50C. Special provision for full value of consideration in certain cases.**—(*1*) Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being land or building or both, is less than the value adopted [6][or assessed or assessable] by any authority of a State Government (hereafter in this section referred to as the "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted [6][or assessed or assessable] shall, for the purposes of section 48, be deemed to be the full value of the consideration received or accruing as a result of such transfer.]

[7][Provided that where the date of the agreement fixing the amount of consideration and the date of registration for the transfer of the capital asset are not the same, the value adopted or assessed or assessable by the stamp valuation authority on the date of agreement may be taken for the purposes of computing full value of consideration for such transfer:

1. Ins. by Act 27 of 1999, s. 36 (w.e.f. 1-4-2000).
2. Subs. by Act 10 of 2000, s. 24, for the *Explanation* (w.e.f. 1-4-2000).
3. The word "and" omitted by Act 33 of 2009, s. 24 (w.e.f. 1-4-2010).
4. Subs. by s. 24, *ibid*., for clause (*b*) (w.e.f. 1-4-2010).
5. Ins. by Act 20 of 2002, s. 24 (w.e.f. 1-4-2003).
6. Subs. by Act 33 of 2009, s. 25, for "or assessed" (w.e.f. 1-10-2009).
7. Ins. by Act 28 of 2016, s. 31 (w.e.f. 1-4-2017).

Provided further that the first proviso shall apply only in a case where the amount of consideration, or a part thereof, has been received by way of an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account, on or before the date of the agreement for transfer.]

[1][Provided also that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent. of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.]

(*2*) Without prejudice to the provisions of sub-section (*1*), where—

(*a*) the assessee claims before any Assessing Officer that the value adopted [2][or assessed or assessable] by the stamp valuation authority under sub-section (*1*) exceeds the fair market value of the property as on the date of transfer;

(*b*) the value so adopted [2][or assessed or assessable] by the stamp valuation authority under sub-section (*1*) has not been disputed in any appeal or revision or no reference has been made before any other authority, court or the High Court,

the Assessing Officer may refer the valuation of the capital asset to a Valuation Officer and where any such reference is made, the provisions of sub-sections (*2*), (*3*), (*4*), (*5*) and (*6*) of section 16A, clause (*i*) of sub-section (*1*) and sub-sections (*6*) and (*7*) of section 23A, sub-section (*5*) of section 24, section 34AA, section 35 and section 37 of the Wealth-tax Act, 1957 (27 of 1957), shall, with necessary modifications, apply in relation to such reference as they apply in relation to a reference made by the Assessing Officer under sub-section (*1*) of section 16A of that Act.

[3][*Explanation* 1.]—For the purposes of this section, "Valuation Officer" shall have the same meaning as in clause (*r*) of section 2 of the Wealth-tax Act, 1957 (27 of 1957).

[4][*Explanation* 2.—For the purposes of this section, the expression "assessable" means the price which the stamp valuation authority would have, notwithstanding anything to the contrary contained in any other law for the time being in force, adopted or assessed, if it were referred to such authority for the purposes of the payment of stamp duty.]

(*3*) Subject to the provisions contained in sub-section (*2*), where the value ascertained under sub-section (*2*) exceeds the value adopted [2][or assessed or assessable] by the stamp valuation authority referred to in sub-section (*1*), the value so adopted [2][or assessed or assessable] by such authority shall be taken as the full value of the consideration received or accruing as a result of the transfer.]

[5][**50CA. Special provision for full value of consideration for transfer of share other than quoted share.—**(*1*) Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being share of a company other than a quoted share, is less than the fair market value of such share determined in such manner as may be prescribed, the value so determined shall, for the purposes of section 48, be deemed to be the full value of consideration received or accruing as a result of such transfer.

Explanation.—For the purposes of this section, "quoted share" means the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.]

[6]**[50D. Fair market value deemed to be full value of consideration in certain cases.** —Where the consideration received or accruing as a result of the transfer of a capital asset by an assessee is not ascertainable or cannot be determined, then, for the purpose of computing income chargeable to tax as capital gains, the fair market value of the said asset on the date of transfer shall be deemed to be the full value of the consideration received or accruing as a result of such transfer.]

1. Ins. by Act 13 of 2018, s. 20 (w.e.f. 1-4-2019).
2. Subs. by Act 33 of 2009, s. 25, for "or assessed" (w.e.f. 1-10-2009).
3. The *Explanation* renumbered as *Explanation* 1 thereof by s. 25, *ibid.* (w.e.f. 1-10-2009).
4. Ins. by s. 25, *ibid*. (w.e.f. 1-10-2009).
5. Ins. by Act 7 of 2017, s. 26 (w.e.f. 1-4-2018).
6. Ins. by Act 23 of 2012, s. 17 (w.e.f. 1-4-2013).

51. Advance money received.—Where any capital asset was on any previous occasion the subject of negotiations for its transfer, any advance or other money received and retained by the assessee in respect of such negotiations shall be deducted from the cost for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition:

[1][Provided that where any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset, has been included in the total income of the assessee for any previous year in accordance with the provisions of clause (*ix*) of sub-section (*2*) of section 56, then, such sum shall not be deducted from the cost for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition.]

52. [*Consideration for transfer in cases of understatement*.]—*Omitted by the Finance Act,* 1987 (11 *of* 1987), *s.* 17 (*w.e.f.* 1-4-1988). *Earlier amended by Act* 5 *of* 1964, *s*. 13 (*w.e.f*. 1-4-1964), *Act* 25 *of* 1975, s. 9 (*w.e.f.* 1-4-1974) *and Act* 19 *of* 1978, *s*. 9 (*w.e.f.* 1-4-1974).

53. [*Exemption of capital gains from a residential house*.]—*Omitted by the Finance Act,* 1992 (18 *of* 1992), *s.* 26 (*w.e.f.* 1-4-1993). *Earlier substituted by Act* 67 *of* 1984, *s.* 15 (*w.e.f.* 1-4-1985) *and amended by Act* 11 *of* 1987, *s*. 18 (*w.e.f*. 1-4-1988).

54. Profit on sale of property used for residence.—[2][(*1*)] [3][[4][Subject to the provisions of sub-section (*2*), where, in the case of an assessee being an individual or a Hindu undivided family], the capital gain arises from the transfer of a long-term capital asset [5]***, being buildings or lands appurtenant thereto, and being a residential house, the income of which is chargeable under the head "Income from house property" (hereafter in this section referred to as the original asset), and the assessee has within a period of [6][one year before or two years after the date on which the transfer took place purchased], or has within a period of three years after that date [7][constructed, one residential house in India], then], instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain [8][is greater than the cost of [9][the residential house] so purchased or constructed (hereafter in this section referred to as the new asset)], the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be nil; or

(*ii*) if the amount of the capital gain is equal to or less than the cost of the new asset, the capital gain shall not be charged under section 45; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the capital gain.

---

1. Ins. by Act 25 of 2014, s. 21 (w.e.f. 1-4-2015).
2. Section 54 renumbered as sub-section (*1*) thereof by Act 19 of 1978, s. 10 (w.e.f. 1-4-1974).
3. Subs. by Act 14 of 1982, s. 11, for certain words (w.e.f. 1-4-1983).
4. Subs. by Act 11 of 1987, s. 19, for "Where, in the case of an assessee being an individual" (w.e.f. 1-4-1988).
5. The words and figures "to which the provisions of section 53 are not applicable" omitted by Act 32 of 1985, s. 14 (w.e.f. 1-4-1985).
6. Subs. by Act 23 of 1986, s. 11, for "one year before or after the date on which the transfer took place purchased" (w.e.f. 1-4-1987).
7. Subs. by Act 25 of 2014, s. 22, for "constructed, a residential house" (w.e.f. 1-4-2015).
8. Subs. by Act 19 of 1978, s. 10, for "is greater than the cost of the new asset" (w.e.f. 1-4-1974).
9. Subs. by Act 14 of 1982, s. 11, for "the house property" (w.e.f. 1-4-1983).

[1][Provided that where the amount of the capital gain does not exceed two crore rupees, the assessee, may at his option, purchase or construct two residential houses in India, and where such an option has been exercised,—

(*a*) the provisions of this sub-section shall have effect as if for the words "one residential house in India", the words "two residential houses in India" had been substituted;

(*b*) any reference in this sub-section and sub-section (*2*) to "new asset" shall be construed as a reference to the two residential houses in India: Provided further that where during any assessment year, the assessee has exercised the option referred to in the first proviso, he shall not be subsequently entitled to exercise the option for the same or any other assessment year.]

[2]* * * * *

[3][(*2*) The amount of the capital gain which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (*1*), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (*1*), then,—

(*i*) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(*ii*) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

[4]* * * * *

54A. [*Relief of tax on capital gains in certain cases*.]—*Omitted by the Finance* (*No.* 2) *Act,* 1971 (32 *of* 1971), *s.* 11 (*w.e.f.* 1-4-1972). *Earlier inserted by Act* 10 *of* 1965, *s.* 17 (1-4-1965). *Again inserted by Act* 4 *of* 1988, *s.* 16 (*w.e.f.* 1-4-1988) *and omitted by Act* 3 *of* 1989, *s.* 95 (*w.e.f.* 1-4-1989).

[5]**[54B. Capital gain on transfer of land used for agricultural purposes not to be charged in certain cases.**—[6][(*1*)] [7][Subject to the provisions of sub-section (*2*), where the capital gain arises] from

1. Ins. by Act 7 of 2019, s. 6 (w.e.f. 1-4-2020).

2. The *Explanation* omitted by Act 11 of 1987, s. 19 (w.e.f. 1-4-1988).

3. Subs. by s. 19, *ibid.*, for sub-section (*2*) (w.e.f. 1-4-1988).

4. The *Explanation* omitted by Act 18 of 1992, s. 27 (w.e.f. 1-4-1993).

5. Ins. by Act 19 of 1970, s. 11 (w.e.f. 1-4-1970).

6. Section 54B renumbered as sub-section (*1*) thereof by Act 19 of 1978, s. 11 (w.e.f. 1-4-1974).

7. Subs. by Act 11 of 1987, s. 20, for "Where the capital gain arises" (w.e.f. 1-4-1988).

the transfer of a capital asset being land which, in the two years immediately preceding the date on which the transfer took place, was being used by [1][the assessee being an individual or his parent, or a Hindu undivided family] for agricultural purposes [2][(hereinafter referred to as the original asset)], and the assessee has, within a period of two years after that date, purchased any other land for being used for agricultural purposes, then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain is greater than the cost of the land so purchased (hereinafter referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be nil; or

(*ii*) if the amount of the capital gain is equal to or less than the cost of the new asset, the capital gain shall not be charged under section 45; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be reduced, by the amount of the capital gain.]

[3][(*2*) The amount of the capital gain which is not utilised by the assessee for the purchase of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (*1*), the amount, if any, already utilised by the assessee for the purchase of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase of the new asset within the period specified in sub-section (*1*), then,—

(*i*) the amount not so utilised shall be charged under section 45as the income of the previous year in which the period of two years from the date of the transfer of the original asset expires; and

(*ii*) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

[4]* * * * *

54C. [Capital gain on transfer of jewellery held for personal use not to be charged in certain cases.]—*Omitted by the Finance Act,* 1976 (66 *of* 1976) (*w.e.f.* 1-4-1976). *Earlier inserted by Act* 16 *of* 1972, *s.* 9 (*w.e.f.* 1-4-1973).

---

1. Subs. by Act 23 of 2012, s. 18, for "the assessee or a parent of his" (w.e.f. 1-4-2013).

2. Ins. by Act 19 of 1978, s. 11 (w.e.f. 1-4-1974).

3. Subs. by Act 11 of 1987, s. 20, for sub-section (*2*) (w.e.f. 1-4-1988).

4. The *Explanation* omitted by Act 18 of 1992, s. 28 (w.e.f. 1-4-1993).

[1]**[54D. Capital gain on compulsory acquisition of lands and buildings not to be charged in certain cases.—**[2][(*1*)] [3][Subject to the provisions of sub-section (*2*), where the capital gain arises] from the transfer by way of compulsory acquisition under any law of a capital asset, being land or building or any right in land or building, forming part of an industrial undertaking belonging to the assessee which, in the two years immediately preceding the date on which the transfer took place, was being used by the assessee for the purposes of the business of the said undertaking [4][(hereafter in this section referred to as the original asset)], and the assessee has within a period of three years after that date purchased any other land or building or any right in any other land or building or constructed any other building for the purposes of shifting or re-establishing the said undertaking or setting up another industrial undertaking, then, instead of the capital gain being charged to income-tax as the income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain is greater than the cost of the land, building or right so purchased or the building so constructed (such land, building or right being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be nil; or

(*ii*) if the amount of the capital gain is equal to or less than the cost of the new asset, the capital gain shall not be charged under section 45; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the capital gain.]

[5][(*2*) The amount of the capital gain which is not utilised by the assessee for the purchase or construction of the new asset before the date of furnishing the return of income under section 139,shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (*1*), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (*1*), then,—

(*i*) the amount not so utilised shall be charged under section 45as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(*ii*) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

[6]* * * * *

1. Ins. by Act 21 of 1973, s. 7 (w.e.f. 1-4-1974).
2. Section 54D numbered as sub-section (*1*) thereof by Act 19 of 1978, s. 12 (w.e.f. 1-4-1974).
3. Subs. by Act 11 of 1987, s. 21, for "Where the capital gain arises" (w.e.f. 1-4-1988).
4 Ins. by Act 19 of 1978, s. 12 (w.e.f. 1-4-1974).
5. Subs. by Act 11 of 1987, s. 21, for sub-section (*2*) (w.e.f. 1-4-1988).
6. The *Explanation* omitted by Act 18 of 1992, s. 29 (w.e.f. 1-4-1993).

[1]**[54E. Capital gain on transfer of capital not to be assets charged in certain cases**.—(*1*) Where the capital gain arises from the transfer of a [2][long-term capital asset] [3][before the 1st day of April, 1992], (the capital asset so transferred being hereafter in this section referred to as the original asset) and the assessee has, within a period of six months after the date of such transfer, invested or deposited the [4][whole or any part of the net consideration] in any specified asset (such specified asset being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the new asset is not less than the [5][net consideration] in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the new asset is less than the [5][net consideration] in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the new asset bears to the [6][net consideration] shall not be charged under section 45:

[7][Provided that in a case where the original asset is transferred after the 28th day of February, 1983, the provisions of this sub-section shall not apply unless the assessee has invested or deposited the whole or, as the case may be, any part of the net consideration in the new asset by initially subscribing to such new asset:]

[8][Provided further that in a case where the transfer of the original asset is by way of compulsory acquisition under any law and the full amount of compensation awarded for such acquisition is not received by the assessee on the date of such transfer, the period of six months referred to in this sub-section shall, in relation to so much of such compensation as is not received on the date of the transfer, be reckoned from the date immediately following the date on which such compensation is received by the assessee [9][or the 31st day of March, 1992, whichever is earlier].]

Explanation 1.—[10][For the purposes of this sub-section, "specified asset" means,—

(*a*) in a case where the original asset is transferred before the 1st day of March, 1979, any of the following assets, namely:—]

(*i*) securities of the Central Government or a State Government;

(*ii*) savings certificates as defined in clause (*c*) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959);

(*iii*) units in the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

---

1. Ins. by Act 29 of 1977, s. 13 (w.e.f. 1-4-1978).
2. Subs. by Act 11 of 1987, s. 22, for "capital asset, not being a short-term capital asset" (w.e.f. 1-4-1988).
3. Ins. by Act 18 of 1992, s. 30 (w.e.f. 1-4-1992).
4. Subs. by Act 21 of 1979, s. 8, for "full value of the consideration or any part thereof received or accruing as a result of such transfer" (w.e.f. 1-4-1979).
5. Subs. by s. 8, *ibid*., for "full value of consideration received or accruing" (w.e.f. 1-4-1979).
6. Subs. by s. 8, *ibid*., for "full value of such consideration" (w.e.f. 1-4-1979).
7. Ins. by Act 11 of 1983, s. 20 (w.e.f. 1-4-1983).
8. Ins. by Act 67 of 1984, s. 16 (w.e.f. 1-4-1984).
9. Ins. by Act 18 of 1992, s. 30 (w.e.f. 1-4-1992).
10. Subs. by Act 21 of 1979, s. 8, for 'For the purposes of this sub-section and sub-section (*3*), "specified asset" means any of the following assets, namely:—'(w.e.f. 1-4-1979).

(*iv*) debentures specified by the Central Government for the purposes of clause (*ii*) of sub-section (*1*) of section 80L;

(*v*) shares in any Indian company which are issued to the public or are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956), and any rules made thereunder, where the investment in such shares is made before the 1st day of March, 1978;

[1][(*va*) equity shares forming part of any eligible issue of capital, where the investment in such shares is made after the 28th day of February, 1978;]

(*vi*) deposits for a period of not less than three years with the State Bank of India established under the State Bank of India Act, 1955 (23 of 1955), or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) or any nationalised bank, that is to say, any corresponding new bank, constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank);

[2][(*b*) in a case where the original asset is transferred after the 28th day of February, 1979 [3][but before the 1st day of March, 1983], such National Rural Development Bonds as the Central Government may notify in this behalf in the Official Gazette;]

[3][(*c*) in a case where the original asset is transferred after the 28th day of February, 1983 [4][but before the 1st day of April, 1986], any of the following assets, namely:—

(*i*) securities of the Central Government which that Government may, by notification in the Official Gazette, specify in this behalf;

(*ii*) special series of units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*iii*) such National Rural Development Bonds as have been notified under clause (*b*) of *Explanation* 1 or as may be notified in this behalf under this clause by the Central Government;

(*iv*) such debentures issued by the Housing and Urban Development Corporation Limited [a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956)], as the Central Government may, by notification in the Official Gazette, specify in this behalf;]

[4][(*d*) in a case where the original asset is transferred after the 31st day of March, 1986, any of the assets specified in clause (*c*) and such bonds issued by any public sector company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;]

---

1. Ins. by Act 19 of 1978, s. 13 (w.e.f. 1-4-1978).
2. Ins. by Act 21 of 1979, s. 8 (w.e.f. 1-4-1979).
3. Ins. by Act 11 of 1983, s. 20 (w.e.f. 1-4-1983).
4. Ins. by Act 23 of 1986, s. 12 (w.e.f. 1-4-1987).

[1]* * * * *]

[2][(*e*) in a case where the original asset is transferred after the 31st day of March, 1989, any of the assets specified in clauses (*c*) and (*d*) and such debentures or bonds issued by the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987), as the Central Government may, by notification in the Official Gazette, specify in this behalf.]

[3][*Explanation* 2.—"Eligible issue of capital" shall have the meaning assigned to it in sub-section (*3*) of section 80CC.

Explanation 3.—An assessee shall not be deemed to have invested [4][the whole or any part of the net consideration in any equity shares referred to in sub-clause (*va*) of clause (*a*)] of *Explanation* 1, unless the assessee has subscribed to or purchased the shares in the manner specified in sub-section (*4*) of section 80CC.]

[5][*Explanation* 4].—"Cost", in relation to any new asset, being a deposit referred to in [6][sub-clause (*vi*) of clause (*a*)] of *Explanation* 1, means the amount of such deposit.

[7][*Explanation* 5.—"Net consideration", in relation to the transfer of a capital asset, means the full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.]

[8][(*1A*) Where the assessee deposits after the 27th day of April, 1978, the [9][whole or any part of the net consideration in respect] of the original asset in any new asset, being a deposit [10][referred to in sub-clause (*vi*) of clause (*a*)] of *Explanation* 1 below sub-section (*1*), the cost of such new asset shall not be taken into account for the purposes of that sub-section unless the following conditions are fulfilled, namely:—

(*a*) the assessee furnishes, along with the deposit, a declaration in writing, to the bank or the co-operative society referred to in the [11][said sub-clause (*vi*)] with which such deposit is made, to the effect that the assessee will not take any loan or advance on the security of such deposit during a period of three years from the date on which the deposit is made;

(*b*) the assessee furnishes, along with the return of income for the assessment year relevant to the previous year in which the transfer of the original asset was effected or within such further time as may be allowed by the [12][Assessing Officer], a copy of the declaration referred to in clause (*a*) duly attested by an officer not below the rank of sub-agent, agent or manager of such bank or an officer of corresponding rank of such co-operative society.

---

1. The *Explanation* omitted by Act 11 of 1987, s. 74 (w.e.f. 1-4-1987).
2. Ins. by Act 13 of 1989, s. 12 (w.e.f. 1-4-1990).
3. Ins. by Act 19 of 1978, s. 13 (w.e.f. 1-4-1978).
4. Subs. by Act 21 of 1979, s. 8, for "the full value of the consideration or any part thereof in any equity shares referred to in clause (*va*)" (w.e.f. 1-4-1979).
5. *Explanation* 2 renumbered as *Explanation* 4 by Act 19 of 1978, s. 13 (w.e.f. 1-4-1978).
6. Subs. by Act 21 of 1979, s. 8, for "clause (*vi*)" (w.e.f. 1-4-1979).
7. Ins. by s. 8, *ibid*. (w.e.f. 1-4-1979).
8. Ins. by Act 19 of 1978, s. 13 (w.e.f. 1-4-1978).
9. Subs. by Act 21 of 1979, s. 8, for "full value of the consideration or any part thereof received or accruing as a result of the transfer" (w.e.f. 1-4-1979).
10. Subs. by s. 8, *ibid*., for "referred to in clause (*vi*)" (w.e.f. 1-4-1979).
11. Subs. by s. 8, *ibid*., for "said clause (*vi*)" (w.e.f. 1-4-1979).
12. Subs. by Act 4 of 1988, s. 2, "Income-tax Officer" (w.e.f. 1-4-1988).

(*1B*) Where on the fulfilment of the conditions specified in sub-section (*1A*), the cost of the new asset referred to in that sub-section is taken into account for the purposes of sub-section (*1*), the assessee shall, within a period of ninety days from the expiry of the period of three years reckoned from the date of such deposit, furnish to the [1][Assessing Officer] a certificate from the officer referred to in clause (*b*) of sub-section (*1A*) to the effect that the assessee has not taken any loan or advance on the security of such deposit during the said period of three years.]

[2][(*1C*) Notwithstanding anything contained in sub-section (*1*), where the capital gain arises from the transfer of the original asset, made after the 31st day of March, 1992, in respect of which the assessee had received any amount by way of advance on or before the 29th day of February, 1992 and had invested or deposited the whole or any part of such amount in the new asset on or before the later date, then, the provisions of clauses (*a*) and (*b*) of sub-section (*1*) shall apply in the case of such investment or deposit as they apply in the case of investment or deposit under that sub-section.]

(*2*) Where the new asset is transferred, or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (*a*) or, as the case may be, clause (*b*), of sub-section (*1*) shall be deemed to be income chargeable under the head "Capital gains" relating to [3][long-term capital assets] of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.]

[4][[5][*Explanation1*].—Where the assessee deposits after the 27th day of April, 1978, the [6][whole or any part of the net consideration in respect] of the original asset in any new asset, being a deposit referred to in [7][sub-clause (*vi*) of clause (*a*)] of *Explanation* 1 below sub-section (*1*), and such assessee takes any loan or advance on the security of such deposit, he shall be deemed to have converted (otherwise than by transfer) such deposit into money on the date on which such loan or advance is taken.]

[8][*Explanation 2*.—In a case where the original asset is transferred after the 28th day of February, 1983 and the assessee invests the whole or any part of the net consideration in respect of the original asset in any new asset and such assessee takes any loan or advance on the security of such new asset, he shall be deemed to have converted (otherwise than by transfer) such new asset on the date on which such loan or advance is taken.]

[9]* * * * *

[10][(*3*)] Where the cost of the equity shares referred to in [11][sub-clause (*va*) of clause (*a*)] of *Explanation* 1 below sub-section (*1*) is taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*) [12]***, a deduction with reference to such cost shall not be allowed under section 80CC.

---

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. Ins. by Act 18 of 1992, s. 30 (w.e.f. 1-4-1992).
3. Subs. by Act 11 of 1987, s. 22, for "capital assets other than short-term capital assets" (w.e.f. 1-4-1988).
4. Ins. by Act 19 of 1978, s. 13 (w.e.f. 1-4-1978).
5. The *Explanation* numbered as *Explanation* 1 by Act 11 of 1983, s. 20 (w.e.f. 1-4-1983).
6. Subs. by Act 21 of 1979, s. 8, for "full value of the consideration or any part thereof received or accruing as a result of the transfer" (w.e.f. 1-4-1979).
7. Subs. by s. 8, *ibid*., for "clause (*vi*)" (w.e.f. 1-4-1979).
8. Ins. by Act 11 of 1983, s. 20 (w.e.f. 1-4-1983).
9. Sub-sections (*3*), (*4*) and (*5*) omitted by Act 11 of 1987, s. 22 (w.e.f. 1-4-1988).
10. Sub-section (*6*) renumbered as sub-section (*3*) by s. 22, *ibid*. (w.e.f. 1-4-1988).
11. Subs. by Act 21 of 1979, s. 8, for "clause (*va*)" (w.e.f. 1-4-1979).
12. The words, brackets, letters and figure "or clause (*a*) or clause (*b*) of sub-section (*3*)" omitted by Act 11 of 1987, s. 22 (w.e.f. 1-4-1988).

[1]**[54EA. Capital gain on transfer of long-term capital assets not to be charged in the case of investment in** [2]**[specified securities]**.—(*1*) Where the capital gain arises from the transfer of a long-term capital asset [3][before the 1st day of April, 2000] (the capital asset so transferred being hereafter in this section referred to as the original asset) and the assessee has, at any time within a period of six months after the date of such transfer, invested the whole or any part of the net consideration in any of the [4][bonds, debentures, shares of a public company or units of any mutual fund referred to in clause (*23D*) of section 10,]specified by the Board in this behalf by notification in the Official Gazette (such assets hereafter in this section referred to as the [2][specified securities]), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the [2][specified securities] is not less than the net consideration in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the [2][specified securities] is less than the net consideration in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the [2][specified securities] bears to the net consideration shall not be charged under section 45.

(*2*) Where the [2][specified securities] are transferred or converted (otherwise than by transfer) into money at any time within a period of three years from the date of their acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such [2][specified securities] as provided in clause (*a*) or clause (*b*) of sub-section (*1*) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which the [2][specified securities] are transferred or converted (otherwise than by transfer) into money.

Explanation.—In a case where the original asset is transferred and the assessee invests the whole or any part of the net consideration in respect of the original asset in any [2][specified securities] and such assessee takes any loan or advance on the security of such [2][specified securities], he shall be deemed to have converted (otherwise than by transfer) such [2][specified securities] into money on the date on which such loan or advance is taken.

(*3*) Where the cost of the [2][specified securities] has been taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*), a rebate with reference to such cost shall not be allowed under section 88.

Explanation.—For the purposes of this section,—

(*a*) "cost", in relation to any [2][specified securities], means the amount invested in such [2][specified securities] out of the net consideration received or accruing as a result of the transfer of the original asset;

(*b*) "net consideration", in relation to the transfer of a capital asset, means the full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by the expenditure incurred wholly and exclusively in connection with such transfer.]

---

1. Ins. by Act 33 of 1996, s. 20 (w.e.f. 1-10-1996).
2. Subs. by Act 14 of 1997, s. 2, for "specified bonds or debentures" (w.e.f. 1-10-1996).
3. Ins. by Act 10 of 2000, s. 25 (w.e.f. 1-4-2001).
4. Subs. by Act 14 of 1997, s. 2, for "bonds, debentures or units of any mutual fund referred to in clause (23D) of section 10" (w.e.f. 1-10-1996).

54EB. Capital gain on transfer of long-term capital assets not to be charged in certain cases.—(*1*) Where the capital gain arises from the transfer of a long-term capital asset [1][before the 1st day of April, 2000] (the capital asset so transferred being hereafter in this section referred to as the original asset), and the assessee has, at any time within a period of six months after the date of such transfer invested the whole or any part of capital gains, in any of the assets specified by the Board in this behalf by notification in the Official Gazette (such assets hereafter in this section referred to as the long-term specified assets), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the long-term specified asset is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the long-term specified asset is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the long-term specified asset bears to the whole of the capital gain, shall not be charged under section 45.

Explanation.—"Cost", in relation to any long-term specified asset, means the amount invested in such specified asset out of capital gains received or accruing as a result of the transfer of the original asset.

(*2*) Where the long-term specified asset is transferred or converted (otherwise than by transfer) into money at any time within a period of seven years from the date of its acquisition, the amount of capital gains arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such long-term specified asset as provided in clause (*a*), or as the case may be, clause (*b*) of sub-section (*1*) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which the long-term specified asset is transferred or converted (otherwise than by transfer) into money.

Explanation.—In a case where the original asset is transferred and the assessee invests the whole or any part of the capital gain received or accrued as a result of transfer of the original asset in any long-term specified asset and such assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have converted (otherwise than by transfer) such specified asset into money on the date on which such loan or advance is taken.

(*3*) Where the cost of the long-term specified asset has been taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*), a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88.]

[2]**[54EC. Capital gain not to be charged on investment in certain bonds**.—(*1*) Where the capital gain arises from the transfer of a long-term capital asset [3][, being land or building or both,] (the capital asset so transferred being hereafter in this section referred to as the original asset) and the assessee has, at any time within a period of six months after the date of such transfer, invested the whole or any part of capital gains in the long-term specified asset, the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the long-term specified asset is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45;

---

1. Ins. by Act 10 of 2000, s. 26 (w.e.f. 1-4-2001).

2. Ins. by s. 27, *ibid.* (w.e.f. 1-4-2001).

3. Ins. by Act 13 of 2018, s. 21 (w.e.f. 1-4-2019).

(*b*) if the cost of the long-term specified asset is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the long-term specified asset bears to the whole of the capital gain, shall not be charged under section 45:

[1][Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by an assessee during any financial year does not exceed fifty lakh rupees:]

[2][Provided further that the investment made by an assessee in the long-term specified asset, from capital gains arising from transfer of one or more original assets, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.]

(*2*) Where the long-term specified asset is transferred or converted (otherwise than by transfer) into money at any time within a period of three years from the date of its acquisition, the amount of capital gains arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such long-term specified asset as provided in clause (*a*) or, as the case may be, clause (*b*) of sub-section (*1*) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital asset of the previous year in which the long-term specified asset is transferred or converted (otherwise than by transfer) into money.

[3][Provided that in case of long-term specified asset referred to in subclause (*ii*) of clause (*ba*) of the *Explanation* occurring after sub-section (*3*), this sub-section shall have effect as if for the words "three years", the words "five years" had been substituted.]

Explanation.—In a case where the original asset is transferred and the assessee invests the whole or any part of the capital gain received or accrued as a result of transfer of the original asset in any long-term specified asset and such assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have converted (otherwise than by transfer) such specified asset into money on the date on which such loan or advance is taken.

[4][(*3*) Where the cost of the long-term specified asset has been taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*),—

(*a*) a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(*b*) a deduction from the income with reference to such cost shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006.]

Explanation.—For the purposes of this section,—

(*a*) "cost", in relation to any long-term specified asset, means the amount invested in such specified asset out of capital gains received or accruing as a result of the transfer of the original asset;

[5][(*b*) "long-term specified asset" for making any investment under this section during the period commencing from the 1st day of April, 2006 and ending with the 31st day of March, 2007, means any bond, redeemable after three years and issued on or after the 1st day of April, 2006, but on or before the 31st day of March, 2007,—

1. Ins. by Act 22 of 2007, s. 18 (w.e.f. 1-4-2007).
2. Ins. by Act 25 of 2014, s. 23 (w.e.f. 1-4-2015).
3. Ins. by Act 13 of 2018, s. 21 (w.e.f. 1-4-2019).
4. Ins. by Act 18 of 2005, s. 17 (w.e.f. 1-4-2006).
5. Subs. by Act 22 of 2007, s. 18, for clause (*b*) (w.e.f. 1-4-2006).

(*i*) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 (68 of 1988); or

(*ii*) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956 (1 of 1956),

and notified by the Central Government in the Official Gazette for the purposes of this section with such conditions (including the condition for providing a limit on the amount of investment by an assessee in such bond) as it thinks fit:]

[1][Provided that where any bond has been notified before the 1st day of April, 2007, subject to the conditions specified in the notification, by the Central Government in the Official Gazette under the provisions of clause (*b*) as they stood immediately before their amendment by the Finance Act, 2007 (22 of 2007), such bond shall be deemed to be a bond notified under this clause;]

[2][(*ba*) "long-term specified asset" for making any investment under this section,—

(*i*) on or after the 1st day of April, 2007 but before the 1st day of April, 2018, means any bond, redeemable after three years and issued on or after the 1st day of April, 2007 but before the 1st day of April, 2018;

(*ii*) on or after the 1st day of April, 2018, means any bond, redeemable after five years and issued on or after the 1st day of April, 2018, by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956 or any other bond notified in the Official Gazette by the Central Government in this behalf.]

[3][**54ED. Capital gain on transfer of certain listed securities or unit not to be charged in certain cases.—**(*1*) Where the capital gain arises [4][from the transfer before the 1st day of April, 2006, of a long-term capital asset,] being listed securities or unit (the capital asset so transferred being hereafter in this section referred to as the original asset), and the assessee has, within a period of six months after the date of such transfer, invested the whole or any part of the capital gain in acquiring equity shares forming part of an eligible issue of capital (such equity shares being hereafter in this section referred to as the specified equity shares), the said capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the specified equity shares is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the specified equity shares is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the specified equity shares acquired bears to the whole of the capital gain shall not be charged under section 45.

Explanation.—For the purposes of this sub-section,—

(*i*) "eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely:—

(*a*) the issue is made by a public company formed and registered in India;

(*b*) the shares forming part of the issue are offered for subscription to the public;

---

1. Ins. by Act 22 of 2007, s. 18 (w.e.f. 1-4-2006).
2. Subs. by Act 13 of 2018, s. 21, for clause (*ba*) (w.e.f. 1-4-2019) which was earlier inserted by Act 22 of 2007, s. 18 (w.e.f. 1-4-2006) and later amended by Act 7 of 2017, s. 27 (w.e.f. 1-4-2018).
3. Ins. by Act 14 of 2001, s. 32 (w.e.f. 1-4-2002).
4. Subs. by Act 21 of 2006, s. 14, for "from the transfer of a long-term capital asset" (w.e.f. 1-4-2007).

(*ii*) "listed securities" shall have the same meaning as in clause (*a*) of the *Explanation* to sub-section (*1*) of section 112;

(*iii*) "unit" shall have the meaning assigned to it in clause (*b*) of the *Explanation* to section 115AB.

(*2*) Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of their acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such specified equity shares as provided in clause (*a*) or, as the case may be, clause (*b*), of sub-section (*1*) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which such equity shares are sold or otherwise transferred.

[1][(*3*) Where the cost of the specified equity shares has been taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*),—

(*a*) a deduction from the amount of income-tax with reference to such cost shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(*b*) a deduction from the income with reference to such cost shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006.]]

[2]**[54EE. Capital gain not to be charged on investment in units of a specified fund**.—(*1*) Where the capital gain arises from the transfer of a long-term capital asset (herein in this section referred to as the original asset) and the assessee has, at any time within a period of six months after the date of such transfer, invested the whole or any part of capital gains in the long-term specified asset, the capital gain shall be dealt with in accordance with the following provisions of this section, namely:—

(*a*) if the cost of the long-term specified asset is not less than the capital gain arising from the transfer of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the long-term specified asset is less than the capital gain arising from the transfer of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the long-term specified asset bears to the whole of the capital gain, shall not be charged under section 45:

Provided that the investment made on or after the 1st day of April, 2016, in the long-term specified asset by an assessee during any financial year does not exceed fifty lakh rupees:

Provided further that the investment made by an assessee in the long-term specified asset, from capital gains arising from the transfer of one or more original assets, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.

(*2*) Where the long-term specified asset is transferred by the assessee at any time within a period of three years from the date of its acquisition, the amount of capital gains arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such long-term specified asset as provided in clause (*a*) or, as the case may be, clause (*b*) of sub-section (*1*) shall be deemed to be the income chargeable under the head "Capital gains" relating to long-term capital asset of the previous year in which the long-term specified asset is transferred.

1. Ins. by Act 18 of 2005, s. 18 (w.e.f. 1-4-2006).
2. Ins. by Act 28 of 2016, s. 32 (w.e.f 1-4-2017).

Explanation 1.—In a case where the original asset is transferred and the assessee invests the whole or any part of the capital gain received or accrued as a result of transfer of the original asset in any long-term specified asset and such assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have transferred such specified asset on the date on which such loan or advance is taken.

Explanation 2.—For the purposes of this section,—

(*a*) "cost", in relation to any long -term specified asset, means the amount invested in such specified asset out of capital gains received or accruing as a result of the transfer of the original asset;

(*b*) "long-term specified asset" means a unit or units, issued before the 1st day of April, 2019, of such fund as may be notified by the Central Government in this behalf.]

[1][**54F. Capital gain on transfer of certain capital assets not to be charged in case of investment in residential house.—**(*1*) [2][Subject to the provisions of sub-section (*4*), where, in the case of an assessee being an individual or a Hindu undivided family, the capital gain arises from the transfer of any long-term capital asset, not being a residential house (hereafter in this section referred to as the original asset), and the assessee has, within a period of one year before or [3][two years] after the date on which the transfer took place purchased, or has within a period of three years after that date [4][constructed, one residential house in India] (hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the cost of the new asset is not less than the net consideration in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(*b*) if the cost of the new asset is less than the net consideration in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new asset bears to the net consideration, shall not be charged under section 45:

[5][Provided that nothing contained in this sub-section shall apply where—

(*a*) theassessee,—

(*i*) owns more than one residential house, other than the new asset, on the date of transfer of the original asset; or

(*ii*) purchases any residential house, other than the new asset, within a period of one year after the date of transfer of the original asset; or

(*iii*) constructs any residential house, other than the new asset, within a period of three years after the date of transfer of the original asset; and

(*b*) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".]

Explanation.—For the purposes of this section,—

[6]* * * * *

1. Ins. by Act 14 of 1982, s. 12 (w.e.f. 1-4-1983).
2. Subs. by Act 11 of 1987, s. 23, for "Where, in the case of an assesse being an individual" (w.e.f. 1-4-1988).
3. Ins. by s. 23, *ibid.* (w.e.f 1-4-1988).
4. Subs. by Act 25 of 2014, s. 24, for "constructed, a residential house" (w.e.f. 1-4-2015).
5. Subs. by Act 10 of 2000, s. 28, for the proviso (w.e.f 1-4-2001).
6. Clause (*i*) omitted by Act 11 of 1987, s. 23 (w.e.f. 1-4-1988).

[1]*** "net consideration", in relation to the transfer of a capital asset, means the full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

(*2*) Where the assessee purchases, within the period of [2][two years] after the date of the transfer of the original asset, or constructs, within the period of three years after such date, any residential house, the income from which is chargeable under the head "Income from house property", other than the new asset, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (*a*), or, as the case may be, clause (*b*), of sub-section (*1*), shall be deemed to be income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which such residential house is purchased or constructed.

(*3*) Where the new asset is transferred within a period of three years from the date of its purchase or, as the case may be, its construction, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (*a*) or, as the case may be, clause (*b*), of sub-section (*1*) shall be deemed to be income chargeable under the head "Capital gains" relating to long-term capital assets of the previous year in which such new asset is transferred.]

[3][(*4*) The amount of the net consideration which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any schemewhich the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (*1*), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (*1*), then,—

(*i*) the amount by which—

(*a*) the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of the new asset as provided in clause (*a*) or, as the case may be, clause (*b*) of sub-section (*1*), exceeds

(*b*) the amount that would not have been so charged had the amount actually utilised by the assessee for the purchase or construction of the new asset within the period specified in sub-section (*1*) been the cost of the new asset,

shall be charged under section 45 as income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

1. The bracket and figure "(*ii*)" omitted byAct 11 of 1987, s. 23 (w.e.f. 1-4-1988).
2. Subs. by s. 23, *ibid*., for "one year" (w.e.f. 1-4-1988).
3. Ins. by s. 23, *ibid*. (w.e.f. 1-4-1988).

(*ii*) the assessee shall be entitled to withdraw the unutilised amount in accordance with the scheme aforesaid.

[1]* * * * *]

[2][**54G. Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area.**—(*1*) Subject to the provisions of sub-section (*2*), where the capital gain arises from the transfer of a capital asset, being machinery or plant or building or land or any rights in building or land used for the purposes of the business of an industrial undertaking situate in an urban area, effected in the course of, or in consequence of, the shifting of such industrial undertaking (hereafter in this section referred to as the original asset) to any area (other than an urban area) and the assessee has within a period of one year before or three years after the date on which the transfer took place,—

(*a*) purchased new machinery or plant for the purposes of business of the industrial undertaking in the area to which the said undertaking is shifted ;

(*b*) acquired building or land or constructed building for the purposes of his business in the said area;

(*c*) shifted the original asset and transferred the establishment of such undertaking to such area; and

(*d*) incurred expenses on such other purpose as may be specified in a scheme framed by the Central Government for the purposes of this section,

then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain is greater than the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (*a*) to (*d*) (such cost and expenses being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year ; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be nil ; or

(*ii*) if the amount of the capital gain is equal to, or less than, the cost of the new asset, the capital gain shall not be charged under section 45; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be reduced by the amount of the capital gain.

Explanation.—In this sub-section, "urban area" means any such area within the limits of a municipal corporation or municipality as the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this sub-section.

1. The *Explanation* omitted by 18 of 1992, s. 31 (w.e.f. 1-4-1993).
2. Ins. by Act 11 of 1987, s. 24 (w.e.f. 1-4-1988).

(*2*) The amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (*a*) to (*d*) of sub-section (*1*) within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit ; and, for the purposes of sub-section (*1*), the amount, if any, already utilised by the assessee for all or any of the purposes aforesaid together with the amount, so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for all or any of the purposes mentioned in clauses (a) to (d) of sub-section (*1*) within the period specified in that sub-section, then,—

(*i*) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(*ii*) theassessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

[1]* * * * *

[2]**[54GA. Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area to any Special Economic Zone**.—(*1*) Notwithstanding anything contained in section 54G, where the capital gain arises from the transfer of a capital asset, being machinery or plant or building or land or any rights in building or land used for the purposes of the business of an industrial undertaking situate in an urban area, effected in the course of, or in consequence of the shifting of such industrial undertaking to any Special Economic Zone, whether developed in any urban area or any other area and the assessee has within a period of one year before or three years after the date on which the transfer took place,—

(*a*) purchased machinery or plant for the purposes of business of the industrial undertaking in the Special Economic Zone to which the said undertaking is shifted;

(*b*) acquired building or land or constructed building for the purposes of his business in the Special Economic Zone;

(*c*) shifted the original asset and transferred the establishment of such undertaking to the Special Economic Zone; and

(*d*) incurred expenses on such other purposes as may be specified in a scheme framed by the Central Government for the purposes of this section,

1. The *Explanation* omitted by Act 18 of 1992, s. 32 (w.e.f. 1-4-1993).
2. Ins. by Act 28 of 2005, s. 27 and the Second Schedule (w.e.f. 10-2-2006).

then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall, subject to the provisions of sub-section (*2*), be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain is greater than the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (*a*) to (*d*) (such cost and expenses being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be Nil; or

(*ii*) if the amount of the capital gain is equal to, or less than, the cost of the new asset, the capital gain shall not be charged under section 45, and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be reduced by the amount of the capital gain.

Explanation.—In this sub-section,—

(*a*) "Special Economic Zone" shall have the meaning assigned to it in clause (*za*) of the Special Economic Zones Act, 2005;

(*b*) "urban area" means any such area within the limits of a municipal corporation or municipality as the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this sub-section.

(*2*) The amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (*a*) to (*d*) of sub-section (*1*) within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (*1*) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for all or any of the aforesaid purposes together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within the period specified in that sub-section, then,—

(*i*) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(*ii*) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.]

[1][**54GB. Capital gain on transfer of residential property not to be charged in certain cases**.—(*1*) Where,—

(*i*) the capital gain arises from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee (herein referred to as the assessee); and

(*ii*) the assessee, before the due date of furnishing of return of income under sub-section (*1*) of section 139, utilises the net consideration for subscription in the equity shares of an eligible company (herein referred to as the company); and

(*iii*) the company has, within one year from the date of subscription in equity shares by the assessee, utilised this amount for purchase of new asset,

then, instead of the capital gain being charged to income-tax as the income of the previous year in which the transfer takes place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*a*) if the amount of the net consideration is greater than the cost of the new asset, then, so much of the capital gain as it bears to the whole of the capital gain the same proportion as the cost of the new asset bears to the net consideration, shall not be charged under section 45 as the income of the previous year; or

(*b*) if the amount of the net consideration is equal to or less than the cost of the new asset, the capital gain shall not be charged under section 45 as the income of the previous year.

(*2*) The amount of the net consideration, which has been received by the company for issue of shares to the assessee, to the extent it is not utilised by the company for the purchase of the new asset before the due date of furnishing of the return of income by the assessee under section 139, shall be deposited by the company, before the said due date in an account in any such bank or institution as may be specified and shall be utilised in accordance with any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and the return furnished by the assessee shall be accompanied by proof of such deposit having been made.

(*3*) For the purposes of sub-section (*1*), the amount, if any, already utilised by the company for the purchase of the new asset together with the amount deposited under sub-section (*2*) shall be deemed to be the cost of the new asset:

Provided that if the amount so deposited is not utilised, wholly or partly, for the purchase of the new asset within the period specified in sub-section (*1*), then,—

(*i*) the amount by which—

(*a*) the amount of capital gain arising from the transfer of the residential property not charged under section 45 on the basis of the cost of the new asset as provided in sub-section (*1*),

exceeds—

(*b*) the amount that would not have been so charged had the amount actually utilised for the purchase of the new asset within the period specified in sub-section (*1*)been the cost of the new asset,

shall be charged under section 45 as income of the assessee for the previous year in which the period of one year from the date of the subscription in equity shares by the assessee expires; and

(*ii*) the company shall be entitled to withdraw such amount in accordance with the scheme.

1. Ins. by Act 23 of 2012, s. 19 (w.e.f. 1-4-2013).

(*4*) If the equity shares of the company or the new asset acquired by the company are sold or otherwise transferred within a period of five years from the date of their acquisition, the amount of capital gain arising from the transfer of the residential property not charged under section 45 as provided in sub-section (*1*) shall be deemed to be the income of the assessee chargeable under the head "Capital gains" of the previous year in which such equity shares or such new asset are sold or otherwise transferred, in addition to taxability of gains, arising on account of transfer of shares or of the new asset, in the hands of the assessee or the company, as the case may be.

(*5*) The provisions of this section shall not apply to any transfer of residential property made after the 31st day of March, 2017.

[1][Provided that in case of an investment in eligible start-up, the provisions of this sub-section shall have the effect as if for the figures, letters and words "31st day of March, 2017", the figures, letters and words "31st day of March, 2019" had been substituted.]

(*6*) For the purposes of this section,—

(*a*) "eligible assessee" means an individual or a Hindu undivided family;

(*b*) "eligible company" means a company which fulfils the following conditions, namely:—

(*i*) it is a company incorporated in India during the period from the 1st day of April of the previous year relevant to the assessment year in which the capital gain arises to the due date of furnishing of return of income under sub-section (*1*) of section 139 by the assessee;

(*ii*) it is engaged in the business of manufacture of an article or a thing [1]**[**or in an eligible business;**]**

(*iii*) it is a company in which the assessee has more than fifty per cent. share capital or more than fifty per cent. voting rights after the subscription in shares by the assessee; and

(*iv*) it is a company which qualifies to be a small or medium enterprise under the Micro, Small and Medium Enterprises Act, 2006 (27 of 2006) [1]**[**or is an eligible start-up**]**;

[1][(*ba*) "eligible start-up" and "eligible business" shall have the meanings respectively assigned to them in *Explanation* below sub-section (*4)* of section 80-IAC;]

(*c*) "net consideration" shall have the meaning assigned to it in the *Explanation* to section 54F;

(*d*) "new asset" means new plant and machinery but does not include—

(*i*) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person;

(*ii*) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;

(*iii*) any office appliances including computers or computer software;

(*iv*) any vehicle; or

(*v*) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any previous year.]

1. The proviso ins. by Act 28 of 2016, s. 33 (1-4-2017).

[1][Provided that in the case of an eligible start-up, being a technology driven start-up so certified by the Inter-Ministerial Board of Certification notified by the Central Government in the Official Gazette, the new asset shall include computers or computer software.]

[2]**[54H. Extension of time for acquiring new asset or depositing or investing amount of capital gain.**—Notwithstanding anything contained in sections 54, 54B, 54D [3]*** [4][, 54EC] and 54F, where the transfer of the original asset is by way of compulsory acquisition under any law and the amount of compensation awarded for such acquisition is not received by the assessee on the date of such transfer, the period for acquiring the new asset by the assessee referred to in those sections or, as the case may be, the period available to the assessee under those sections for depositing or investing the amount of capital gain in relation to such compensation as is not received on the date of the transfer, shall be reckoned from the date of receipt of such compensation:

Provided that where the compensation in respect of transfer of the original asset by way of compulsory acquisition under any law is received before the 1st day of April, 1991, the aforesaid period or periods, if expired, shall extend up to the 31st day of December, 1991.]

55. Meaning of "adjusted", "cost of improvement" and "cost of acquisition".—(*1*) For the purposes of [5][sections 48 and 49],—

[6]* * * * *

[7][(*b*) "cost of any improvement",—

(*1*) in relation to a capital asset being goodwill of a business [8][or a right to manufacture, produce or process any article or thing] [9][or right to carry on any business [10][or profession]] shall be taken to be nil ; and

(*2*) in relation to any other capital asset,—]

(*i*) where the capital asset became the property of the previous owner or the assessee before the [11][1st day of April, 2001], [12]*** means all expenditure of a capital nature incurred in making any additions or alterations to the capital asset on or after the said date by the previous owner or the assessee, and

(*ii*) in any other case, means all expenditure of a capital nature incurred in making any additions or alterations to the capital asset by the assessee after it became his property, and, where the capital asset became the property of the assessee by any of the modes specified in [13][sub-section (*1*) of section 49], by the previous owner,

but does not include any expenditure which is deductible in computing the income chargeable under the head "Interest on securities", "Income from house property", "Profits and gains of business or profession", or "Income from other sources", and the expression "improvement" shall be construed accordingly.

---

1. Ins. by Act 28 of 2016, s. 33 (w.e.f. 1-4-2017).
2. Ins. by Act 49 of 1991, s. 21 (w.e.f. 1-10-1991).
3. The figures and letter ", 54E" omitted by Act 18 of 1992, s. 33 (w.e.f 1-4-1992).
4. Subs. by Act 14 of 2001, s. 33, for ", 54EA, 54EB" (w.e.f. 1-4-2001).
5. Subs. by Act 46 of 1986, s. 32, for "sections 48, 49 and 50" (w.e.f. 1-4-1988).
6. Clause (*a*) omitted by s. 32, *ibid*. (w.e.f. 1-4-1988).
7. Subs. by 11 of 1987, s. 25, for clause (*b*) (w.e.f. 1-4-1988).
8. Ins. by Act 26 of 1997, s. 19 (w.e.f. 1-4-1998).
9. Ins. by Act 20 of 2002, s. 26 (w.e.f. 1-4-2003).
10. Ins. by Act 28 of 2016, s. 34 (w.e.f. 1-4-2017).
11. Subs. by Act 7 of 2017, s. 28, for "1st day of April, 1981" (w.e.f. 1-4-2018). Earlier "1st day of April, 1974" was substituted by Act 23 of 1986, s. 13, for "1st day of January, 1964" (w.e.f. 1-4-1987) and later "1981" was substituted by Act 18 of 1992, s. 34, for "1974" (w.e.f. 1-4-1993).
12. The words "and the fair market value of the asset on that day is taken as the cost of acquisition at the option of the assessee," omitted by s. 34, *ibid*. (w.e.f. 1-4-1993).
13. Subs. by Act 20 of 1967, s. 21, for "section 49" (w.e.f. 1-4-1967).

(*2*) [1][For the purposes of sections 48 and 49, "cost of acquisition",—

[2][(*a*) in relation to a capital asset, being goodwill of a business [3][or a trade mark or brand name associated with a business] [4][or a right to manufacture, produce or process any article or thing][5][or right to carry on any business [6][or profession]], tenancy rights, stage carriage permits or loom hours,—

(*i*) in the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and

(*ii*) in any other case [not being a case falling under sub-clauses (*i*) to (*iv*) of sub-section (*1*) of section 49], shall be taken to be nil ;

(*aa*) [7][in a case where, by virtue of holding a capital asset, being a share or any other security, within the meaning of clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) (hereafter in this clause referred to as the financial asset), the assessee—

(*A*) becomes entitled to subscribe to any additional financial asset; or

(*B*) is allotted any additional financial asset without any payment,

then, subject to the provisions of sub-clauses (*i*) and (*ii*) of clause (*b*),—

(*i*) in relation to the original financial asset, on the basis of which the assessee becomes entitled to any additional financial asset, means the amount actually paid for acquiring the original financial asset;

(*ii*) in relation to any right to renounce the said entitlement to subscribe to the financial asset, when such right is renounced by the assessee in favour of any person, shall be taken to be nil in the case of such assessee;

(*iii*) in relation to the financial asset, to which the assessee has subscribed on the basis of the said entitlement, means the amount actually paid by him for acquiring such asset;

[8][(*iiia*) in relation to the financial asset allotted to the assessee without any payment and on the basis of holding of any other financial asset, shall be taken to be nil in the case of such assessee;] and

(*iv*) in relation to any financial asset purchased by any person in whose favour the right to subscribe to such asset has been renounced, means the aggregate of the amount of the purchase price paid by him to the person renouncing such right and the amount paid by him to the company or institution, as the case may be, for acquiring such financial asset;]

[9][(*ab*) in relation to a capital asset, being equity share or shares allotted to a shareholder of a recognised stock exchange in India under a scheme for [10][demutualisation or corporatisation] approved by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), shall be the cost of acquisition of his original membership of the exchange:

---

1. Subs. by Act 11 of 1987, s. 25, for the "For the purposes of sections 48 and 49, "cost of acquisition", in relation to a capital asset,—" (w.e.f. 1-4-1988).
2. Subs. by Act 32 of 1994, s. 18, for clause (*a*) (w.e.f. 1-4-1995).
3. Ins. by 14 of 2001, s. 34 (w.e.f. 1-4-2002).
4. Ins. by Act 26 of 1997, s. 19 (w.e.f. 1-4-1998).
5. Ins. by 20 of 2002, s. 26 (w.e.f. 1-4-2003).
6. Ins. by Act 28 of 2016, s. 34 (w.e.f. 1-4-2017).
7. Subs. by Act 22 of 1995, s. 14, for "in a case where, "and ending with "sub-clauses (*i*) and (*ii*) of clause (*b*)" (w.e.f. 1-4-1996).
8. Ins. by Act 22 of 1995, s. 14 (w.e.f. 1-4-1996).
9. Ins. by Act 14 of 2001, s. 34 (w.e.f. 1-4-2002).
10. Subs. by Act 32 of 2003, s. 31, for "corporatisation" (w.e.f. 1-4-2004).

[1][(*ac*) subject to the provisions of sub-clauses (*i*) and (*ii*) of clause (*b*), in relation to a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018, shall be higher of—

(*i*) the cost of acquisition of such asset; and

(*ii*) lower of—

(*A*) the fair market value of such asset; and

(*B*) the full value of consideration received or accruing as a result of the transfer of the capital asset.

Explanation.—For the purposes of this clause,—

(*a*) "fair market value" means,—

(*i*) in a case where the capital asset is listed on any recognised stock exchange as on the 31st day of January, 2018, the highest price of the capital asset quoted on such exchange on the said date:

Provided that where there is no trading in such asset on such exchange on the 31st day of January, 2018, the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value;

(*ii*) in a case where the capital asset is a unit which is not listed on a recognised stock exchange as on the 31st day of January, 2018, the net asset value of such unit as on the said date;

(*iii*) in a case where the capital asset is an equity share in a company which is—

(*A*) not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer;

(*B*) listed on a recognised stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47,

an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-2018 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later;

(*b*) "Cost Inflation Index" shall have the meaning assigned to it in clause (*v*) of the Explanation to section 48;

(*c*) "recognised stock exchange" shall have the meaning assigned to it in clause (*ii*) of *Explanation* 1 to clause (5) of section 43.]

1. Ins. by Act 13 of 2018, s. 22 (w.e.f. 1-4-2018).

[1][Provided that the cost of a capital asset, being trading or clearing rights of the recognised stock exchange acquired by a shareholder who has been allotted equity share or shares under such scheme of demutualisation or corporatisation, shall be deemed to be *nil*;]

(*b*) in relation to any other capital asset,—]

(*i*) where the capital asset became the property of the assessee before the [2][1st day of April, 2001], means the cost of acquisition of the asset to the assessee or the fairmarket value of the asset on the [2][1st day of April, 2001], at the option of the assessee;

(*ii*) where the capital asset became the property of the assessee by any of the modes specified in [3][sub-section (*1*) of section 49], and the capital asset became the property of the previous owner before the [2][1st day of April, 2001], means the cost of the capital asset to the previous owner or the fairmarket value of the asset on the [2][1st day of April, 2001], at the option of the assessee;

(*iii*) where the capital asset became the property of the assessee on the distribution of the capital assets of a company on itsliquidation and the assessee has been assessed to income-tax under the head "Capital gains" in respect of that asset under section 46, means the fairmarket value of the asset on the date of distribution;

[4]* * * * *

[5][(*v*) where the capital asset, being a share or a stock of a company, became the property of the assessee on—

(*a*) the consolidation and division of all or any of the sharecapital of the company into shares of larger amount than its existing shares,

(*b*) the conversion of any shares of the company into stock,

(*c*) the re-conversion of any stock of the company into shares,

(*d*) the sub-division of any of the shares of the company into shares of smaller amount, or

(*e*) the conversion of one kind of shares of the company into another kind,

means the cost of acquisition of the asset calculated with reference to the cost of acquisition of the shares or stock from which such asset is derived.]

(*3*) Where the cost for which the previous owner acquired the property cannot be ascertained, the cost of acquisition to the previous owner means the fair market value on the date on which the capital asset became the property of the previous owner.

[6]**[55A. Reference to Valuation Officer.**—With a view to ascertaining the fair market value of a capital asset for the purposes of this Chapter, the [7][Assessing Officer] may refer the valuation of capital asset to a Valuation Officer—

(*a*) in a case where the value of the asset as claimed by the assessee is in accordance with the estimate made by a registered valuer, if the [7][Assessing Officer] is of opinion that the value so claimed [8][is at variance with its fair market value];

---

1. Ins. by Act 32 of 2003, s. 31 (w.e.f. 1-4-2004).
2. Subs. by Act 7 of 2017, s. 28, for "1st day of April, 1981" (w.e.f. 1-4-2018). Earlier "1st day of April, 1974" was substituted by Act 23 of 1986, s. 13, for "1st day of January, 1964" (w.e.f. 1-4-1987) and later "1981" was substituted by Act 18 of 1992, s. 34, for "1974" (w.e.f. 1-4-1993).
3. Subs. by Act 20 of 1967, s. 21, for "section 49" (w.e.f. 1-4-1967).
4. Clause (*iv*) omitted by Act 13 of 1966, s. 14 (w.e.f 1-4-1967).
5. Ins. by Act 5 of 1964, s. 14 (w.e.f. 1-4-1964).
6. Ins. by Act 45 of 1972, s. 2 (w.e.f. 1-1-1973).
7. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
8. Subs. by Act 23 of 2012, s. 20, for "is less than its fair market value" (w.e.f. 1-7-2012).

(*b*) in any other case, if the [1][Assessing Officer] is of opinion—

(*i*) that the fair market value of the asset exceeds the value of the asset as claimed by the assessee by more than such percentage of the value of the asset as so claimed or by more than such amountas may be prescribed in this behalf; or

(*ii*) that having regard to the nature of the asset and other relevant circumstances, it is necessary so to do,

and where any such reference is made, the provisions of sub-sections (*2*), (*3*), (*4*), (*5*) and (*6*) of section 16A, clauses (*ha*) and (*i*) of sub-section (*1*) and sub-sections (*3A*) and (*4*) of section 23, sub-section (*5*) of section 24, section 34AA, section 35 and section 37 of the Wealth-tax Act, 1957 (27 of 1957), shall with the necessary modifications, apply in relation to such reference as they apply in relation to a reference made by the [1][Assessing Officer] under sub-section (*1*) of section 16A of that Act.

Explanation.—In this section, "Valuation Officer" has the same meaning, as in clause (*r*) of section 2 of the Wealth-tax Act, 1957 (27 of 1957).]

56. Income from other sources.—(*1*) Income of every kind which is not to be excluded from the total income under this Act shall be chargeable to income-tax under the head "Income from other sources", if it is not chargeable to income-tax under any of the heads specified in section 14, items A to E.

(*2*) In particular, and without prejudice to the generality of the provisions of sub-section (*1*), the following incomes, shall be chargeable to income-tax under the head "Income from other sources", namely:—

(*i*) dividends;

[2][(*ia*) income referred to in sub-clause (*viii*) of clause (*24*) of section 2;]

[3][(*ib*) income referred to in sub-clause (*ix*) of clause (*24*) of section 2;]

[4][(*ic*) income referred to in sub-clause (*x*) of clause (*24*) of section 2, if such income is not chargeable to income-tax under the head "Profits and gains of business or profession";]

[5][(*id*) income by way of interest on securities, if the income is not chargeable to income-tax under the head "Profits and gains of business or profession";]

(*ii*) income from machinery, plant or furniture belonging to the assessee and let on hire, if the income is not chargeable to income-tax under the head "Profits and gains of business or profession";

(*iii*) where an assessee lets on hire machinery, plant or furniture belonging to him and also buildings, and the letting of the buildings is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head "Profits and gains of business or profession";

[6][(*iv*) income referred to in sub-clause (*xi*) of clause (*24*) of section 2, if such income is not chargeable to income-tax under the head "Profits and gains of business or profession" or under the head "Salaries";]

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. Ins. by Act 10 of 1965, s. 18 (w.e.f. 1-4-1965).
3. Ins. by Act 16 of 1972, s. 10 (w.e.f. 1-4-1972).
4. Ins. by Act 11 of 1987, s. 26 (w.e.f. 1-4-1988).
5. Ins. by Act 26 of 1988, s.18 (w.e.f. 1-4-1989).
6. Ins. by Act 33 of 1996, s. 21 (w.e.f. 1-10-1996).

[1][(*v*) where any sum of money exceeding twenty-five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004 [2][but before the 1st day of April, 2006], the whole of such sum:

Provided that this clause shall not apply to any sum of money received—

(*a*) from any relative; or

(*b*) on the occasion of the marriage of the individual; or

(*c*) under a will or by way of inheritance; or

(*d*) in contemplation of death of the payer; or

[3][(*e*) from any local authority as defined in the *Explanation* to clause (*20*) of section 10; or

(*f*) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (*23C*) of section 10; or

(*g*) from any trust or institution registered under section 12AA.]

Explanation.—For the purposes of this clause, "relative" means—

(*i*) spouse of the individual;

(*ii*) brother or sister of the individual;

(*iii*) brother or sister of the spouse of the individual;

(*iv*) brother or sister of either of the parents of the individual;

(*v*) any lineal ascendant or descendant of the individual;

(*vi*) any lineal ascendant or descendant of the spouse of the individual;

(*vii*) spouse of the person referred to in clauses (*ii*) to (*vi*);]

[4][(*vi*) where any sum of money, the aggregate value of which exceeds fifty thousand rupees, is received without consideration, by an individual or a Hindu undivided family, in any previous year from any person or persons on or after the 1st day of April, 2006 [5][but before the 1st day of October, 2009], the whole of the aggregate value of such sum:

Provided that this clause shall not apply to any sum of money received—

(*a*) from any relative; or

(*b*) on the occasion of the marriage of the individual; or

(*c*) under a will or by way of inheritance; or

(*d*) in contemplation of death of the payer; or

(*e*) from any local authority as defined in the *Explanation* to clause (*20*) of section 10; or

1. Ins. by Act 23 of 2004, s. 13 (w.e.f. 1-4-2005).
2. Ins. by Act 29 of 2006, s. 10 (w.e.f. 1-4-2006).
3. Ins. by Act 22 of 2007, s. 19 (w.e.f. 1-4-2005).
4. Ins. by Act 29 of 2006, s. 10 (w.e.f. 1-4-2007).
5. Ins. by Act 33 of 2009, s. 26 (w.e.f. 1-10-2009).

(*f*) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (*23C*) of section 10; or

(*g*) from any trust or institution registered under section 12AA.

Explanation.—For the purposes of this clause, "relative" means—

(*i*) spouse of the individual;

(*ii*) brother or sister of the individual;

(*iii*) brother or sister of the spouse of the individual;

(*iv*) brother or sister of either of the parents of the individual;

(*v*) any lineal ascendant or descendant of the individual;

(*vi*) any lineal ascendant or descendant of the spouse of the individual;

(*vii*) spouse of the person referred to in clauses (*ii*) to (*vi*);]

[1][(*vii*) where an individual or a Hindu undivided family receives, in any previous year, from any person or persons on or after the 1st day of October, 2009 [2][but before the 1st day of April, 2017],—

(*a*) any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum;

[3][(*b*) any immovable property,—

(*i*) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property;

(*ii*) for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration:

Provided that where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of this sub-clause:

Provided further that the said proviso shall apply only in a case where the amount of consideration referred to therein, or a part thereof, has been paid by any mode other than cash on or before the date of the agreement for the transfer of such immovable property;]

(*c*) any property, other than immovable property,—

(*i*) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property;

(*ii*) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration:

Provided that where the stamp duty value of immovable property as referred to in sub-clause (*b*) is disputed by the assessee on grounds mentioned in sub-section (*2*) of section 50C, the Assessing Officer may refer the valuation of such property to a

1. Ins. by Act 33 of 2009, s. 26 (w.e.f. 1-10-2009).
2. Ins. by Act 7 of 2017, s. 29 (w.e.f. 1-4-2017).
3.. Ins. by Act 17 of 2013, s. 11 (w.e.f. 1-4-2014).

Valuation Officer, and the provisions of section 50C and sub-section (*15*) of section 155 shall, as far as may be, apply in relation to the stamp duty value of such property for the purpose of sub-clause (*b*) as they apply for valuation of capital asset under those sections:

Provided further that this clause shall not apply to any sum of money or any property received—

(*a*) from any relative; or

(*b*) on the occasion of the marriage of the individual; or

(*c*) under a will or by way of inheritance; or

(*d*) in contemplation of death of the payer or donor, as the case may be; or

(*e*) from any local authority as defined in the *Explanation* to clause (*20*) of section 10; or

(*f*) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (*23C*) ofsection 10; or

(*g*) from any trust or institution registered under [1][section 12AA; or]

[2][(*h*) by way of transaction not regarded as transfer under clause (*vicb*) or clause (*vid*) or clause (*vii*) of section 47.]

Explanation.—For the purposes of this clause,—

(*a*) "assessable" shall have the meaning assigned to it in the *Explanation* 2 to sub-section (*2*) of section 50C;

(*b*) "fair market value" of a property, other than an immovable property, means the value determined in accordance with the method as may be prescribed;

(*c*) "jewellery" shall have the meaning assigned to it in the *Explanation* to sub-clause (*ii*) of clause (*14*) of section 2;

(*d*) "property" [3][means the following capital asset of the assessee, namely:—]

(*i*) immovable property being land or building or both;

(*ii*) shares and securities;

(*iii*) jewellery;

(*iv*) archaeological collections;

(*v*) drawings;

(*vi*) paintings;

(*vii*) sculptures; [4]***

(*viii*) any work of art; [5][or]

[5][(*ix*) bullion;]

1. Subs. by Act 28 of 2016, s. 35, for "section 12AA" (w.e.f. 1-4-2017).
2. Ins. by s. 35, *ibid*. (w.e.f. 1-4-2017).
3. Subs. by Act 14 of 2010, s. 21, for "means—" (w.r.e.f. 1-10-2009).
4. The word "or" omitted by s. 21, *ibid*. (w.e.f. 1-6-2010).
5. Ins. by s. 21, *ibid*. (w.e.f. 1-6-2010).

[1][(*e*) "relative" means,—

(*i*) in case of an individual—

(*A*) spouse of the individual;

(*B*) brother or sister of the individual;

(*C*) brother or sister of the spouse of the individual;

(*D*) brother or sister of either of the parents of the individual;

(*E*) any lineal ascendant or descendant of the individual;

(*F*) any lineal ascendant or descendant of the spouse of the individual;

(*G*) spouse of the person referred to in items (*B*) to (*F*); and

(*ii*) in case of a Hindu undivided family, any member thereof;]

(*f*) "stamp duty value" means the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property;]

[2][(*viia*) where a firm or a company not being a company in which the public are substantially interested, receives, in any previous year, from any person or persons, on or after the 1st day of June, 2010 [3][but before the 1st day of April, 2017], any property, being shares of a company not being a company in which the public are substantially interested,—

(*i*) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property;

(*ii*) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration:

Provided that this clause shall not apply to any such property received by way of a transaction not regarded as transfer under clause (*via*) or clause (*vic*) or clause (*vicb*) or clause (*vid*) or clause (*vii*) of section 47.

Explanation.—For the purposes of this clause, "fair market value" of a property, being shares of a company not being a company in which the public are substantially interested, shall have the meaning assigned to it in the *Explanation* to clause (*vii*);]

1. Ins. by Act 23 of 2012, s. 21 (w.e.f. 1-10-2009).

2. Ins. by Act 14 of 2010, s. 21 (w.e.f. 1-6-2010).

3. Ins. by Act 7 of 2017, s. 29 (w.e.f. 1-4-2017).

[1][(*viib*) where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares:

Provided that this clause shall not apply where the consideration for issue of shares is received—

(*i*) by a venture capital undertaking from a venture capital company or a venture capital fund; or

(*ii*) by a company from a class or classes of persons as may be notified by the Central Government in this behalf.

Explanation.—For the purposes of this clause,—

(*a*) the fair market value of the shares shall be the value—

(*i*) as may be determined in accordance with such method as may be prescribed; or

(*ii*) as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible assets being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature,

whichever is higher;

(*b*) "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (*a*), clause (*b*) and clause (*c*) of [2][*Explanation*] to clause (*23FB*) of section 10;]

[3][(*viii*) income by way of interest received on compensation or on enhanced compensation referred to in clause (*b*) of section 145A;]

[4][(*ix*) any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, if,—

(*a*) such sum is forfeited; and

(*b*) the negotiations do not result in transfer of such capital asset.]

[5][(*x*) where any person receives, in any previous year, from any person or persons on or after the 1st day of April, 2017,—

(*a*) any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum;

(*b*) any immovable property,—

(*A*) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property;

[6][(*B*) for a consideration, the stamp duty value of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, namely:—

(*i*) the amount of fifty thousand rupees; and

(*ii*) the amount equal to five per cent. of the consideration:]

Provided that where the date of agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of agreement may be taken for the purposes of this sub-clause:

---

1. Ins. by Act 23 of 2012, s. 21 (w.e.f. 1-4-2013).
2. Subs. by Act 17 of 2013, s. 11, for "*Explanation 1*" (w.e.f. 1-4-2014).
3. Ins. by Act 33 of 2009, s. 26 (w.e.f. 1-4-2010).
4. Ins. by Act 25 of 2014, s. 25 (w.e.f. 1-4-2015).
5. Ins. by Act 7 of 2017, s. 29 (w.e.f. 1-4-2017)
6. Subs. by Act 13 of 2018, s. 23, for item (*B*) (w.e.f. 1-4-2019).

Provided further that the provisions of the first proviso shall apply only in a case where the amount of consideration referred to therein, or a part thereof, has been paid by way of an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account, on or before the date of agreement for transfer of such immovable property:

Provided also that where the stamp duty value of immovable property is disputed by the assessee on grounds mentioned in sub-section (*2*) of section 50C, the Assessing Officer may refer the valuation of such property to a Valuation Officer, and the provisions of section 50C and sub-section (*15*) of section 155 shall, as far as may be, apply in relation to the stamp duty value of such property for the purpose of this sub-clause as they apply for valuation of capital asset under those sections;

(*c*) any property, other than immovable property,—

(*A*) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property;

(*B*) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration:

Provided that this clause shall not apply to any sum of money or any property received—

(*I*) from any relative; or

(*II*) on the occasion of the marriage of the individual; or

(*III*) under a will or by way of inheritance; or

(*IV*) in contemplation of death of the payer or donor, as the case may be; or

(*V*) from any local authority as defined in the *Explanation* to clause (*20*) of section 10; or

(*VI*) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (*23C*) of section 10; or

(*VII*) from or by any trust or institution registered under section 12A or section 12AA; or

(*VIII*) by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (*iv*) or sub-clause (*v*) or sub-clause (*vi*) or sub-clause (*via*) of clause (*23C*) of section 10; or

(*IX*) by way of transaction not regarded as transfer under clause (*i*) or [1][clause (*iv*) or clause (*v*) or] clause (*vi*) or clause (*via*) or clause (*viaa*) or clause (*vib*) or clause (*vic*) or clause (*vica*) or clause (*vicb*) or clause (*vid*) or clause (*vii*) of section 47; or

(*X*) from an individual by a trust created or established solely for the benefit of relative of the individual.

Explanation.—For the purposes of this clause, the expressions "assessable", "fair market value", "jewellery", "property", "relative" and "stamp duty value" shall have the same meanings as respectively assigned to them in the *Explanation* to clause (*vii*).]

[2][(*xi*) any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto.]

1. Ins. by Act 13 of 2018, s. 23 (w.e.f. 1-4-2018).
2. Ins. by s. 23, *ibid.* (w.e.f. 1-4-2019).

57. Deductions.—The income chargeable under the head "Income from other sources" shall be computed after making the following deductions, namely:—

(*i*) [1][in the case of dividends, other than dividends referred to in section 115-O], [2][or interest on securities], any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising such dividend [2][or interest] on behalf of the assessee;

[3][(*ia*) in the case of income of the nature referred to in sub-clause (*x*) of clause (*24*) of section 2 which is chargeable to income-tax under the head "Income from other sources", deductions, so far as may be, in accordance with the provisions of clause (*va*) of sub-section (*1*) of section 36;]

(*ii*) in the case of income of the nature referred to in clauses (*ii*) and (*iii*) of sub-section (*2*) of section 56, deductions, so far as may be, in accordance with the provisions of sub-clause (*ii*) of clause (*a*) and clause (*c*) of section 30, section 31 and [4][sub-sections (*1*) [5]*** and (*2*) of section 32] and subject to the provisions of [6][section 38];

[7][(*iia*) in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent of such income or [8][fifteen thousand rupees], whichever is less.

Explanation.—For the purposes of this clause, "family pension" means a regular monthly amount payable by the employer to a person belonging to the family of an employee in the event of his death;]

(*iii*) any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purposeof making or earning such income;

[9][(*iv*) in the case of income of the nature referred to in clause (*viii*) of sub-section (*2*) of section 56, a deduction of a sum equal to fifty per cent of such income and no deduction shall be allowed under any other clause of this section.]

[10]* * * * *

[11]* * * * *

58. Amounts not deductible.—[12][(*1*)] Notwithstanding anything to the contrary contained in section 57, the following amounts shall not be deductible in computing the income chargeable under the head "Income from other sources", namely:—

(*a*) in the case of any assessee,—

(*i*) any personal expenses of the assessee;

[13][(*ia*) any expenditure of the nature referred to in sub-section (*12*) of section 40A;]

(*ii*) any interest chargeable under this Act which is payable outside India (not being interest on a loan issued for public subscription before the 1st day of April, 1938) on which tax has not been paid or deducted under Chapter XVII-B [14]***;

(*iii*) any payment which is chargeable under the head "Salaries", if it is payable outside India, unless tax has been paid thereon or deducted therefrom under Chapter XVII-B;

---

1. Subs. by Act 32 of 2003, s. 32, for "in the case of dividends" (w.e.f. 1-4-2004).
2. Ins. by Act 26 of 1988, s.19 (w.e.f. 1-4-1989).
3. Ins. by Act 11 of 1987, s. 27 (w.e.f. 1-4-1988).
4. Subs. by Act 42 of 1970, s. 14, for "sub-sections (*1*) and (*2*) of section 32" (w.e.f. 1-4-1970).
5. The brackets, figure and letter "(*1A*)" omitted by Act 46 of 1986, s. 32 (w.e.f. 1-4-1988).
6. Subs. by s. 32, *ibid*., for "sections 34 and 38" (w.e.f. 1-4-1988).
7. Ins. by Act 13 of 1989, s. 13 (w.e.f. 1-4-1990).
8. Subs. by Act 26 of 1997, s. 20, for "twelve thousand rupees" (w.e.f. 1-4-1998).
9. Ins. by Act 33 of 2009, s. 27 (w.e.f. 1-4-2010).
10. The proviso omitted by Act 32 of 1994, s. 19 (w.e.f. 1-1995).
11. The *Explanation* omitted by Act 26 of 1988, s. 19 (w.e.f. 1-4-1989).
12. Section 58 renumbered as sub-section (*1*) thereof by Act 19 of 1968, s.8 (w.e.f. 1-4-1968).
13. Ins. by Act 32 of 1985, s. 15 (w.e.f. 1-4-1986).
14. The words "and in respect of which there is no person in India who may be treated as in agent under section 163" omitted by Act 26 of 1988, s. 20 (w.e.f. 1-4-1989).

[1]* * * * *

[2]* * * * *

[3][(*1A*) The provisions of [4][sub-clauses (*ia*) and (*iia*)] of clause (*a*) of section 40 shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".]

[5][(*2*) The provisions of section 40A shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".]

[6][(*3*) In the case of an assessee, being a foreign company, the provisions of section 44D shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".]

[7][(*4*) In the case of an assessee having income chargeable under the head "Income from other sources", no deduction in respect of any expenditure or allowance in connection with such income shall be allowed under any provision of this Act in computing the income by way of any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, whatsoever:

Provided that nothing contained in this sub-section shall apply in computing the income of an assessee, being the owner of horses maintained by him for running in horse races, from the activity of owning and maintaining such horses.

Explanation.—For the purposes of this sub-section, "horse race" means a horse race upon which wagering or betting may be lawfully made.]

59. Profits chargeable to tax.—(*1*) The provisions of sub-section (*1*) of section 41 shall apply, so far as may be, in computing the income of an assessee under section 56, as they apply in computing the income of an assessee under the head "Profits and gains of business or profession".

[8]* * * * *

[9]* * * * *

CHAPTER V

INCOME OF OTHER PERSONS, INCLUDED IN ASSESSEE'S TOTAL INCOME

60. Transfer of income where there is no transfer of assets.—All income arising to any person by virtue of a transfer whether revocable or not and whether effected before or after the commencement of this Act shall, where there is no transfer of the assets from which the income arises, be chargeable to income-tax as the income of the transferor and shall be included in his total income.

61. Revocable transfer of assets.—All income arising to any person by virtue of a revocable transfer of assets shall be chargeable to income-tax as the income of the transferor and shall be included in his total income.

62. Transfer irrevocable for a specified period.—(*1*) The provisions of section 61 shall not apply to any income arising to any person by virtue of a transfer—

(*i*) by way of trust which is not revocable during the lifetime of the beneficiary, and, in the case of any other transfer, which is not revocable during the lifetime of the transferee; or

---

1. Clause (*iv*) omitted by Act 32 of 1971, s. 12 (w.e.f. 1-4-1972).
2. Clause (*b*) omitted by Act 26 of 1988, s. 20 (w.e.f. 1-4-1989).
3. Ins. by Act 41 of 1972, s. 3 (w.e.f. 1-4-1962).
4. Subs. by Act 7 of 2017, s. 30, for "sub-clauses (*iia*) (w.e.f. 1-4-2018).
5. Ins. by Act 19 of 1968, s. 8 (w.e.f. 1-4-1968).
6. Ins. by Act 66 of 1976, s. 14 (w.e.f. 1-6-1976).
7. Ins. by Act 23 of 1986, s. 14 (w.e.f. 1-4-1987).
8. Sub-sections (*2*) and (*3*) omitted by Act of 46 of 1986, s. 32 (w.e.f. 1-4-1988).
9. The *Explanation* omitted by s. 32, *ibid*. (w.e.f. 1-4-1988).

(*ii*) made before the 1st day of April, 1961, which is not revocable for a period exceeding six years:

Provided that the transferor derives no direct or indirect benefit from such income in either case.

(*2*) Notwithstanding anything contained in sub-section (*1*), all income arising to any person by virtue of any such transfer shall be chargeable to income-tax as the income of the transferor as and when the power to revoke the transfer arises, and shall then be included in his total income.

63. "Transfer" and "revocable transfer" defined. —For the purposes of sections 60, 61 and 62 and of this section,—

(*a*) a transfer shall be deemed to be revocable if—

(*i*) it contains any provision for the re-transfer directly or indirectly of the whole or any part of the income or assets to the transferor, or

(*ii*) it, in any way, gives the transferor a right to re-assume power directly or indirectly over the whole or any part of the income or assets ;

(*b*) "transfer" includes any settlement, trust, covenant, agreement or arrangement.

64. Income of individual to include income of spouse, minor child, etc. — [1][[2][(*1*)] In computing the total income of any individual, there shall be included all such income as arises directly or indirectly—

[3] * * * * *

(*ii*) to the spouse of such individual by way of salary, commission, fees or any other form of remuneration whether in cash or in kind from a concern in which such individual has a substantial interest:

[4][Provided that nothing in this clause shall apply in relation to any income arising to the spouse where the spouse possesses technical or professional qualifications and the income is solely attributable to the application of his or her technical or professional knowledge and experience ;

[5]* * * * *

(*iv*) subject to the provisions of clause (*i*) of section 27, [6]*** to the spouse of such individual from assets transferred directly or indirectly to the spouse by such individual otherwise than for adequate consideration or in connection with an agreement to live apart;

[7]* * * * *

(*vi*) to the son's wife, [8]*** of such individual, from assets transferred directly or indirectly on or after the 1st day of June, 1973, to the son's wife [7]*** by such individual otherwise than for adequate consideration; [9]***

(*vii*) to any person or association of persons from assets transferred directly or indirectly otherwise than for adequate consideration to the person or association of persons by such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his or her spouse; [10]*** and

---

1. Subs. by Act 41 of 1975, s. 13, for sub-section (*1*) (w.e.f. 1-4-1976).
2. Section 64 re-numbered as sub-section (*1*) of that section by Act 42 of 1970, s. 16 (w.e.f. 1-4-1971).
3. Clause (*i*) omitted by Act 18 of 1992, s. 35 (w.e.f. 1-4-1993). Restored by Act 3 of 1989, s. 95 as earlier omitted by Act 4 of 1988, s. 17 (w.e.f. 1-4-1988).
4. Restored to its original position by Act 3 of 1989, s. 95 (w.e.f. 1-4-1989). Earlier subs. by Act 4 of 1988, s. 17 (w.e.f. 1-4-1988).
5. Clause (*iii*) omitted byAct 18 of 1992, s. 35 (w.e.f. 1-4-1993). Prior to omission restored by Act 4 of 1988, s. 17 (w.e.f. 1-4-1989). Restored by Act 3 of 1989, s. 95 as earlier omitted by Act 4 of 1988, s. 17 (w.e.f. 1-4-1988).
6. The words, brackets and figures "in a case not falling under clause (*i*) of this sub-section" omitted by s. 35, *ibid.* (w.e.f. 1-4-1993).
7. Clause (*v*) omitted by s. 35 *ibid.* (w.e.f. 1-4-1993).
8. The words "or son's minor child" omitted by s. 35, *ibid.* (w.e.f. 1-4-1993).
9. The words "and" omitted by Act 67 of 1984, s. 17 (w.e.f. 1-4-1985).
10. The words "or minor child or both" omitted by Act 18 of 1992, s. 35 (w.e.f. 1-4-1993).

[1][(*viii*) to any person or association of persons from assets transferred directly or indirectly on or after the 1st day of June, 1973, otherwise than for adequate consideration, to the person or association of persons by such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his son's wife [2]***.]

[3][*Explanation* 1.—For the purposes of clause (*ii*), the individual in computing whose total income the income referred to in that clause is to be included, shall be the husband or wife whose total income (excluding the income referred to in that clause) is greater ; and where any such income is once included in the total income of either spouse, any such income arising in any succeeding year shall not be included in the total income of the other spouse unless the Assessing Officer is satisfied, after giving that spouse an opportunity of being heard, that it is necessary so to do.]

Explanation 2.—For the purposes of clause (*ii*), an individual shall be deemed to have a substantial interest in a concern—

(*i*) in a case where the concern is a company, if its shares (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than twenty per cent of the voting power are, at any time during the previous year, owned beneficially by such person or partly by such person and partly by one or more of his relatives;

(*ii*) in any other case, if such person is entitled, or such person and one or more of his relatives are entitled in the aggregate, at any time during the previous year, to not less than twenty per cent of the profits of such concern.

[4]* * * * *

[5][*Explanation* 3.—For the purposes of clauses (*iv*) and (*vi*), where the assets transferred directly or indirectly by an individual to his spouse or son's wife (hereafter in this Explanation referred to as "the transferee") are invested by the transferee,—

(*i*) in any business, such investment being not in the nature of contribution of capital as a partner in a firm or, as the case may be, for being admitted to the benefits of partnership in a firm, that part of the income arising out of the business to the transferee in any previous year, which bears the same proportion to the income of the transferee from the business as the value of the assets aforesaid as on the first day of the previous year bears to the total investment in the business by the transferee as on the said day;

(*ii*) in the nature of contribution of capital as a partner in a firm, that part of the interest receivable by the transferee from the firm in any previous year, which bears the same proportion to the interest receivable by the transferee from the firm as the value of investment aforesaid as on the first day of the previous year bears to the total investment by way of capital contribution as a partner in the firm as on the said day,

shall be included in the total income of the individual in that previous year.]

[6][(*1A*) In computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child [7][, not being a minor child suffering from any disability of the nature specified in section 80U:]

Provided that nothing contained in this sub-section shall apply in respect of such income as arises or accrues to the minor child on account of any—

(*a*) manual work done by him; or

1. Ins. by Act 67 of 1984, s. 17 (w.e.f. 1-4-1985).
2. The words "or minor child or both" omitted by Act 18 of 1992, s. 35 (w.e.f. 1-4-1993).
3. Subs. by s. 35, *ibid*., for *Explanations* 1 and 1A (w.e.f. 1-4-1993).
4. *Explanation* 2A omitted by s. 35, *ibid*. (w.e.f. 1-4-1993).
5. Subs. by s. 35, *ibid*., for *Explanation* 3 (w.e.f. 1-4-1993).
6. Ins. by s. 35, *ibid*. (w.e.f. 1-4-1993).
7. Ins. by Act 32 of 1994, s. 20 (w.e.f. 1-4-1995).

(*b*) activity involving application of his skill, talent or specialised knowledge and experience.

Explanation.—For the purposes of this sub-section, the income of the minor child shall be included,—

(*a*) where the marriage of his parents subsists, in the income of that parent whose total income (excluding the income includible under this sub-section) is greater ; or

(*b*) where the marriage of his parents does not subsist, in the income of that parent who maintains the minor child in the previous year,

and where any such income is once included in the total income of either parent, any such income arising in any succeeding year shall not be included in the total income of the other parent, unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do.]

[1][(*2*) Where, in the case of an individual being a member of a Hindu undivided family, any property having been the separate property of the individual has, at any time after the 31st day of December, 1969, been converted by the individual into property belonging to the family through the act of impressing such separate property with the character of property belonging to the family or throwing it [2][into the common stock of the family or been transferred by the individual, directly or indirectly, to the family otherwise than for adequate consideration (the property so converted or transferred being hereinafter referred to as the converted property)], then, notwithstanding anything contained in any other provision of this Act or in any other law for the time being in force, for the purpose of computation of the total income of the individual under this Act for any assessment year commencing on or after the 1st day of April, 1971,—

(*a*) the individual shall be deemed to have transferred the converted property, through the family, to the members of the family for being held by them jointly ;

(*b*) the income derived from the converted property or any part thereof [3]*** shall be deemed to arise to the individual and not to the family ;

[4][(*c*) where the converted property has been the subject-matter of a partition (whether partial or total) amongst the members of the family, the income derived from such converted property as is received by the spouse [5]*** on partition shall be deemed to arise to the spouse [5]*** from assets transferred indirectly by the individual to the spouse [5]*** and the provisions of sub-section (*1*) shall, so far as may be, apply accordingly:]

Provided that the income referred to in clause (*b*) or clause (*c*) shall, on being included in the total income of the individual, be excluded from the total income of the family or, as the case may be, the spouse [5]*** of the individual.

Explanation [6][1].—For the purposes of sub-section (*2*),—

[7]*** "property" includes any interest in property, movable or immovable, the proceeds of sale thereof and any money or investment for the time being representing the proceeds of sale thereof and where the property is converted into any other property by any method, such other property.

[8]* * * * *

[9][*Explanation* 2.—For the purposes of this section, "income" includes loss.]

---

1. Ins. by Act 42 of 1970, s. 16 (w.e.f. 1-4-1971).
2. Subs. by Act 21 of 1979, s. 9 for "into the common stock of the family (such property being hereinafter referred to as the converted property)" (w.e.f. 1-4-1980).
3. The words "in so far as it is attributable to the interest of the individual in the property of the family" omitted by Act 41 of 1975, s. 13 (w.e.f. 1-4-1976).
4. Subs. by s. 13, *ibid*.,for clause (*c*) (w.e.f. 1-4-1976).
5. The words "or minor child" omitted by Act 18 of 1992, s. 35 (w.e.f. 1-4-1993).
6. The *Explanation* renumbered as *Explanation* 1 thereof by Act of 21 of 1979, s. 9 (w.e.f. 1-4-1980).
7. The brackets and figure "(*1*)" omitted by Act 41 of 1975, s. 13 (w.e.f. 1-4-1976).
8. Clause (*2*) omitted by s. 13, *ibid*. (w.e.f. 1-4-1976).
9. Ins. by Act 21 of 1979, s. 9 (w.e.f. 1-4-1980).

65. Liability of person in respect of income included in the income of another person.—Where, by reason of the provisions contained in this Chapter or in clause (*i*) of section 27, the income from any asset or from membership in a firm of a person other than the assessee is included in the total income of the assessee, the person in whose name such asset stands or who is a member of the firm shall, notwithstanding anything to the contrary contained in any other law for the time being in force, be liable, on the service of a notice of demand by the [1][Assessing Officer] in this behalf, to pay that portion of the tax levied on the assessee which is attributable to the income so included, and the provisions of Chapter XVII-D shall, so far as may be, apply accordingly:

Provided that where any such asset is held jointly by more than one person, they shall be jointly and severally liable to pay the tax which is attributable to the income from the assets so included.

CHAPTER VI

AGGREGATION OF INCOME AND SET OFF OR CARRY FORWARD OF LOSS

Aggregation of income

66. Total income.—In computing the total income of an assessee, there shall be included all income on which no income-tax is payable under Chapter VII[2]***.

67. [**Method of computing a partner's share in the income of the firm.**] *Omitted by the Finance Act,* 1992, (18 *of* 1992), *s*. 36 (*w.e.f.* 1-4-1993). *Earlier amended by Act* 19 *of* 1968, *s*. 30 *and the Third Schedule* (*w.e.f.* 1-4-1969), *Act* 32 of 1971, *s*. 13 (*w.e.f.* 1-4-1971), *subs. by Act* 4 *of* 1988, *s.* 18 (*w.e.f.* 1-4-1988) *or restored by Act* 3 *of* 1989, *s*. 95 (*w.e.f.* 1-4-1989).

[3][**67A. Method of computing a member's share in income of association of persons or body of individuals.**—(*1*) In computing the total income of an assessee who is a member of an association of persons or a body of individuals wherein the shares of the members are determinate and known [other than a company or a cooperative society or a society registered under the Societies Registration Act, 1860 (21 of 1860), or under any law corresponding to that Act in force in any part of India], whether the net result of the computation of the total income of such association or body is a profit or a loss, his share (whether a net profit or net loss) shall be computed as follows, namely:—

(*a*) any interest, salary, bonus, commission or remuneration by whatever name called, paid to any member in respect of the previous year shall be deducted from the total income of the association or body and the balance ascertained and apportioned among the members in the proportions in which they are entitled to share in the income of the association or body;

(*b*) where the amount apportioned to a member under clause (*a*) is a profit, any interest, salary, bonus, commission or remuneration aforesaid paid to the member by the association or body in respect of the previous year shall be added to that amount, and the result shall be treated as the member's share in the income of the association or body;

(*c*) where the amount apportioned to a member under clause (*a*) is a loss, any interest, salary, bonus, commission or remuneration aforesaid paid to the member by the association or body in

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. The words, figures and letters "and any amount in respect of which the assessee is entitled to a deduction from the amount of income-tax on his total income with which he is chargeable for any assessment year in accordance with, and to the extent provided in sections 87, 87A and 88" omitted by Act 20 of 1967, s. 33 and the Third Schedule (w.e.f. 1-4-1968).
3. Ins. by Act 3 of 1989, s. 12 (w.e.f. 1-4-1989).

respect of the previous year shall be adjusted against that amount, and the result shall be treated as the member's share in the income of the association or body.

(*2*) The share of a member in the income or loss of the association or body, as computed under sub-section (*1*), shall, for the purposes of assessment, be apportioned under the various heads of income in the same manner in which the income or loss of the association or body has been determined under each head of income.

(*3*) Any interest paid by a member on capital borrowed by him for the purposes of investment in the association or body shall, in computing his share chargeable under the head "Profits and gains of business or profession" in respect of his share in the income of the association or body, be deducted from his share.

Explanation.—In this section, "paid" has the same meaning as is assigned to it in clause (*2*) of section 43.]

68. Cash credits.—Where any sum is found credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the *explanation* offered by him is not, in the opinion of the [1][Assessing Officer], satisfactory, the sum so credited may be charged to income-tax as the income of theassessee of that previous year:

[2]**[**Provided that where the assessee is a company (not being a company in which the public are substantially interested), and the sum so credited consists of share application money, share capital, share premium or any such amount by whatever name called, any explanation offered by such assessee-company shall be deemed to be not satisfactory, unless—

(*a*) the person, being a resident in whose name such credit is recorded in the books of such company also offers an explanation about the nature and source of such sum so credited; and

(*b*) such explanation in the opinion of the Assessing Officer aforesaid has been found to be satisfactory:

Provided further that nothing contained in the first proviso shall apply if the person, in whose name the sum referred to therein is recorded, is a venture capital fund or a venture capital company as referred to in clause (*23FB*)of section 10.]

69. Unexplained investments.—Where in the financial year immediately preceding the assessment year the assessee has made investments which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of the investments or the explanation offered by him is not, in the opinion of the [1][Assessing Officer], satisfactory, the value of the investments may be deemed to be the income of the assessee of such financial year.

[3][**69A. Unexplained money, etc.**—Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. Ins. by Act 23 of 2012, s. 22 (w.e.f. 1-4-2013).
3. Ins. by Act 5 of 1964, s. 16 (w.e.f. 1-4-1964).

the assessee offers no explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the [1][Assessing Officer], satisfactory, the money and the value of the bullion,jewellery or other valuable article may be deemed to be the income of the assessee for such financial year.]

[2][**69B. Amount of investments, etc., not fully disclosed in books of account.**—Where in any financial year the assessee has made investments or is found to be the owner of any bullion, jewellery or other valuable article, and the [1][Assessing Officer] finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the assessee for any source of income, and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the [1][Assessing Officer], satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.]

[3]**[69C. Unexplained expenditure, etc.** —Where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation, if any, offered by him is not, in the opinion of the [1][Assessing Officer], satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the assessee for such financial year:

[4][Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the assessee shall not be allowed as a deduction under any head of income.]

69D. Amount borrowed or repaid on *hundi*.—Where any amount is borrowed on a *hundi* from, or any amount due thereon is repaid to, any person otherwise than through an account payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying the amount aforesaid for the previous year in which the amount was borrowed or repaid, as the case may be:

Provided that, if in any case any amount borrowed on a *hundi* has been deemed under the provisions of this section to be the income of any person, such person shall not be liable to be assessed again in respect of such amount under the provisions of this section on repayment of such amount.

Explanation.—For the purposes of this section, the amount repaid shall include the amount of interest paid on the amount borrowed.]

Set off, or carry forward and set off

[5][**70. Set off of loss from one source against income from another source under the same head of income.**—(*1*) Save as otherwise provided in this Act, where the net result for any assessment year in respect of any source falling under any head of income, other than "Capital gains", is a loss, the assessee shall be entitled to have the amount of such loss set off against his income from any other source under the same head.

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. Ins. by Act 10 of 1965, s. 19 (w.e.f. 1-4-1965).
3. Ins. by Act 41 of 1975, s. 14 (w.e.f. 1-4-1976).
4. Ins. by Act 21 of 1998, s. 25 (w.e.f. 1-4-1999).
5. Subs. by Act 20 of 2002, s. 27, for section 70 (w.e.f. 1-4-2003).

(*2*) Where the result of the computation made for any assessment year under sections 48 to 55in respect of any short-term capital asset is a loss, the assessee shall be entitled to have the amount of such loss set off against the income, if any, as arrived at under a similar computation made for the assessment year in respect of any other capital asset.

(*3*) Where the result of the computation made for any assessment year under sections 48 to 55 in respect of any capital asset (other than a short-term capital asset) is a loss, the assessee shall be entitled to have the amount of such loss set off against the income, if any, as arrived at under a similar computation made for the assessment year in respect of any other capital asset not being a short-term capital asset.]

[1][**71.Set off of loss from one head against income from another.**—(*1*) Where in respect of any assessment year the net result of the computation under any head of income, other than "Capital gains", is a loss and the assessee has no income under the head "Capital gains", he shall, subject to the provisions of this Chapter, be entitled to have the amount of such loss set off against his income, if any, assessable for that assessment year under any other head.

(*2*) Where in respect of any assessment year, the net result of the computation under any head of income, other than "Capital gains", is a loss and the assessee has income assessable under the head "Capital gains", such loss may, subject to the provisions of this Chapter, be set off against his income, if any, assessable for that assessment year under any head of income including the head "Capital gains" (whether relating to short-term capital assets or any other capital assets).

[2][(*2A*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*2*), where in respect of any assessment year, the net result of the computation under the head "Profits and gains of business or profession" is a loss and the assessee has income assessable under the head "Salaries", the assessee shall not be entitled to have such loss set off against such income.]

(*3*) Where in respect of any assessment year, the net result of the computation under the head "Capital gains" is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to have such loss set off against income under the other head.]

[3][(*3A*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*2*), where in respect of any assessment year, the net result of the computation under the head "Income from house property" is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to set off such loss, to the extent the amount of the loss exceeds two lakh rupees, against income under the other head.]

[4][(*4*) Where the net result of the computation under the head "Income from house property" is a loss, in respect of the assessment years commencing on the 1st day of April, 1995 and the 1st day of April, 1996, such loss shall be first set off under sub-sections (*1*) and (*2*) and thereafter the loss referred to in section 71A shall be set off in the relevant assessment year in accordance with the provisions of that section.]

[5][**71A.Transitional provisions for set off of loss under the head "Income from house property".**—Where in respect of the assessment year commencing on the 1st day of April, 1993 or the 1st day of April, 1994, the net result of the computation under the head "Income from house property" is a loss, such loss in so far as it relates to interest on borrowed capital referred to

1. Subs. by Act 49 of 1991, s. 23, for section 71 (w.e.f. 1-4-1992).
2. Ins. by Act 23 of 2004, s. 14 (w.e.f. 1-4-2005).
3. Ins.by Act 7 of 2017, s. 31 (w.e.f. 1-4-2018).
4. Subs. by Act 32 of 1994, s. 21, for sub-section (*4*) (w.e.f. 1-4-1995).
5. Subs. by s. 22, *ibid*., for section 71A (w.e.f. 1-4-1995).

in clause (*vi*) of sub-section (*1*) of section 24 and to the extent it has not been set off shall be carried forward and set off in the assessment year commencing on the 1st day of April, 1995, and the balance, if any, in the assessment year commencing on the 1st day of April, 1996, against the income under any head.]

[1][**71B.Carry forward and set off of loss from house property.**—Where for any assessment year the net result of computation under the head "Income from house property" is a loss to the assessee and such loss cannot be or is not wholly set off against income from any other head of income in accordance with the provisions of section 71, so much of the loss as has not been so set-off or where he has no income under any other head, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year and—

(*i*) be set off against the income from house property assessable for that assessment year; and

(*ii*) the loss, if any, which has not been set off wholly, the amount of loss not so set off,

shall be carried forward to the following assessment year, not being more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.]

72.Carry forward and set off of business losses.—[2][(*1*) Where for any assessment year, the net result of the computation under the head "Profits and gains of business or profession" is a loss to the assessee, not being a loss sustained in a speculation business, and such loss cannot be or is not wholly set off against income under any head of income in accordance with the provisions of section 71, so much of the loss as has not been so set off or, [3]*** where he has no income under any other head, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

(*i*) it shall be set off against the profits and gains, if any, of any business or profession carried on by him and assessable for that assessment year;

[4]* * * * *

(*ii*) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on:]

[5][Provided that where the whole or any part of such loss is sustained in any such business as is referred to in section 33B which is discontinued in the circumstances specified in that section, and, thereafter, at any time before the expiry of the period of three years referred to in that section, such business is re-established, reconstructed or revived by the assessee, so much of the loss as is attributable to such business shall be carried forward to the assessment year relevant to the previous year in which the business is so re-established, reconstructed or revived, and—

(*a*) it shall be set off against the profits and gains, if any, of that business or any other business carried on by him and assessable for that assessment year; and

---

1. Ins. by Act 21 of 1998, s. 26 (w.e.f. 1-4-1999).
2. Subs. by Act 20 of 1962, s. 6, for sub-section (*1*) (w.e.f. 1-4-1962).
3. The words, brackets and figure 'where the assesse has income only under the head "capital gains" relating to capital assets other than short-term capital assets and has exercised the option under sub-section (*2*) of that section or' omitted by Act 11 of 1987, s. 30 (w.e.f. 1-4-1988).
4. The proviso omitted by Act 27 of 1999, s. 37 (w.e.f. 1-4-2000).
5. Added by Act 20 of 1967, s. 22 (w.e.f. 1-4-1967).

(*b*) if the loss cannot be wholly so set off, the amount of loss not so set off shall, in case the business so re-established, reconstructed or revived continues to be carried on by the assessee, be carried forward to the following assessment year and so on for seven assessment years immediately succeeding.]

(*2*) Where any allowance or part thereof is, under sub-section (*2*) of section 32 or sub-section (*4*) of section 35, to be carried forward, effect shall first be given to the provisions of this section.

(*3*) No loss [1][(other than the loss referred to in the proviso to sub-section (*1*) of this section)] shall be carried forward under this section for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

[2]**[72A. Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger, etc.**—[3][(*1*) Where there has been an amalgamation of—

(*a*) a company owning an industrial undertaking or a ship or a hotel with another company; or

(*b*) a banking company referred to in clause (*c*) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) with a specified bank; or

(*c*) one or more public sector company or companies engaged in the business of operation of aircraft with one or more public sector company or companies engaged in similar business,

then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for unabsorbed depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.]

[4][(*2*) Notwithstanding anything contained in sub-section (*1*), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless—

(*a*) the amalgamating company—

(*i*) has been engaged in the business, in which the accumulated loss occurred or depreciation remains unabsorbed, for three or more years;

(*ii*) has held continuously as on the date of the amalgamation at least three-fourths of the book value of fixed assets held by it two years prior to the date of amalgamation;

(*b*) the amalgamated company—

(*i*) holds continuously for a minimum period of five years from the date of amalgamation at least three-fourths of the book value of fixed assets of the amalgamating company acquired in a scheme of amalgamation;

---

1. Ins. by Act 20 of 1967, s. 22 (w.e.f. 1-4-1967).
2. Subs. by Act 27 of 1999, s. 38, for section 72A (w.e.f. 1-4-2000).
3. Subs. by Act 22 of 2007, s. 20, for sub-section (*1*) (w.e.f. 1-4-2008).
4. Subs. by Act 32 of 2003, s. 33, for sub-section (2) (w.e.f. 1-4-2004).

(*ii*) continues the business of the amalgamating company for a minimum period of five years from the date of amalgamation;

(*iii*) fulfils such other conditions as may be prescribedto ensure the revival of the business of the amalgamating company or to ensure that the amalgamation is for genuine business purpose.]

(*3*) In a case where any of the conditions laid down in sub-section (*2*) are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of the amalgamated company shall be deemed to be the income of the amalgamated company chargeable to tax for the year in which such conditions are not complied with.

(*4*) Notwithstanding anything contained in any other provisions of this Act, in the case of a demerger, the accumulated loss and the allowance for unabsorbed depreciation of the demerged company shall—

(*a*) where such loss or unabsorbed depreciation is directly relatable to the undertakings transferred to the resulting company, be allowed to be carried forward and set off in the hands of the resulting company;

(*b*) where such loss or unabsorbed depreciation is not directly relatable to the undertakings transferred to the resulting company, be apportioned between the demerged company and the resulting company in the same proportion in which the assets of the undertakings have been retained by the demerged company and transferred to the resulting company, and be allowed to be carried forward and set off in the hands of the demerged company or the resulting company, as the case may be.

(*5*) The Central Government may, for the purposes of this Act, by notification in the Official Gazette, specify such conditions as it considers necessary to ensure that the demerger is for genuine business purposes.

(*6*) Where there has been reorganisation of business, whereby, a firm is succeeded by a company fulfilling the conditions laid down in clause (*xiii*) of section 47 or a proprietary concern is succeeded by a company fulfilling the conditions laid down in clause (*xiv*) of section 47, then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the predecessor firm or the proprietary concern, as the case may be, shall be deemed to be the loss or allowance for depreciation of the successor company for the purpose of previous year in which business reorganisation was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly:

Provided that if any of the conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*)to section 47 are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of the successor company, shall be deemed to be the income of the company chargeable to tax in the year in which such conditions are not complied with.

[1][(*6A*) Where there has been reorganisation of business whereby a private company or unlisted public company is succeeded by a limited liability partnership fulfilling the conditions laid down in the proviso to clause (*xiiib*) of section 47, then, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the predecessor company, shall be deemed to be

1. Ins. by Act 14 of 2010, s. 22 (w.e.f. 1-4-2011).

the loss or allowance for depreciation of the successor limited liability partnership for the purpose of the previous year in which business reorganisation was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly:

Provided that if any of the conditions laid down in the proviso to clause (*xiiib*) of section 47 are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of the successor limited liability partnership, shall be deemed to be the income of the limited liability partnership chargeable to tax in the year in which such conditions are not complied with.]

(*7*) For the purposes of this section,—

[1][(*a*) "accumulated loss" means so much of the loss of the predecessor firm or the proprietary concern or the private company or unlisted public company before conversion into limited liability partnership or the amalgamating company or the demerged company, as the case may be, under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such predecessor firm or the proprietary concern or the company or amalgamating company or demerged company, would have been entitled to carry forward and set off under the provisions of section 72if the reorganisation of business or conversion or amalgamation or demerger had not taken place;]

[2][(*aa*) "industrial undertaking" means any undertaking which is engaged in—

(*i*) the manufacture or processing of goods; or

(*ii*) the manufacture of computer software; or

(*iii*) the business of generation or distribution of electricity or any other form of power; or

[3][(*iiia*) the business of providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service, network of trunking, broadband network and internet services; or]

(*iv*) mining; or

(*v*) the construction of ships, aircrafts or rail systems;]

(*b*) "unabsorbed depreciation" means so much of the allowance for depreciation of the predecessor firm or the proprietary concern or the private company or unlisted public company before conversion into limited liability partnership or the amalgamating company or the demerged company, as the case may be, which remains to be allowed and which would have been allowed to the predecessor firm or the proprietary concern or the company or amalgamating company or demerged company, as the case may be, under the provisions of this Act, if the reorganisation of business or conversion or amalgamation or demerger had not taken place;]

[4][(*c*) "specified bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955) or a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).]

---

1. Subs. by Act 14 of 2010, s. 22, for clauses (*a*) and (*b*) (w.e.f. 1-4-2011).

2. Ins. by Act 14 of 2001, s. 35 (w.e.f. 1-4-2000).

3. Ins. by Act 20 of 2002, s. 28 (w.e.f. 1-4-2003).

4. Ins. by Act 32 of 2003, s. 33 (w.e.f. 1-4-2004).

[1][**72AA. Provisions relating to carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in scheme of amalgamation of banking company in certain cases.**—Notwithstanding anything contained in sub-clauses (*i*) to (*iii*) of clause (*1B*) of section 2 or section 72A where there has been an amalgamation of a banking company with any other 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 (10 of 1949), the accumulated loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of this Act relating to set-off and carry forward of loss and allowance for depreciation shall apply accordingly.

Explanation.—For the purposes of this section,—

(*i*) "accumulated loss" means so much of the loss of the amalgamating banking company under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such amalgamating banking company, would have been entitled to carry forward and set-off under the provisions of section 72 if the amalgamation had not taken place;

(*ii*) "banking company" shall have the same meaning assigned to it in clause (*c*) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(*iii*) "banking institution" shall have the same meaning assigned to it in sub-section (*15*) of section 45 of the Banking Regulation Act, 1949 (10 of 1949);

(*iv*) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating banking company which remains to be allowed and which would have been allowed to such banking company if amalgamation had not taken place.]

[2][**72AB. Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in business reorganisation of co-operative banks.**—(*1*) The assessee, being a successor co-operative bank, shall, in a case where the amalgamation has taken place during the previous year, be allowed to set off the accumulated loss and the unabsorbed depreciation, if any, of the predecessor co-operative bank as if the amalgamation had not taken place, and all the other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(*2*) The provisions of this section shall apply if—

(*a*) the predecessor co-operative bank—

(*i*) has been engaged in the business of banking for three or more years; and

(*ii*) has held at least three-fourths of the book value of fixed assets as on the date of the business reorganisation, continuously for two years prior to the date of business reorganisation;

(*b*) the successor co-operative bank—

(*i*) holds at least three-fourths of the book value of fixed assets of the predecessor co-operative bank acquired through business reorganisation, continuously for a minimum period of five years immediately succeeding the date of business reorganisation;

(*ii*) continues the business of the predecessor co-operative bank for a minimum period of five years from the date of business reorganisation; and

(*iii*) fulfils such other conditions as may be prescribed to ensure the revival of the business of the predecessor co-operative bank or to ensure that the business reorganisation is for genuine business purpose.

---

1. Ins. by Act 18 of 2005, s. 19 (w.e.f. 1-4-2005).

2. Ins. by Act 22 of 2007, s. 21 (w.e.f. 1-4-2008).

(*3*) The amount of set-off of the accumulated loss and unabsorbed depreciation, if any, allowable to the assessee being a resulting co-operative bank shall be,—

(*i*) the accumulated loss or unabsorbed depreciation of the demerged co-operative bank if the whole of the amount of such loss or unabsorbed depreciation is directly relatable to the undertakings transferred to the resulting co-operative bank; or

(*ii*) the amount which bears the same proportion to the accumulated loss or unabsorbed depreciation of the demerged co-operative bank as the assets of the undertaking transferred to the resulting co-operative bank bears to the assets of the demerged co-operative bank if such accumulated loss or unabsorbed depreciation is not directly relatable to the undertakings transferred to the resulting co-operative bank.

(*4*) The Central Government may, for the purposes of this section, by notification in the Official Gazette, specify such other conditions as it considers necessary, other than those prescribed under sub-clause (iii) of clause (b) of sub-section (*2*), to ensure that the business reorganisation is for genuine business purposes.

(*5*) The period commencing from the beginning of the previous year and ending on the date immediately preceding the date of business reorganisation, and the period commencing from the date of such business reorganisation and ending with the previous year shall be deemed to be two different previous years for the purposes of set off and carry forward of loss and allowance for depreciation.

(*6*) In a case where the conditions specified in sub-section (*2*) or notified under sub-section (*4*) are not complied with, the set off of accumulated loss or unabsorbed depreciation allowed in any previous year to the successor co-operative bank shall be deemed to be the income of the successor co-operative bank chargeable to tax for the year in which the conditions are not complied with.

(*7*) For the purposes of this section,—

(*a*) "accumulated loss" means so much of loss of the amalgamating co-operative bank or the demerged co-operative bank, as the case may be, under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such amalgamating co-operative bank or the demerged co-operative bank, would have been entitled to carry forward and set-off under the provisions of section 72 as if the business reorganisation had not taken place;

(*b*) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating co-operative bank or the demerged co-operative bank, as the case may be, which remains to be allowed and which would have been allowed to such bank as if the business reorganisation had not taken place;

(*c*) the expressions "amalgamated co-operative bank", "amalgamating co-operative bank", "amalgamation", "business reorganisation", "co-operative bank", "demerged co-operative bank", "demerger", "predecessor co-operative bank", "successor co-operative bank" and "resulting co-operative bank" shall have the meanings respectively assigned to them in section 44DB.]

73. Losses in speculation business.—(*1*) Any loss, computed in respect of a speculation business carried on by the assessee, shall not be set off except against profits and gains, if any, of another speculation business.

(*2*) Where for any assessment year any loss computed in respect of a speculation business has not been wholly set off under sub-section (*1*), so much of the loss as is not so set off or the whole loss where the assessee had no income from any other speculation business, shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

(*i*) it shall be set off against the profits and gains, if any, of any speculation business carried on by him assessable for that assessment year; and

(*ii*) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and soon.

(*3*) In respect of allowance on account of depreciation or capital expenditure on scientific research, the provisions of sub-section (*2*) of section 72 shall apply in relation to speculation business as they apply in relation to any other business.

(*4*) No loss shall be carried forward under this section for more than [1][four assessment years] immediately succeeding the assessment year for which the loss was first computed.

[2][*Explanation*.—Where any part of the business of a company ([3][other than a company whose gross total income consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources"], or a company [4][the principal business of which is the business of trading in shares or banking] or the granting of loans and advances) consists in the purchase and sale of shares of other companies, such company shall, for the purposes of this section, be deemed to be carrying on a speculation business to the extent to which the business consists of the purchase and sale of such shares.]

[5]**[73A. Carry forward and set off of losses by specified business.**—(*1*) Any loss, computed in respect of any specified business referred to in section 35AD shall not be set off except against profits and gains, if any, of any other specified business.

(*2*) Where for any assessment year any loss computed in respect of the specified business referred to in sub-section (*1*) has not been wholly set off under sub-section (*1*), so much of the loss as is not so set off or the whole loss where the assessee has no income from any other specified business, shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

(*i*) it shall be set off against the profits and gains, if any, of any specified business carried on by him assessable for that assessment year; and

(*ii*) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on.]

[6]**[74. Losses under the head "Capital gains".—**[7][(*1*) Where in respect of any assessment year, the net result of the computation under the head "Capital gains" is a loss to the assessee, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

(*a*) in so far as such loss relates to a short-term capital asset, it shall be set off against income, if any, under the head "Capital gains" assessable for that assessment year in respect of any other capital asset;

(*b*) in so far as such loss relates to a long-term capital asset, it shall be set off against income, if any, under the head "Capital gains" assessable for that assessment year in respect of any other capital asset not being a short-term capital asset;

(*c*) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on.]

(*2*) No loss shall be carried forward under this section for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

---

1. Subs. by Act 18 of 2005, s. 20, for "eight assessment years" (w.e.f. 1-4-2006).
2. Ins. by Act 41 of 1975, s. 15 (w.e.f. 1-4-1977).
3. Subs. by Act 11 of 1987, s. 74, for "other than an investment company, as defined in clause (*ii*) of section 109" (w.e.f. 1-4-1988).
4. Subs. by Act 25 of 2014, s. 26, for "the principal business of which is the business of banking" (w.e.f. 1-4-2015).
5. Ins. by Act 33 of 2009, s. 28 (w.e.f. 1-4-2010).
6. Subs. by Act 11 of 1987, s. 31, for section 74 (w.e.f. 1-4-1988).
7. Subs. by Act 20 of 2002, s. 29, for sub-section (*1*) (w.e.f. 1-4-2003).

[1]* * * * *]

[2][**74A. Losses from certain specified sources falling under the head "Income from other sources".**—[3]* * * * *

[4][(*3*) [5]*** In the case of an assessee, being the owner of horses maintained by him for running in horse races (such horses being hereafter in this sub-section referred to as race horses), [6][the amount of loss incurred by the assessee in the activity of owning and maintaining race horses in any assessment year shall not be set off against income, if any, from any source other than the activity of owning and maintaining race horses in that year and] shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year and—

(*a*) it shall be set off against the income, if any, [7][from the activity of owning and maintaining race horses,] assessable for that assessment year:

Provided that the activity of owning and maintaining race horses is carried on by him in the previous year relevant for that assessment year; and

(*b*) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year and so on; so, however, that no portion of the loss shall be carried forward for more than four assessment years immediately succeeding the assessment year for which the loss was first computed.

Explanation.—For the purposes of this sub-section—

(*a*) "amount of loss incurred by the assessee in the activity of owning and maintaining race horses" means—

(*i*) in a case where the assessee has no income by way of stake money, the amount of expenditure (not being in the nature of capital expenditure) laid out or expended by him wholly and exclusively for the purposes of maintaining race horses;

(*ii*) in a case where the assessee has income by way of stake money, the amount by which such income falls short of the amount of expenditure (not being in the nature of capital expenditure) laid out or expended by the assessee wholly and exclusively for the purposes of maintaining race horses;

(*b*) "horse race" means a horse race upon which wagering or betting may be lawfully made;

(*c*) "income by way of stake money" means the gross amount of prize money received on a race horse or race horses by the owner thereof on account of the horse or horses or any one or more of the horses winning or being placed second or in any lower position in horse races.]

[8]**[75. Losses of firms.**—Where the assessee is a firm, any loss in relation to the assessment year commencing on or before the 1st day of April, 1992, which could not be set off against any other income of the firm and which had been apportioned to a partner of the firm but could not be set off by such partner prior to the assessment year commencing on the 1st day of April, 1993, then, such loss shall be allowed to be set off against the income of the firm subject to the condition that the partner continues in the said firm and to be carried forward for set off under sections 70, 71, 72, 73, 74 and 74A.]

---

1. Sub-section (*3*) omitted by Act 20 of 2002, s. 29 (w.e.f. 1-4-2003).
2. Ins. by Act 16 of 1972, s. 11 (w.e.f. 1-4-1972).
3. Sub-sections (*1*) and (*2*) omitted by Act 23 of 1986, s. 16 (w.e.f. 1-4-1987).
4. Ins. by Act 20 of 1974, s. 6 (w.e.f. 1-4-1975).
5. The words "Where for any assessment year" omitted by Act 23 of 1986, s. 16 (w.e.f. 1-4-1987).
6. Subs. by s. 16, *ibid*., for certain words (w.e.f. 1-4-1987).
7. Subs. by s. 16, *ibid*., for "from the source specified in clause (*c*) of sub-section (*2*)" (w.e.f. 1-4-1987).
8. Subs. by Act 18 of 1992, s. 39, for sections 75, 76 and 77 (w.e.f. 1-4-1993). Earlier amended by Act 20 of 1974, s. 13 (w.e.f 1-4-1975), Act 11 of 1987, s. 74 (w.e.f. 1-4-1988), omitted by Act 4 of 1988, s. 19 (w.e.f. 1-4-1989) and restored by Act 3 of 1989, s. 95 (w.e.f. 1-4-1989).

78. Carry forward and set off of losses in case of change in constitution of firm or on succession.—[1][(*1*) Where a change has occurred in the constitution of a firm, nothing in this Chapter shall entitle the firm to have carried forward and set off so much of the loss proportionate to the share of a retired or deceased partner as exceeds his share of profits, if any, in the firm in respect of the previous year.]

(*2*) Where any person carrying on any business or profession has been succeeded in such capacity by another person otherwise than by inheritance, nothing in this Chapter shall entitle any person other than the person incurring the loss to have it carried forward and set off against his income.

[2][**79. Carry forward and set off of losses in case of certain companies.—**Notwithstanding anything contained in this Chapter, where a change in shareholding has taken place in a previous year,—

(*a*) in the case of a company not being a company in which the public are substantially interested and other than a company referred to in clause (*b*), no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless on the last day of the previous year, the shares of the company carrying not less than fifty-one per cent. of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than fifty-one per cent. of the voting power on the last day of the year or years in which the loss was incurred;

(*b*) in the case of a company, not being a company in which the public are substantially interested but being an eligible start-up as referred to in section 80-IAC, the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred,—

(*i*) continue to hold those shares on the last day of such previous year; and

(*ii*) such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated:

Provided that nothing contained in this section shall apply to a case where a change in the said voting power and shareholding takes place in a previous year consequent upon the death of a shareholder or on account of transfer of shares by way of gift to any relative of the shareholder making such gift:

Provided further that nothing contained in this section shall apply to any change in the shareholding of an Indian company which is a subsidiary of a foreign company as a result of amalgamation or demerger of a foreign company subject to the condition that fifty-one per cent. shareholders of the amalgamating or demerged foreign company continue to be the shareholders of the amalgamated or the resulting foreign company.]

[3][Provided also that nothing contained in this section shall apply to a company where a change in the shareholding takes place in a previous year pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.]

80. Submission of return for losses.—Notwithstanding anything contained in this Chapter, no loss which has not been determined in pursuance of a return filed [4][in accordance with the provisions of sub-section (*3*) of section 139], shall be carried forward and set off under sub-section (*1*) of section 72 or sub-section (*2*) of section 73 [5][or sub-section (*2*) of section 73A] or [6][sub-section (*1*) or sub-section (*3*) of section 74] [7][or sub-section (*3*) of section 74A].

---

1. Subs. by Act 18 of 1992, s. 40, for sub-section (*1*) (w.e.f. 1-4-1993). Earlier subs. by Act 4 of 1988, s. 20 (w.e.f. 1-4-1989) and restored by Act 3 of 1989, s. 95 (1-4-1989).
2. Subs. by Act 7 of 2017, s. 32, for section 39 (w.e.f. 1-4-2018).
3. Ins. by Act 13 of 2018, s. 24 (w.e.f. 1-4-2018).
4. Subs. by Act 4 of 1988, s. 126, for "within the time allowed under sub-section (*1*) of section 139 or within such further time as may be allowed by the Income-tax Officer" (w.e.f. 1-4-1989).
5. Ins. by Act 28 of 2016, s. 36 (w.e.f. 1-4-2016).
6. Subs. by Act 11 of 1987, s. 74, for "sub-section (*1*) of section 74" (w.e.f. 1-4-1988).
7. Ins. by Act 20 of 1974, s. 13 (w.e.f. 1-4-1975).

[1][CHAPTER VIA

DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

A.—General

80A. Deductions to be made in computing total income.—(*1*) In computing the total income of an assessee, there shall be allowed from his gross total income, in accordance with and subject to the provisions of this Chapter, the deductions specified in section 80C to [2][80U].

(*2*) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

[3][(*3*) Where, in computing the total income of an association of persons or a body of individuals, any deduction is admissible under section 80G or section 80GGA [4][or section 80GGC] or section 80HH or section 80HHA or section 80HHB or section 80HHC or section 80HHD or section 80-I or section 80-IA [5][or section 80-IB] [6][or section 80-IC] [7][or section 80-ID or section 80-IE] [8]*** [9]***, no deduction under the same section shall be made in computing the total income of a member of the association of persons or body of individuals in relation to the share of such member in the income of the association of persons or body of individuals.]

[10][(*4*) Notwithstanding anything to the contrary contained in section 10A or section 10AA or section 10B or section 10BA or in any provisions of this Chapter under the heading "*C.—Deductions in respect of certain incomes*", where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under any of those provisions for any assessment year, deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provisions of this Act for such assessment year and shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business, as the case may be.

(*5*) Where the assessee fails to make a claim in his return of income for any deduction under section 10A or section 10AA or section 10B or section 10BA or under any provision of this Chapter under the heading "*C.—Deductions in respect of certain incomes*", no deduction shall be allowed to him thereunder.]

(*6*) Notwithstanding anything to the contrary contained in section 10A or section 10AA or section 10B or section 10BA or in any provisions of this Chapter under the heading "*C.—Deductions in respect of certain incomes*", where any goods or services held for the purposes of the undertaking or unit or enterprise or eligible business are transferred to any other business carried on by the assessee or where any goods or services held for the purposes of any other business carried on by the assessee are transferred to the undertaking or unit or enterprise or eligible business and, the consideration, if any, for such transfer as recorded in the accounts of the undertaking or unit or enterprise or eligible business does not correspond to the market value of such goods or services as on the date of the transfer, then, for the purposes of any deduction under this Chapter, the profits and gains of such undertaking or unit or enterprise or eligible business shall be computed as if the transfer, in either case, had been made at the market value of such goods or services as on that date.

Explanation.—For the purposes of this sub-section, the expression "market value",—

(*i*) in relation to any goods or services sold or supplied, means the price that such goods or services would fetch if these were sold by the undertaking or unit or enterprise or eligible business in the open market, subject to statutory or regulatory restrictions, if any;

---

1. Subs. by Act 20 of 1967, s. 33 and the Third Schedule, for Chapter VIA (w.e.f. 1-4-1968).
2. Subs. by Act 32 of 1985, s. 36, for "80VV" (w.e.f. 1-4-1986).
3. Subs. by Act 18 of 1992, s. 41, for sub-section (*3*) (w.e.f. 1-4-1993). Earlier substituted by Act 4 of 1988, s. 21 (w.e.f. 1-4-1989) and then restored by Act 3 of 1989, s. 95 (w.e.f. 1-4-1989).
4. Subs. by Act 46 of 2003, s. 9, for "section 80GGA" (w.e.f. 11-9-2003).
5. Ins. by Act 27 of 1999, s. 90 (w.e.f. 1-4-2000).
6. Ins. by Act 22 of 2007, s. 22 (w.r.e.f. 1-4-2004).
7. Ins. by s. 22, *ibid*. (w.e.f. 1-4-2008).
8. Section 80J omitted by Act 33 of 1996, s. 29 (w.e.f. 1-4-1989).
9. Section 80JJ omitted by Act 26 of 1997, s. 26 (w.e.f. 1-4-1988).
10. Ins. by Act 33 of 2009, s. 29 (w.e.f. 1-4-2003).

(*ii*) in relation to any goods or services acquired, means the price that such goods or services would cost if these were acquired by the undertaking or unit or enterprise or eligible business from the open market, subject to statutory or regulatory restrictions, if any;]

[1][(*iii*) in relation to any goods or services sold, supplied or acquired means the arm's length price as defined in clause (*ii*) of section 92F of such goods or services, if it is a specified domestic transaction referred to in section 92BA.]

[2][(*7*) Where a deduction under any provision of this Chapter under the heading "C.—Deductions in respect of certain incomes" is claimed and allowed in respect of profits of any of the specified business referred to in clause (*c*) of sub-section (*8*) of section 35D for any assessment year, no deduction shall be allowed under the provisions of section 35AD in relation to such specified business for the same or any other assessment year.]

80AA. [**Computation of deduction under section 80M].—***Omitted by the Finance Act*, 1997 (26 of 1997), *s.* 21 (*w.e.f.* 1-4-1998)]. Earlier inserted by Act 44 of 1980, s. 12 (w.e.f. 1-4-1968).

[3][**80AB. Deductions to be made with reference to the income included in the gross total income.**Where any deduction is required to be made or allowed under any section [4]*** included in this Chapter under the heading "*C.—Deductions in respect of certain incomes*" in respect of any income of the nature specified in that section which is included in the gross total income of the assessee, then, notwithstanding anything contained in that section, for the purpose of computing the deduction under that section, the amount of income of that nature as computed in accordance with the provisions of this Act (before making any deduction under this Chapter) shall alone be deemed to be the amount of income of that nature which is derived or received by the assessee and which is included in his gross total income.]

[5]**[80AC. Deduction not to be allowed unless return furnished.—**Where in computing the total income of an assessee of any previous year relevant to the assessment year commencing on or after—

(*i*) the 1st day of April, 2006 but before the 1st day of April, 2018, any deduction is admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE;

(*ii*) the 1st day of April, 2018, any deduction is admissible under any provision of this Chapter under the heading "C.—*Deductions in respect of certain incomes*",

no such deduction shall be allowed to him unless he furnishes a return of his income for such assessment year on or before the due date specified under sub-section (*1*) of section 139.]

80B. Definitions.—In this Chapter—

[6]*	*	*	*	*
[7]*	*	*	*	*
[8]*	*	*	*	*
[9]*	*	*	*	*

(*5*) "gross total income" means the total income computed in accordance with the provisions of this Act, before making any deduction under this Chapter [10]*** [11]***;

[12]*	*	*	*	*

1. Ins. by Act 23 of 2012, s. 23 (w.e.f. 1-4-2013).
2. Ins. by Act 14 of 2010, s. 23 (w.e.f. 1-4-2011).
3. Ins. by Act 44 of 1980, s. 12 (w.e.f. 1-4-1968).
4. The brackets, words, figures and letters "(except section 80M)" omitted by Act 26 of 1997, s. 22 (w.e.f. 1-4-1998).
5. Subs. by Act 13 of 2009, s. 25, for section 80AC (w.e.f. 1-4-2018) which was earlier inserted by Act 21 of 2006, s. 15 (w.e.f. 1-4-2006).
6. Clause (*1*) omitted by Act 41 of 1975, s. 17 (w.e.f. 1-4-1976).
7. Clause (*2*) omitted by Act 4 of 1988, s. 22 (w.e.f. 1-4-1989).
8. Clause (*3*) omitted by Act 19 of 1968, s. 30 and the Third Schedule (w.e.f. 1-4-1969).
9. Clause (*4*) omitted by Act 4 of 1988, s. 22 (w.e.f. 1-4-1989).
10. The words, figures and letter "or under section 280-O" omitted by Act 26 of 1988, s. 54 (w.e.f. 1-4-1988).
11. The words and figures "and without applying the provisions of section 64" omitted by Act 42 of 1970, s. 18 (w.e.f. 1-4-1968).
12. Clause (*6*) omitted by Act 4 of 1988, s. 22 (w.e.f. 1-4-1989).

[1]* * * * *

[2]* * * * *

[3]* * * * *

[4][**80C. Deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.**—(*1*) In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted, in accordance with and subject to the provisions of this section, the whole of the amount paid or deposited in the previous year, being the aggregate of the sums referred to in sub-section (*2*), as does not exceed [5][one hundred and fifty thousand rupees].

(*2*) The sums referred to in sub-section (*1*) shall be any sums paid or deposited in the previous year by the assessee—

(*i*) to effect or to keep in force an insurance on the life of persons specified in sub-section (*4*);

(*ii*) to effect or to keep in force a contract for a deferred annuity, not being an annuity plan referred to in clause (*xii*), on the life of persons specified in sub-section (*4*):

Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;

(*iii*) by way of deduction from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his spouse or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(*iv*) as a contribution by an individual to any provident fund to which the Provident Funds Act, 1925 (19 of 1925) applies;

(*v*) as a contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of any person specified in sub-section (*4*);

(*vi*) as a contribution by an employee to a recognised provident fund;

(*vii*) as a contribution by an employee to an approved superannuation fund;

(*viii*) [6][as subscription, in the name of any person specified in sub-section (*4*), to] any such security of the Central Government or any such deposit scheme as that Government may, by notification in the Official Gazette, specify in this behalf;

(*ix*) as subscription to any such savings certificate as defined in clause (*c*) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*x*) as a contribution, in the name of any person specified in sub-section (*4*), for participation in the Unit-linked Insurance Plan, 1971 (hereafter in this section referred to as the Unit-linked Insurance Plan) specified in Schedule II of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(*xi*) as a contribution in the name of any person specified in sub-section (*4*) for participation in any such unit-linked insurance plan of the LIC Mutual Fund [7][referred to in clause (*23D*)] of section 10, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xii*) to effect or to keep in force a contract for such annuity plan of the Life Insurance Corporation or any other insurer as the Central Government may, by notification in the Official Gazette, specify;

---

1. Clause (*7*) omitted by Act 16 of 1972, s. 15 (w.e.f. 1-4-1973).
2. Clause (*8*) omitted by Act 4 of 1988, s. 22 (w.e.f. 1-4-1989).
3. Clause (*9*) omitted by Act 41 of 1975, s. 17 (w.e.f. 1-4-1976).
4. Ins. by Act 18 of 2005, s. 21 (w.e.f. 1-4-2006). Earlier omitted by Act 12 of 1990, s. 50 (w.e.f. 1-4-1991).
5. Subs. by Act 25 of 2014, s. 27, for "one lakh rupees" (w.e.f. 1-4-2015).
6. Subs. by Act 20 of 2015, s. 16, for "as subscription to" (w.e.f. 1-4-2015).
7. Subs. by Act 21 of 2006, s. 16, for "notified under clause (*23D*)" (w.e.f. 1-4-2007).

(*xiii*) as subscription to any units of any Mutual Fund [1][referred to in clause (*23D*)] of section 10 or from the Administrator or the specified company under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xiv*) as a contribution by an individual to any pension fund set up by any Mutual Fund [1][referred to in clause (*23D*)] of section 10 or by the Administrator or the specified company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xv*) as subscription to any such deposit scheme of, or as a contribution to any such pension fund set up by, the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987) (hereafter in this section referred to as the National Housing Bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xvi*) as subscription to any such deposit scheme of—

(*a*) a public sector company which is engaged in providing long-term finance for construction or purchase of houses in India for residential purposes; or

(*b*) any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both,

as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xvii*) as tuition fees (excluding any payment towards any development fees or donation or payment of similar nature), whether at the time of admission or thereafter,—

(*a*) to any university, college, school or other educational institution situated within India;

(*b*) for the purpose of full-time education of any of the persons specified in sub-section (*4*);

(*xviii*) for the purposes of purchase or construction of a residential house property the income from which is chargeable to tax under the head "Income from house property" (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of—

(*a*) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

(*b*) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or

(*c*) repayment of the amount borrowed by the assessee from—

(*1*) the Central Government or any State Government, or

(*2*) any bank, including a co-operative bank, or

(*3*) the Life Insurance Corporation, or

(*4*) the National Housing Bank, or

(*5*) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is eligible for deduction under clause (*viii*) of sub-section (*1*) of section 36, or

1. Subs. by Act 21 of 2006, s. 16, for "notified under clause (*23D*)" (w.e.f. 1-4-2007).

(*6*) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or

(*7*) the assessee's employer where such employer is an authority or a board or a corporation or any other body established or constituted under a Central or State Act, or

(*8*) the assessee's employer where such employer is a public company or a public sector company or a university established by law or a college affiliated to such university or a local authority or a co-operative society; or

(*d*) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,

but shall not include any payment towards or by way of—

(*A*) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

(*B*) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or

(*C*) any expenditure in respect of which deduction is allowable under the provisions of section 24;

(*xix*) as subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form.

Explanation.—For the purposes of this clause,—

(*i*) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are utilised wholly and exclusively for the purposes of any business referred to in sub-section (*4*) of section 80-IA;

(*ii*) "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956 (1 of 1956);

(*iii*) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956);

(*xx*) as subscription to any units of any mutual fund referred to in clause (*23D*) of section 10 and approved by the Board on an application made by such mutual fund in the prescribed form:

Provided that this clause shall apply if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

Explanation.—For the purposes of this clause "eligible issue of capital" means an issue referred to in clause (*i*) of the *Explanation* to clause (*xix*) of sub-section (*2*);

[1][(*xxi*) as term deposit—

(*a*) for a fixed period of not less than five years with a scheduled bank; and

(*b*) which is in accordance with a scheme framed and notified, by the Central Government, in the Official Gazette for the purposes of this clause.

1. Ins. by Act 21 of 2006, s. 16 (w.e.f. 1-4-2007).

Explanation.—For the purposes of this clause, "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), or a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);]

[1][(*xxii*) as subscription to such bonds issued by the National Bank for Agriculture and Rural Development, as the Central Government may, by notification in the Official Gazette, specify in this behalf;]

[2][(*xxiii*) in an account under the Senior Citizens Savings Scheme Rules, 2004;

(*xxiv*) as five year time deposit in an account under the Post Office Time Deposit Rules, 1981.]

(*3*) The provisions of sub-section (*2*) shall apply only to so much of any premium or other payment made on an [3][insurance policy, other than a contract for a deferred annuity, issued on or before the 31st day of March, 2012,] as is not in excess of twenty per cent of the actual capital sum assured.

Explanation.—In calculating any such actual capital sum assured, no account shall be taken—

(*i*) of the value of any premiums agreed to be returned, or

(*ii*) 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.

[4][(*3A*) 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, issued on or after the 1st day of April, 2012 as is not in excess of ten per cent of the actual capital sum assured:

[5][Provided that where the policy, issued on or after the 1st day of April, 2013, is for insurance on life of any person, who is—

(*a*) a person with disability or a person with severe disability as referred to in section 80U, or

(*b*) suffering from disease or ailment as specified in the rules made under section 80DDB,

the provisions of this sub-section shall have effect as if for the words "ten per cent.", the words "fifteen per cent." had been substituted.]

Explanation.—For the purposes of this sub-section, "actual capital sum assured" in relation to a life insurance policy shall mean the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account—

(*i*) the value of any premium agreed to be returned; or

(*ii*) 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.]

(*4*) The persons referred to in sub-section (*2*) shall be the following, namely:—

(*a*) for the purposes of clauses (*i*), (*v*), (*x*) and (*xi*) of that sub-section,—

(*i*) in the case of an individual, the individual, the wife or husband and any child of such individual, and

---

1. Ins. by Act 22 of 2007, s. 24 (w.e.f. 1-4-2008).
2. Ins. by Act 18 of 2008, s. 16 (w.e.f. 1-4-2008).
3. Subs. by Act 23 of 2012, s. 24, for "insurance policy other than a contract for a deferred annuity" (w.e.f. 1-4-2013).
4. Ins. by s. 24, *ibid*. (w.e.f. 1-4-2013).
5. Ins. by Act 17 of 2013, s. 12 (w.e.f. 1-4-2014).

(*ii*) in the case of a Hindu undivided family, any member thereof;

(*b*) for the purposes of clause (*ii*) of that sub-section, in the case of an individual, the individual, the wife or husband and any child of such individual;

[1][(*ba*) for the purposes of clause (*viii*) of that sub-section, in the case of an individual, the individual or any girl child of that individual, or any girl child for whom such person is the legal guardian, if the scheme so specifies;]

(*c*) for the purposes of clause (*xvii*) of that sub-section, in the case of an individual, any two children of such individual.

(*5*) Where, in any previous year, an assessee—

(*i*) terminates his contract of insurance referred to in clause (*i*) of sub-section (*2*), by notice to that effect or where the contract ceases to be in force by reason of failure to pay any premium, by not reviving contract of insurance,—

(*a*) in case of any single premium policy, within two years after the date of commencement of insurance; or

(*b*) in any other case, before premiums have been paid for two years; or

(*ii*) terminates his participation in any unit-linked insurance plan referred to in clause (*x*) or clause (*xi*) of sub-section (*2*), by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation, before contributions in respect of such participation have been paid for five years; or

(*iii*) transfers the house property referred to in clause (*xviii*) of sub-section (*2*) before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sum specified in that clause,

then,—

(*a*) no deduction shall be allowed to the assessee under sub-section (*1*) with reference to any of the sums, referred to in clauses (*i*), (*x*), (*xi*) and (*xviii*) of sub-section (*2*), paid in such previous year; and

(*b*) the aggregate amount of the deductions of income so allowed in respect of the previous year or years preceding such previous year, shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

(*6*) If any equity shares or debentures, with reference to the cost of which a deduction is allowed under sub-section (*1*), are sold or otherwise transferred by the assessee to any person at any time within a period of three years from the date of their acquisition, the aggregate amount of the deductions of income so allowed in respect of such equity shares or debentures in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be the income of the assessee of such previous year and shall be liable to tax in the assessment year relevant to such previous year.

Explanation.—A person shall be treated as having acquired any shares or debentures on the date on which his name is entered in relation to those shares or debentures in the register of members or of debenture-holders, as the case may be, of the public company.

[2][(*6A*) If any amount, including interest accrued thereon, is withdrawn by the assessee from his account referred to in clause (*xxiii*) or clause (*xxiv*) of sub-section (*2*), before the expiry of the period of five years from the date of its deposit, the amount so withdrawn shall be deemed to be the income of the

1. Ins. by Act 20 of 2015, s. 16 (w.e.f. 1-4-2015).
2. Ins. by Act 18 of 2008, s. 16 (w.e.f. 1-4-2008).

assessee of the previous year in which the amount is withdrawn and shall be liable to tax in the assessment year relevant to such previous year:

Provided that the amount liable to tax shall not include the following amounts, namely:—

(*i*) any amount of interest, relating to deposits referred to in clause (*xxiii*) or clause (*xxiv*) of sub-section (*2*), which has been included in the total income of the assessee of the previous year or years preceding such previous year; and

(*ii*) any amount received by the nominee or legal heir of the assessee, on the death of such assessee, other than interest, if any, accrued thereon, which was not included in the total income of the assessee for the previous year or years preceding such previous year.]

(*7*) For the purposes of this section,—

(*a*) the insurance, deferred annuity, provident fund and superannuation fund referred to in clauses (*i*) to (*vii*);

(*b*) unit-linked insurance plan and annuity plan referred to in clauses (*xii*) to (*xiiia*);

(*c*) pension fund and subscription to deposit scheme referred to in clauses (*xiiic*) to (*xiva*);

(*d*) amount borrowed for purchase or construction of a residential house referred to in clause (*xv*),

of sub-section (*2*) of section 88 shall be eligible for deduction under the corresponding provisions of this section and the deduction shall be allowed in accordance with the provisions of this section.

(*8*) In this section,—

(*i*) "Administrator" means the Administrator as referred to in clause (*a*) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(*ii*) "contribution" to any fund shall not include any sums in repayment of loan;

(*iii*) "insurance" shall include—

(*a*) a policy of insurance on the life of an individual or the spouse or the child of such individual or a member of a Hindu undivided family securing the payment of specified sum on the stipulated date of maturity, if such person is alive on such date notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the event of such person dying before the said stipulated date;

(*b*) a policy of insurance effected by an individual or a member of a Hindu undivided family for the benefit of a minor with the object of enabling the minor, after he has attained majority to secure insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;

(*iv*) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956);

(*v*) "public company" shall have the same meaning as in section 3 of the Companies Act, 1956 (1 of 1956);

(*vi*) "security" means a Government security as defined in clause (*2*) of section 2 of the Public Debt Act, 1944 (18 of 1944);

(*vii*) "specified company" means a company as referred to in clause (*h*) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(*viii*) "transfer" shall be deemed to include also the transactions referred to in clause (*f*) of section 269UA.]

80CC. [**Deduction in respect of investment in certain new shares**].—*Omitted by the Finance* (*No.* 2) *Act,* 1996 (33 *of* 1996), *s*. 22 (*w.e.f.* 1-4-1993).

[1]**[80CCA. Deduction in respect of deposits under National Savings Scheme or payment to a deferred annuity plan.**—(*1*) Where an assessee, being—

(*a*) an individual, or

(*b*) a Hindu undivided family, [2]***

[3]* * * * *

has in the previous year—

(*i*) deposited any amount in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf [4]***; or

(*ii*) paid any amount to effect or to keep in force a contract for such annuity plan of the Life Insurance Corporation as the Central Government may, by notification in the Official Gazette, specify,

out of his income chargeable to tax, he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income of the whole of the amount deposited or paid (excluding interest or bonus accrued or credited to the assessee's account, if any) as does not exceed the amount of twenty thousand rupees in the previous year:

[5]**[**Provided that in relation to—

(*a*) the assessment years commencing on the 1st day of April, 1989 and the 1st day of April, 1990, this sub-section shall have effect as if for the words "twenty thousand rupees", the words "thirty thousand rupees" had been substituted;

(*b*) the assessment year commencing on the 1st day of April, 1991 and subsequent assessment years, this sub-section shall have effect as if for the words "twenty thousand rupees", the words "forty thousand rupees" had been substituted:]

[6][Provided further that no deduction under this sub-section shall be allowed in relation to any amount deposited or paid under clauses (*i*) and (*ii*) on or after the 1st day of April, 1992.]

(*2*) Where any amount—

(*a*) standing to the credit of the assessee [7][under the scheme referred to in clause (*i*) of sub-section (*1*)] in respect of which a deduction has been allowed under sub-section (*1*) together with the interest accrued on such amount is withdrawn in whole or in part in any previous year, or

(*b*) is received on account of the surrender of the policy or as annuity or bonus in accordance with the annuity plan of the Life Insurance Corporation in any previous year,

---

1. Subs. by Act 26 of 1988, s. 23, for section 80CCA (w.e.f. 1-4-1988).
2. The words "or" omitted by Act 32 of 1994, s. 50 (w.e.f. 1-4-1988.)
3. Clause (*c*) omitted by s. 50, *ibid.* (w.e.f. 1-4-1988).
4. The brackets and words "(hereafter in this section referred to as the National Savings Scheme)" omitted by Act 49 of 1991, s. 25 (w.e.f. 1-10-1991).
5. Subs. by Act 12 of 1990, s. 16, for the proviso (w.e.f. 1-4-1991).
6. Ins. by Act 18 of 1992, s. 42 (w.e.f. 1-4-1993).
7. Subs. by Act 49 of 1991, s. 25, for "under the National Savings Scheme" (w.e.f. 1-10-1991).

an amount equal to the whole of the amount referred to in clause (*a*) or clause (*b*) shall be deemed to be the income of the assessee of that previous year in which such withdrawal is made or, as the case may be, amount is received, and shall, accordingly, be chargeable to tax as the income of that previous year:

[1][Provided that nothing contained in this sub-section shall apply to any amount received by the assessee on account of the surrender of the policy in accordance with the terms of the annuity plan of the Life Insurance Corporation where the assessee elects to surrender before the 1st day of October, 1992, the said annuity plan in respect of which he had paid any amount under clause (*ii*) of sub-section (*1*) before the 1st day of April, 1992.]

[2][(*3*) Notwithstanding anything contained in any other provision of this Act, where a partition has taken place among the members of a Hindu undivided family or where an association of persons has been dissolved after a deduction has been allowed under sub-section (*1*), the provisions of sub-section (*2*) shall apply as if the person in receipt of income referred to therein is the assessee.]

Explanation I.—For the removal of doubts, it is hereby declared that interest on the deposits made [3][under the scheme referred to in clause (*i*) of sub-section (*1*)] shall not be chargeable to tax except in the manner and to the extent specified in sub-section (*2*).

Explanation II.—For the purposes of this section, "Life Insurance Corporation" shall have the same meaning as in clause (*a*) of sub-section (*8*) of section 80C.

[4][**80CCB. Deduction in respect of investment made under Equity Linked Savings Scheme.**—(*1*) Where an assessee, being—

(*a*) an individual, or

(*b*) a Hindu undivided family,[5]***

[6]* * * * *

has acquired in the previous year, out of his income chargeable to tax, units of any Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf (hereafter in this section referred to as the Equity Linked Savings Scheme), he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income of so much of the amount invested as does not exceed the amount of ten thousand rupees in the previous year:

[7][Provided that no deduction shall be allowed in relation to any amount invested under this sub-section on or after the 1st day of April, 1992.]

(*2*) Where any amount invested by the assessee in the units issued under a plan formulated under the Equity Linked Savings Scheme in respect of which a deduction has been allowed under sub-section (*1*) is returned to him in whole or in part either by way of repurchase of such units or on the termination of the plan, by the Fund or the Trust, as the case may be, in any previous year, it shall be deemed to be the income of the assessee of that previous year and chargeable to tax accordingly.

---

1. Ins. by Act 18 of 1992, s. 42 (w.e.f. 1-4-1993).
2. Ins. by Act 12 of 1990, s. 16 (w.e.f. 1-4-1991).
3. Subs. by Act 49 of 1991, s. 25, for "under the National Savings Scheme" (w.e.f. 1-4-1991)
4. Ins. by Act 12 of 1990, s. 17 (w.e.f. 1-4-1991).
5. The word "or" omitted by Act 32 of 1994, s. 50 (w.e.f. 1-4-1991.)
6. Clause (*c*) omitted by s. 50, *ibid.* (w.e.f. 1-4-1991).
7. Ins. by Act 18 of 1992, s. 43 (w.e.f. 1-4-1993).

(*3*) Notwithstanding anything contained in any other provision of this Act, where a partition has taken place among the members of a Hindu undivided family or where an association of persons has been dissolved after a deduction has been allowed under sub-section (*1*), the provisions of sub-section (*2*) shall apply as if the person in receipt of income referred to therein is the assessee.]

[1][**80CCC. Deduction in respect of contribution to certain pension funds.**—(*1*) Where an assessee being an individual has in the previous year paid or deposited any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India [2][or any other insurer] for receiving pension from the fund referred to in clause (*23AAB*) of section 10, he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income, of the whole of the amount paid or deposited (excluding interest or bonus accrued or credited to the assessee's account, if any) as does not exceed the amount of [3][one hundred and fifty thousand rupees] in the previous year.

(*2*) Where any amount standing to the credit of the assessee in a fund, referred to in sub-section (*1*) in respect of which a deduction has been allowed under sub-section (*1*), together with the interest or bonus accrued or credited to the assessee's account, if any, is received by the assessee or his nominee—

(*a*) on account of the surrender of the annuity plan whether in whole or in part, in any previous year, or

(*b*) as pension received from the annuity plan,

an amount equal to the whole of the amount referred to in clause (*a*) or clause (*b*) shall be deemed to be the income of the assessee or his nominee, as the case may be, in that previous year in which such withdrawal is made or, as the case may be, pension is received, and shall accordingly be chargeable to tax as income of that previous year.

[4][(*3*) Where any amount paid or deposited by the assessee has been taken into account for the purposes of this section,—

(*a*) a rebate with reference to such amount shall not be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(*b*) a deduction with reference to such amount shall not be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006.]]

[5][**80CCD. Deduction in respect of contribution to pension scheme of Central Government.**—(*1*) [6][Where an assessee, being an individual employed by the Central Government on or after the 1st day of January, 2004 or, being an individual employed by any other employer], [7][or any other assessee, being an individual] has in the previous year paid or deposited any amount in his account under a pension scheme notified or as may be notified by the Central Government, he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income, of the whole of the amount so paid or deposited [8][as does not exceed,—

(*a*) in the case of an employee, ten per cent of his salary in the previous year; and

1. Ins. by Act 33 of 1996, s. 23 (w.e..f 1-4-1997).
2. Ins. by Act 14 of 2001, s. 36 (w.e.f. 1-4-2002).
3. Subs. by Act 20 of 2015, s. 17, for "one lakh rupees" (w.e.f. 1-4-2016).
4. Subs. by Act 18 of 2005, s. 22, for sub-section (*3*) (w.e.f. 1-4-2006).
5. Ins. by Act 23 of 2004, s. 15 (w.e.f. 1-4-2004).
6. Subs. by Act 25 of 2014, s. 28, for "Where an assessee, being an individual employed by the Central Government or any other employer on or after the 1st day of January, 2004" (w.e.f. 1-4-2015).
7. Ins. by Act 33 of 2009, s. 30 (w.e.f. 1-4-2009).
8. Subs. by s. 30, *ibid*., for "as does not exceed ten per cent. of his salary in the previous year" (w.e.f. 1-4-2009).

(*b*) in any other case, [1][twenty per cent.] of his gross total income in the previous year.]

[2]* * * * *

[3][(*1B*) An assessee referred to in sub-section (*1*), shall be allowed a deduction in computation of his total income, whether or not any deductions is allowed under sub-section (*1*), of the whole of the amount paid or deposited in the previous year in his account under a pension scheme notified or as may be notified by the Central Government, which shall not exceed fifty thousand rupees:

Provided that no deduction under this sub-section shall be allowed in respect of the amount on which a deduction has been claimed and allowed under sub-section (*1*).]

(*2*) Where, in the case of an assessee referred to in sub-section (*1*), the [4][Central Government or any other employer] makes any contribution to his account referred to in that sub-section, the assessee shall be allowed a deduction in the computation of his total income, of the whole of the amount contributed by the [4][Central Government or any other employer] as does not exceed ten per cent of his salary in the previous year.

(*3*) Where any amount standing to the credit of the assessee in his account referred to in [5][sub-section (*1*) or sub-section (*1B*)], in respect of which a deduction has been allowed [6][under those sub-sections] or sub-section (*2*), together with the amount accrued thereon, if any, is received by the assessee or his nominee, in whole or in part, in any previous year,—

(*a*) on account of closure or his opting out of the pension scheme referred to in [5][sub-section (*1*) or sub-section (*1B*)]; or

(*b*) as pension received from the annuity plan purchased or taken on such closure or opting out,

the whole of the amount referred to in clause (*a*) or clause (*b*) shall be deemed to be the income of the assessee or his nominee, as the case may be, in the previous year in which such amount is received, and shall accordingly be charged to tax as income of that previous year.

[7][Provided that the amount received by the nominee, on the death of the assessee, under the circumstances referred to in clause (*a*), shall not be deemed to be the income of the nominee.]

[8][(*4*) Where any amount paid or deposited by the assessee has been allowed as a deduction under [5][sub-section (*1*) or sub-section (*1B*)],—

(*a*) no rebate with reference to such amount shall be allowed under section 88 for any assessment year ending before the 1st day of April, 2006;

(*b*) no deduction with reference to such amount shall be allowed under section 80C for any assessment year beginning on or after the 1st day of April, 2006.]

[9][(*5*) For the purposes of this section, the assessee shall be deemed not to have received any amount in the previous year if such amount is used for purchasing an annuity plan in the same previous year.]

Explanation.—For the purposes of this section, "salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.]

---

1. Subs. by Act 7 of 2017, s. 33 for "ten per cent." (w.e.f. 1-4-2018).
2. Sub-section (*1A*) omitted by Act 20 of 2015, s. 18 (w.e.f. 1-4-2016).
3. Ins. by s. 18, *ibid.* (w.e.f. 1-4-2016).
4. Subs. by Act 22 of 2007, s. 25, for "Central Government" (w.e.f. 1-4-2004).
5. Subs. by Act 20 of 2015, s. 18, for "sub-section (*1*)" (w.e.f. 1-4-2016).
6. Subs. by s. 18, *ibid*., for " under that sub-section" (w.e.f. 1-4-2016).
7. Ins. by Act 28 of 2016, s. 37 (w.e.f. 1-4-2017).
8. Subs. by Act 18 of 2005, s. 23, for sub-section (*4*) (w.e.f. 1-4-2006).
9. Ins. by Act 33 of 2009, s. 30 (w.e.f. 1-4-2009).

[1][**80CCE. Limit on deductions under section 80C, section 80CCC and 80CCD.**—The aggregate amount of deductions under section 80C, section 80CCC and [2][sub-section (*1*) of section 80CCD] shall not, in any case, exceed [3][one hundred and fifty thousand rupees].]

[4][**80CCF. Deduction in respect of subscription to long-term infrastructure bonds.**—In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted, the whole of the amount, to the extent such amount does not exceed twenty thousand rupees, paid or deposited, during the previous year relevant to the assessment year beginning on the 1st day of April, 2011 [5][or to the assessment year beginning on the 1st day of April, 2012], as subscription to long-term infrastructure bonds as may, for the purposes of this section, be notified by the Central Government.]

[6][**80CCG. Deduction in respect of investment made under an equity savings scheme.**—(*1*) Where an assessee, being a resident individual, has, in a previous year, acquired listed equity shares [7][or listed units of an equity oriented fund] in accordance with a scheme, as may be notified by the Central Government in this behalf, he shall, subject to the provisions of sub-section (*3*), be allowed a deduction, in the computation of his total income of the assessment year relevant to such previous year, of fifty per cent of the amount invested in such equity shares [7][or units] to the extent such deduction does not exceed twenty-five thousand rupees.

[8][(*2*) The deduction under sub-section (*1*) shall be allowed in accordance with, and subject to, the provisions of this section for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented fund were first acquired.]

(*3*) The deduction under sub-section (*1*) shall be subject to the following conditions, namely:—

(*i*) the gross total income of the assessee for the relevant assessment year shall not exceed [9][twelve lakh rupees];

(*ii*) the assessee is a new retail investor as may be specified under the scheme referred to in sub-section (*1*);

(*iii*) the investment is made in such listed equity shares [7][or listed units of equity oriented fund] as may be specified under the scheme referred to in sub-section (*1*);

(*iv*) the investment is locked-in for a period of three years from the date of acquisition in accordance with the scheme referred to in sub-section (*1*); and

(*v*) such other condition as may be prescribed.

(*4*) If the assessee, in any previous year, fails to comply with any condition specified in sub-section (*3*), the deduction originally allowed shall be deemed to be the income of the assessee of such previous year and shall be liable to tax for the assessment year relevant to such previous year.]

---

1. Ins. by Act 18 of 2005, s. 24 (w.e.f. 1-4-2006).
2. Subs. by Act 8 of 2011, s. 9, for "section 80CCD" (w.e.f. 1-4-2012).
3. Subs. by Act 25 of 2014, s. 29, for "one lakh rupees" (w.e.f. 1-4-2015).
4. Ins. by Act 14 of 2010, s. 24 (w.e.f. 1-4-2011).
5. Ins. by Act 8 of 2011, s. 10 (w.e.f. 1-4-2012).
6. Ins. by Act 23 of 2012, s. 25 (w.e.f. 1-4-2013).
7. Ins. by Act 17 of 2013, s. 13 (w.e.f. 1-4-2014).
8. Subs. by s. 13, *ibid*., for sub-section (*2*) (w.e.f. 1-4-2014).
9. Subs. by s. 13, *ibid*., for "ten lakh rupees" (w.e.f. 1-4-2014).

[1][*Explanation*.—For the purposes of this section, "equity oriented fund" shall have the meaning assigned to it in the *Explanation* to clause (*38*) of section 10.]

[2][(*5*) Notwithstanding anything contained in sub-sections (*1*) to (*4*), no deduction under this section shall be allowed in respect of any assessment year commencing on or after the 1st day of April, 2018:

Provided that an assessee, who has acquired listed equity shares or listed units of an equity oriented fund in accordance with the scheme referred to in sub-section (*1*) and claimed deduction under this section for any assessment year commencing on or before the 1st day of April, 2017, shall be allowed deduction under this section till the assessment year commencing on the 1st day of April, 2019, if he is otherwise eligible to claim the deduction in accordance with the other provisions of this section.]

[3][**80D. Deduction in respect of health insurance premia.**—(*1*) In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted such sum, as specified in sub-section (*2*) or sub-section (*3*), payment of which is made by any mode [4][as specified in sub-section (*2B*)], in the previous year out of his income chargeable to tax.

(*2*) Where the assessee is an individual, the sum referred to in sub-section (*1*) shall be the aggregate of the following, namely:—

(*a*) the whole of the amount paid to effect or to keep in force an insurance on the health of the assessee or his family [5][or any contribution made to the Central Government Health Scheme] [6][or such other scheme as may be notified by the Central Government in this behalf] [7][or any payment made on account of preventive health check-up of the assessee or his family] as does not exceed in the aggregate [8][twenty-five thousand rupees]; and

(*b*) the whole of the amount paid to effect or to keep in force an insurance on the health of the parents or parents of the assessee [7][or any payment made on account of preventive health check-up of the parent or parents of the assessee] as does not exceed in the aggregate [8][twenty-five thousand rupees];

[9][(*c*) the whole of the amount paid on account of medical expenditure incurred on the health of the assessee or any member of his family as does not exceed in the aggregate [10][fifty thousand rupees]; and

(*d*) the whole of the amount paid on account of medical expenditure incurred on the health of any parent of the assessee, as does not exceed in the aggregate [10][fifty thousand rupees]:

Provided that the amount referred to in clause (*c*) or clause (*d*) is paid in respect of a [11]*** senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person:

Provided further that the aggregate of the sum specified under clause (*a*) and clause (*c*) or the aggregate of the sum specified under clause (*b*) and clause (*d*) shall not exceed [10][fifty thousand rupees].]

Explanation.—For the purposes of clause (*a*), "family" means the spouse and dependant children of the assessee.

[7][(*2A*) Where the amounts referred to in clauses (*a*) and (*b*) of sub-section (*2*) are paid on account of preventive health check-up, the deduction for such amounts shall be allowed to the extent it does not exceed in the aggregate five thousand rupees.

---

1. Ins. by Act 17 of 2013, s. 13 (w.e.f. 1-4-2014).
2. Ins. by Act 7 of 2017, s. 34 (w.e.f. 1-4-2018).
3. Subs. by Act 18 of 2008, s. 17, for section 80D (w.e.f. 1-4-2009).
4. Subs. by Act 23 of 2012, s. 26, for ", other than cash," (w.e.f. 1-4-2013).
5. Ins. by Act 14 of 2010, s. 25 (w.e.f. 1-4-2011).
6. Ins. by Act 17 of 2013, s. 14 (w.e.f. 1-4-2014).
7. Ins. by Act 23 of 2012, s. 26 (w.e.f. 1-4-2013).
8. Subs. by Act 20 of 2015, s. 19, for "fifteen thousand rupees" (w.e.f. 1-4-2016).
9. Ins. by s. 19, *ibid*. (w.e.f. 1-4-2016).
10. Subs. by Act 13 of 2018, s. 26, for "thirty thousand rupees" (w.e.f. 1-4-2019).
11. The word "very" omitted by s. 26, *ibid.* (w.e.f. 1-4-2019).

(*2B*) For the purposes of deduction under sub-section (*1*), the payment shall be made by—

(*i*) any mode, including cash, in respect of any sum paid on account of preventive health check-up;

(*ii*) any mode other than cash in all other cases not falling under clause (*i*).]

[1][(*3*) Where the assessee is a Hindu undivided family, the sum referred to in sub-section (*1*), shall be the aggregate of the following, namely:—

(*a*) whole of the amount paid to effect or to keep in force an insurance on the health of any member of that Hindu undivided family as does not exceed in the aggregate twenty-five thousand rupees; and

(*b*) the whole of the amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family as does not exceed in the aggregate [2][fifty thousand rupees]:

Provided that the amount referred to in clause (*b*) is paid in respect of a [3]*** senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person:

Provided further that the aggregate of the sum specified under clause (*a*) and clause (*b*) shall not exceed [2][fifty thousand rupees].]

(*4*) Where the sum specified in clause (*a*) or clause (*b*) of sub-section (*2*) [4][or clause (*a*) of sub-section (*3*)] is paid to effect or keep in force an insurance on the health of any person specified therein, and who is a senior citizen, [5]***, the provisions of this section shall have effect as if for the words [6][twenty-five thousand rupees], the words [7][fifty thousand rupees] had been substituted.

[8]* * * * *

[9][(*4A*) Where the amount specified in clause (*a*) or clause (*b*) of sub-section (*2*) or clause (*a*) of sub-section (*3*) is paid in lump sum in the previous year to effect or to keep in force an insurance on the health of any person specified therein for more than a year, then, subject to the provisions of this section, there shall be allowed for each of the relevant previous year, a deduction equal to the appropriate fraction of the amount.

Explanation.—For the purposes of this sub-section,—

(*i*) "appropriate fraction" means the fraction, the numerator of which is one and the denominator of which is the total number of relevant previous years;

(*ii*) "relevant previous year" means the previous year beginning with the previous year in which such amount is paid and the subsequent previous year or years during which the insurance shall have effect or be in force.]

(*5*) The insurance referred to in this section shall be in accordance with a scheme made in this behalf by—

(*a*) the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972 (57 of 1972) and approved by the Central Government in this behalf; or

(*b*) any other insurer and approved by the Insurance Regulatory and Development Authority established under sub-section (*1*) of section 3 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).]

---

1. Subs. by Act 20 of 2015, s. 19, for sub-section (*3*) (w.e.f. 1-4-2016).
2. Subs. by Act 13 of 2018, s. 26, for "thirty thousand rupees" (w.e.f. 1-4-2019).
3. The word "very" omitted by s. 26 (w.e.f. 1-4-2019).
4. Subs. by Act 20 of 2015, s. 19, for "or in sub-section (*3*)" (w.e.f. 1-4-2016).
5. The words "or a very senior citizen" omitted by Act 13 of 2018, s. 26 (w.e.f. 1-4-2019) which was earlier inserted by Act 20 of 2015, s. 19 (w.e.f. 1-4-2016).
6. Subs. by Act 20 of 2015, s. 19, *ibid.*, for "fifteen thousand rupees" (w.e.f. 1-4-2016).
7. Subs. by Act 13 of 2018, s. 26, for "thirty thousand rupees" (w.e.f. 1-4-2019). Earlier it was substituted by s. 19, *ibid*., for "twenty thousand rupees" (w.e.f. 1-4-2016).
8. *Explanation* omitted by Act 20 of 2015, s. 19 (w.e.f. 1-4-2016).
9. Ins. by Act 13 of 2018, s. 26 (w.e.f. 1-4-2019).

[1][*Explanation*.—For the purposes of this section,—

(*i*) "senior citizen" means an individual resident in India who is of the age of sixty years or more at any time during the relevant previous year;

[2]* * * * *]

[3][**80DD. Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability.**—[4][(*1*) Where an assessee, being an individual or a Hindu undivided family, who is a resident in India, has, during the previous year,—

(*a*) incurred any expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability; or

(*b*) paid or deposited any amount under a scheme framed in this behalf by the Life Insurance Corporation or any other insurer or the Administrator or the specified company subject to the conditions specified in sub-section (*2*) and approved by the Board in this behalf for the maintenance of a dependant, being a person with disability,

the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of a sum of seventy-five thousand rupees from his gross total income in respect of the previous year:

Provided that where such dependant is a person with severe disability, the provisions of this sub-section shall have effect as if for the words "seventy-five thousand rupees", the words "one hundred and twenty-five thousand rupees" had been substituted.]

(*2*) The deduction under clause (*b*) of sub-section (*1*) shall be allowed only if the following conditions are fulfilled, namely:—

(*a*) the scheme referred to in clause (*b*) of sub-section (*1*) provides for payment of annuity or lump sum amount for the benefit of a dependant, being a person with disability, in the event of the death of the individual or the member of the Hindu undivided family in whose name subscription to the scheme has been made;

(*b*) the assessee nominates either the dependant, being a person with disability, or any other person or a trust to receive the payment on his behalf, for the benefit of the dependant, being a person with disability.

(*3*) If the dependant, being a person with disability, predeceases the individual or the member of the Hindu undivided family referred to in sub-section (*2*), an amount equal to the amount paid or deposited under clause (*b*) of sub-section (*1*) shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

(*4*) The assessee, claiming a deduction under this section, shall furnish a copy of the certificate issued by the medical authority in the prescribed form and manner, along with the return of income under section 139, in respect of the assessment year for which the deduction is claimed:

Provided that where the condition of disability requires reassessment of its extent after a period stipulated in the aforesaid certificate, no deduction under this section shall be allowed for any assessment year relating to any previous year beginning after the expiry of the previous year during which the aforesaid certificate of disability had expired, unless a new certificate is obtained from the medical authority in the form and manner, as may be prescribed, and a copy thereof is furnished along with the return of income.

---

1. Ins. by Act 20 of 2015, s. 19 (w.e.f. 1-4-2016).
2. Clause (*ii*) omitted by Act 13 of 2018, s. 26 (w.e.f. 1-4-2019).
3. Subs. by Act 32 of 2003, s. 34, for section 80DD (w.e.f. 1-4-2004).
4. Subs. by Act 20 of 2015, s. 20, for sub-section (*1*) (w.e.f. 1-4-2016).

Explanation.—For the purposes of this section,—

(*a*) "Administrator" means the Administrator as referred to in clause (*a*) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(*b*) "dependant" means—

(*i*) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them;

(*ii*) in the case of a Hindu undivided family, a member of the Hindu undivided family,

dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance, and who has not claimed any deduction under section 80U in computing his total income for the assessment year relating to the previous year;

(*c*) "disability" shall have the meaning assigned to it in clause (*i*) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) [1][and includes "autism", "cerebral palsy" and "multiple disability" referred to in clauses (*a*), (*c*) and (*h*) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999)];

(*d*) "Life Insurance Corporation" shall have the same meaning as in clause (*iii*) of sub-section (*8*) of section 88;

(*e*) "medical authority" means the medical authority as referred to in clause (*p*) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) [1][or such other medical authority as may, by notification, be specified by the Central Government for certifying "autism", "cerebral palsy", "multiple disabilities", "person with disability" and "severe disability" referred to in clauses (*a*), (*c*), (*h*), (*j*) and (*o*) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999)];

(*f*) "person with disability" means a person as referred to in clause (t) of section 2 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996) [1][or clause (*j*) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999)];

[2][(*g*) "person with severe disability" means—

(*i*) a person with eighty per cent or more of one or more disabilities, as referred to in sub-section (*4*) of section 56 of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 (1 of 1996); or

(*ii*) a person with severe disability referred to in clause (*o*) of section 2 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999);]

(*h*) "specified company" means a company as referred to in clause (*h*) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002).]

1. Ins. by Act 23 of 2004, s. 16 (w.e.f. 1-4-2005).
2. Subs. by s. 16, *ibid*., for clause (*g*) (w.e.f. 1-4-2005).

[1]**[80DDB. Deduction in respect of medical treatment, etc.**—Where an assessee who is resident in India has, during the previous year, actually paid any amount for the medical treatment of such disease or ailment as may be specified in the rules made in this behalf by the Board—

(*a*) for himself or a dependant, in case the assessee is an individual; or

(*b*) for any member of a Hindu undivided family, in case the assessee is a Hindu undivided family,

the assessee shall be allowed a deduction of the amount actually paid or a sum of forty thousand rupees, whichever is less, in respect of that previous year in which such amount was actually paid :

[2][Provided that no such deduction shall be allowed unless the assessee obtains the prescription for such medical treatment from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist, as may be prescribed:]

Provided further that the deduction under this section shall be reduced by the amount received, if any, under an insurance from an insurer, or reimbursed by an employer, for the medical treatment of the person referred to in clause (*a*) or clause (*b*):

Provided also that where the amount actually paid is in respect of the assessee or his dependant or any member of a Hindu undivided family of the assessee and who is a senior citizen, the provisions of this section shall have effect as if for the words "forty thousand rupees", the words "[3][one hundred thousand rupees]" had been substituted:

[4]* * * * *

Explanation.—For the purposes of this section,—

(*i*) "dependant" means—

(*a*) in the case of an individual, the spouse, children, parents, brothers and sisters of the individual or any of them,

(*b*) in the case of a Hindu undivided family, a member of the Hindu undivided family,

dependant wholly or mainly on such individual or Hindu undivided family for his support and maintenance;

---

1. Subs. by Act 32 of 2003, s. 35, for section 80DDB (w.e.f. 1-4-2004).

2. Subs. by Act 20 of 2015, s. 21, for the proviso (w.e.f. 1-4-2016).

3. Subs. by Act 13 of 2018, s. 27, for "sixty thousand rupees" (w.e.f. 1-4-2019).

4. The fourth proviso omitted by s. 27, *ibid*. (w.e.f. 1-4-2019). Earlier it was inserted by Act 20 of 2015, s. 21 (w.e.f. 1-4-2016).

[1]* * * * *

(*iii*) "insurer" shall have the meaning assigned to it in clause (*9*) of section 2 of the Insurance Act, 1938 (4 of 1938);

(*iv*) "senior citizen" means an individual resident in India who is of the age of [2][sixty years] or more at any time during the relevant previous year;]

[3]* * * * *

[4]**[80E. Deduction in respect of interest on loan taken for higher education.**—(*1*) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, any amount paid by him in the previous year, out of his income chargeable to tax, by way of interest on loan taken by him from any financial institution or any approved charitable institution for the purpose of pursuing his higher education [5][or for the purpose of higher education of his relative].

(*2*) The deduction specified in sub-section (*1*) shall be allowed in computing the total income in respect of the initial assessment year and seven assessment years immediately succeeding the initial assessment year or until the interest referred to in sub-section (*1*) is paid by the assessee in full, whichever is earlier.

(*3*) For the purposes of this section,—

(*a*) "approved charitable institution" means an institution specified in, or, as the case may be, an institution established for charitable purposes and [6][approved by the prescribed authority] under clause (*23C*) of section 10 or an institution referred to in clause (*a*) of sub-section (*2*) of section 80G;

(*b*) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); or any other financial institution which the Central Government may, by notification in the Official Gazette, specify in this behalf;

[7][(*c*) "higher education" means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognised by the Central Government or State Government or local authority or by any other authority authorised by the Central Government or State Government or local authority to do so;]

(*d*) "initial assessment year" means the assessment year relevant to the previous year, in which the assessee starts paying the interest on the loan;]

---

1. Clause (*ii*) omitted by Act 20 of 2015, s. 21 (w.e.f. 1-4-2016).

2. Subs. by Act 23 of 2012, s. 27, for "sixty-five years" (w.e.f. 1-4-2013).

3. Clause (5) omitted by Act 13 of 2018, s. 27 (w.e.f. 1-4-2019). Earlier inserted by Act 20 of 2015, s. 21 (w.e.f. 1-4-2016).

4. Subs. by Act 18 of 2005, s. 25, for section 80E (w.e.f. 1-4-2006). Earlier omitted by Act 4 of 1988, s. 33 (w.e.f. 1-4-1989) and later inserted by Act 32 of 1994, s. 23 (w.e.f. 1-4-1995).

5. Ins. by Act 22 of 2007, s. 27 (w.e.f. 1-4-2008).

6. Subs. by s. 27, *ibid*., for "notified by the Central Government" (w.e.f. 1-4-2008).

7. Subs. by Act 33 of 2009, s. 32, for clause (*c*) (w.e..f 1-4-2010).

[1][(*e*) "relative", in relation to an individual, means the spouse and children of that individual or the student for whom the individual is the legal guardian.]

[2][**80EE. Deduction in respect of interest on loan taken for residential house property.**—(*1*) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential property.

(*2*) The deduction under sub-section (*1*) shall not exceed fifty thousand rupees and shall be allowed in computing the total income of the individual for the assessment year beginning on the 1st day of April, 2017 and subsequent assessment years.

(*3*) The deduction under sub-section (*1*) shall be subject to the following conditions, namely:—

(*i*) the loan has been sanctioned by the financial institution during the period beginning on the 1st day of April, 2016 and ending on the 31st day of March, 2017;

(*ii*) the amount of loan sanctioned for acquisition of the residential house property does not exceed thirty-five lakh rupees;

(*iii*) the value of residential house property does not exceed fifty lakh rupees;

(*iv*) the assessee does not own any residential house property on the date of sanction of loan.

(*4*) Where a deduction under this section is allowed for any interest referred to in sub-section (*1*), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

(*5*) For the purposes of this section,—

(*a*) "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies, or any bank or banking institution referred to in section 51 of that Act or a housing finance company;

(*b*) "housing finance company" means a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.]

80F. [**Deduction in respect of educational expenses in certain cases**].—*Omitted by the Finance Act*, 1985 (32 *of* 1985), *s*. 17 (*w.e.f.* 1-4-1986). *Before omission by Act* 3 *of* 1989, *s*. 95 *it was ins. by Act* 4 *of* 1988, *s*. 24 (*w.e.f.* 1-4-1989).

80FF. [**Deduction in respect of expenses on higher education in certain cases**].—*Omitted by the Finance* (*No*. 2) *Act*, 1980 (44 *of* 1980), *s*. 14 (*w.e.f.* 1-4-1981). *Earlier inserted by Act* 25 of 1975 *s.* 11 (*w.e.f.* 1-4-1976).

---

1. Subs. by Act 33 of 2009, s. 32, for clause (*e*) (w.e.f. 1-4-2010). Earlier inserted by Act 22 of 2007, s. 27 (w.e.f. 1-4-2008).
2. Subs. by Act 28 of 2016, s. 38, for section 80EE (w.e.f. 1-4-2017).

80G. Deduction in respect of donations to certain funds, charitable institutions, etc.—[1][(*1*) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section,—

[2][(*i*) in a case where the aggregate of the sums specified in sub-section (*2*) includes any sum or sums of the nature specified [3][in sub-clause (*i*) or in [4][sub-clause (*iiia*)] [5][or in sub-clause (*iiiaa*) [6][or in sub-clause (*iiiab*)] [7][or in sub-clause (*iiib*)] [8][or in sub-clause (*iiie*)] [9][or in sub-clause (*iiif*)] [10][or in sub-clause (*iiig*)] [11][or in sub-clause (*iiiga*)] [12][or sub-clause (*iiih*)] [13][or sub-clause (*iiiha*) or sub-clause (*iiihb*) or sub-clause (*iiihc*)] [14][or sub-clause (*iiihd*)] [15][or sub-clause (*iiihe*)] [16][or sub-clause (*iiihf*)] [17][or sub-clause (*iiihg*) or sub-clause (*iiihh*)] [18][or sub-clause (*iiihi*)] [19][or sub-clause (*iiihj*)] or] [20][sub-clause (*iiihk*) or sub-clause (*iiihl*) or] [20][sub-clause (*iiihm*) or] in] sub-clause (*vii*) of clause (*a*) [21][or in clause (*c*)] [11][or in clause (*d*)] thereof, an amount equal to the whole of the sum or, as the case may be, sums of such nature plus fifty per cent of the balance of such aggregate; and]

(*ii*) in any other case, an amount equal to fifty per cent of the aggregate of the sums specified in sub-section (*2*).]

(*2*) The sums referred to in sub-section (*1*) shall be the following, namely:—

(*a*) any sums paid by the assessee in the previous year as donations to—

(*i*) the National Defence Fund set up by the Central Government; or

(*ii*) the Jawaharlal Nehru Memorial Fund referred to in the Deed of Declaration of Trust adopted by the National Committee at its meeting held on the 17th day of August, 1964; or

(*iii*) the Prime Minister's Drought Relief Fund; or

[22][(*iiia*) the Prime Minister's National Relief Fund; or]

[5][(*iiiaa*) the Prime Minister's Armenia Earthquake Relief Fund; or]

[23][(*iiiab*) the Africa (Public Contributions-India) Fund; or]

[24][(*iiib*) the National Children's Fund; or]

[25][(*iiic*) the Indira Gandhi Memorial Trust, the deed of declaration in respect whereof was registered at New Delhi on the 21st day of February, 1985; or]

---

1. Subs. by Act 66 of 1976, s. 17, for sub-section (*1*) (w.e.f. 1-4-1977).
2. Subs. by Act 32 of 1985, s. 18, for clause (*i*) (1-4-1986).
3. Subs. by Act 28 of 1999, s. 2, for "in sub-clause (*iiia*)" (w.e.f. 1-4-2000).
4. Restored by Act 3 of 1989 s. 95, Earlier subs. by Act 4 of 1988, s. 25 (w.e.f. 1-1989).
5. Ins. by Act 11 of 1989, s. 3 (w.e.f. 24-1-1989).
6. Ins. by Act 49 of 1991, s. 26 (w.e.f. 1-4-1991).
7. Ins. by Act 17 of 2013, s. 16 (w.e.f. 1-4-2014).
8. Ins. by Act 38 of 1993, s. 13 (w.e.f. 1-4-1993).
9. Ins. by s. 13, *ibid.* (w.e.f. 1-4-1994).
10. Ins. by Act 32 of 1994, s. 26 (w.e.f. 1-4-1994).
11. Ins. by Act 4 of 2001, s. 6 (w.e.f. 3-2-2001).
12. Ins. by Act 22 of 1995, s. 16 (w.e.f. 1-4-1996).
13. Ins. by Act 33 of 1996, s. 24 (w.e.f. 1-4-1997).
14. Ins. by Act 35 of 1996, s. 2 (w.e.f. 14-11-1996).
15. Ins. by Act 14 of 1997, s. 3 (w.e.f. 1-4-1997).
16. Ins. by Act 26 of 1997, s. 23 (w.e.f. 1-4-1998).
17. Ins. by Act 21 of 1998, s. 29 (w.e.f. 1-4-1999).
18. Ins. b y Act 27 of 1999, s. 43 (w.e.f. 1-4-2000).
19. Ins. by Act 14 of 2001, s. 39 (w.e.f. 1-4-2002).
20. Ins. by Act 20 of 2015, s. 22 (w.e.f. 1-4-2016).
21. Ins. by Act 10 of 2000, s. 31 (w.e.f. 1-4-2001).
22. Ins. by Act 1 of 1976, s. 2 (w.e.f. 9-9-1975).
23. Ins. by Act 49 of 1991, s. 26 (w.e.f. 1-4-1991).
24. Ins. by Act 14 of 1982, s. 15 (w.e.f 1-4-1983).
25. Ins. by Act 32 of 1985, s. 18 (w.e.f. 1-4-1985).

[1][(*iiid*) the Rajiv Gandhi Foundation, the deed of declaration in respect whereof was registered at New Delhi on the 21st day of June, 1991; or]

[2][(*iiie*) the National Foundation for Communal Harmony; or]

[3][(*iiif*) a University or any educational institution of national eminence as may be approved by the prescribed authority in this behalf; or]

[4][(*iiig*) the Maharashtra Chief Minister's Relief Fund during the period beginning on the 1st day of October, 1993 and ending on the 6th day of October, 1993 or to the Chief Minister's Earthquake Relief Fund, Maharashtra; or]

[5][(*iiiga*) any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat; or]

[6][(*iiih*) any Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district for the purposes of improvement of primary education in villages and towns in such district and for literacy and postliteracy activities.

Explanation.—For the purposes of this sub-clause, "town" means a town which has a population not exceeding one lakh according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or]

[7][(*iiiha*) the National Blood Transfusion Council or to any State Blood Transfusion Council which has its sole object the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks.

Explanation.—For the purposes of this sub-clause,—

(*a*) "National Blood Transfusion Council" means a society registered under the Societies Registration Act, 1860 (21 of 1860) and has an officer not below the rank of an Additional Secretary to the Government of India dealing with the AIDS Control Project as its Chairman, by whatever name called;

(*b*) "State Blood Transfusion Council" means a society registered, in consultation with the National Blood Transfusion Council, under the Societies Registration Act, 1860 (21 of 1860) or under any law corresponding to that Act in force in any part of India and has Secretary to the Government of that State dealing with the Department of Health, as its Chairman, by whatever name called; or

(*iiihb*) any fund set up by a State Government to provide medical relief to the poor; or

(*iiihc*) the Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependants; or]

[8][(*iiihd*) the Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996; or]

[9][(*iiihe*) the National Illness Assistance Fund; or]

[10][(*iiihf*) the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund in respect of any State or Union territory, as the case may be:

1. Ins. by Act 49 of 1991, s. 26 (w.e.f. 1-4-1991).
2. Ins. by Act 38 of 1993, s. 13 (w.e.f. 1-4-1993).
3. Ins. s. 13, *ibid.* (w.e.f. 1-4-1994).
4. Ins. by Act 32 of 1994, s. 24 (w.e.f. 1-4-1994).
5. Ins. by Act 4 of 2001, s. 6 (w.e.f. 3-2-2001).
6. Ins. by Act 22 of 1995, s. 16 (w.e.f. 1-4-1996).
7. Ins. by Act 33 of 1996, s. 26 (w.e.f. 1-4-1997).
8. Ins. by Act 35 of 1996, s. 2 (w.e.f. 14-11-1996).
9. Ins. by Act 14 of 1997, s. 3 (w.e.f. 1-4-1997).
10. Ins. by Act 26 of 1997, s. 23 (w.e.f. 1-4-1998).

Provided that such Fund is—

(*a*) the only Fund of its kind established in the State or the Union territory, as the case may be;

(*b*) under the overall control of the Chief Secretary or the Department of Finance of the State or the Union territory, as the case may be;

(*c*) administered in such manner as may be specified by the State Government or the Lieutenant Governor, as the case may be; or]

[1][(*iiihg*) the National Sports Fund to be set up by the Central Government; or

(*iiihh*) the National Cultural Fund set up by the Central Government; or]

[2][(*iiihi*) the Fund for Technology Development and Application set up by the Central Government; or]

[3][(*iiihj*) the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities constituted under sub-section (*1*) of section 3 of the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999); or]

[4][(*iiihk*) the Swachh Bharat Kosh, set up by the Central Government, other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under sub-section (*5*) of section 135 of the Companies Act, 2013 (18 of 2013); or

(*iiihl*) the Clean Ganga Fund, set up by the Central Government, where such assessee is a resident and such sum is other than the sum spent by the assessee in pursuance of Corporate Social Responsibility under sub-section (*5*) of section 135 of the Companies Act, 2013 (18 of 2013); or]

[5][(*iiihm*) the National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985 (61 of 1985); or]

(*iv*) any other fund or any institution to which this section applies; or

(*v*) the Government or any local authority, to be utilised [6][for any charitable purpose other than the purpose of promoting family planning; or]

[7][[8][(*vi*) an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;]

[9][(*via*) any corporation referred to in clause (*26BB*) of section 10; or]

(*vii*) the Government or to any such local authority, institution or association as may be approved in this behalf by the Central Government, to be utilised for the purpose of promoting family planning;]

(*b*) any sums paid by the assessee in the previous year as donations for the renovation or repair of any such temple, mosque, gurdwara, church or other place as is notified by the Central Government in the Official Gazette to be of historic, archaeological or artistic importance or to be a place of public worship of renown throughout any State or States;

---

1. Ins. by Act 21 of 1998, s. 29 w.e.f. 1-4-1999).
2. Ins. by Act 27 of 1999, s. 43 (w.e.f. 1-4-2000).
3. Ins. by Act 14 of 2001, s. 39 (w.e.f. 1-4-2002).
4. Ins. by Act 20 of 2015, s. 22 (w.e.f. 1-4-2015).
5. Ins. by s. 22, *ibid*. (w.e.f. 1-4-2016).
6. Subs. by Act 66 of 1976, s. 17, for "for any charitable purpose;" (w.e.f. 1-4-1977).
7. Ins. by s. 17, *ibid*. (w.e.f. 1-4-1977).
8. Subs. by Act 20 of 2002, s. 30, for sub-clause (*vi*) (w.e.f. 1-4-2003).
9. Ins. by Act 22 of 1995, s. 16 (w.e.f. 1-4-1995).

[1][(*c*) any sums paid by the assessee, being a company, in the previous year as donations to the Indian Olympic Association or to any other association or institution [2][established in India, as the Central Government may, having regard to the prescribed guidelines, by notification in the Official Gazette, specify in this behalf] for—

(*i*) the development of infrastructure for sports and games; or

(*ii*) the sponsorship of sports and games,

in India;]

[3][(*d*) any sums paid by the assessee, during the period beginning on the 26th day of January, 2001 and ending on the 30th day of September, 2001, to any trust, institution or fund to which this section applies for providing relief to the victims of earthquake in Gujarat.]

[4]* * * * *

[5][(*4*) Where the aggregate of the sums referred to in sub-clauses (*iv*), (*v*), [6][(*vi*), (*via*) and (*vii*)] of clause (a) and in [7][clauses (*b*) and (*c*)] of sub-section (*2*) exceeds ten per cent of the gross total income (as reduced by any portion thereof on which income-tax is not payable under any provision of this Act and by any amount in respect of which the assessee is entitled to a deduction under any other provision of this Chapter), then the amount in excess of ten per cent of the gross total income shall be ignored for the purpose of computing the aggregate of the sums in respect of which deduction is to be allowed under sub-section (*1*).]

(*5*) This section applies to donations to any institution or fund referred to in sub-clause (*iv*) of clause (a) of sub-section (*2*), only if it is established in India for a charitable purpose and if it fulfils the following conditions, namely:—

[8][(*i*) where the institution or fund derives any income, such income would not be liable to inclusion in its total income under the provisions of sections 11 and 12 [9]*** [10]*** [11][or clause (*23AA*) or clause (*23C*)] of section 10:]

[12][Provided that where an institution or fund derives any income, being profits and gains of business, the condition that such income would not be liable to inclusion in its total income under the provisions of section 11 shall not apply in relation to such income, if—

(*a*) the institution or fund maintains separate books of account in respect of such business;

(*b*) the donations made to the institution or fund are not used by it, directly or indirectly, for the purposes of such business; and

(*c*) the institution or fund issues to a person making the donation a certificate to the effect that it maintains separate books of account in respect of such business and that the donations received by it will not be used, directly or indirectly, for the purposes of such business;]

(*ii*) the instrument under which the institution or fund is constituted does not, or the rules governing the institution or fund do not, contain any provision for the transfer or application at any time of the whole or any part of the income or assets of the institution or fund for any purpose other than a charitable purpose;

---

1. Ins. by Act 10 of 2000, s. 31 (w.e.f. 1-4-2001).
2. Subs. by Act 20 of 2002, s. 30, for "as notified by the Central Government under clause (*23*) of section 10" (w.e.f. 1-4-2003).
3. Ins. by Act 4 of 2001, s. 6 (w.e.f. 3-2-2001).
4. Sub-section (*3*) omitted by Act 32 of 1994, s. 24 (w.e.f. 1-4-1994).
5. Subs. by Act 4 of 1988, s. 25, for sub-section (*4*) (w.e.f. 1-4-1989).
6. Subs. by Act 22 of 1995, s. 16, for "(*vi*) and (*vii*)" (w.e.f. 1-4-1995).
7. Subs. by Act 10 of 2000, s. 31, for "clause (*b*)" (w.e.f. 1-4-2001).
8. Restored by Act 3 of 1989, s. 95 (w.e.f. 1-4-1989). Earlier subs. by Act 4 of 1988, s. 25 (w.e.f. 1-4-1989).
9. The words, brackets, figures and letter "or clause (*22*) or clause (*22A*)" omitted by Act 21 of 1998, s. 29 (w.e.f. 1-4-1999).
10. The words, brackets and figures "or clause (*23*)" omitted by Act 20 of 2002, s. 30 (w.e.f. 1-4-2003).
11. Subs. by Act 11 of 1987, s. 35, for "or clause (*23C*)" (w.e.f. 1-4-1988).
12. The proviso added by Act 11 of 1983, s. 39 (w.e.f. 1-4-1984).

(*iii*) the institution or fund is not expressed to be for the benefit of any particular religious community or caste;

(*iv*) the institution or fund maintains regular accounts of its receipts and expenditure; [1]***

(*v*) the institution or fund is either constituted as a public charitable trust or is registered under the Societies Registration Act, 1860 (21 of 1860), or under any law corresponding to that Act in force in any part of India or under section 25 of the Companies Act, 1956 (1 of 1956), or is a University established by law, or is any other educational institution recognised by the Government or by a University established by law, or affiliated to any University established by law, [2]*** or is an institution financed wholly or in part by the Government or a local authority; [3]***

[4][(*vi*) in relation to donations made after the 31st day of March, 1992, the institution or fund is for the time being approved by the Commissioner in accordance with the rules [5][made in this behalf; and]]

[6]* * * * *

[7][(*vii*) where any institution or fund had been approved under clause (*vi*) for the previous year beginning on the 1st day of April, 2007 and ending on the 31st day of March, 2008, such institution or fund shall, for the purposes of this section and notwithstanding anything contained in the proviso to clause (15) of section 2, be deemed to have been,—

(*a*) established for charitable purposes for the previous year beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2009; and

(*b*) approved under the said clause (*vi*) for the previous year beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2009.]

[8][(*5A*) Where a deduction under this section is claimed and allowed for any assessment year in respect of any sum specified in sub-section (*2*), the sum in respect of which deduction is so allowed shall not qualify for deduction under any other provision of this Act for the same or any other assessment year.]

[9][(*5B*) Notwithstanding anything contained in clause (*ii*) of sub-section (*5*) and Explanation 3, an institution or fund which incurs expenditure, during any previous year, which is of a religious nature for an amount not exceeding five per cent of its total income in that previous year shall be deemed to be an institution or fund to which the provisions of this section apply.]

[10][(*5C*) [11][This section] applies in relation to amounts referred to in clause (*d*) of sub-section (*2*) only if the trust or institution or fund is established in India for a charitable purpose and it fulfils the following conditions, namely :—

(*i*) it is approved in terms of clause (*vi*) of sub-section (*5*);

(*ii*) it maintains separate accounts of income and expenditure for providing relief to the victims of earthquake in Gujarat;

(*iii*) the donations made to the trust or institution or fund are applied only for providing relief to the earthquake victims of Gujarat [12][on or before the 31st day of March, [13][2004]];

---

1. The word "and" omitted by Act 32 of 1994, s. 24 (w.e.f. 1-4-1994).
2. The words, brackets and figures "or is an institution approved by the Central Government for the purposes of clause (23) of section 10", omitted by Act 20 of 2002, s. 30 (w.e.f. 1-4-2003).
3. The word "and" omitted by Act 33 of 2009, s. 33 (w.e.f. 1-4-2009).
4. Ins. by Act 49 of 1991, s. 26 (w.e.f. 1-10-1991).
5. Subs. by Act 33 of 2009, s. 33, for "made in this behalf:" (w.e.f. 1-4-2009).
6. The proviso omitted by s. 33, *ibid*., (w.e.f. 1-10-2009).
7. Ins. by s. 33, *ibid*. (w.e.f. 1-10-2009).
8. Ins. by Act 44 of 1980, s. 15 (w.r.e.f. 1-4-1962).
9. Ins. by Act 27 of 1999, s. 43 (w.e.f. 1-4-2000).
10. Ins. by Act 4 of 2001, s. 6 (w.e.f. 3-2-2001).
11. Subs. by Act 20 of 2002, s. 30, for "This sub-section" (w.e.f. 3-2-2001).
12. Subs. by s. 30, *ibid*., for "on or before the 31st day of March, 2002" (w.e.f. 3-2-2001).
13. Subs. by Act 32 of 2003, s. 36, for "2003" (w.e.f. 3-2-2001).

[1][(*iv*) the amount of donation remaining unutilised on the 31st day of March, [2][2004] is transferred to the Prime Minister's National Relief Fund on or before the 31st day of March, [2][2004];]

(*v*) it renders accounts of income and expenditure to such authority and in such manner as may be prescribed, [3][on or before the 30th day of June, [2][2004]].]

[4][(*5D*) No deduction shall be allowed under this section in respect of donation of any sum exceeding [5][two thousand rupees] unless such sum is paid by any mode other than cash.]

Explanation 1.—An institution or fund established for the benefit of Scheduled Castes, backward classes, Scheduled Tribes or of women and children shall not be deemed to be an institution or fund expressed to be for the benefit of a religious community or caste within the meaning of clause (*iii*) of sub-section (*5*).

[6][*Explanation* 2.—For the removal of doubts, it is hereby declared that a deduction to which the assessee is entitled in respect of any donation made to an institution or fund to which sub-section (*5*) applies shall not be denied merely on either or both of the following grounds, namely:—

[7][(*i*) that, subsequent to the donation, any part of the income of the institution or fund has become chargeable to tax due to non-compliance with any of the provisions of [8][section 11, section 12 or section 12A;

(*ii*) that, under clause (*c*) of sub-section (*1*) of section 13, the exemption under [9][section 11 or section 12] is denied to the institution or fund in relation to any income arising to it from any investment referred to in clause (*h*) of sub-section (*2*) of section 13 where the aggregate of the funds invested by it in a concern referred to in the said clause (*h*) does not exceed five per cent of the capital of that concern].]

Explanation 3.—In this section, "charitable purpose" does not include any purpose the whole or substantially the whole of which is of a religious nature.

[10][*Explanation* 4.—For the purposes of this section, an association or institution having as its object the control, supervision, regulation or encouragement in India of such games or sports as the Central Government may, by notification in the Official Gazette, specify in this behalf, shall be deemed to be an institution established in India for a charitable purpose.]

[11][*Explanation* 5.—For the removal of doubts, it is hereby declared that no deduction shall be allowed under this section in respect of any donation unless such donation is of a sum of money.]

[12]* * * * *

---

1. Subs. by Act 20 of 2002, s. 30, for clause (*iv*) (w.e.f. 3-2-2001).
2. Subs. by Act 32 of 2003, s. 36, for "2003" (w.e.f. 3-2-2001).
3. Subs. by s. 30, *ibid.*, for "on or before the 30th day of June, 2002" (w.e.f. 3-2-2001).
4. Ins. by Act 23 of 2012, s. 28 (w.e.f. 1-4-2013).
5. Subs by Act 7 of 2017, s. 35 for "ten thousand rupees" (w.e.f. 1-4-2018).
6. Subs. by Act 19 of 1970, s. 13, for the *Explanation* 2 (w.e.f. 1-4-1971) earlier substituted by Act 20 of 1967, s. 33 and the Third Schedule (w.e.f. 1-4-1967).
7. Restored by Act 3 of 1989, s. 95 (*h*) (w.e.f. 1-4-1989). Earlier subs. by Act 4 of 1988, s. 25 (w.e.f. 1-4-1989).
8. Subs. by Act 16 of 1972, s. 17, for "section 11" (w.e.f. 1-4-1973).
9. Subs. by s. 17, for "section 11" (w.e.f. 1-4-1973).
10. Subs. by Act 20 of 2002, s. 30, for the *Explanation 4* (w.e.f. 1-4-2003).
11. Ins. by Act 66 of 1976, s. 17 (w.e.f. 1-4-1976).
12. Sub-section (*6*) omitted by Act 19 of 1968, s. 30 and the Third Schedule (w.e.f. 1-4-1969).

[1][**80GG. Deductions in respect of rents paid.**—In computing the total income of an assessee, not being an assessee having any income falling within clause (*13A*) of section 10, there shall be deducted any expenditure incurred by him in excess of ten per cent of his total income towards payment of rent (by whatever name called) in respect of any furnished or unfurnished accommodation occupied by him for the purposes of his own residence, to the extent to which such excess expenditure does not exceed [2][five thousand rupees**]** per month or twenty-five per cent of his total income for the year, whichever is less, and subject to such other conditions or limitations as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations:

Provided that nothing in this section shall apply to an assessee in any case where any residential accommodation is—

(*i*) owned by the assessee or by his spouse or minor child or, where such assessee is a member of a Hindu undivided family, by such family at the place where he ordinarily resides or performs duties of his office or employment or carries on his business or profession; or

(*ii*) owned by the assessee at any other place, being accommodation in the occupation of the assessee, the value of which is to be determined [3][under clause (*a*) of sub-section (*2*) or, as the case may be, clause (*a*) of sub-section (*4*) of section 23].

Explanation.—In this section, the expressions "ten per cent of his total income" and "twenty-five per cent of his total income" shall mean ten per cent or twenty-five per cent, as the case may be, of the assessee's total income before allowing deduction for any expenditure under this section.]

[4][**80GGA. Deduction in respect of certain donations for scientific research or rural development.**—(*1*) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, the sums specified in sub-section (*2*).

(*2*) The sums referred to in sub-section (*1*) shall be the following, namely:—

(*a*) any sum paid by the assessee in the previous year to a [5][research association] which has as its object the undertaking of scientific research or to a University, college or other institution to be used for scientific research:

Provided that such association, University, college or institution is for the time being approved for the purposes of clause (*ii*) of sub-section (*1*) of section 35;

[6][(*aa*) any sum paid by the assessee in the previous year [7][to a research association which has as its object the undertaking of research in social science or statistical research or to a University], college or other institution to be used for research in social science or statistical research:

1. Ins. by Act 21 of 1998, s. 30 (w.e.f. 1-4-1998).
2. Subs. by Act 28 of 2016, s. 39, for "two thousand rupees" w.e.f. 1-4-2017).
3. Subs. by Act 14 of 2001, s. 40, for "under sub-clause (*i*) of clause (*a*) or, as the case may be, clause (*b*) of sub-section (*2*) of section 23" (w.e.f. 1-4-2002).
4. Ins. by Act 21 of 1979, s. 11 (w.e.f. 1-4-1980). Restored to its original position by Act 3 of 1989 s. 95 (w.e.f. 1-4-1989). Earlier omitted by Act 4 of 1988 s. 26 (w.e.f. 1-4-1989).
5. Subs. by Act 14 of 2010, s. 26, for "scientific research association" (w.e.f. 1-4-2011).
6. Ins. by Act 49 of 1991, s. 27 (w.e.f. 1-4-1992).
7. Subs. by Act 14 of 2010, s. 26, for "to a University" (w.e.f. 1-4-2011).

Provided that [1][such association, University], college or institution is for the time being approved for the purposes of clause (*iii*) of sub-section (*1*) of section 35.]

[2][*Explanation*.—The deduction, to which the assessee is entitled in respect of any sum paid to a [3][research association], University, college or other institution to which clause (*a*) or clause (*aa*) applies, shall not be denied merely on the ground that, subsequent to the payment of such sum by the assessee, the approval to such association, University, college or other institution referred to in clause (*a*) or clause (*aa*), as the case may be, has been withdrawn;]

(*b*) any sum paid by the assessee in the previous year—

(*i*) to an association or institution, which has as its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural development approved for the purposes of section 35CCA; or

(*ii*) to an association or institution which has as its object the training of persons for implementing programmes of rural development:

[4][Provided that the assessee furnishes the certificate referred to in sub-section (*2*) or, as the case may be, sub-section (*2A*) of section 35CCA from such association or institution.]

[2][*Explanation*.—The deduction, to which the assessee is entitled in respect of any sum paid to an association or institution for carrying out the programme of rural development to which this clause applies, shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee, the approval granted to such programme, or as the case may be, to the association or institution has been withdrawn;]

[5][(*bb*) any sum paid by the assessee in the previous year to a public sector company or a local authority or to an association or institution approved by the National Committee, for carrying out any eligible project or scheme:

Provided that the assessee furnishes the certificate referred to in clause (*a*) of sub-section (*2*) of section 35AC from such public sector company or local authority or, as the case may be, association or institution.

[2][*Explanation* 1.—The deduction, to which the assessee is entitled in respect of any sum paid to a public sector company, or to a local authority or to an association or institution for carrying out the eligible project or scheme referred to in section 35AC, shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee,—

(*a*) the approval granted to such association or institution has been withdrawn; or

---

1. Subs. by Act 14 of 2010 s. 26, for "such University" (w.e.f. 1-4-2011).

2. Ins. by Act 29 of 2006, s. 11 (w.e.f. 1-4-2006).

3. Subs. by Act of 2010, s. 26, for "scientific research association" (w.e.f. 1-4-2011).

4. Subs. by Act 23 of 1983, s. 23, for the proviso (w.e.f. 1-4-1983).

5. Ins. by Act 49 of 1991, s. 27 (w.e.f. 1-4-1992).

(*b*) the notification notifying the eligible project or scheme referred to in section 3535AC carried out by the public sector company, or local authority or association or institution has been withdrawn.]

Explanation [1][*2*].—For the purposes of this clause, the expressions "National Committee" and "eligible project or scheme" shall have the meanings respectively assigned to them in the Explanation to section 35AC;]

[2][(*c*) [3][any sum paid by the assessee in any previous year ending on or before the 31st day of March, 2002] to an association or institution, which has as its object the undertaking of any programme of conservation of natural resources [4][or of afforestation], to be used for carrying out any programme of conservation of natural resources [4][or of afforestation] approved for the purposes of section 35CCB:

Provided that the association or institution is for the time being approved for the purposes of sub-section (2) of section 35CCB;]

[4][(*cc*) any sum paid by the assessee in any previous year ending on or before the 31st day of March, 2002 to such fund for afforestation as is notified by the Central Government under clause (*b*) of sub-section (*1*) of section 35CCB;]

[5][(*d*) any sum paid by the assessee in the previous year to a rural development fund set up and notified by the Central Government for the purposes of clause (*c*) of sub-section (*1*) of section 35CCA;]

[6][(*e*) any sum paid by the assessee in the previous year to the National Urban Poverty Eradication Fund set up and notified by the Central Government for the purposes of clause (*d*) of sub-section (*1*) of section 35CCA.]

[7][(*2A*) No deduction shall be allowed under this section in respect of any sum exceeding ten thousand rupees unless such sum is paid by any mode other than cash.]

(*3*) Notwithstanding anything contained in sub-section (*1*), no deduction under this section shall be allowed in the case of an assessee whose gross total income includes income which is chargeable under the head "Profits and gains of business or profession".

(*4*) Where a deduction under this section is claimed and allowed for any assessment year in respect of any payments of the nature specified in sub-section (*2*), deduction shall not be allowed in respect of such payments under any other provision of this Act for the same or any other assessment year.]

[8][**80GGB. Deduction in respect of contributions given by companies to political parties.**—In computing the total income of an assessee, being an Indian company, there shall be deducted any sum contributed by it, in the previous year to any political party [9][or an electoral trust]:

---

1. *Explanation* renumbered as *Explanation* 2 thereof by Act 29 of 2006, s. 11 (w.e.f. 1-4-2006).
2. Ins. by Act 14 of 1982, s. 17 (w.e.f. 1-6-1982).
3. Subs. by Act 20 of 2002, s. 31, for "any sum paid by the assessee in the previous year" (w.e.f. 1-4-2003).
4. Ins. by Act 12 of 1990, s. 19 (w.e.f. 1-4-1991).
5. Ins. by Act 23 of 1983, s. 23 (w.e.f. 1-4-1983).
6. Ins. by Act 22 of 1995, s. 17 (w.e.f. 1-4-1996).
7. Ins. by Act 23 of 2012, s. 29 (w.e.f. 1-4-2013).
8. Ins. by Act 46 of 2003, s. 10 (w.e.f. 11-9-2003).
9. Ins. by Act 33 of 2009, s. 34 (w.e.f. 1-4-2010).

[1][Provided that no deduction shall be allowed under this section in respect of any sum contributed by way of cash.]

Explanation.—For the removal of doubts, it is hereby declared that for the purposes of this section, the word "contribute", with its grammatical variation, has the meaning assigned to it under section 293A of the Companies Act, 1956 (1 of 1956).]

80GGC. Deduction in respect of contributions given by any person to political parties.—In computing the total income of an assessee, being any person, except local authority and every artificial juridical person wholly or partly funded by the Government, there shall be deducted any amount of contribution made by him, in the previous year, to a political party or an electoral trust:

[2][Provided that no deduction shall be allowed under this section in respect of any sum contributed by way of cash.]

Explanation.—For the purposes of sections 80GGB and 80GGC, "political party" means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951).]

C.—Deductions in respect of certain incomes

80H. [Deduction in case of new industrial undertakings employing displaced persons, etc.]—*Omitted by the Taxation Laws* (*Amendment*) *Act,* 1975, *s.* 20 (*w.e.f.* 1-4-1976).

[3]**[80HH. Deduction in respect of profits and gains from newly established industrial undertakings or hotel business in backward areas.**—Where the gross total income of an assessee includes any profits and gains derived from an industrial undertaking, or the business of a hotel, to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent thereof.

(*2*) This section applies to any industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it has begun or begins to manufacture or produce articles after the 31st day of December, 1970 [4][but before the 1st day of April, 1990], in any backward area;

(*ii*) it is not formed by the splitting up, or the reconstruction, of a business already in existence in any backward area :

Provided that this condition shall not apply in respect of any industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

1. Ins. by Act 17 of 2013, s. 17 (w.e.f. 1-4-2014).

2. Ins. by s. 18, *ibid.* (w.e.f. 1-4-2014).

3. Ins. by Act 26 of 1974, s. 9 (w.e.f. 1-4-1974).

4. Ins. by Act 12 of 1990, s. 20 (w.e.f. 1-4-1990).

(*iii*) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose in any backward area;

(*iv*) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power.

Explanation.—Where any machinery or plant or any part thereof previously used for any purpose in any backward area is transferred to a new business in that area or in any other backward area and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in the business, then, for the purposes of clause (*iii*) of this sub-section, the condition specified therein shall be deemed to have been fulfilled.

(*3*) This section applies to the business of any hotel, where all the following conditions are fulfilled, namely:—

(*i*) the business of the hotel has started or starts functioning after the 31st day of December, 1970 [1][but before the 1st day of April, 1990], in any backward area;

(*ii*) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence;

(*iii*) the hotel is for the time being approved for the purposes of this sub-section by the Central Government.

(*4*) The deduction specified in sub-section (*1*) shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or the business of the hotel starts functioning:

Provided that,—

(*i*) in the case of an industrial undertaking which has begun to manufacture or produce articles, and

(*ii*) in the case of the business of a hotel which has started functioning,

after the 31st day of December, 1970, but before the 1st day of April, 1973, this sub-section shall have effect as if the reference to ten assessment years were a reference to ten assessment years as reduced by the number of assessment years which expired before the 1st day of April, 1974.

(*5*) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (*1*) shall not be admissible unless the accounts of the industrial undertaking or the business of the hotel for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the *Explanation* below sub-section (*2*) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

1. Ins. by Act 12 of 1990, s. 20 (w.e.f. 1-4-1990).

(*6*) Where any goods held for the purposes of the business of the industrial undertaking or the hotel are transferred to any other business carried on by the assessee, or where any goods held for the purposes of any other business carried on by the assessee are transferred to the business of the industrial undertaking or the hotel and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the business of the industrial undertaking or the hotel does not correspond to the market value of such goods as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of the industrial undertaking or the business of the hotel shall be computed as if the transfer, in either case, had been made at the market value of such goods as on that date :

Provided that where, in the opinion of the [1][Assessing Officer], the computation of the profits and gains of the industrial undertaking or the business of the hotel in the manner hereinbefore specified presents exceptional difficulties, the [1][Assessing Officer] may compute such profits and gains on such reasonable basis as he may deem fit.

Explanation.—In this sub-section, "market value" in relation to any goods means the price that such goods would ordinarily fetch on sale in the open market.

(*7*) Where it appears to the [1][Assessing Officer] that, owing to the close connection between the assessee carrying on the business of the industrial undertaking or the hotel to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the assessee more than the ordinary profits which might be expected to arise in the business of the industrial undertaking or the hotel, the [1][Assessing Officer] shall, in computing the profits and gains of the industrial undertaking or the hotel for the purposes of the deduction under this section, take the amount of profits as may be reasonably deemed to have been derived therefrom.

[2]* * * * *

(*9*) In a case where the assessee is entitled also to the deduction [3][under section 80-I or section 80J] in relation to the profits and gains of an industrial undertaking or the business of a hotel to which this section applies, effect shall first be given to the provisions of this section.

[4][(*9A*) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HHA applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.]

(*10*) Nothing contained in this section shall apply in relation to any undertaking engaged in mining.]

[5][(*11*) For the purposes of this section, "backward area" means such area as the Central Government may, having regard to the stage of development of that area, by notification in the Official Gazette, specify in this behalf:

Provided that any notification under this sub-section may be issued so as to have retrospective effect to a date not earlier than the 1st day of April, 1983.]

---

1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).

2. Sub-section (*8*) omitted by Act 41 of 1975, s. 21 (w.e.f. 1-4-1976).

3. Subs. by Act 44 of 1980, s. 35, for "under section 80J" (w.e.f. 1-4-1981).

4. Ins. by Act 29 of 1977, s. 17 (w.e.f. 1-4-1978).

5. Subs. by Act 46 of 1986, s. 10, for the *Explanation* (w.e.f. 10-9-1986).

[1]**[80HHA. Deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas.**—(*1*) Where the gross total income of an assessee includes any profits and gains derived from a small-scale industrial undertaking to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent thereof.

(*2*) This section applies to any small-scale industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it begins to manufacture or produce articles after the 30th day of September, 1977 [2][but before the 1st day of April, 1990], in any rural area;

(*ii*) it is not formed by the splitting up, or the reconstruction, of a business already in existence:

Provided that this condition shall not apply in respect of any small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(*iii*) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose;

(*iv*) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power.

Explanation.—Where in the case of a small-scale industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in the business, then, for the purposes of clause (*iii*) of this sub-section, the condition specified therein shall be deemed to have been fulfilled.

(*3*) The deduction specified in sub-section (*1*) shall be allowed in computing the total income [3][of each of the ten previous years beginning with the previous year in which the industrial undertaking] begins to manufacture or produce articles:

[4][Provided that such deduction shall not be allowed in computing the total income of any of the ten previous years aforesaid in respect of which the industrial undertaking is not a small-scale industrial undertaking within the meaning of clause (*b*) of the *Explanation* below sub-section (*8*).]

(*4*) Where the assessee is a person, other than a company or a co-operative society, the deduction under sub-section (*1*) shall not be admissible unless the accounts of the small-scale industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the Explanation below sub-section (*2*) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

---

1. Ins. by Act 29 of 1977, s. 18 (w.e.f. 1-4-1978).

2. Ins. by 12 of 1990, s. 21 (w.e.f. 1-4-1990).

3. Subs. by Act 16 of 1981, s. 10, for "in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking" (w.e.f. 1-4-1981).

4. Ins. by s. 10, *ibid*. (w.e.f. 1-4-1981).

(*5*) The provisions of sub-sections (*6*) and (*7*) of section 80HH shall, so far as may be, apply in relation to the computation of the profits and gains of a small-scale industrial undertaking for the purposes of the deduction under this section as they apply in relation to the computation of the profits and gains of an industrial undertaking for the purposes of the deduction under that section.

(*6*) In a case where the assessee is entitled also to the deduction [1][under section 80-I or section 80J] in relation to the profits and gains of a small-scale industrial undertaking to which this section applies, effect shall first be given to the provisions of this section.

(*7*) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HH applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.

(*8*) Nothing contained in this section shall apply in relation to any small-scale industrial undertaking engaged in mining.

Explanation.—For the purposes of this section,—

[2][(*a*) "rural area" means any area other than—

(*i*) an area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

(*ii*) an area within such distance, not being more than fifteen kilometres from the local limits of any municipality or cantonment board referred to in sub-clause (*i*), as the Central Government may, having regard to the stage of development of such area (including the extent of, and scope for, urbanisation of such area) and other relevant considerations specify in this behalf by notification in the Official Gazette;]

[3][(*b*) an industrial undertaking shall be deemed to be a small-scale industrial undertaking which is, on the last day of the previous year, regarded as a small-scale industrial undertaking under section 11B of the Industries (Development and Regulation) Act, 1951 (65 of 1951).]

[4]**[80HHB. Deduction in respect of profits and gains from projects outside India.**—(*1*) Where the gross total income of an assessee being an Indian company or a person (other than a company) who is resident in India includes any profits and gains derived from the business of—

(*a*) the execution of a foreign project undertaken by the assessee in pursuance of a contract entered into by him, or

---

1. Subs. by Act 44 of 1980, s. 35, for "under section 80J" (w.e.f. 1-4-1981).

2. Subs. by Act 4 of 1988, s. 126, for clause (*a*) (w.e.f. 1-4-1989).

3. Subs. by Act 27 of 1999, s. 44, for clause (*b*) (w.e.f. 1-4-1978).

4. Ins. by Act 14 of 1982, s. 18 (w.e.f. 1-4-1983).

(*b*) the execution of any work undertaken by him and forming part of a foreign project undertaken by any other person in pursuance of a contract entered into by such other person,

with the Government of a foreign State or any statutory or other public authority or agency in a foreign State, or a foreign enterprise, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, [1][a deduction from such profits and gains of an amount equal to—

(*i*) forty per cent. thereof for an assessment year beginning on the 1st day of April, 2001;

(*ii*) thirty per cent. thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) twenty per cent. thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) ten per cent. thereof for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year:]

Provided that the consideration for the execution of such project or, as the case may be, of such work is payable in convertible foreign exchange.

(*2*) For the purposes of this section,—

(*a*) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of [2][the Foreign Exchange Management Act, 1999 (42 of 1999)], and any rules made thereunder;

(*b*) "foreign project" means a project for—

(*i*) the construction of any building, road, dam, bridge or other structure outside India ;

(*ii*) the assembly or installation of any machinery or plant outside India ;

(*iii*) the execution of such other work (of whatever nature) as may be prescribed.

(*3*) The deduction under this section shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the assessee maintains separate accounts in respect of the profits and gains derived from the business of the execution of the foreign project, or, as the case may be, of the work forming part of the foreign project undertaken by him and, where the assessee is a person other than an Indian company or a co-operative society, such accounts have been audited by an accountant as defined in the Explanation below sub-section (*2*) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant;

---

1. Subs. by Act 10 of 2000, s. 32, for "a deduction from such profits and gains of an amount equal to fifty per cent. thereof" (w.e.f. 1-4-2001).

2. Subs. by Act 17 of 2013, s. 4, for "the Foreign Exchange Regulation Act, 1973 (46 of 1973)" (w.e.f. 1-4-2013).

[1][(*ia*) the assessee furnishes, along with his return of income, a certificate in the prescribed form from an accountant as defined in the Explanation below sub-section (*2*) of section 288, duly signed and verified by such accountant, certifying that the deduction has been correctly claimed in accordance with the provisions of this section;]

(*ii*) an amount equal to [2][such percentage of the profits and gains as is referred to in sub-section (*1*) in relation to the relevant assessment year] is debited to the profit and loss account of the previous year in respect of which the deduction under this section is to be allowed and credited to a reserve account (to be called the "Foreign Projects Reserve Account") to be utilised by the assessee during a period of five years next following for the purposes of his business other than for distribution by way of dividends or profits;

(*iii*) an amount equal to [2][such percentage of the profits and gains as is referred to in sub-section (*1*) in relation to the relevant assessment year] is brought by the assessee in convertible foreign exchange into India, in accordance with the provisions of the Foreign Exchange Management Act, 1999 (42 of 1999), and any rules made thereunder, within a period of six months from the end of the previous year referred to in clause (*ii*) or, [3][within such further period as the competent authority may allow in this behalf:]

Provided that where the amount credited by the assessee to the Foreign Projects Reserve Account in pursuance of clause (*ii*) or the amount brought into India by the assessee in pursuance of clause (*iii*) or each of the said amounts is less than [2][such percentage of the profits and gains as is referred to in sub-section (*1*) in relation to the relevant assessment year], the deduction under that sub-section shall be limited to the amount so credited in pursuance of clause (*ii*) or the amount so brought into India in pursuance of clause (*iii*), whichever is less.

[1][*Explanation*.—For the purposes of clause (*iii*), the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.]

(*4*) If at any time before the expiry of five years from the end of the previous year in which the deduction under sub-section (*1*) is allowed, the assesseeutilises the amount credited to the Foreign Projects Reserve Account for distribution by way of dividends or profits or for any other purpose which is not a purpose of the business of the assessee, the deduction originally allowed under sub-section (*1*) shall be deemed to have been wrongly allowed, and the [4][Assessing Officer] may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (*7*) of that section being reckoned from the end of the previous year in which the money was so utilised.

(*5*) Notwithstanding anything contained in any other provision of this Chapter under the heading" C.—Deductions in respect of certain incomes", no part of the consideration or of the income comprised in the consideration payable to the assessee for the execution of a foreign project referred to in clause (*a*) of sub-section (*1*) or of any work referred to in clause (*b*) of that sub-section shall qualify for deduction for any assessment year under any such other provision.]

---

1. Ins. by Act 27 of 1999, s. 45 (w.e.f. 1-6-1999).

2. Subs. by Act 10 of 2000, s. 33, for "fifty per cent. of the profits and gains referred to in sub-section (*1*)" (w.e.f. 1-4-2001).

3. Subs. by Act 27 of 1999, s. 45, for certain words (w.e.f. 1-6-1999).

4. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).

[1]**[80HHBA. Deduction in respect of profits and gains from housing projects in certain cases.**—(*1*) Where the gross total income of an assessee being an Indian company or a person (other than a company) who is a resident in India includes any profits and gains derived from the execution of a housing project awarded to the assessee on the basis of global tender and such project is aided by the World Bank, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, [2][a deduction from such profits and gains of an amount equal to—

(*i*) forty per cent. thereof for an assessment year beginning on the 1st day of April, 2001;

(*ii*) thirty per cent. thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) twenty per cent. thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) ten per cent. thereof for an assessment year beginning on the 1st day of April, 2004,

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.]

(*2*) The deductions under this section shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the assessee maintains separate accounts in respect of the profits and gains derived from the business of the execution of the housing project undertaken by him and, where the assessee is a person other than an Indian company or a co-operative society, such accounts have been audited by an accountant as defined in the Explanation below sub-section (*2*) of section 288 and the assessee furnishes along with his return of income the report of such audit in the prescribed form duly signed and verified by such accountant;

(*ii*) an amount equal to [3][such percentage of the profits and gains as is referred to in sub-section (*1*) in relation to the relevant assessment year] is debited to the profit and loss account of the previous year in respect of which the deduction under this section is to be allowed and credited to a reserve account (to be called the Housing Projects Reserve Account) to be utilised by the assessee during a period of five years next following for the purposes of his business other than for distribution by way of dividends or profit:

Provided that where the amount credited by the assessee to the Housing Projects Reserve Account in pursuance of clause (*ii*) is less than [3][such percentage of the profits and gains as is referred to in sub-section (*1*) in relation to the relevant assessment year], the deduction under this section shall be limited to the amount so credited in pursuance of clause (*ii*).

(*3*) If at any time before the expiry of five years from the end of the previous year in which the deduction under sub-section (*1*) is allowed, the assesseeutilises the amount credited to the Housing Projects Reserve Account for distribution by way of dividends or profit or for any other purpose which is not a purpose of the business of the assessee, the deduction originally allowed under sub-section (*1*) shall be deemed to have been wrongly allowed and the Assessing Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make necessary amendment and the provision of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (*7*) of that section being reckoned from the end of the previous year in which the money was so utilised.

1. Ins. by Act 21 of 1998, s. 31 (w.e.f. 1-4-1999).
2. Subs. by Act 10 of 2000, s. 33, for "a deduction from such profits and gains of an amount equal to fifty per cent.thereof" (w.e.f. 1-4-2001).
3. Subs. by Act 10 of 2000, s. 33, for "fifty per cent. of the profits and gains referred to in sub-section (*1*)" (w.e.f. 1-4-2001).

(*4*) Notwithstanding anything contained in any other provision of this Chapter under heading "C.—Deduction in respect of certain incomes", no part of the income payable to the assessee for the execution of a housing project under sub-section (*1*) shall qualify for deduction for any assessment year under any other provision.

Explanation.—For the purposes of this section,—

(*a*) "housing project" means a project for—

(*i*) the construction of any building, road, bridge or other structure in any part of India;

(*ii*) the execution of such other work (of whatever nature) as may be prescribed;

(*b*) "World Bank" means the International Bank for Reconstruction and Development Bank referred to in the International Monetary Fund and Bank Act, 1945.]

[1]**[80HHC.Deduction in respect of profits retained for export business.**—[2][(*1*) Where an assessee, being an Indian company or a person (other than a company) resident in India, is engaged in the business of export out of India of any goods or merchandise to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, [3][a deduction to the extent of profits, referred to in sub-section (*1B*)], derived by the assessee from the export of such goods or merchandise:

Provided that if the assessee, being a holder of an Export House Certificate or a Trading House Certificate (hereafter in this section referred to as an Export House or a Trading House, as the case may be,) issues a certificate referred to in clause (*b*) of sub-section (*4A*), that in respect of the amount of the export turnover specified therein, the deduction under this sub-section is to be allowed to a supporting manufacturer, then the amount of deduction in the case of the assessee shall be reduced by such amount which bears to the [4][total profits derived by the assessee from the export of trading goods, the same proportion as the amount of export turnover specified in the said certificate bears to the total export turnover of the assessee in respect of such trading goods].

(*1A*) Where the assessee, being a supporting manufacturer, has during the previous year, sold goods or merchandise to any Export House or Trading House in respect of which the Export House or Trading House has issued a certificate under the proviso to sub-section (*1*), there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of the assessee, [3][a deduction to the extent of profits, referred to in sub-section (*1B*)], derived by the assessee from the sale of goods or merchandise to the Export House or Trading House in respect of which the certificate has been issued by the Export House or Trading House.]

[5][(*1B*) For the purposes of sub-sections (*1*) and (*1A*), the extent of deduction of the profits shall be an amount equal to—

(*i*) eighty per cent. thereof for an assessment year beginning on the 1st day of April, 2001;

---

1. Subs. by Act 32 of 1985, s. 19, for section HHC (w.e.f. 1-4-1986).
2. Subs. by Act 26 of 1988, s. 24, for sub-section (*1*) (w.e.f. 1-4-1989).
3. Subs. by Act 10 of 2000, s. 34, for "a deduction of the profits" (w.e.f. 1-4-2001).
4. Subs. by Act 18 of 1992, s.46, for "total profits of the export business of the assessee the same proportion as the amount of export turnover specified in the said certificate bears to the total export turnover of the assessee" (w.e.f. 1-4-1992).
5. Ins. by Act 10 of 2000, s. 34 (w.e.f. 1-4-2001).

[1][(*ii*) seventy per cent. thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) fifty per cent. thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) thirty per cent. thereof for an assessment year beginning on the 1st day of April, 2004,]

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.]

(*2*) (*a*) This section applies to all goods or merchandise, other than those specified in clause (*b*), if the sale proceeds of such goods or merchandise exported out of India are [2][received in, or brought into, India] by the assessee [3][(other than the supporting manufacturer)] in convertible foreign exchange [4][, within a period of six months from the end of the previous year or, [5][within such further period as the competent authority may allow in this behalf].]

[6][*Explanation*.—For the purposes of this clause, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.]

(*b*) This section does not apply to the following goods or merchandise, namely:—

(*i*) mineral oil ; and

(*ii*) minerals and ores [7][(other than processed minerals and ores specified in the Twelfth Schedule)].

[8][*Explanation* 1.—The sale proceeds referred to in clause (*a*) shall be deemed to have been received in India where such sale proceeds are credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.

Explanation 2.—For the removal of doubts, it is hereby declared that where any goods or merchandise are transferred by an assessee to a branch, office, warehouse or any other establishment of the assessee situate outside India and such goods or merchandise are sold from such branch, office, warehouse or establishment, then, such transfer shall be deemed to be export out of India of such goods and merchandise and the value of such goods or merchandise declared in the shipping bill or bill of export as referred to in sub-section (*1*) of section 50 of the Customs Act, 1962 (52 of 1962), shall, for the purposes of this section, be deemed to be the sale proceeds thereof.]

---

1. Subs. by Act 14 of 2001, s. 41, for sub-clauses (*ii*), (*iii*) and (*iv*)(w.e.f. 1-4-2002).

2. Subs. by Act 12 of 1990, s. 22, for "receivable" (w.e.f. 1-4-1991).

3. Ins. by s. 22, *ibid*. (w.e.f. 1-4-1989).

4. Ins. by s. 22, *ibid*. (w.e.f. 1-4-1991).

5. Subs. by Act 27 of 1999, s. 46, for certain words (w.e.f. 1-6-1999).

6. Ins. by s. 46, *ibid*. (w.e.f. 1-6-1999).

7. Ins. by Act 49 of 1991, s. 28 (w.e.f. 1-4-1991).

8. Ins. by s. 28, *ibid*. (w.e.f. 1-4-1992).

[1][(*3*) For the purposes of sub-section (*1*),—

(*a*) where the export out of India is of goods or merchandise [2][manufactured or processed by the assessee], the profits derived from such export shall be the amount which bears to the profits of the business, the same proportion as the export turnover in respect of such goods bears to the total turnover of the business carried on by the assessee;

(*b*) where the export out of India is of trading goods, the profits derived from such export shall be the export turnover in respect of such trading goods as reduced by the direct costs and indirect costs attributable to such export;

(*c*) where the export out of India is of goods or merchandise [2][manufactured or processed by the assessee] and of trading goods, the profits derived from such export shall,—

(*i*) in respect of the goods or merchandise [2][manufactured or processed by the assessee], be the amount which bears to the adjusted profits of the business, the same proportion as the adjusted export turnover in respect of such goods bears to the adjusted total turnover of the business carried on by the assessee; and

(*ii*) in respect of trading goods, be the export turnover in respect of such trading goods as reduced by the direct and indirect costs attributable to export of such trading goods :

Provided that the profits computed under clause (*a*) or clause (*b*) or clause (*c*) of this sub-section shall be further increased by the amount which bears to ninety per cent of any sum referred to in clause (*iiia*) (not being profits on sale of a licence acquired from any other person), and clauses (*iiib*) and (*iiic*) of section 28, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee:

[3][Provided further that in the case of an assessee having export turnover not exceeding rupees ten crores during the previous year, the profits computed under clause (*a*) or clause (*b*) or clause (*c*) of this sub-section or after giving effect to the first proviso, as the case may be, shall be further increased by the amount which bears to ninety per cent of any sum referred to in clause (*iiid*) or clause (*iiie*), as the case may be, of section 28, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee :

Provided also that in the case of an assessee having export turnover exceeding rupees ten crores during the previous year, the profits computed under clause (*a*) or clause (*b*) or clause (*c*) of this sub-section or after giving effect to the first proviso, as the case may be, shall be further increased by the amount which bears to ninety per cent. of any sum referred to in clause (*iiid*) of section 28, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee, if the assessee has necessary and sufficient evidence to prove that,—

(*a*) he had an option to choose either the duty drawback or the Duty Entitlement Pass Book Scheme, being the Duty Remission Scheme; and

(*b*) the rate of drawback credit attributable to the customs duty was higher than the rate of credit allowable under the Duty Entitlement Pass Book Scheme, being the Duty Remission Scheme:

---

1. Subs. by Act 49 of 1991, s. 28, for sub-section (*3*) (w.e.f. 1-4-1992).
2. Subs. by Act 18 of 1992, s.46, for "manufactured by the assessee" (w.e.f. 1-4-1992).
3. Ins. by Act 55 of 2005, s. 4 (w.e.f. 1-4-1998).

Provided also that in the case of an assessee having export turnover exceeding rupees ten crores during the previous year, the profits computed under clause (*a*) or clause (*b*) or clause (*c*) of this sub-section or after giving effect to the first proviso, as the case may be, shall be further increased by the amount which bears to ninety per cent of any sum referred to in clause (*iiie*) of section 28, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee, if the assessee has necessary and sufficient evidence to prove that,—

(*a*) he had an option to choose either the duty drawback or the Duty Free Replenishment Certificate, being the Duty Remission Scheme; and

(*b*) the rate of drawback credit attributable to the customs duty was higher than the rate of credit allowable under the Duty Free Replenishment Certificate, being the Duty Remission Scheme.

Explanation.—For the purposes of this clause, "rate of credit allowable" means the rate of credit allowable under the Duty Free Replenishment Certificate, being the Duty Remission Scheme calculated in the manner as may be notified by the Central Government:]

[1][Provided also that in case the computation under clause (*a*) or clause (*b*) or clause (*c*) of this sub-section is a loss, such loss shall be set off against the amount which bears to ninety per cent of—

(*a*) any sum referred to in clause (*iiia*) or clause (*iiib*) or clause (*iiic*), as the case may be, or

(*b*) any sum referred to in clause (*iiid*) or clause (*iiie*), as the case may be, of section 28, as applicable in the case of an assessee referred to in the second or the third or the fourth proviso, as the case may be,

the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.]

Explanation.—For the purposes of this sub-section,—

(*a*) "adjusted export turnover" means the export turnover as reduced by the export turnover in respect of trading goods;

(*b*) "adjusted profits of the business" means the profits of the business as reduced by the profits derived from the business of export out of India of trading goods as computed in the manner provided in clause (*b*) of sub-section (*3*);

(*c*) "adjusted total turnover" means the total turnover of the business as reduced by the export turnover in respect of trading goods;

(*d*) "direct costs" means costs directly attributable to the trading goods exported out of India including the purchase price of such goods;

(*e*) "indirect costs" means costs, not being direct costs, allocated in the ratio of the export turnover in respect of trading goods to the total turnover;

(*f*) "trading goods" means goods which are not [2][manufactured or processed by the assessee].

1. Ins. by Act 55 of 2005, s. 4 (w.e.f. 1-4-1992).
2. Subs. by Act 18 of 1992, s.46, for "manufactured by the assessee" (w.e.f. 1-4-1992).

[1][(*3A*) For the purposes of sub-section (*1A*), profits derived by a supporting manufacturer from the sale of goods or merchandise shall be,—

(*a*) in a case where the business carried on by the supporting manufacturer consists exclusively of sale of goods or merchandise to one or more Export Houses or Trading Houses, the profits of the business [2]***;

(*b*) in a case where the business carried on by the supporting manufacturer does not consist exclusively of sale of goods or merchandise to one or more Export Houses or Trading Houses, the amount which bears to the profits of the business[2]*** the same proportion as the turnover in respect of sale to the respective Export House or Trading House bears to the total turnover of the business carried on by the assessee.]

[3][(*4*) The deduction under sub-section (*1*) shall not be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (*2*) of section 288, certifying that the deduction has been correctly claimed [4][in accordance with the provisions of this section:]]

[5][Provided that in the case of an undertaking referred to in sub-section (*4C*), the assessee shall also furnish along with the return of income, a certificate from the undertaking in the special economic zone containing such particulars as may be prescribed, duly certified by the auditor auditing the accounts of the undertaking in the special economic zone under the provisions of this Act or under any other law for the time being in force.]

[1][(*4A*) The deduction under sub-section (*1A*) shall not be admissible unless the supporting manufacturer furnishes in the prescribed form along with his return of income,—

(*a*) the report of an accountant, as defined in the Explanation below sub-section (*2*) of section 288, certifying that the deduction has been correctly claimed on the basis of the [6][profits] of the supporting manufacturer in respect of his sale of goods or merchandise to the Export House or Trading House; and

(*b*) a certificate from the Export House or Trading House containing such particulars as may be prescribed and verified in the manner prescribed that in respect of the export turnover mentioned in the certificate, the Export House or Trading House has not claimed the deduction under this section:

Provided that the certificate specified in clause (*b*) shall be duly certified by the auditor auditing the accounts of the Export House or Trading House under the provisions of this Act or under any other law.]

[7][(*4B*) For the purposes of computing the total income under sub-section (*1*) or sub-section (*1A*), any income not charged to tax under this Act shall be excluded.]

[5][(*4C*) The provisions of this section shall apply to an assessee,—

(*a*) for an assessment year beginning after the 31st day of March, 2004 and ending before the 1st day of April, 2005;

---

1. Ins. by Act 26 of 1988, s. 24 (w.e.f. 1-4-1989).
2. The words "as computed under the head "Profits and gains of business or profession" omitted by Act 49 of 1991, s. 28 (w.e.f. 1-4-1992).
3. Ins. by Act 46 of 1986, s. 11 (w.e.f. 1-4-1987).
4. Subs. by Act 49 of 1991, s. 28, for "on the basic of the amount of export turnover" (w.e.f. 1-4-1992).earlier the words "export turnover" were substituted for certain words by Act 46 of 1986, s. 11 (w.e.f. 1-4-1989).
5. Ins. by Act 32 of 2003, s. 37 (w.e.f 1-4-2004).
6. Subs. by Act 3 of 1989, s. 15 (w.e.f. 1-4-1989). Earlier subs-section (*4A*) inserted by 26 of 1988, s. 24 (w.e.f. 1-4-1989).
7. Ins. by Act 27 of 1999,s. 46 (w.e.f. 1-4-1992).

(*b*) who owns any undertaking which manufactures or produces goods or merchandise anywhere in India (outside any special economic zone) and sells the same to any undertaking situated in a special economic zone which is eligible for deduction under section 10A and such sale shall be deemed to be export out of India for the purposes of this section.]

Explanation.—For the purposes of this section,—

(*a*) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of [1][the Foreign Exchange Management Act, 1999 (42 of 1999)], and any rules made thereunder;

[2][(*aa*) "export out of India" shall not include any transaction by way of sale or otherwise, in a shop, emporium or any other establishment situate in India, not involving clearance at any customs station as defined in the Customs Act, 1962 (52 of 1962);]

(*b*) "export turnover" means the sale proceeds [3][received in, or brought into, India] by the assessee in convertible foreign exchange [4][in accordance with clause (*a*) of sub-section (*2*)] of any goods or merchandise to which this section applies and which are exported out of India, but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962 (52 of 1962);]

[5][(*ba*) "total turnover" shall not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962 (52 of 1962):

Provided that in relation to any assessment year commencing on or after the 1st day of April, 1991, the expression "total turnover" shall have effect as if it also excluded any sum referred to in clauses (*iiia*), (*iiib*) [6][, (*iiic*), (*iiid*) and (*iiie*)] of section 28;]

[7][(*baa*) "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" as reduced by—

(*1*) ninety per cent. of any sum referred to in clauses (*iiia*), (*iiib*)[5][, (*iiic*), (*iiid*) and (*iiie*)] of section 28 or of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(*2*) the profits of any branch, office, warehouse or any other establishment of theassessee situate outside India;

[8]* * * * *

[9][[10][(*c*)] "Export House Certificate" or "Trading House Certificate" means a valid Export House Certificate or Trading House Certificate, as the case may be, issued by the Chief Controller of Imports and Exports, Government of India;

[11][(*d*)] "supporting manufacturer" means a person being an Indian company or a person (other than a company) resident in India, [12][manufacturing (including processing) goods] or merchandise and selling such goods or merchandise to an Export House or a Trading House for the purposes of export;

[13][(*e*) "special economic zone" shall have the meaning assigned to it in clause (*viii*) of the *Explanation* 2 to section 10A.]

---

1. Subs. by Act 17 of 2013, s. 4, for "the Foreign Exchange Regulation Act, 1973 (46 of 1973)" (w.e.f. 1-4-2013).
2. Ins. by Act 49 of 1991, s. 28 (w.e.f. 1-4-1986).
3. Subs. by Act 12 of 1990, s. 22, for "receivable" (w.e.f. 1-4-1991).
4. Ins. by s. 22, *ibid.* (w.e.f. 1-4-1991).
5. Ins. by Act 49 of 1991, s. 28 (w.e.f. 1-4-1987).
6. Subs. by Act 55 of 2005, s. 4, for "and (*iiic*)" (w.e.f. 1-4-1998).
7. Ins. by Act 49 of 1991, s. 28 (w.e.f. 1-4-1992).
8. Clause (*bb*) omitted s. 28, *ibid.* (w.e.f. 1-4-1991).
9. Ins. by Act 26 of 1988, s. 24 (w.e.f. 1-4-1989).
10. Clause (*d*) relettered as clause (*c*) thereof by Act 3 of 1989, s. 15 (w.e.f. 1-4-1989).
11. Clause (*e*) relettered as clause (*d*) thereof by s. 15, *ibid.* (w.e.f. 1-4-1989).
12. Subs. by 12 of 1990, s. 22, for "manufacturing goods" (w.e.f. 1-4-1991).
13. Ins. by Act 32 of 2003, s. 37 (w.e.f. 1-4-2004).

[1][**80HHD. Deduction in respect of earnings in convertible foreign exchange.**—(*1*) Where an assessee, being an Indian company or a person (other than a company) resident in India, is engaged in the business of a hotel or of a tour operator, approved by the prescribed authorityin this behalf or of a travel agent, there shall, in accordance with and subject to the provisions of this section, be allowed, [2][in computing the total income of the assessee—

(*a*) for an assessment year beginning on the 1st day of April, 2001, a deduction of a sum equal to the aggregate of—

(*i*) forty per cent. of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding forty per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (*4*);

(*b*) for an assessment year beginning on the 1st day of April, 2002, a deduction of a sum equal to the aggregate of—

(*i*) thirty per cent of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding thirty per cent of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (*4*);

(*c*) for an assessment year beginning on the 1st day of April, 2003, a deduction of a sum equal to the aggregate of—

(*i*) [3][twenty-five per cent.] of the profits derived by him from services provided to foreign tourists; and

(*ii*) so much of the amount not exceeding [3][twenty-five per cent.] of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (*4*);

(*d*) for an assessment year beginning on the 1st day of April, 2004, a deduction of a sum equal to the aggregate of—

(*i*) [4][fifteen per cent.] of the profits derived by him from services provided to foreign tourists; and

---

1. Ins. by Act 3 of 1989, s. 16 (w.e.f. 1-4-1989).

2. Subs. by Act 10 of 2000, s. 35, for certain words, brackets, letters and figures (w.e.f. 1-4-2001).

3. Subs. by Act 20 of 2002, s. 32, for "twenty per cent." (w.e.f. 1-4-2003).

4. Subs. by s. 32, *ibid.,* for "ten per cent." (w.e.f. 1-4-2003).

(*ii*) so much of the amount not exceeding [1][fifteen per cent.] of the profits referred to in sub-clause (*i*) as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee in the manner laid down in sub-section (*4*),

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year]:

[2][Provided that a hotel or, as the case may be, a tour operator approved by the prescribed authority on or after the 30th day of November, 1989 and before the 1st day of October, 1991, shall be deemed to have been approved by the prescribed authority for the purposes of this section in relation to the assessment year commencing on the 1st day of April, 1989 or the 1st day of April, 1990 or, as the case may be, the 1st day of April, 1991 if the assessee was engaged in the business of such hotel or as such tour operator during the previous year relevant to any of the said assessment years.]

(*2*) This section applies only to services provided to foreign tourists the receipts in relation to which are received [3][in, or brought into, India by the assessee in convertible foreign exchange within a period of six months from the end of the previous year or, [4][within such further period as the competent authority may allow in this behalf]].

[5][*Explanation*[6][*1*].—For the purposes of this sub-section, any payment received by an assessee, engaged in the business of a hotel or of a tour operator or of a travel agent, in Indian currency obtained by conversion of foreign exchange brought into India through an authorised dealer, [7][from another hotelier, tour operator or travel agent, as the case may be,] on behalf of a foreign tourist or group of foreign tourists, shall be deemed to have been received by the assessee in convertible foreign exchange if the person making the payment furnishes to the assessee a certificate specified in sub-section (*2A*).]

[8][*Explanation* 2.—For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.]

[9][(*2A*) Every person making payment to an assessee referred to in the [10][*Explanation* 1] to sub-section (*2*) out of Indian currency obtained by conversion of foreign exchange received from or on behalf of a foreign tourist or a group of foreign tourists shall furnish to that assessee a certificate in the prescribed form indicating the amount received in foreign exchange, its conversion into Indian currency and such other particulars as may be prescribed.]

[11][(*3*) For the purposes of sub-section (*1*), profits derived from services provided to foreign tourists shall be the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession") the same proportion as the receipts specified in sub-section (*2*) [12][as reduced by any payment, referred to in sub-section (*2A*), made by the assessee] bear to the total receipts of the business carried on by the assessee.]

---

1. Subs. by Act 20 of 2002, s. 32, for "ten per cent." (w.e.f. 1-4-2003).
2. Ins. by Act 49 of 1991, s. 29 (w.e.f. 1-10-1991).
3. Subs. by Act 12 of 1990, s. 23, for "by the assessee in convertible foreign exchange" (w.e.f. 1-4-1991).
4. Subs. by Act 27 of 1999, s. 47, for certain words and brackets (w.e.f. 1-6-1999).
5. Ins. by Act 49 of 1991, s. 29 (w.e.f. 1-4-1992).
6. *Explanation* renumbered as *Explanation* 1 thereof by Act 27 of 1999, s. 47 (w.e.f. 1-6-1999).
7. Subs. by Act 32 of 1994, s. 25, for "from a tour operator or, as the case may be, a travel agent" (w.e.f. 1-4-1995).
8. Ins. by Act 27 of 1999, s. 47 (w.e.f. 1-6-1999).
9. Ins. by Act 49 of 1991, s. 29 (w.e.f. 1-4-1992).
10. Subs. by Act 27 of 1999, s. 47, for "*Explanation*" (w.e.f. 1-6-1999).
11. Subs. by Act 12 of 1990, s. 23, for sub-section (*3*) (w.e.f. 1-4-1991).
12. Ins. by Act 32 of 1994, s. 25 (w.e.f. 1-4-1995).

(*4*) The amount credited to the reserve account under clause (*b*) of sub-section (*1*), shall be utilised by the assessee before the expiry of a period of five years next following the previous year in which the amount was credited for the following purposes, namely:—

(*a*) construction of new hotels approved by the prescribed authority in this behalf or expansion of facilities in existing hotels already so approved;

(*b*) purchase of new cars and new coaches by tour operators already so approved or by travel agents;

(*c*) purchase of sports' equipment for mountaineering, trekking, golf, river-rafting and other sports in or on water;

(*d*) construction of conference or convention centres;

(*e*) provision of such new facilities for the growth of Indian tourism as the Central Government may, by notification in the Official Gazette, specify in this behalf;

[1][(*f*) subscription to equity shares forming part of any eligible issue of capital made by a public company:]

Provided that where any of the activities referred to in [2][clauses (*a*) to (*f*)] would result in creation of any asset owned by the assessee outside India, such asset should be created only after obtaining prior approval of the prescribed authority.

(*5*) Where any amount credited to the reserve account under clause (*b*) of sub-section (*1*),—

(*a*) has been utilised for any purpose other than those referred to in sub-section (*4*), the amount so utilised; or

(*b*) has not been utilised in the manner specified in sub-section (*4*), the amount not so utilised,

shall be deemed to be the profits,—

(*i*) in a case referred to in clause (*a*), in the year in which the amount was so utilised; or

(*ii*) in a case referred to in clause (*b*), in the year immediately following the period of five years specified in sub-section (*4*),

and shall be charged to tax accordingly.

[3][(*5A*) Where any amount credited to the reserve account under clause (*b*) of sub-section (*1*) has been utilised for subscription to any equity shares referred to in clause (*f*) of sub-section (*4*) and either whole or any part of such equity shares are transferred or converted into money by the assessee at any time within a period of three years from the date of their acquisition, the aggregate amount so utilised in respect of such equity shares shall be deemed to be the profits of the previous year in which the equity shares are transferred or converted into money.

1. Ins. by Act 27 of 1999, s. 47 (w.e.f. 1-4-2000).
2. Subs. by s. 47, *ibid*., for "clauses (*a*) to (*e*)" (w.e.f. 1-4-2000).
3. Ins. by Act 27 of 1999, s. 47 (w.e.f. 1-4-2000).

Explanation.—A person shall be treated as having acquired any shares on the date on which his name is entered in relation to those shares in the register of members of the public company.]

(*6*) The deduction under sub-section (*1*) shall not be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the *Explanation* below sub-section (*2*) of section 288, certifying that the deduction has been correctly claimed on the basis of the [1][[2]*** amount of convertible foreign exchange received by the assessee for services provided by him to foreign tourists [3][, payments made by him to any assessee referred to in sub-section (*2A*)] and the payments received by him in Indian currency as referred to in the [4][*Explanation* 1 to sub-section (*2*)].]

[5][(*7*) Where a deduction under sub-section (*1*) is claimed and allowed in respect of profits derived from the business of a hotel, such part of profits shall not qualify to that extent for deduction for any assessment year under any other provisions of this Chapter under the heading "C.—Deductions in respect of certain incomes", and shall in no case exceed the profits and gains of such hotel.]

Explanation.—For the purposes of this section,—

(*a*) "travel agent" means a travel agent or other person (not being an airline or a shipping company) who holds a valid licence granted by the Reserve Bank of India under section 32 of [6][the Foreign Exchange Management Act, 1999 (42 of 1999)];

(*b*) "convertible foreign exchange" shall have the meaning assigned to it in clause (*a*) of the Explanation to section 80HHC;

(*c*) "services provided to foreign tourists" shall not include services by way of sale in any shop owned or managed by the person who carries on the business of a hotel or of a tour operator or of a travel agent;

[7][*d*) "authorised dealer", "foreign exchange" and "Indian currency" shall have the meanings respectively assigned to them in clauses (*b*), (*h*) and (*k*) of section 2 of the [7][Foreign Exchange Management Act, 1999 (42 of 1999)];]

[8][(*e*) "eligible issue of capital" means an issue made by a public company formed and registered in India and the entire proceeds of the issue is utilised wholly and exclusively for the purpose of carrying on the business of—

(*i*) setting up and running of new hotels approved by the prescribed authority; or

(*ii*) providing such new facility for the growth of tourism in India, as the Central Government may, by notification in the Official Gazette, specify.]

---

1. Subs. by Act 49 of 1991, s. 29, for "amount of convertible foreign exchange received by the assessee for services provided by him to the foreign tourist" (w.e.f. 1-4-1992).
2. The words "aggregate of the" omitted by Act 32 of 1994, s. 25 (w.e.f. 1-4-1995).
3. Ins. by Act 32 of 1994, s. 25 (w.e.f. 1-4-1995).
4. Subs. by Act 27 of 1999, s. 47, for "*Explanation* to sub-section (*2*)" (w.e.f. 1-6-1999).
5. Ins. by Act 21 of 1998, s. 32 (w.e.f. 1-4-1999).
6. Subs. by Act 17 of 2013, s. 4, for "the Foreign Exchange Regulation Act, 1973" (w.e.f. 1-4-2013).
7. Ins. by Act 49 of 1991, s. 29 (w.e.f. 1-4-1992).
8. Ins. by Act 27 of 1999, s. 47 (w.e.f. 1-4-2000).

[1]**[80HHE.Deduction in respect of profits form export of computer software, etc.**—(*1*) Where an assessee, being an Indian company or a person (other than a company) resident in India, is engaged in the business of,—

(*i*) export out of India of computer software or its transmission from India to a place outside India by any means;

(*ii*) providing technical services outside India in connection with the development or production of computer software,

there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, [2][a deduction to the extent of the profits, referred to in sub-section (*1B*),] derived by the assessee from such business:

[3]* * * * *

[4][Provided that if the assessee, being a company, engaged in the export out of India of computer software, issues a certificate referred to in clause (*b*) of sub-section (*4A*), that in respect of the amount of the export specified therein, the deduction under this sub-section is to be allowed to a supporting software developer, then the amount of deduction in the case of an assessee shall be reduced by such amount which bears to the total profits derived by the assessee from the export, the same proportion as the amount of the export turnover specified in such certificate bears to the total export turnover of the assessee.

[5][*Explanation*.—For the removal of doubts, it is hereby declared that the profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India.]

(*1A*) Where the assessee, being a supporting software developer, has during the previous year, developed and sold computer software to an exporting company in respect of which the said company has issued a certificate under the proviso to sub-section (*1*), there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of the assessee a deduction of the profits derived by the assessee from the developing and selling of computer software to the exporting company in respect of which the certificate has been issued by the said company [6][to such extent and for such years as specified in sub-section (*1B*)].]

[6][(*1B*) For the purposes of sub-sections (*1*) and (*1A*), the extent of deduction of profits shall be an amount equal to—

(*i*) eighty per cent. of such profits for an assessment year beginning on the 1st day of April, 2001;

[7][(*ii*) seventy per cent. thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) fifty per cent. thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) thirty per cent. thereof for an assessment year beginning on the 1st day of April, 2004,]

1. Ins. by Act 49 of 1991, s. 30 (w.e.f. 1-4-1991).
2. Subs. by Act 10 of 2000, s. 36, for "a deduction of the profits" (w.e.f. 1-4-2001).
3. The proviso omitted by 22 of 1995, s. 18 (w.e.f. 1-4-1996).
4. Ins. by Act 21 of 1998, s.33 (w.e.f. 1-4-1999).
5. Ins. by Act 14 of 2001, s. 42 (w.e.f. 1-4-2001).
6. Ins. by Act 10 of 2000, s. 36 (w.e.f. 1-4-2001).
7. Subs. by Act 14 of 2001, s. 42, for sub-clauses (*ii*), (*iii*) and (*iv*) (w.e.f. 1-4-2002).

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.]

(*2*) The deduction specified in sub-section (*1*) shall be allowed only if the consideration in respect of the computer software referred to in that sub-section is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, [1][within such further period as the competent authority may allow in this behalf.]

Explanation[2][1].—The said consideration shall be deemed to have been received in India where it is credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India.

[3]*[Explanation* 2.—For the purposes of this sub-section, the expression "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange.]

(*3*) For the purposes of sub-section (*1*), profits derived from the business referred to in that sub-section shall be the amount which bears to the profits of the business, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.

[4][(*3A*) For the purposes of sub-section (*1A*), profits derived by a supporting software developer shall be,—

(*i*) in a case where the business carried on by the supporting software developer consists exclusively of developing and selling of computer software to one or more exporting companies solely engaged in exports, the profits of such business;

(*ii*) in a case where the business carried on by a supporting software developer does not consist exclusively of developing and selling of computer software to one or more exporting companies, the amount which bears to the profits of the business, the same proportion as the turnover in respect of sale to the respective exporting company bears to the total turnover of the business carried on by the assessee.]

(*4*) The deduction under sub-section (*1*) shall not be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the *Explanation* below sub-section (*2*) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

[4][(*4A*) The deduction under sub-section (*1A*) shall not be admissible unless the supporting software developer furnishes in the prescribed form along with his return of income,—

(*i*) the report of an accountant, as defined in the Explanation below sub-section (*2*) of section 288, certifying that the deduction has been correctly claimed on the basis of the profits of the supporting software developer in respect of sale of computer software to the exporting company; and

(*ii*) a certificate from the exporting company containing such particulars as may be prescribed and verified in the manner prescribed that in respect of the export turnover mentioned in the certificate, the exporting company has not claimed deduction under this section:

---

1. Subs. by Act 27 of 1999, s.48, for certain words (w.e.f. 1-6-1999).
2. *Explanation* relettered as *Explanation* 1 thereof by s. 48, *ibid.* (w.e.f. 1-6-1999)
3. Ins. by s. 48, *ibid*. (w.e.f. 1-6-1999).
4. Ins. by Act 21 of 1998, s.33 (w.e.f. 1-4-1999).

Provided that the certificate specified in clause (*b*) shall be duly certified by the auditor auditing the accounts of the exporting assessee under the provisions of this Act or under any other law.]

(*5*) Where a deduction under this section is claimed and allowed in respect of profits of the business referred to in sub-section (*1*) for any assessment year, no deduction shall be allowed in relation to such profits under any other provision of this Act for the same or any other assessment year.

Explanation.—For the purposes of this section,—

(*a*) "convertible foreign exchange" shall have the meaning assigned to it in clause (*a*) of the *Explanation* to section 80HHC;

[1][(*b*) "computer software" means,—

(*i*) any computer programme recorded on any disc, tape, perforated media or other information storage device; or

(*ii*) anycustomised electronic data or any product or service of similar nature as may be notified by the Board,

which is transmitted or exported from India to a place outside India by any means;]

(*c*) "export turnover" means the consideration in respect of computer software received in, or brought into, India by the assessee in convertible foreign exchange in accordance with sub-section (*2*), but does not include freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India;

[1][(*ca*) "exporting company" means a company referred to in sub-section (*1*) making actual export of computer software;]

(*d*) "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" as reduced by—

(*1*) ninety per cent of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(*2*) the profits of any branch, office, warehouse or any other establishment of the assessee situate outside India;]

(*e*) "total turnover" shall not include—

(*i*) any sum referred to in clauses (*iiia*), (*iiib*) and (*iiic*) of section 28;

(*ii*) any freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India; and

(*iii*) expenses, if any, incurred in foreign exchange in providing the technical services outside India;]

[2][(*ea*) "supporting software developer" means an Indian company or a person (other than a company) resident in India, developing and selling computer software to an exporting company for the purposes of export.]

---

1. Subs. by Act 10 of 2000, s. 36, for sub-clause (*b*) (w.e.f. 1-4-2001).
2. Ins. by Act 21 of 1998, s. 33 (w.e.f. 1-4-1999).

[1]**[80HHF. Deduction in respect of profits and gains from export or transfer of film software, etc.**—(*1*) Where an assessee, being an Indian company [2][or a person (other than a company) resident in India], is engaged in the business of export or transfer by any means out of India, of any film software, television software, music software, television news software, including telecast rights (hereafter in this section referred to as the software or software rights), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, [3][a deduction to the extent of profits, referred to in sub-section (*1A*),] derived by the assessee from such business.

[4][(*1A*) For the purposes of sub-section (*1*), the extent of deduction of profits shall be an amount equal to—

(*i*) eighty per cent. of such profits for an assessment year beginning on the 1st day of April, 2001;

[5][(*ii*) seventy per cent. thereof for an assessment year beginning on the 1st day of April, 2002;

(*iii*) fifty per cent. thereof for an assessment year beginning on the 1st day of April, 2003;

(*iv*) thirty per cent. thereof for an assessment year beginning on the 1st day of April, 2004,]

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

(*2*) The deduction specified in sub-section (*1*) shall be allowed only if the consideration in respect of the software or software rights referred to in that sub-section is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or within such further period as the competent authority may allow in this behalf.

(*3*) For the purposes of sub-section (*1*), profits derived from the business referred to in that sub-section shall be the amount which bears to the profits of the business, the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.

(*4*) The deduction under sub-section (*1*) shall not be admissible unless the assessee furnishes in the prescribed form, along with the return of income, the report of an accountant, as defined in the Explanation below sub-section (*2*) of setion 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

(*5*) Where a deduction under this section is claimed and allowed in respect of profits of the business referred to in sub-section (*1*) for any assessment year, no deduction shall be allowed in relation to such profits under any other provision of this Act for the same or any other assessment year.

(*6*) Notwithstanding anything contained in this section, no deduction shall be allowed in respect of the software or software rights referred to in sub-section (*1*), if such business is prohibited by any law for the time being in force.

Explanation.—For the purposes of this section,—

(*a*) "competent authority" means the Reserve Bank of India or such other authority as is authorised under any law for the time being in force for regulating payments and dealings in foreign exchange;

---

1. Ins. by Act 27 of 1999, s.49 (w.e.f. 1-4-2000).
2. Ins. by Act 10 of 2000, s. 37 (w.e.f. 1-4-2000).
3. Subs. by s. 37, *ibid*., for "a deduction of the profits" (w.e.f. 1-4-2001).
4. Ins. by s. 37, *ibid*. (w.e.f. 1-4-2001).
5. Subs. by Act 14 of 2001, s. 43, for clauses (*ii*), (*iii*) and (*iv*) (w.e.f. 1-4-2002).

(*b*) "convertible foreign exchange" shall have the meaning assigned to it in clause (*a*) of the *Explanation* to section 80HHC;

(*c*) "export turnover" means the consideration in respect of the software or software rights specified in clauses (*d*), (*e*), (*g*), (*h*) and *(i*), received in, or brought into, India by the assessee in convertible foreign exchange in accordance with sub-section (*2*), but does not include freight, telecommunication charges or insurance attributable to the delivery of such software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India;

(*d*) "film software" means a copy of a cinematograph film made by any process analogous to cinematography on acetate polyester or celluloid film positive, magnetic tape, digital media or other optical or magnetic devices and certified by the Board of film certification constituted by the Central Government under section 3 of the Cinematograph Act, 1952 (37 of 1952);

(*e*) "music software"includes series of sounds or music recorded on magnetic tape, cassette, compact discs and digital media which can be played or reproduced on any appropriate apparatus;

(*f*) "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" as reduced by—

(*A*) ninety per cent of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(*B*) the profits of any branch, office, warehouse or any other establishment of the assessee situated outside India;

(*g*) "telecast rights" means a licence or contract to exhibit motion pictures or television programmes over a television network either through terrestrial transmission or through a satellite broadcast in a specified territory;

(*h*) "television news software" means a collection of sounds and images, reportage, data and voice of actualities broadcast either through terrestrial transmission, wire or satellite, live or pre-recorded on video cassettes or digital media;

(*i*) "television software" means any programme or series of sounds and images recorded on film or tape or digital media or broadcast through terrestrial transmitter, satellite or any other means of diffusion;

(*j*) "total turnover" shall not include—

(*A*) any sum referred to in clauses (*iiia*), (*iiib*) and (*iiic*) of section 28;

(*B*) any freight, telecommunication charges or insurance attributable to the delivery of the film software, music software, telecast rights, television news software, or television software as defined in clause (*d*), (*e*), (*g*), (*h*) or (*i*), as the case may be, outside India;

(*C*) expenses, if any, incurred in foreign exchange in providing the technical services outside India.]

[1][**80-I. Deduction in respect of profits and gains from industrial undertakings after a certain date, etc.**—(*1*) Where the gross total income of an assessee includes any profits and gains derived from an industrial undertaking or a ship or the business of a hotel [2][or the business of repairs to ocean-going vessels or other powered craft], to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent. thereof:

Provided that in the case of an assessee, being a company, the provisions of this sub-section [3][shall have effect in relation to profits and gains derived from an industrial undertaking or a ship or the business of a hotel] as if for the words "twenty per cent.", the words "twenty-five per cent." had been substituted.

[4][(*1A*) Notwithstanding anything contained in sub-section (*1*), in relation to any profits and gains derived by an assessee from—

(*i*) an industrial undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant or plants; or

(*ii*) a ship which is first brought into use; or

(*iii*) the business of a hotel which starts functioning,

on or after the 1st day of April, 1990, [5][but before the 1st day of April, 1991], there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty-five per cent. thereof:

Provided that in the case of an assessee, being a company, the provisions of this sub-section shall have effect in relation to profits and gains derived from an industrial undertaking or a ship or the business of a hotel as if for the words "twenty-five per cent.", the words "thirty per cent." had been substituted.]

(*2*) This section applies to any industrial undertaking which fulfils all the following conditions, namely:—

(*i*) it is not formed by the splitting up, or the reconstruction, of a business already in existence;

(*ii*) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose;

(*iii*) it manufactures or produces any article or thing, not being any article or thing specified in the list in the Eleventh Schedule, or operates one or more cold storage plant or plants, in any part of India, and begins to manufacture or produce articles or things or to operate such plant or plants, at any time within the period of [6][ten years] next following the 31st day of March, 1981, or such further period as the Central Government may, by notification in the Official Gazette, specify with reference to any particular industrial undertaking;

(*iv*) in a case where the industrial undertaking manufactures or produces articles or things, the undertaking employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power:

Provided that the condition in clause (*i*) shall not apply in respect of any industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section:

---

1. Ins. by Act 44 of 1980, s. 16 (w.e.f. 1-4-1981).
2. Ins. by Act 11 of 1983, s. 25 (w.e.f. 1-4-1984).
3. Subs. by s. 25, *ibid*., for "shall have effect" (w.e.f. 1-4-1984).
4. Ins. by Act 12 of 1990, s. 24 (w.e.f. 1-4-1990).
5. Ins. by Act 49 of 1991, s. 31 (w.e.f. 1-4-1991).
6. Subs. by, s. 31, *ibid*., for "fourteen years" (w.e.f. 1-4-1991). Earlier "fourteen years" was subs. for "nine years" by Act 12 of 1990 s. 24 (w.e.f. 1-4-1990) which was earlier subs. for "four years" by Act 32 of 1985, s. 20 (w.e.f. 1-4-1985).