111. Tax on accumulated balance of recognised provident fund.—(*1*) Where the accumulated balance due to an employee participating in a recognised provident fund is included in his total income, owing to the provisions of rule 8 of Part A of the Fourth Schedule not being applicable, the [1][Assessing Officer] shall calculate the total of the various sums of [2][tax] in accordance with the provisions of sub-rule (*1*) of rule 9 thereof.

(*2*) Where the accumulated balance due to an employee participating in a recognised provident fund which is not included in his total income under the provisions of rule 8 of Part A of the Fourth Schedule becomes payable, super-tax shall be calculated in the manner provided in sub-rule (*2*) of rule 9 thereof.

[3][**111A. Tax on short-term capital gains in certain cases.**—(*1*) Where the total income of an assessee includes any income chargeable under the head "Capital gains", arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund [4][or a unit of a business trust] and—

(*a*) the transaction of sale of such equity share or unit is entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force; and

(*b*) such transaction is chargeable to securities transaction tax under that Chapter,

the tax payable by the assessee on the total income shall be the aggregate of—

(*i*) the amount of income-tax calculated on such short-term capital gains at the rate of [5][fifteen per cent.]; and

(*ii*) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income of the assessee:

Provided that in the case of an individual or a Hindu undivided family, being a resident, where the total income as reduced by such short-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such short-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such short-term capital gains shall be computed at the rate of [6][fifteen per cent.].

[7][Provided further that nothing contained in clause (*b*) shall apply to a transaction undertaken 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.]

(*2*) Where the gross total income of an assessee includes any short-term capital gains referred to in sub-section (*1*), the deduction under Chapter VIA shall be allowed from the gross total income as reduced by such capital gains.

(*3*) Where the total income of an assessee includes any short-term capital gains referred to in sub-section (*1*), the rebate under section 88 shall be allowed from the income-tax on the total income as reduced by such capital gains.

[8][*Explanation*.—For the purposes of this section,—

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

(*b*) "International Financial Services Centre" shall have the same meaning as assigned to it in clause (*q*) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005);

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

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1. Subs. by Act 4 of 1988, s. 2, for "Income-tax Officer" (w.e.f. 1-4-1988).
2. Subs. by Act 10 of 1965, s. 33, for "income-tax and super-tax" (w.e.f. 1-4-1965).
3. Ins. by Act 23 of 2004, s. 26 (w.e.f. 1-4-2005).
4. Ins. by Act 25 of 2014, s. 34 (w.e.f. 1-4-2015).
5. Subs. by Act 18 of 2008, s. 21, for "ten per cent." (w.e.f. 1-4-2009).
6. Subs. by Act 23 of 2012, s. 42, for "ten per cent." (w.e.f. 1-4-2009).
7. Ins. by Act 28 of 2016, s. 49 (w.e.f. 1-4-2017). The second proviso omitted by Act 20 of 2015, s. 27 (w.e.f. 1-4-2016). Earlier the same proviso was inserted by Act 25 of 2014, s. 34 (w.e.f. 1-4-2015).
8. Subs. by s. 49, *ibid.*, for the *Explanation* (w.e.f. 1-4-2017).

[1][**112. Tax on long-term capital gains.**—(*1*) Where the total income of an assessee includes any income, arising from the transfer of a long-term capital asset, which is chargeable under the head "Capital gains", the tax payable by the assessee on the total income shall be the aggregate of,—

(*a*) in the case of an individual or a Hindu undivided family, [2][being a resident,]—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been his total income; and

(*ii*) the amount of income-tax calculated on such long-term capital gains at the rate of twenty per cent.:

Provided that where the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such long-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate of twenty per cent.;

(*b*) in the case of a [3][domestic company],—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been its total income; and

(*ii*) the amount of income-tax calculated on such long-term capital gains at the rate of [4][twenty per cent.]:

[5]* * * * *

[2][(*c*) in the case of a non-resident (not being a company) or a foreign company,—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been its total income; and

[6][(*ii*) the amount of income-tax calculated on long-term capital gains [except where such gain arises from transfer of capital asset referred to in sub-clause (*iii*)] at the rate of twenty per cent.; and]

(*iii*) the amount of income-tax on long-term capital gains arising from the transfer of a capital asset, being [7][unlisted securities or shares of a company not being a company in which the public are substantially interested**]**, calculated at the rate of ten per cent. on the capital gains in respect of such asset as computed without giving effect to the first and second proviso to section 48;]]

[8][(*d*)] in any other case [9][of a resident],—

(*i*) the amount of income-tax payable on the total income as reduced by the amount of long-term capital gains, had the total income as so reduced been its total income; and

(*ii*) the amount of income-tax calculated on such long-term capital gains at the rate of [10][twenty per cent.; and]

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1. Ins. by Act 18 of 1992, s. 53 (w.e.f. 1-4-1993). Earlier section 112 was omitted by 20 of 1967, s. 33 and the Third Schedule (w.e.f. 1-4-1968)
2. Ins. by 32 of 1994, s. 31 (w.e.f. 1-4-1995).
3. Subs. by s. 31, *ibid*., for "company" (w.e.f. 1-4-1995).
4. Subs. by Act 33 of 1996, s. 37, for "thirty per cent." (w.e.f. 1-4-1997).Earlier substituted by Act 32 of 1994, s. 31, for "forty per cent." (w.e.f. 1-4-1995).
5. Proviso omitted by Act 22 of 1995, s. 23 (w.e.f. 1-4-1996). Prior to its omission, the proviso, as amended by the 22 of 1995, s. 23 (w.e.f. 1-4-1996). Prior to its omission, the proviso, as amended by the 32 of 1994, s. 31 (1-4-1995).
6. Subs. by Act 23 of 2012, s. 43, for sub-clause (*ii*) (w.e.f. 1-4-2013).
7. Subs. by 28 of 2016, s. 50, for "unlisted securities" (w.e.f. 1-4-2017).
8. Clause (*c*) relettered as Clause (*d*) thereof by Act 32 of 1994, s. 31 (w.e.f. 1-4-1995).
9. Ins. by s. 31, *ibid*., (w.e.f. 1-4-1995).
10. Subs. by Act 33 of 1996, s. 37, for "thirty per cent." (w.e.f. 1-4-1997).

[1]* * * * *

[2][Provided that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, [3][being listed securities (other than a unit)] [4][or zero coupon bond], exceeds ten per cent of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee:

[5][Provided further that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being a unit of a Mutual Fund specified under clause (*23D*) of section 10, during the period beginning on the 1st day of April, 2014 and ending on the 10th day of July, 2014, exceeds ten per cent. of the amount of capital gains, before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.]

[6][*Explanation.*—For the purposes of this sub-section,—

[7][(*a*) the expression "securities" shall have the meaning assigned to it in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (32 of 1956);

(*aa*) "listed securities" means the securities which are listed on any recognised stock exchange in India;

(*ab*) "unlisted securities" means securities other than listed securities.

[8]* * * *]]]

(*2*) Where the gross total income of an assessee includes any income arising from the transfer of a long-term capital asset, the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

(*3*) Where the total income of an assessee includes any income arising from the transfer of a long-term capital asset, the total income shall be reduced by the amount of such income and the rebate under section 88 shall be allowed from the income-tax on the total income as so reduced.]

[9][**112A. Tax on longterm capital gains in certain cases.**—(*1*) Notwithstanding anything contained in section 112, the tax payable by an assessee on his total income shall be determined in accordance with the provisions of sub-section (*2*), if—

(*i*) the total income includes any income chargeable under the head "Capital gains";

(*ii*) the capital gains arise 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;

(*iii*) securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004 has,—

(*a*) in a case where the long-term capital asset is in the nature of an equity share in a company, been paid on acquisition and transfer of such capital asset; or

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1. The *Explanation* omitted by Act 22 of 1995, s. 23 (w.e.f. 1-4-1996).
2. Ins. by Act 27 of 1999, s. 57 (w.e.f. 1-4-2000).
3. Subs. by Act 25 of 2014, s. 35, "being listed securities or unit" (w.e.f. 1-4-2015).
4. Ins. by 18 of 2005, s. 33 (w.e.f. 1-4-2006).
5. Ins. by Act 25 of 2014, s. 35 (w.e.f. 1-4-2015).
6. Subs. by Act 10 of 2000, s. 49, for the *Explanation* (w.e.f. 1-4-2000). Prior to its Inserted by Act 27 of 1999, s. 57 (w.e.f. 1-4-2000).
7. Subs. by Act 23 of 2012, s. 43, for clause (*a*) (w.e.f. 1-4-2013).
8. Clause (*b*) omitted by Act 25 of 2014, s. 35 (w.e.f. 1-4-2015).
9. Ins. by Act 13 of 2018, s. 33 (w.e.f. 1-4-2019). Earlier omitted by the Finance Act (26 of 1988), s. 30 (w.e.f. 1-4-1989). Original section was inserted by Act 15 of 1965, s. 11 (w.e.f. 11-9-1965) and later on amended by Act 13 of 1966, s. 22 (w.e.f. 1-4-1966), 20 of 1967, s. 33 and the Third Schedule (w.e.f. 1-4-1968), 42 of 1970, s. 24 (w.e.f. 1-4-1968/1969) and 21 of 1973, s. 14 (*w.e.f.* 1-4-1972).

(*b*) in a case where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, been paid on transfer of such capital asset.

(*2*) The tax payable by the assessee on the total income referred to in sub-section (*1*) shall be the aggregate of—

(*i*) the amount of income-tax calculated on such long-term capital gains exceeding one lakh rupees at the rate of ten per cent.; and

(*ii*) the amount of income-tax payable on the total income as reduced by the amount of long-term capital gains referred to in sub-section (*1*) as if the total income so reduced were the total income of the assessee:

Provided that in the case of an individual or a Hindu undivided family, being a resident, where the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, the long-term capital gains, for the purposes of clause (*i*), shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax.

(*3*) The condition specified in clause (*iii*) of sub-section (*1*) shall not apply to a transfer undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transfer is received or receivable in foreign currency.

(*4*) The Central Government may, by notification in the Official Gazette, specify the nature of acquisition in respect of which the provisions of sub-clause (*a*) of clause (*iii*) of sub-section (*1*) shall not apply.

(*5*) Where the gross total income of an assessee includes any long-term capital gains referred to in sub-section (*1*), the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

(*6*) Where the total income of an assessee includes any long-term capital gains referred to in sub-section (*1*), the rebate under section 87A shall be allowed from the income-tax on the total income as reduced by tax payable on such capital gains.

Explanation.—For the purposes of this section,—

(*a*) "equity oriented fund" means a fund set up under a scheme of a mutual fund specified under clause (*23D*) of section 10 and,—

(*i*) in a case where the fund invests in the units of another fund which is traded on a recognised stock exchange,—

(*A*) a minimum of ninety per cent. of the total proceeds of such fund is invested in the units of such other fund; and

(*B*) such other fund also invests a minimum of ninety per cent. of its total proceeds in the equity shares of domestic companies listed on a recognised stock exchange; and

(*ii*) in any other case, a minimum of sixty-five per cent. of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange:

Provided that the percentage of equity shareholding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures;

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

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

[1]**[113. Tax in the case of block assessment of search cases**.—The total undisclosed income of the block period, determined under section 158BC, shall be chargeable to tax at the rate of sixty per cent.:]

[2][Provided that the tax chargeable under this section shall be increased by a surcharge, if any, levied by any Central Act and applicable in the assessment year relevant to the previous year in which the search is initiated under section 132 or the requisition is made under section 132A.]

114. [**Tax on capital gains in cases of assessees other than companies**.]—*Omitted by the Finance* (*No*. 2) *Act*, 1967, *w.e.f.* 1-4-1968 *and reintroduced with material modifications in section 80T*. *Section* 114 *was substituted first by the Finance* (*No*. 2) *Act*, 1962, *w.e.f.* 1-4-1962 *and later on amended by the Finance Act*, 1964, *w.e.f.* 1-4-1964, *the Finance Act*, 1965, *w.e.f.* 1-4-1965, *the Finance* (*No*. 2) *Act*, 1965, *w.e.f.* 11-9-1965 *and the Finance Act*, 1966, *w.e.f.* 1-4-1966.

115. [**Tax on capital gains in case of companies.]**—*Omitted by the Finance Act*, 1987 (11 *of* 1987), s. 42 (*w.e.f.* 1-4-1988).

[3]**[115A. Tax on dividends, royalty and technical service fees in the case of foreign companies.**—[4][(*1*) Where the total income of—

(*a*) a non-resident (not being a company) or of a foreign company, includes any income by way of—

(*i*) [5][dividends other than dividends referred to in section 115-O]; or

(*ii*) interest received from Government or an Indian concern on monies borrowed or debt incurred by Government or the Indian concern in foreign currency [6][not being interest of the nature referred to in [7][sub-clause (*iia*) or sub-clause (*iiaa*)]]; or

[6][(*iia*) interest received from an infrastructure debt fund referred to in clause (*47*) of section 10; or]

[8][(*iiaa*) interest of the nature and extent referred to in section 194LC; or]

[9][(*iiab*) interest of the nature and extent referred to in section 194LD; or]

[10][(*iiac*) distributed income being interest referred to in sub-section (*2*) of section 194LBA;]

(*iii*) income received in respect of units, purchased in foreign currency, of a Mutual Fund specified under clause (*23D*) of section 10 or of the Unit Trust of India,

the income-tax payable shall be aggregate of—

(*A*) the amount of income-tax calculated on the amount of income by way of [5][dividends other than dividends referred to in section 115-O], if any, included in the total income, at the rate of twenty per cent;

(*B*) the amount of income-tax calculated on the amount of income by way of interest referred to in sub-clause (*ii*), if any, included in the total income, at the rate of twenty per cent.;

[6][(*BA*) the amount of income-tax calculated on the amount of income by way of interest referred to in sub-clause (*iia*) [11][or sub-clause (*iiaa*)] [9][or sub-clause (*iiab*)] [10][or sub-clause (*iiac*)], if any, included in the total income, at the rate of five per cent.;]

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1. Ins. by Act 22 of 1995, s. 24 (w.e.f. 1-7-1995). Earlier section 113 dealing with "Tax in the case of non-resident" omitted by Act 10 of 1965, s. 35 (w.e.f. 1-4-1965).
2. Ins. by Act 20 of 2002, s. 44 (w.e.f. 1-6-2002).
3. Ins. by Act 66 of 1976, s. 20 (w.e.f. 1-6-1976).
4. Subs. by Act 32 of 1994, s. 32, for sub-section (*1*) (w.e.f. 1-4-1995).
5. Subs. by Act 32 of 2003, s. 50, for "dividends" (w.e.f. 1-4-2004). Earlier the word "dividends" substituted by Act 26 of 1997, s. 32 (w.e.f. 1-4-1998) and the words, figures and letter "other than dividends referred to in section 115-O" omitted by Act 20 of 2002, s. 45 (w.e.f. 1-4-2003).
6. Ins. by Act 8 of 2011, s. 16 (w.e.f. 1-6-2011).
7. Subs. by Act 23 of 2012, s. 44, for "clause (*iia*)" (w.e.f. 1-7-2012).
8. Ins. by s. 44, *ibid* (w.e.f. 1-7-2012).
9. Ins. by Act 17 of 2013, s. 27 (w.e.f. 1-4-2014).
10. Ins. by Act 25 of 2014, s. 36 (w.e.f. 1-4-2015).
11. Ins. by Act 23 of 2012, s. 44 (w.e.f. 1-7-2012).

(*C*) the amount of income-tax calculated on the income in respect of units referred to in sub-clause (*iii*), if any, included in the total income, at the rate of twenty per cent; and

(*D*) the amount of income-tax with which he or it would have been chargeable had his or its total income been reduced by the amount of income referred to in sub-clause (*i*), sub-clause (*ii*) [1][, sub-clause (*iia*)] [2][, sub-clause (*iiaa*)] [3][, sub-clause (*iiab*)] [4][, sub-clause (*iiac*)] and sub-clause (*iii*);

(*b*) [5][a non-resident (not being a company) or a foreign company, includes any income by way of royalty or fees for technical services other than income referred to in sub-section (*1*) of section 44DA] received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy, then, subject to the provisions of sub-sections (*1A*) and (*2*), the income-tax payable shall be the aggregate of,—

[6][(*A*) the amount of income-tax calculated on the income by way of royalty, if any, included in the total income, at the rate of [7][ten per cent.];

(*B*) the amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of [7][ten per cent.]; and]

(*C*) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of income by way of royalty and fees for technical services.

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*) "foreign currency" shall have the same meaning as in the *Explanation* below item (*g*) of sub-clause (*iv*) of clause (*15*) of section 10;

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

(*d*) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963).]

[8][(*1A*) Where the royalty referred to in clause (*b*) of sub-section (*1*) is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book to an Indian concern [9][or in respect of any computer software to a person resident in India], the provisions of sub-section (*1*) shall apply in relation to such royalty as if the words [10][[11][the agreement is approved by the Central Government or where it relates to a matter] included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy] occurring in the said clause had been omitted:

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1. Ins. by Act 8 of 2011, s. 16 (w.e.f. 1-6-2011).
2. Ins. by Act 23 of 2012, s. 44 (w.e.f. 1-7-2012).
3. Ins. by Act 17 of 2013, s. 27 (w.e.f. 1-4-2014).
4. Ins. by Act 25 of 2014, s. 36 (w.e.f. 1-4-2015).
5. Subs. by Act 32 of 2003, s. 50, for "a foreign company, includes any income by way of royalty or fees for technical services" (w.e.f. 1-4-2004).
6. Subs. by Act 17 of 2013, s. 27 for sub-clauses (*A*), (*AA*), (*B*) and (*BB*) (w.e.f. 1-4-2014).
7. Subs. by Act 20 of 2015, s. 28 for "Twenty-five per cent." (w.e.f. 1-4-2016).
8. Ins. by Act 29 of 1977, s. 22 (w.e.f. 1-4-1978).
9. Ins. by Act 49 of 1991, s. 40 (w.e.f. 1-4-1991).
10. Subs. by Act 18 of 1992, s. 54, for "and approved by the Central Government" (w.e.f. 1-6-1992).
11. Subs. by 32 of 1994, s. 32, for "approved by the Central Government or where the agreement relates to a matter" (w.e.f. 1-4-1995).

Provided that such book is on a subject, the books on which are permitted, according to the Import Trade Control Policy of the Government of India for the period commencing from the 1st day of April, 1977, and ending with the 31st day of March, 1978, to be imported into India under an Open General Licence:

[1][Provided further that such computer software is permitted according to the Import Trade Control Policy of the Government of India for the time being in force to be imported into India under an Open General Licence.]

[2][*Explanation 1*].—In this sub-section, "Open General Licence" means an Open General Licence issued by the Central Government in pursuance of the Imports (Control) Order, 1955.]

[3][*Explanation 2*.—In this sub-section, the expression "computer software" shall have the meaning assigned to it in clause (*b*) of the *Explanation* to section 80HHE.]

(*2*) Nothing contained in sub-section (*1*) shall apply in relation to any income by way of royalty received by a foreign company from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, if such agreement is deemed, for the [4][purposes of the first proviso] to clause (*vi*) of sub-section (*1*) of section 9, to have been made before the 1st day of April, 1976; and the provisions of the annual Finance Act for calculating, charging, deducting or computing income-tax shall apply in relation to such income as if such income had been received in pursuance of an agreement made before the 1st day of April, 1976.]

[5][(*3*) No deduction in respect of any expenditure or allowance shall be allowed to the assessee under sections 28 to 44C and section 57 in computing his or its income referred to in sub-section (*1*).

(*4*) Where in the case of an assessee referred to in sub-section (*1*),—

(*a*) the gross total income consists only of the income referred to in clause (*a*) of that sub-section, no deduction shall be allowed to him or it under Chapter VI-A;

(*b*) the gross total income includes any income referred to in clause (*a*) of that sub-section, the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

(*5*) It shall not be necessary for an assessee referred to in sub-section (*1*) to furnish under sub-section (*1*) of section 139 a return of his or its income if—

(*a*) his or its total income in respect of which he or it is assessable under this Act during the previous year consisted only of income referred to in clause (*a*) of sub-section (*1*); and

(*b*) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.]

[6]**[115AB. Tax on income from units purchased in foreign currency or capital gains arising from their transfer.**—(*1*) Where the total income of an assessee, being an overseas financial organisation (hereinafter referred to as Offshore Fund) includes—

(*a*) income received in respect of units purchased in foreign currency; or

(*b*) income by way of long-term capital gains arising from the transfer of units purchased in foreign currency,

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the income in respect of units referred to in clause (*a*), if any, included in the total income, at the rate of ten per cent;

(*ii*) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (*b*), if any, included in the total income, at the rate of ten per cent; and

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1. Ins. by Act 49 of 1991, s. 40 (w.e.f. 1-4-1991).
2. The existing *Explanation* renumbered as *Explanation 1* by s. 40, *ibid* (w.e.f. 1-4-1991).
3. Ins. by s. 40, *ibid*. (w.e.f. 1-4-1991).
4. Subs. by s. 40, *ibid*., for "purposes of the proviso" (w.e.f. 1-4-1991).
5. Ins. by Act 32 of 1994, s. 32 (w.e.f. 1-4-1995).
6. Ins. by Act 49 of 1991, s. 41 (w.e.f. 1-4-1992).

(*iii*) the amount of income-tax with which the Offshore Fund would have been chargeable had its total income been reduced by the amount of income referred to in clause (*a*) and clause (*b*).

(*2*) Where the gross total income of the Offshore Fund,—

(*a*) consists only of income from units or income by way of long-term capital gains arising from the transfer of units, or both, no deduction shall be allowed to the assessee under sections 28 to 44C [1]*** or clause (*i*) or clause (*iii*) of section 57 or under Chapter VI-A [2][and nothing contained in the provisions of the second proviso to section 48 shall apply to income referred to in clause (*b*) of sub-section (*1*)];

(*b*) includes any income referred to in clause (*a*), the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

Explanation.—For the purposes of this section,—

(*a*) "overseas financial organisation" means any fund, institution, association or body, whether incorporated or not, established under the laws of a country outside India, which has entered into an arrangement for investment in India with any public sector bank or public financial institution or a mutual fund specified under clause (*23D*) of section 10 and such arrangement is approved by the [3][Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992 (15 of 1992),] for this purpose;

(*b*) "unit" means unit of a mutual fund specified under clause (*23D*) of section 10 or of the Unit Trust of India;

(*c*) "foreign currency" shall have the meaning as in [4][the Foreign Exchange Management Act, 1999 (42 of 1999)];

(*d*) "public sector bank" shall have the meaning assigned to it in clause (*23D*) of section 10;

(*e*) "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956);

(*f*) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963)].

[5]**[115AC. Tax on income from bonds or Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer.**—(*1*) Where the total income of an assessee, being a non- resident, includes—

(*a*) income by way of interest on bonds of an Indian company issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, or on bonds of a public sector company sold by the Government, and purchased by him in foreign currency; or

(*b*) income by way of dividends [6][, other than dividends referred to in section 115-O,] on Global Depository Receipts—

(*i*) issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, against the initial issue of shares of an Indian company and purchased by him in foreign currency through an approved intermediary; or

(*ii*) issued against the shares of a public sector company sold by the Government and purchased by him in foreign currency through an approved intermediary; or

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1. The words, brackets and figures "or sub-section (*2*) of section 48" omitted by Act 18 of 1992, s. 55 (w.e.f. 1-4-1993).
2. Ins. by s. 55, *ibid*. (w.e.f. 1-4-1993).
3. Subs. by Act 14 of 2001, s. 51, for "Central Government" (w.e.f. 1-6-2001).
4. Subs. by Act 17 of 2013, s. 4, for "the Foreign Exchange Regulation Act, 1973 (46 of 1973)" (w.e.f. 1-4-2013).
5. Subs. by Act 14 of 2001, s. 52, for section 115AC (w.e.f. 1-4-2002).
6. Subs. by Act 32 of 2003, s. 50, for "dividends" (w.e.f. 1-4-2004). Earlier the words, figures and letter "other than dividends referred to in section 115-O" omitted by Act 20 of 2002, s. 45 (w.e.f. 1-4-2003).

(*iii*) [1][issued or re-issued] in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, against the existing shares of an Indian company purchased by him in foreign currency through an approved intermediary; or

[2]* * * * *

(*c*) income by way of long-term capital gains arising from the transfer of bonds referred to in clause (*a*) or, as the case may be, Global Depository Receipts referred to in clause (*b*),

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the income by way of interest or dividends [3][, other than dividends referred to in section 115-O], as the case may be, in respect of bonds referred to in clause (*a*) or Global Depository Receipts referred to in clause (*b*), if any, included in the total income, at the rate of ten per cent;

(*ii*) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (*c*), if any, at the rate of ten per cent; and

(*iii*) the amount of income-tax with which the non-resident would have been chargeable had his total income been reduced by the amount of income referred to in clauses (*a*), (*b*) and (*c*).

(*2*) Where the gross total income of the non-resident—

(*a*) consists only of income by way of interest or dividends [2][, other than dividends referred to in section 115-O] in respect of bonds referred to in clause (*a*) of sub-section (*1*) or, as the case may be, Global Depository Receipts referred to in clause (*b*) of that sub-section, no deduction shall be allowed to him under sections 28 to 44C or clause (*i*) or clause (*iii*) of section 57 or under Chapter VI-A;

(*b*) includes any income referred to in clause (*a*) or clause (*b*) or clause (*c*) of sub-section (1), the gross total income shall be reduced by the amount of such income and the deduction under Chapter VI-A shall be allowed as if the gross total income as so reduced, were the gross total income of the assessee.

(*3*) Nothing contained in the first and second provisos to section 48 shall apply for the computation of long-term capital gains arising out of the transfer of long-term capital asset, being bonds or Global Depository Receipts referred to in clause (*c*) of sub-section (*1*).

(*4*) It shall not be necessary for a non-resident to furnish under sub-section (*1*) of section 139 a return of his income if—

(*a*) his total income in respect of which he is assessable under this Act during the previous year consisted only of income referred to in clauses (*a*) and (*b*) of sub-section (*1*); and

(*b*) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.

(*5*) Where the assessee acquired Global Depository Receipts or bonds in an amalgamated or resulting company by virtue of his holding Global Depository Receipts or bonds in the amalgamating or demerged company, as the case may be, in accordance with the provisions of sub-section (*1*), the provisions of that sub-section shall apply to such Global Depository Receipts or bonds.

Explanation.—For the purposes of this section,—

(*a*) "approved intermediary" means an intermediary who is approved in accordance with such scheme as may be notified by the Central Government in the Official Gazette;

(*b*) "Global Depository Receipts" shall have the same meaning as in clause (*a*) of the *Explanation* to section 115ACA.]

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1. Subs. by Act 20 of 2002, s. 46, for "re-issued" (w.e.f. 1-4-2002).
2. Sub-clause (*iv*) omitted by s. 46, *ibid* (w.e.f. 1-4-2002).
3. Subs. by Act 32 of 2003, s. 51, for "dividends" (w.e.f. 1-4-2004).

[1][**115ACA. Tax on income from Global Depository Receipts purchased in foreign currency or capital gains arising from their transfer.**—[2][(*1*) Where the total income of an assessee, being an individual, who is a resident and an employee of an Indian company engaged in specified knowledge based industry or service, or an employee of its subsidiary engaged in specified knowledge based industry or service (hereafter in this section referred to as the resident employee), includes—

(*a*) [3][income by way of dividends, other than dividends referred to in section 115-O], on Global Depository Receipts of an Indian company engaged in specified knowledge based industry or service, issued in accordance with such Employees' Stock Option Scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf and purchased by him in foreign currency; or

(*b*) income by way of long-term capital gains arising from the transfer of Global Depository Receipts referred to in clause (*a*),

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the [3][income by way of dividends, other than dividends referred to in section 115-O], in respect of Global Depository Receipts referred to in clause (*a*), if any, included in the total income, at the rate of ten per cent;

(*ii*) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (*b*), if any, at the rate of ten per cent; and

(*iii*) the amount of income-tax with which the resident employee would have been chargeable had his total income been reduced by the amount of income referred to in clauses (*a*) and (*b*).

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

(*a*) "specified knowledge based industry or service" means—

(*i*) information technology software;

(*ii*) information technology service;

(*iii*) entertainment service;

(*iv*) pharmaceutical industry;

(*v*) bio-technology industry; and

(*vi*) any other industry or service, as may be specified by the Central Government, by notification in the Official Gazette;

(*b*) "subsidiary" shall have the meaning assigned to it in section 4 of the Companies Act, 1956 (1 of 1956) and includes subsidiary incorporated outside India.]

(*2*) Where the gross total income of the resident employee—

(*a*) consists only of [3][income by way of dividends, other than dividends referred to in section 115-O], in respect of Global Depository Receipts referred to in clause (*a*) of sub-section (*1*), no deduction shall be allowed to him under any other provision of this Act;

(*b*) includes any income referred to in clause (*a*) or clause (*b*) of sub-section (*1*), the gross total income shall be reduced by the amount of such income and the deduction under any provision of this Act shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

(*3*) Nothing contained in the first and second provisos to section 48 shall apply for the computation of long-term capital gains arising out of the transfer of long-term capital asset, being Global Depository Receipts referred to in clause (*b*) of sub-section (*1*).

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1. Ins. by Act 27 of 1999, s. 59 (w.e.f. 1-4-2000).
2. Subs. by Act 14 of 2001, s. 53, for sub-section (*1*) (w.e.f. 1-4-2001).
3. Subs. by Act 32 of 2003, s. 52, for "income by way of dividends" (w.e.f. 1-4-2004).

Explanation.—For the purposes of this section,—

(*a*) "Global Depository Receipts" means any instrument in the form of a depository receipt or certificate (by whatever name called) created by the Overseas Depository Bank outside India and [1][issued to investors against the issue of,—

(*i*) ordinary shares of issuing company, being a company listed on a recognised stock exchange in India; or

(*ii*) foreign currency convertible bonds of issuing company];

(*b*) "information technology service" means any service which results from the use of any information technology software over a system of information technology products for realising value addition;

(*c*) "information technology software" means any representation of instructions, data, sound or image, including source code and object code, recorded in a machine readable form and capable of being manipulated or providing inter-activity to a user, by means of an automatic data processing machine falling under heading information technology products but does not include non-information technology products;

(*d*) "Overseas Depository Bank" means a bank authorised by the issuing company to issue Global Depository Receipts against issue of Foreign Currency Convertible Bonds or ordinary shares of the issuing company.]

[2]**[115AD. Tax on income of Foreign Institutional Investors from securities or capital gains arising from their transfer.**—(*1*) Where the total income of a Foreign Institutional Investor includes—

[3][(*a*) [4][income other than income by way of dividends referred to in section 115-O] received in respect of securities (other than units referred to in section 115AB); or]

(*b*) income by way of short-term or long-term capital gains arising from the transfer of such securities,

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the income in respect of securities referred to in clause (*a*), if any, included in the total income, at the rate of twenty per cent:

[5][Provided that the amount of income-tax calculated on the income by way of interest referred to in section 194LD shall be at the rate of five per cent.;]

(*ii*) the amount of income-tax calculated on the income by way of short-term capital gains referred to in clause (*b*), if any, included in the total income, at the rate of thirty per cent:

[6][Provided that the amount of income-tax calculated on the income by way of short-term capital gains referred to in section 111A shall be at the rate of [7][fifteen per cent.];]

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1. Subs. by Act 20 of 2015, s. 29, for "issued to non-resident inventors against the issue of ordinary shares or foreign currency convertible bonds of issuing company" (w.e.f. 1-4-2016).
2. Ins. by Act 38 of 1993, s. 21 (w.e.f. 1-4-1993).
3. Subs. by Act 21 of 1998, s. 38, for clasue (*a*) (w.e.f. 1-4-1999).
4. Subs. by Act 32 of 2003, s. 53, for "income" (w.e.f. 1-4-2004).
5. Ins. by Act 17 of 2013, s. 28 (w.e.f. 1-4-2014).
6. Ins. by Act 23 of 2004, s. 27 (w.e.f. 1-4-2005).
7. Subs. by Act 18 of 2008, s. 22, for "ten per cent." (w.e.f. 1-4-2009).

(*iii*) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (*b*), if any, included in the total income, at the rate of ten per cent.; [1]***

[2][Provided that in case of income arising from the transfer of a long-term capital asset referred to in section 112A, income-tax at the rate of ten per cent. shall be calculated on such income exceeding one lakh rupees; and]

(*iv*) the amount of income-tax with which the Foreign Institutional Investor would have been chargeable had its total income been reduced by the amount of income referred to in clause (*a*) and clause (*b*).

(*2*) Where the gross total income of the Foreign Institutional Investor—

(*a*) consists only of income in respect of securities referred to in clause (*a*) of sub-section (*1*), no deduction shall be allowed to it under sections 28 to 44C or clause (*i*) or clause (*iii*) of section 57 or under Chapter VIA;

(*b*) includes any income referred to in clause (*a*) or clause (*b*) of sub-section (*1*), the gross total income shall be reduced by the amount of such income and the deduction under Chapter VIA shall be allowed as if the gross total income as so reduced, were the gross total income of the Foreign Institutional Investor.

(*3*) Nothing contained in the first and second provisos to section 48 shall apply for the computation of capital gains arising out of the transfer of securities referred to in clause (*b*) of sub-section (*1*).

Explanation.—For the purposes of this section,—

(*a*) the expression "Foreign Institutional Investor" means such investor as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*b*) the expression "securities" shall have the meaning assigned to it in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).]

115B. Tax on profits and gains of life insurance business.—[3][(*1*)] Where the total income of an assessee includes any profits and gains from life insurance business, the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the amount of profits and gains of the life insurance business included in the total income, at the rate of twelve and one-half per cent; and

(*ii*) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of profits and gains of the life insurance business.

[4][(*2*) Notwithstanding anything contained in sub-section (*1*) or in any other law for the time being in force or any instrument having the force of law, the assessee shall, in addition to the payment of income-tax computed under sub-section (*1*), deposit, during [5][the previous years relevant to the assessment years commencing on the 1st day of April, 1989 and the 1st day of April, 1990], an amount equal to thirty-three and one-third per cent of the amount of income-tax computed under clause (*i*) of sub-section (*1*), in such social security fund (hereafter in this sub-section referred to as the security fund), as the Central Government may, by notification in the Official Gazette, specify in this behalf:

1. The word "and" omitted by Act 13 of 2018, s. 34 (w.e.f. 1-4-2019).
2. Ins. by s. 34, *ibid*. (w.e.f. 1-4-2019).
3. Section 115B renumbered as sub-section (*1*) by Act 26 of 1988, s. 31 (w.e.f. 1-4-1989).
4. Ins. by s. 31, *ibid*. (w.e.f. 1-4-1989).
5. Subs. by Act 13 of 1989, s. 18, for "the previous year relevant to the assessment year commencing on the 1st day of April, 1989" (w.e.f. 1-4-1990).

Provided that where the assessee makes during the said [1][previous years] any deposit of an amount of not less than two and one-half per cent of the profits and gains of the life insurance business in the security fund, the amount of income-tax payable by the assessee under the said clause (*i*) shall be reduced by an amount equal to two and one-half per cent of such profits and gains and, accordingly, the deposit of thirty-three and one-third per cent required to be made under this sub-section shall be calculated on the income-tax as so reduced].]

[2]**[115BA. Tax on income of certain domestic companies.**—(*1*) Notwithstanding anything contained in this Act but subject to the [3][other provisions of this Chapter], the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2017, shall, at the option of such person, be computed at the rate of twenty-five per cent, if the conditions contained in sub-section (*2*) are satisfied.

(*2*) For the purposes of sub-section (*1*), the following conditions shall apply, namely:—

(*a*) the company has been set-up and registered on or after the 1st day of March, 2016;

(*b*) the company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it; and

(*c*) the total income of the company has been computed,—

(*i*) without any deduction under the provisions of section 10AA or clause (*iia*) of sub-section (*1*) of section 32 or section 32AC or section 32AD or section 33AB or section 33ABA or sub-clause (*ii*) or sub-clause (*iia*) or sub-clause (*iii*) of sub-section (*1*) or sub-section (*2AA*) or sub-section (*2AB*) of section 35 or section 35AC or section 35AD or section 35CCC or section 35CCD or under any provisions of Chapter VIA under the heading "C.—Deductions in respect of certain incomes" other than the provisions of section 80JJAA;

(*ii*) without set off of any loss carried forward from any earlier assessment year if such loss is attributable to any of the deductions referred to in sub-clause (*i*); and

(*iii*) depreciation under section 32, other than clause (*iia*) of sub-section (*1*) of the said section, is determined in the manner as may be prescribed.

(*3*) The loss referred to in sub-clause (*ii*) of clause (*c*) of sub-section (*2*) shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

(*4*) Nothing contained in this section shall apply unless the option is exercised by the person in the prescribed manner on or before the due date specified under sub-section (*1*) of section 139 for furnishing the first of the returns of income which the person is required to furnish under the provisions of this Act:

Provided that once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.]

[4]**[115BB. Tax on winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever.—**Where the total income of an assessee includes any income by way of winnings from any lottery or crossword puzzle or race including horse race (not being income from the activity of owning and maintaining race horses) or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on income by way of winnings from such lottery or crossword puzzle or race including horse race or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, at the rate of [5][thirty per cent.]; and

1. Subs. by Act 13 of 1989, s. 18, for "previous year" (w.e.f. 1-4-1990).
2. Ins. by Act 28 of 2016, s. 51 (w.e.f. 1-4-2017).
3. Subs. by Act 13 of 2018, s. 35, for "provisions of section 111A and section 112" (w.e.f. 1-4-2017).
4. Ins. by Act 3 of 1986, s. 26 (w.e.f. 1-4-1987).
5. Subs. by Act 14 of 2001, s. 54, for "forty per cent." (w.e.f. 1-4-2002).

(*ii*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (*i*).

Explanation.—For the purposes of this section, "horse race" shall have the same meaning as in section 74A.]

[1][**115BBA. Tax on non-resident sportsmen or sports associations.—**(*1*) Where the total income of an assessee,—

(*a*) being a sportsman (including an athlete), who is not a citizen of India and is a non-resident, includes any income received or receivable by way of—

(*i*) participation in India in any game (other than a game the winnings wherefrom are taxable under section 115BB) or sport; or

(*ii*) advertisement; or

(*iii*) contribution of articles relating to any game or sport in India in newspapers, magazines or journals; or

(*b*) being a non-resident sports association or institution, includes any amount guaranteed to be paid or payable to such association or institution in relation to any game (other than a game the winnings wherefrom are taxable under section 115BB) or sport played in India [2][; or]

[2][(*c*) being an entertainer, who is not a citizen of India and is a non-resident, includes any income received or receivable from his performance in India,]

the income-tax payable by the assessee shall be the aggregate of—

(*i*) the amount of income-tax calculated on income referred to in [3][clause (*a*) or clause (*b*) or clause (*c*)] at the rate of [4][twenty per cent.]; and

(*ii*) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of income referred to in [3][clause (*a*) or clause (*b*) or clause (*c*)]:

Provided that no deduction in respect of any expenditure or allowance shall be allowed under any provision of this Act in computing the income referred to in [3][clause (*a*) or clause (*b*) or clause (*c*)].

(*2*) It shall not be necessary for the assessee to furnish under sub-section (*1*) of section 139 a return of his income if—

(*a*) his total income in respect of which he is assessable under this Act during the previous year consisted only of income referred to in [3][clause (*a*) or clause (*b*) or clause (*c*)] of sub-section (*1*); and

(*b*) the tax deductible at source under the provisions of Chapter XVIIB has been deducted from such income.]

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1. Ins. by Act 36 of 1989, s. 10 (w.e.f. 1-4-1990).

2. Ins. by Act 23 of 2012, s. 45 (w.e.f. 1-4-2013).

3. Subs. by s. 45, *ibid*., for "clause (*a*) or clause (*b*)" (w.e.f. 1-4-2013).

4. Subs. by s. 45, *ibid*., for "ten per cent." (w.e.f. 1-4-2013).

[1][**115BBB. Tax on income from units of an open-ended equity oriented fund of the Unit Trust of India or of Mutual Funds.**—(*1*) Where the total income of an assessee includes any income from units of an open-ended equity oriented fund of the Unit Trust of India or of a Mutual Fund, the income-tax payable shall be the aggregate of—

(*a*) the amount of income-tax calculated on income from units of an open-ended equity oriented fund of the Unit Trust of India or of a Mutual Fund, at the rate of ten per cent; and

(*b*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (*a*).

(*2*) Nothing contained in sub-section (*1*) shall apply in relation to any income from units of an open-ended equity oriented fund of the Unit Trust of India or of the Mutual Fund arising after the 31st day of March, 2003.

Explanation.—For the purposes of this section, the expressions "Mutual Fund", "open-ended equity oriented fund" and "Unit Trust of India" shall have the meanings respectively assigned to them in the *Explanation* to section 115T.]

[2][**115BBC. Anonymous donations to be taxed in certain cases.**—(*1*) Where the total income of an assessee, being a person in receipt of income on behalf of any university or other educational institution referred to in sub-clause (*iiiad*) or sub-clause (*vi*) or any hospital or other institution referred to in sub-clause (*iiiae*) or sub-clause (*via*) or any fund or institution referred to in sub-clause (*iv*) or any trust or institution referred to in sub-clause (*v*) of clause (*23C*) of section 10 or any trust or institution referred to in section 11, includes any income by way of any anonymous donation, the income-tax payable shall be the aggregate of—

[3][(*i*) the amount of income-tax calculated at the rate of thirty per cent. on the aggregate of anonymous donations received in excess of the higher of the following, namely:—

(*A*) five per cent of the total donations received by the assessee; or

(*B*) one lakh rupees, and]

[4][(*ii*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the aggregate of anonymous donations received in excess of the amount referred to in sub-clause (*A*) or sub-clause (*B*) of clause (*i*), as the case may be.]

(*2*) The provisions of sub-section (*1*) shall not apply to any anonymous donation received by—

(*a*) any trust or institution created or established wholly for religious purposes;

(*b*) any trust or institution created or established wholly for religious and charitable purposes other than any anonymous donation made with a specific direction that such donation is for any university or other educational institution or any hospital or other medical institution run by such trust or institution.

(*3*) For the purposes of this section, "anonymous donation" means any voluntary contribution referred to in sub-clause (*iia*) of clause (*24*) of section 2, where a person receiving such contribution does not maintain a record of the identity indicating the name and address of the person making such contribution and such other particulars as may be prescribed.]

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1. Ins. by Act 20 of 2002, s. 49 (w.e.f. 1-4-2003).
2. Ins. by Act 21 of 2006, s. 22 (w.e.f. 1-4-2007).
3. Subs. by Act 33 of 2009, s. 43, for clause (*i*) (w.e.f. 1-4-2010).
4. Subs. by Act 25 of 2014, s. 37, for clause (*ii*) (w.e.f. 1-4-2015).

[1][**115BBD. Tax on certain dividends received from foreign companies.**—(*1*) Where the total income of an assessee, being an Indian company, [2]*** includes any income by way of dividends declared, distributed or paid by a specified foreign company, the income-tax payable shall be the aggregate of—

(*a*) the amount of income-tax calculated on the income by way of such dividends, at the rate of fifteen per cent; and

(*b*) the amount of income-tax with which the assessee would have been chargeable had its total income been reduced by the aforesaid income by way of dividends.

(*2*) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing its income by way of dividends referred to in sub-section (*1*).

(*3*) In this section,—

(*i*) "dividends" shall have the same meaning as is given to "dividend" in clause (*22*) of section 2 but shall not include sub-clause (*e*) thereof;

(*ii*) "specified foreign company" means a foreign company in which the Indian company holds twenty-six per cent or more in nominal value of the equity share capital of the company.]

[3][**115BBDA. Tax on certain dividends received from domestic companies.**—(*1*) Notwithstanding anything contained in this Act, where the total income of [4][a specified assessee,] resident in India, includes any income in aggregate exceeding ten lakh rupees, by way of dividends declared, distributed or paid by a domestic company or companies, the income-tax payable shall be the aggregate of—

(*a*) the amount of income-tax calculated on the income by way of such dividends in aggregate exceeding ten lakh rupees, at the rate of ten per cent; and

(*b*) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of income by way of dividends.

(*2*) No deduction in respect of any expenditure or allowance or set off of loss shall be allowed to the assessee under any provision of this Act in computing the income by way of dividends referred to in clause (*a*) of sub-section (*1*).

(*3*) In this section, "dividends" shall have the same meaning as is given to "dividend" in clause (*22*) of section 2 but shall not include sub-clause (*e*) thereof.]

[5][*Explanation*.—For the purposes of this section,—

(*a*) "dividend" shall have the meaning assigned to it in clause (*22*) of section 2 but shall not include sub-clause (*e*) thereof;

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1. Ins. by Act 8 of 2011, s. 17 (w.e.f. 1-4-2012).

2. The words "for the previous year relevant to the assessment year beginning on the 1st day of April, 2012 or beginning on the 1st day of April, 2013 or beginning on the 1st day of April, 2014" omitted by Act 25 of 2014, s. 38 (w.e.f. 1-4-2015).

3. Ins. by Act 28 of 2016, s. 52 (w.e.f. 1-4-2017).

4. Subs. by Act 7 of 2017, s. 44, for "an assessee, being an individual, a Hindu Undivided Family or a firm" (w.e.f. 1-4-2018).

5. Subs. by s. 44, *ibid.*, for the *Explanation* (w.e.f. 1-4-2018).

(*b*) "specified assessee" means a person other than,—

(*i*) a domestic company; or

(*ii*) a fund or institution or trust 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

(*iii*) a trust or institution registered under section 12A or section 12AA.]

[1][**115BBE. Tax on income referred to in section 68 or section 69 or section 69A or section 69B or section 69C or section 69D.**—[2][(*1*) Where the total income of an assessee,—

(*a*) includes any income referred to in section 68, section 69, section 69A, section 69B, section 69C or section 69D and reflected in the return of income furnished under section 139; or

(*b*) determined by the Assessing Officer includes any income referred to in section 68, section 69, section 69A, section 69B, section 69C or section 69D, if such income is not covered under clause (*a*),

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the income referred to in clause (*a*) and clause (*b*), at the rate of sixty per cent; and

(*ii*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (*i*).]

(*2*) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance [3][or set off of any loss] shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (*a*) [4][and clause (*b*)] of sub-section (*1*).]

[5][**115BBF. Tax on income from patent**.—(*1*) Where the total income of an eligible assessee includes any income by way of royalty in respect of a patent developed and registered in India, the incometax payable shall be the aggregate of—

(*a*) the amount of income-tax calculated on the income by way of royalty in respect of the patent at the rate of ten per cent.; and

(*b*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the income referred to in clause (*a*).

(*2*) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the eligible assessee under any provision of this Act in computing his income referred to in clause (*a*) of sub-section (*1*).

(*3*) The eligible assessee may exercise the option for taxation of income by way of royalty in respect of a patent developed and registered in India in accordance with the provisions of this section, in the prescribed manner, on or before the due date specified under sub-section (*1*) of section 139 for furnishing the return of income for the relevant previous year.

1. Ins. by Act 23 of 2012, s. 47 (w.e.f. 1-4-2013).
2. Subs. by Act 48 of 2016, s. 2, for section 115BBE (w.e.f. 1-4-2017).
3. Ins. by Act 28 of 2016, s. 53 (w.e.f. 1-4-2017).
4. Ins. by Act 13 of 2018, s. 36 (w.r.e.f. 1-4-2017).
5. Ins. by Act 28 of 2016, s. 54 (w.e.f. 1-4-2017).

(*4*) Where an eligible assessee opts for taxation of income by way of royalty in respect of a patent developed and registered in India for any previous year in accordance with the provisions of this section and the assessee offers the income for taxation for any of the five assessment years relevant to the previous year succeeding the previous year not in accordance with the provisions of sub-section (*1*), then, the assessee shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which such income has not been offered to tax in accordance with the provisions of sub-section (*1*).

Explanation.—For the purposes of this section,—

(*a*) "developed" means at least seventy-five per cent. of the expenditure incurred in India by the eligible assessee for any invention in respect of which a patent is granted under the Patents Act, 1970 (herein referred to as the Patents Act);

(*b*) "eligibleassessee" means a person resident in India and who is a patentee;

(*c*) "invention" shall have the meaning assigned to it in clause (*j*) of sub-section (*1*) of section 2 of the Patents Act;

(*d*) "lump sum" includes an advance payment on account of such royalties which is not returnable;

(*e*) "patent" shall have the meaning assigned to it in clause (*m*) of sub-section (*1*) of section 2 of the Patents Act;

(*f*) "patentee" means the person, being the true and first inventor of the invention, whose name is entered on the patent register as the patentee, in accordance with the Patents Act, and includes every such person, being the true and first inventor of the invention, where more than one person is registered as patentee under that Act in respect of that patent;

(*g*) "patented article" and "patented process" shall have the meanings respectively assigned to them in clause (*o*) of sub-section (*1*) of section 2 of the Patents Act;

(*h*) "royalty", in respect of a patent, means consideration (including any lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital gains" or consideration for sale of product manufactured with the use of patented process or the patented article for commercial use) for the—

(*i*) transfer of all or any rights (including the granting of a licence) in respect of a patent; or

(*ii*) imparting of any information concerning the working of, or the use of, a patent; or

(*iii*) use of any patent; or

(*iv*) rendering of any services in connection with the activities referred to in sub-clauses (*i*) to (*iii*);

(*i*) "true and first inventor" shall have the meaning assigned to it in clause (*y*) of sub-section (*1*) of section 2 of the Patents Act.]

[1]**[115BBG. Tax on income from transfer of carbon credits.**—(*1*) Where the total income of an assessee includes any income by way of transfer of carbon credits, the income-tax payable shall be the aggregate of—

(*a*) the amount of income-tax calculated on the income by way of transfer of carbon credits, at the rate of ten per cent; and

(*b*) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (*a*).

(*2*) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (*a*) of sub-section (*1*).

Explanation.—For the purposes of this section, "carbon credit" in respect of one unit shall mean reduction of one tonne of carbon dioxide emissions or emissions of its equivalent gases which is validated by the United Nations Framework on Climate Change and which can be traded in market at its prevailing market price.]

[2][CHAPTER XII-A

SPECIAL PROVISIONS RELATING TO CERTAIN INCOMES OF NON-RESIDENTS

115C. Definitions.—In this Chapter, unless the context otherwise requires,—

(*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 [3][the Foreign Exchange Management Act, 1999 (42 of 1999),] and any rules made thereunder;

(*b*) "foreign exchange asset" means any specified asset which the assessee has acquired or purchased with, or subscribed to in, convertible foreign exchange;

(*c*) "investment income" means any [4][income derived other than dividends referred to in section 115-O] from a foreign exchange asset;

(*d*) "long-term capital gains" means income chargeable under the head "Capital gains" relating to a capital asset, being a foreign exchange asset which is not a short-term capital asset;

(*e*) "non-resident Indian" means an individual, being a citizen of India or a person of Indian origin who is not a "resident".

Explanation.—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India;

(*f*) "specified asset" means any of the following assets, namely:—

(*i*) shares in an Indian company;

(*ii*) debentures issued by an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956);

(*iii*) deposits with an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956);

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1. Ins. by Act 7 of 2017, s. 45 (w.e.f. 1-4-2018).
2. Ins. by Act 11 of 1983, s. 36 (w.e.f. 1-6-1983).
3. Subs. by Act 17 of 2013, s. 4, for "The Foreign Exchange Regulation Act, 1973 (46 of 1973)" (w.e.f. 1-4-2013).
4. Subs. by Act 32 of 2003, s. 54, for "income-derive" (w.e.f. 1-4-2004).

(*iv*) any security of the Central Government as defined in clause (*2*) of section 2 of the Public Debt Act, 1944 (18 of 1944);

(*v*) such other assets as the Central Government may specify in this behalf by notification in the Official Gazette.

115D. Special provision for computation of total income of non-residents.—(*1*) No deduction in respect of any expenditure or allowance shall be allowed under any provision of this Act in computing the investment income of a non-resident Indian.

(*2*) Where in the case of an assessee, being a non-resident Indian,—

(*a*) the gross total income consists only of investment income or income by way of long-term capital gains or both, no deduction shall be allowed to the assessee [1][under Chapter VI-A and nothing contained in the provisions of the second proviso to section 48 shall apply to income chargeable under the head "Capital gains"];

(*b*) the gross total income includes any income referred to in clause (*a*), the gross total income shall be reduced by the amount of such income and the deductions under Chapter VIA shall be allowed as if the gross total income as so reduced were the gross total income of the assessee.

[2][**115E. Tax on investment income and long-term capital gains.**—Where the total income of an assessee, being a non-resident Indian, includes—

(*a*) any income from investment or income from long-term capital gains of an asset other than a specified asset;

(*b*) income by way of long-term capital gains,

the tax payable by him shall be the aggregate of—

(*i*) the amount of income-tax calculated on the income in respect of investment income referred to in clause (*a*), if any, included in the total income, at the rate of twenty per cent;

(*ii*) the amount of income-tax calculated on the income by way of long-term capital gains referred to in clause (*b*), if any, included in the total income, at the rate of ten per cent; and

(*iii*) the amount of income-tax with which he would have been chargeable had his total income been reduced by the amount of income referred to in clauses (*a*) and (*b*).]

115F. Capital gains on transfer of foreign exchange assets not to be charged in certain cases.—(*1*) Where, in the case of an assessee being a non-resident Indian, any long-term capital gains arise from the transfer of a foreign exchange asset (the 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 [3]*** the whole or any part of the net consideration in any specified asset [4]***, or in any savings certificates referred to in clause (*4B*) of section 10 (such specified asset [5]***, or such savings certificates 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 net consideration in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

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1. Subs. by Act 18 of 1992, s. 57, for "under sub-section (*2*) of section 48 or under Chapter VIA" (w.e.f. 1-4-1993).

2. Subs. by Act 26 of 1997, s. 36, for section 115E (w.e.f. 1-4-1998).

3. The words "or deposited" omitted by Act 26 of 1988, s. 32 (w.e.f. 1-4-1989).

4. The words, brackets, figure and letter "or in an account referred to in clause (*4A*)" omitted by s. 32, *ibid*. (w.e.f. 1-4-1989).

5. The words "or such deposit in the account aforesaid" omitted by s. 32, *ibid*. (w.e.f. 1-4-1989).

(*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 acquisition of the new asset bears to the net consideration shall not be charged under section 45.

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

(*i*) "cost", in relation to any new asset, being a deposit [1]*** referred to in sub-clause (*iii*), or specified under sub-clause (*v*), of clause (*f*) of section 115C, means the amount of such deposit;

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

(*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 capital assets other than short-term capital assets of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.

115G. Return of income not to be filed in certain cases. It shall not be necessary for a non-resident Indian to furnish under sub-section (*1*) of section 139 a return of his income if—

(*a*) his total income in respect of which he is assessable under this Act during the previous year consisted only of investment income or income by way of long-term capital gains or both; and

(*b*) the tax deductible at source under the provisions of Chapter XVIIB has been deducted from such income.

115H. Benefit under Chapter to be available in certain cases even after the assessee becomes resident.—Where a person, who is a non-resident Indian in any previous year, becomes assessable as resident in India in respect of the total income of any subsequent year, he may furnish to the [2][Assessing Officer] a declaration in writing along with his return of income under section 139 for the assessment year for which he is so assessable, to the effect that the provisions of this Chapter shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an asset of the nature referred to in sub-clause (*ii*) or sub-clause (*iii*) or sub-clause (*iv*) or sub-clause (*v*) of clause (*f*) of section 115C; and if he does so, the provisions of this Chapter shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.

115-I. Chapter not to apply if the assessee so chooses.—A non-resident Indian may elect not to be governed by the provisions of this Chapter for any assessment year by furnishing his return of income for that assessment year under section 139 declaring therein that the provisions of this Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him for that assessment year and his total income for that assessment year shall be computed and tax on such total income shall be charged in accordance with the other provisions of this Act.]

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1. The words, brackets, figures and letter "referred to in clause (*4A*) of section 10 or" omitted by Act 26 of 1988, s. 32 (w.e.f. 1-4-1989).

2. Subs. by Act 4 of 1988, s. 2, for "Income-tax officer" (w.e.f. 1-4-1989).

[1][CHAPTER XII-B

SPECIAL PROVISIONS RELATING TO CERTAIN COMPANIES

115J. Special provisions relating to certain companies.—(*1*) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee being a company [2][(other than a company engaged in the business of generation or distribution of electricity)], the total income, as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 1988 [3][but before the 1st day of April, 1991] (hereafter in this section referred to as the relevant previous year), is less than thirty per cent of its book profit, the total income of such assessee chargeable to tax for the relevant previous year shall be deemed to be an amount equal to thirty per cent of such book profit.

[4][(*1A*) Every assessee, being a company, shall, for the purposes of this section, prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 (1 of 1956).]

Explanation.—For the purposes of this section, "book profit" means the net profit as shown in the profit and loss account for the relevant previous year [5][prepared under sub-section (*1A*)], as increased by—

(*a*) the amount of income-tax paid or payable, and the provision therefor; or

(*b*) the amounts carried to any reserves [2][(other than the reserves specified in section 80HHD [6][or sub-section (*1*) of section 33AC])], by whatever name called; or

(*c*) the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities; or

(*d*) the amount by way of provision for losses of subsidiary companies; or

(*e*) the amount or amounts of dividends paid or proposed; or

(*f*) the amount or amounts of expenditure relatable to any income to which any of the provisions of Chapter III [7][applies; or]

[2][(*g*) the amount withdrawn from the reserve account under section 80HHD, where it has been utilised for any purpose other than those referred to in sub-section (*4*) of that section; or

(*h*) the amount credited to the reserve account under section 80HHD, to the extent that amount has not been utilised within the period specified in sub-section (*4*) of that section;]

[6][(*ha*) the amount deemed to be the profits under sub-section (*3*) of section 33AC,]

[8][if any amount referred to in clauses (*a*) to (*f*) is debited or, as the case may be, the amount referred to in clauses (*g*) and (*h*) is not credited] to the profit and loss account, and as reduced by,—

(*i*) the amount withdrawn from reserves [2][(other than the reserves specified in section 80HHD)] or provisions, if any such amount is credited to the [9][profit and loss account:

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1. Ins. by Act 11 of 1987, s. 43 (w.e.f. 1-4-1988).
2. Ins. by Act 3 of 1989, s. 19 (w.e.f. 1-4-1989).
3. Ins. by Act 12 of 1990, s. 32 (w.e.f. 1-4-1990).
4. Ins. by Act 13 of 1989, s. 19 (w.e.f. 1-4-1989).
5. Subs. by s. 19, *ibid*., for "prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956 (1 of 1956)" (w.e.f. 1-4-1989).
6. Ins. by Act 36 of 1989, s. 12 (w.e.f. 1-4-1990).
7. Subs. by Act 3 of 1989, s. 19, for "applies," (w.e.f. 1-4-1989).
8. Subs. by s. 19, *ibid*., for "if any such amount is debited" (w.e.f. 1-4-1989).
9. Subs. by Act 13 of 1989, s. 19, for "profit and loss account; or" (w.e.f. 1-4-1988).

Provided that, where this section is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made in a previous year relevant to the assessment year commencing on or after the 1st day of April, 1988 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation*; or]

(*ii*) the amount of income to which any of the provisions of Chapter III applies, if any such amount is credited to the profit and loss account; or

[1][(*iii*) the amounts [as arrived at after increasing the net profit by the amounts referred to in clauses (*a*) to (*f*) and reducing the net profit by the amounts referred to in clauses (*i*) and (*ii*)] attributable to the business, the profits from which are eligible for deduction under section 80HHC or section 80HHD; so, however, that such amounts are computed in the manner specified in sub-section (*3*) or sub-section (*3A*) of section 80HHC or sub-section (*3*) of section 80HHD, as the case may be; or]

[2][(*iv*)] the amount of the loss or the amount of depreciation which would be required to be set off against the profit of the relevant previous year as if the provisions of clause (*b*) of the first proviso to sub-section (*1*) of section 205 of the Companies Act, 1956 (1 of 1956), are applicable.

(*2*) Nothing contained in sub-section (*1*) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-section (*2*) of section 32 or sub-section (*3*) of section 32A or clause (*ii*) of sub-section (*1*) of section 72 or section 73 or section 74 or sub-section (*3*) of section 74A or sub-section (*3*) of section 80J.]

[3]**[115JA. Deemed income relating to certain companies**.—(*1*) Notwithstanding anything contained in any other provisions of this Act, where in the case of an assessee, being a company, the total income, as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 1997 [4][but before the 1st day of April, 2001] (hereafter in this section referred to as the relevant previous year) is less than thirty per cent of its book profit, the total income of such assessee chargeable to tax for the relevant previous year shall be deemed to be an amount equal to thirty per cent of such book profit.

(*2*) Every assessee, being a company, shall, for the purposes of this section prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 (1 of 1956):

Provided that while preparing profit and loss account, the depreciation shall be calculated on the same method and rates which have been adopted for calculating the depreciation for the purpose of preparing the profit and loss account laid before the company at its annual general meeting in accordance with the provisions of section 210 of the Companies Act, 1956 (1 of 1956):

Provided further that where a company has adopted or adopts the financial year under the Companies Act, 1956 (1 of 1956), which is different from the previous year under the Act, the method and rates for calculation of depreciation shall correspond to the method and rates which have been adopted for calculating the depreciation for such financial year or part of such financial year falling within the relevant previous year.

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1. Ins. by Act 3 of 1989, s. 19 (w.e.f. 1-4-1989).

2. Clause (*iii*) renumbered as clause (*iv*) by s. 19, *ibid*. (w.e.f. 1-4-1989).

3. Ins. by Act 33 of 1996, s. 39 (w.e.f. 1-4-1997).

4. Ins. by Act 10 of 2000, s. 50 (w.e.f. 1-4-2001).

Explanation.—For the purposes of this section, "book profit" means the net profit as shown in the profit and loss account for the relevant previous year prepared under sub-section (*2*), as increased by—

(*a*) the amount of income-tax paid or payable, and the provision therefor; or

(*b*) the amounts carried to any reserves by whatever name called; or

(*c*) the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities; or

(*d*) the amount by way of provision for losses of subsidiary companies; or

(*e*) the amount or amounts of dividends paid or proposed; or

(*f*) the amount or amounts of expenditure relatable to any income to which any of the provisions of Chapter III applies;

[1][(*g*) the amount or amounts set aside as provision for diminution in the value of any asset,

if any amount referred to in clauses (*a*) to (*g*) is debited to the profit and loss account, and as reduced by,—]

(*i*) the amount withdrawn from any reserves or provisions if any such amount is credited to the profit and loss account:

Provided that, where this section is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made in a previous year relevant to the assessment year commencing on or after the 1st day of April, 1997 [2][but ending before the 1st day of April, 2001] shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation*; or

(*ii*) the amount of income to which any of the provisions of Chapter III applies, if any such amount is credited to the profit and loss account; or

[3][(*iii*) the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account.

Explanation.—For the purposes of this clause,—

(*a*) the loss shall not include depreciation;

(*b*) the provisions of this clause shall not apply if the amount of loss brought forward or unabsorbed depreciation is *nil;* or]

(*iv*) the amount of profits derived by an industrial undertaking from the business of generation or generation and distribution of power; or

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1. Subs. by Act 33 of 2009, s. 44, for "if any amount referred to in clauses (*a*) to (*f*) is debited to the profit and loss account, and as reduced by, —" (w.e.f. 1-4-1998).

2. Ins. by Act 10 of 2000, s. 50 (w.e.f. 1-4-2001).

3. Subs. by Act 20 of 2002, s. 51, for "clause (*iii*) and the *Explanation* thereto" (w.e.f. 1-4-1997).

(*v*) the amount of profits derived by an industrial undertaking located in an industrially backward State or district as referred to in [1][sub-section (*4*) and sub-section (*5*) of section 80-IB], for the assessment years such industrial undertaking is eligible to claim a deduction of hundred per cent of the [2][profits and gains under sub-section (*4*) or sub-section (*5*) of section 80-IB]; or

(*vi*) the amount of profits derived by an industrial undertaking from the business of developing, maintaining and operating any infrastructure facility [3][as defined in the *Explanation* to sub-section (*4*) of section 80-IA and subject to fulfilling the conditions laid down in that sub-section]; or

(*vii*) the amount of profits of sick industrial company for the assessment year commencing from the assessment year relevant to the previous year in which the said company has become a sick industrial company under sub-section (*1*) of section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) and ending with the assessment 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); [4][or]

[5][(*viii*) the amount of profits eligible for deduction under section 80HHC, computed under clause (*a*), (*b*) or (*c*) of sub-section (*3*) or sub-section (*3A*), as the case may be, of that section, and subject to the conditions specified in sub-sections (*4*) and (*4A*) of that section;

(*ix*) the amount of profits eligible for deduction under section 80HHE, computed under sub-section (*3*) of that section.]

(*3*) Nothing contained in sub-section (*1*) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-section (*2*) of section 32 or sub-section (*3*) of section 32A or clause (*ii*) of sub-section (*1*) of section 72 or section 73 or section 74 or sub-section (*3*) of section 74A.

(*4*) Save as otherwise provided in this section, all other provisions of this Act shall apply to every assessee, being a company, mentioned in this section.]

[6]**[115JAA. Tax credit in respect of tax paid on deemed income relating to certain companies.**—(*1*) Where any amount of tax is paid under sub-section (*1*) of section 115JA by an assessee being a company for any assessment year, then, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of this section.

[7][(*1A*) Where any amount of tax is paid under sub-section (*1*) of section 115JB by an assessee, being a company for the assessment year commencing on the 1st day of April, 2006 and any subsequent assessment year, then, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of this section.]

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1. Subs. by Act 27 of 1999, s. 90, for "sub-clause (*b*) or sub-clause (*c*) of clause (*iv*) of sub-section (*2*) of section 80-IA" (w.e.f. 1-4-2000).
2. Subs. by s. 90, *ibid*., for "profits and gains under sub-section (*5*) of section 80-IA" (w.e.f. 1-4-2000).
3. Subs. by s. 90, *ibid.*, for "under sub-section (*12*) of section 80-IA, and subject to fulfilling the conditions laid down in sub-section (*4A*) of section 80-IA" (w.e.f. 1-4-2000).
4. Ins. by Act 26 of 1997, s. 37 (w.e.f. 1-4-1997).
5. Ins. by s. 37, *ibid*. (w.e.f. 1-4-1998).
6. Ins. by Act 26 of 1997, s. 38 (w.e.f. 1-4-1997).
7. Ins. by Act 18 of 2005, s. 35 (w.e.f. 1-4-2006).

[1][(*2*) The tax credit to be allowed under sub-section (*1*) shall be the difference of the tax paid for any assessment year under sub-section (*1*) of section 115JA and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act:

Provided that no interest shall be payable on the tax credit allowed under sub-section (*1*).

(*2A*) The tax credit to be allowed under sub-section (*1A*) shall be the difference of the tax paid for any assessment year under sub-section (*1*) of section 115JB and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act:

Provided that no interest shall be payable on the tax credit allowed under sub-section (*1A*):

[2][Provided further that where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 90 or section 90A or section 91, allowed against the tax payable under the provisions of sub-section (*1*) of section 115JB exceeds the amount of such tax credit admissible against the tax payable by the assessee on its income in accordance with the other provisions of this Act, then, while computing the amount of credit under this sub-section, such excess amount shall be ignored.]

(*3*) The amount of tax credit determined under sub-section (*2*) shall be carried forward and set off in accordance with the provisions of sub-sections (*4*) and (*5*) but such carry forward shall not be allowed beyond the fifth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (*1*).

(*3A*) The amount of tax credit determined under sub-section (*2A*) shall be carried forward and set off in accordance with the provisions of sub-sections (*4*) and (*5*) but such carry forward shall not be allowed beyond the [3][fifteenth assessment year] immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (*1A*).]

(*4*) The tax credit shall be allowed set-off in a year when tax becomes payable on the total income computed in accordance with the provisions of this Act other than section 115JA [4][or section 115JB, as the case may be].

(*5*) Set off in respect of brought forward tax credit shall be allowed for any assessment year to the extent of the difference between the tax on his total income and the tax which would have been payable under the provisions of sub-section (*1*) of section 115JA [4][or section 115JB, as the case may be] for that assessment year.

(*6*) Where as a result of an order under sub-section (*1*) or sub-section (*3*) of section 143, section 144, section 147, section 154, section 155, sub-section (*4*) of section 245D, section 250, section 254, section 260, section 262, section 263 or section 264, the amount of tax payable under this Act is reduced or increased, as the case may be, the amount of tax credit allowed under this section shall also be increased or reduced accordingly.

[5][(*7*) In case of conversion of a private company or unlisted public company into a limited liability partnership under the Limited Liability Partnership Act, 2008 (6 of 2009), the provisions of this section shall not apply to the successor limited liability partnership.

Explanation.—For the purposes of this section, 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).]]

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1. Subs. by Act 21 of 2006, s. 23, for sub-sections (*2*) and (*3*) (w.e.f. 1-4-2007).

2. Ins. by Act 7 of 2017, s. 46 (w.e.f. 1-4-2018).

3. Subs. by, s. 46, *ibid*., for "tenth assessment year" (w.e.f. 1-4-2018).

4. Ins. by Act 10 of 2000, s. 51 (w.e.f. 1-4-2001).

5. Ins. by Act 14 of 2010, s. 29 (w.e.f. 1-4-2011).

[1]**[115JB. Special provision for payment of tax by certain companies.**—(*1*) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee, being a company, the income-tax, payable on the total income as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after [2][the 1st day of April, 2012], is less than [3][eighteen and one-half per cent.] of its book profit, [4][such book profit shall be deemed to be the total income of the assessee and the tax payable by the assessee on such total income shall be the amount of income-tax at the rate of [3][eighteen and one-half per cent.]].

(*2*) [5][Every assessee,—

(*a*) being a company, other than a company referred to in clause (*b*), shall, for the purposes of this section, prepare its [6][statement of profit and loss] for the relevant previous year in accordance with the provisions of [7][Schedule III] to [8][the Companies Act, 2013 (18 of 2013)]; or

(*b*) being a company, to which the [9][second proviso to sub-section (*1*) of section 129] of [8][the Companies Act, 2013 (18 of 2013)] is applicable, shall, for the purposes of this section, prepare its [6][statement of profit and loss] for the relevant previous year in accordance with the provisions of the Act governing such company:]

Provided that while preparing the annual accounts including [6][statement of profit and loss],—

(*i*) the accounting policies;

(*ii*) the accounting standards adopted for preparing such accounts including [6][statement of profit and loss;

(*iii*) the method and rates adopted for calculating the depreciation,

shall be the same as have been adopted for the purpose of preparing such accounts including [6][statement of profit and loss] and laid before the company at its annual general meeting in accordance with the provisions of [10][section 210] of [8][the Companies Act, 2013 (18 of 2013)]:

Provided further that where the company has adopted or adopts the financial year under [8][the Companies Act, 2013 (18 of 2013)], which is different from the previous year under this Act,—

(*i*) the accounting policies;

(*ii*) the accounting standards adopted for preparing such accounts including [6][statement of profit and loss];

(*iii*) the method and rates adopted for calculating the depreciation,

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1. Ins. by Act 10 of 2000, s. 52 (w.e.f. 1-4-2001).

2. Subs. by Act 8 of 2011, s. 18, for "the 1st day of April, 2011" (w.e.f. 1-4-2012).

3. Subs. by s. 18, *ibid*., for "eighteen per cent." (w.e.f. 1-4-2012).

4. Subs. by Act 20 of 2002, s. 52, for "the tax payable for the relevant previous year shall be deemed to be seven and one-half per cent. of such book profit" (w.e.f. 1-4-2001).

5. Subs. by Act 23 of 2012, s. 48, for the portion beginning with the words "Every assessee," and ending with the words and figures "the Companies Act, 1956 (1 of 1956):" (w.e.f. 1-4-2013).

6. Subs. by Act 7 of 2017, s. 47, for "profit and loss account" (w.e.f. 1-4-2017).

7. Subs. by s. 47, *ibid*., for "Part II of Schedule VI" (w.e.f. 1-4-2017).

8. Subs. by s. 47, *ibid*., for "the Companies Act, 1956 (1 of 1956)" (w.e.f. 1-4-2017).

9. Subs. by s. 47, *ibid*., for "proviso to sub-section (*2*) of section 211" (w.e.f. 1-4-2017).

10. Subs. by s. 47, *ibid*., for "section 210" (w.e.f. 1-4-2017).

shall correspond to the accounting policies, accounting standards and the method and rates for calculating the depreciation which have been adopted for preparing such accounts including [1][statement of profit and loss] for such financial year or part of such financial year falling within the relevant previous year.

Explanation [2][*1*].—For the purposes of this section, "book profit" means the [3][profit] as shown in the [1][statement of profit and loss] for the relevant previous year prepared under sub-section (*2*), as increased by—

(*a*) the amount of income-tax paid or payable, and the provision therefor; or

(*b*) the amounts carried to any reserves, by whatever name called [4][, other than a reserve specified under section 33AC]; or

(*c*) the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities; or

(*d*) the amount by way of provision for losses of subsidiary companies; or

(*e*) the amount or amounts of dividends paid or proposed; or

(*f*) the amount or amounts of expenditure relatable to any income to which [5][section 10 (other than the provisions contained in clause (*38*) thereof) or [6]*** section 11 or section 12 apply; or]

[7][(*fa*) the amount or amounts of expenditure relatable to income, being share of the assessee in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86; or

(*fb*) the amount or amounts of expenditure relatable to income accruing or arising to an assessee, being a foreign company, from,—

(*A*) the capital gains arising on transactions in securities; or

(*B*) the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,

if the income-tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, is at a rate less than the rate specified in sub-section (*1*); or

(*fc*) the amount representing notional loss on transfer of a capital asset, being share of a special purpose vehicle, to a business trust in exchange of units allotted by the trust referred to in clause (*xvii*) of section 47 or the amount representing notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of units referred to in clause (*xvii*) of section 47; or]

[8][(*fd*) the amount or amounts of expenditure relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF; or]

[9][(*g*) the amount of depreciation,]

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1. Subs. by Act 7 of 2017, s. 47, for "profit and loss account" (w.e.f. 1-4-2017).
2. The *Explanation* numbered as *Explanation* 1 by Act 18 of 2008, s. 23 (w.e.f. 1-4-2001).
3. Subs. by Act 7 of 2017, s. 47, for "net profit" (w.e.f. 1-4-2017).
4. Ins. by Act 20 of 2002, s. 52 (w.e.f. 1-4-2003).
5. Subs. by Act 21 of 2006, s. 24, for "section 10 (other than the provisions contained in clause (23G) thereof) or section 10A or section 10B or section 11 or section 12 apply," (w.e.f. 1-4-2007).
6. The words, figures and letters "section 10A or section 10B or" omitted by Act 22 of 2007, s. 34 (w.e.f. 1-4-2008).
7. Ins. by Act 20 of 2015, s. 30 (w.e.f. 1-4-2016).
8. Ins. by Act 28 of 2016, s. 55 (w.e.f. 1-4-2017).
9. Ins. by Act 21 of 2006, s. 24 (w.e.f. 1-4-2007).

[1][(*h*) the amount of deferred tax and the provision therefor,

[2][(*i*) the amount or amounts set aside as provision for diminution in the value of any asset,

[3][(*j*) the amount standing in revaluation reserve relating to revalued asset on the retirement or disposal of such asset,

[4][(*k*) the amount of gain on transfer of units referred to in clause (*xvii*) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through [5][statement of profit and loss], as the case may be;]

if any amount referred to in clauses (*a*) to (*i*) is debited to the [5][statement of profit and loss] or if any amount referred to in clause (*j*) is not credited to the [5][statement of profit and loss], and as reduced by,—]]]

[6][(*i*) the amount withdrawn from any reserve or provision (excluding a reserve created before the 1st day of April, 1997 otherwise than by way of a debit to the [5][statement of profit and loss]), if any such amount is credited to the [5][statement of profit and loss]:

Provided that where this section is applicable to an assessee in any previous year, the amount withdrawn from reserves created or provisions made in a previous year relevant to the assessment year commencing on or after the 1st day of April, 1997 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation* or *Explanation* below the second proviso to section 115JA, as the case may be; or]

(*ii*) the amount of income to which any of the provisions of [7][section 10 (other than the provisions contained in clause (*38*) thereof)] or [8]*** section 11 or section 12 apply, if any such amount is credited to the [5][statement of profit and loss]; or

[9][(*iia*) the amount of depreciation debited to the [5][statement of profit and loss] (excluding the depreciation on account of revaluation of assets); or

(*iib*) the amount withdrawn from revaluation reserve and credited to the [5][statement of profit and loss], to the extent it does not exceed the amount of depreciation on account of revaluation of assets referred to in clause (*iia*); or]

[10][(*iic*) the amount of income, being the share of the assessee in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86, if any, such amount is credited to the [5][statement of profit and loss]; or

(*iid*) the amount of income accruing or arising to an assessee, being a foreign company, from,—

(*A*) the capital gains arising on transactions in securities; or

(*B*) the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII,

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1. Subs. by Act 18 of 2008, s. 23, for the portion beginning with the words "if any amount referred" and ending with the words "as reduced by—" (w.e.f. 1-4-2001).
2. Subs. by Act 33 of 2009, s. 46, for "if any amount referred to in clauses (*a*) to (*h*) is debited to the profit and loss account, and as reduced by—" (1-4-2001)
3. Subs. by Act 23 of 2012, s. 48, for "if any amount referred to in clauses (*a*) to (*i*) is debited to the profit and loss account, and as reduced by, —" (w.e.f. 1-4-2013).
4. Ins. by Act 20 of 2015, s. 30 (w.e.f. 1-4-2016).
5. Subs. by Act 7 of 2017, s. 47, for "profit or loss account" (w.e.f. 1-4-2017).
6. Subs. by Act 20 of 2002, s. 52, for clause (*i*) and the proviso (w.e.f. 1-4-2001).
7. Subs. by Act 21 of 2006, s. 24, for "section 10 (other than the provisions contained in clause (23G) thereof)" (w.e.f. 1-4-2007).
8. The words, figures and letters "section 10A or section 10B or" omitted by Act 22 of 2007, s. 34 (w.e.f. 1-4-2008).
9. Ins. by Act 21 of 2006, s. 24 (w.e.f. 1-4-2007).
10. Ins. by Act 20 of 2015, s. 30 (w.e.f. 1-4-2016).

if such income is credited to the [1][statement of profit and loss] and the income-tax payable thereon in accordance with the provisions of this Act, other than the provisions of this Chapter, is at a rate less than the rate specified in sub-section (*1*); or

(*iie*) the amount representing,—

(*A*) notional gain on transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause (*xvii*) of section 47; or

(*B*) notional gain resulting from any change in carrying amount of said units; or

(*C*) gain on transfer of units referred to in clause (*xvii*) of section 47,

if any, credited to the [1][statement of profit and loss]; or

(*iif*) the amount of loss on transfer of units referred to in clause (*xvii*) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through profit or loss account, as the case may be; or]

[2][(*iig*) the amount of income by way of royalty in respect of patent chargeable to tax under section 115BBF;] or

[3][(*iih*) the aggregate amount of unabsorbed depreciation and loss brought forward in case of a company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016.

Explanation.—For the purposes of this clause, the expression "Adjudicating Authority" shall have the meaning assigned to it in clause (*1*) of section 5 of the Insolvency and Bankruptcy Code, 2016 and the loss shall not include depreciation; or;]

[4][(*iii*) the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account [3][in case of a company other than the company referred to in clause (*iih*)].

Explanation.—For the purposes of this clause,—

(*a*) the loss shall not include depreciation;

(*b*) the provisions of this clause shall not apply if the amount of loss brought forward or unabsorbed depreciation is *nil*; or]

[5]* * * * *

(*vii*) the amount of profits of sick industrial company for the assessment year commencing on and from the assessment year relevant to the previous year in which the said company has become a sick industrial company under sub-section (*1*) of section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) and ending with the assessment 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); or

[6][(*viii*) the amount of deferred tax, if any such amount is credited to the [1][statement of profit and loss].]

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1. Subs. by Act 7 of 2017, s. 47, for "profit and loss account" (w.e.f. 1-4-2017).

2. Ins. by Act 28 of 2016, s. 55 (w.e.f. 1-4-2017).

3. Ins. by Act 13 of 2018, s. 37 (w.e.f. 1-4-2018).

4. Subs. by Act 20 of 2002, s. 52, for clause (*iii*) and the *Explanation* (w.e.f. 1-4-2001).

5. Clause (*iv*), clause (*v*) and clause (*vi*) omitted by Act 8 of 2011, s. 18 (w.e.f. 1-4-2005).

6. Ins. by Act 18 of 2008, s. 23 (w.e.f. 1-4-2001).

[1][*Explanation* 2.—For the purposes of clause (*a*) of *Explanation* 1, the amount of income-tax shall include—

(*i*) any tax on distributed profits under section 115-O or on distributed income under section 115R;

(*ii*) any interest charged under this Act;

(*iii*) surcharge, if any, as levied by the Central Acts from time to time;

(*iv*) Education Cess on income-tax, if any, as levied by the Central Acts from time to time; and

(*v*) Secondary and Higher Education Cess on income-tax, if any, as levied by the Central Acts from time to time.]

[2][*Explanation* 3.—For the removal of doubts, it is hereby clarified that for the purposes of this section, the assessee, being a company to which the [3][second proviso to sub-section (*1*) of section 129 of the Companies Act, 2013 (18 of 2013)] is applicable, has, for an assessment year commencing on or before the 1st day of April, 2012, an option to prepare its [4][statement of profit and loss] for the relevant previous year either in accordance with the provisions of [5][Schedule III to the Companies Act, 2013 (18 of 2013)] or in accordance with the provisions of the Act governing such company.

[6]**[***Explanation* 4.—For the removal of doubts, it is hereby clarified that the provisions of this section shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if—

(*i*) the assessee is a resident of a country or a specified territory with which India has an agreement referred to in sub-section (*1*) of section 90 or the Central Government has adopted any agreement under sub-section (*1*) of section 90A and the assessee does not have a permanent establishment in India in accordance with the provisions of such agreement; or

(*ii*) the assessee is a resident of a country with which India does not have an agreement of the nature referred to in clause (*i*) and the assessee is not required to seek registration under any law for the time being in force relating to companies.]

[7][*Explanation* 4A.—For the removal of doubts, it is hereby clarified that the provisions of this section shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, where its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in those sections.]

[8][[9]**[***Explanation* 5**]**.—For the purposes of sub-section (*2*), the expression "securities" shall have the same meaning as assigned to it in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).]

[10][(*2A*) For a company whose financial statements are drawn up in compliance to the Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standards) Rules, 2015, the book profit as computed in accordance with *Explanation 1* to sub-section (*2*) shall be further—

(*a*) increased by all amounts credited to other comprehensive income in the statement of profit and loss under the head "Items that will not be re-classified to profit or loss;

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1. Ins. by Act 18 of 2008, s. 23 (w.e.f. 1-4-2001).
2. Ins. by Act 23 of 2012, s. 48 (w.e.f. 1-4-2013).
3. Subs. by Act 7 of 2017, s. 47, for "proviso to sub-section (*2*) of section 211 of the Companies Act, 1956 (1 of 1956)" (w.e.f. 1-4-2017).
4. Subs. by s. 47, *ibid*., for "profit and loss account" (w.e.f. 1-4-2017).
5. Subs. by s. 47, *ibid*., for "Part II and Part III of Schedule VI to the Companies Act, 1956 (1 of 1956)" (w.e.f. 1-4-2017).
6. Ins. by Act 28 of 2016, s. 55 (w.e.f. 1-4-2001).
7. Ins. by Act 13 of 2018, s. 37 (w.e.f. 1-4-2001).
8. Ins. by Act 20 of 2015, s. 30 (w.e.f. 1-4-2016).
9. *Explanation* 4 renumbered as *Explanation* 5 thereof by Act 28 of 2016, s. 55 (w.e.f. 1-4-2001).
10. Ins. by Act 7 of 2017, s. 47 (w.e.f. 1-4-2018).

(*b*) decreased by all amounts debited to other comprehensive income in the statement of profit and loss under the head "Items that will not be re-classified to profit or loss;

(*c*) increased by amounts or aggregate of the amounts debited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger in accordance with Appendix A of the Indian Accounting Standards 10;

(*d*) decreased by all amounts or aggregate of the amounts credited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger in accordance with Appendix A of the Indian Accounting Standards 10:

Provided that nothing contained in clause (*a*) or clause (*b*) shall apply to the amount credited or debited to other comprehensive income under the head "Items that will not be re-classified to profit or loss" in respect of—

(*i*) revaluation surplus for assets in accordance with the Indian Accounting Standards 16 and Indian Accounting Standards 38; or

(*ii*) gains or losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with the Indian Accounting Standards 109:

Provided further that the book profit of the previous year in which the asset or investment referred to in the first proviso is retired, disposed, realised or otherwise transferred shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the first proviso for the previous year or any of the preceding previous years and relatable to such asset or investment.

(*2B*) In the case of a resulting company, where the property and the liabilities of the undertaking or undertakings being received by it are recorded at values different from values appearing in the books of account of the demerged company immediately before the demerger, any change in such value shall be ignored for the purpose of computation of book profit of the resulting company under this section.

(*2C*) For a company referred to in sub-section (*2A*), the book profit of the year of convergence and each of the following four previous years, shall be further increased or decreased, as the case may be, by one-fifth of the transition amount:

Provided that the book profit of the previous year in which the asset or investment referred to in sub-clauses (*B*) to (*E*) of clause (*iii*) of the *Explanation* is retired, disposed, realised or otherwise transferred, shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the said sub-clauses relatable to such asset or investment:

Provided further that the book profit of the previous year in which the foreign operation referred to in sub-clause (*F*) of clause (*iii*) of the *Explanation* is disposed or otherwise transferred, shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the said sub-clauses relatable to such foreign operations.

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

(*i*) "year of convergence" means the previous year within which the convergence date falls;

(*ii*) "convergence date" means the first day of the first Indian Accounting Standards reporting period as defined in the Indian Accounting Standards 101;

(*iii*) "transition amount" means the amount or the aggregate of the amounts adjusted in the other equity (excluding capital reserve and securities premium reserve) on the convergence date but not including the following:—

(*A*) amount or aggregate of the amounts adjusted in the other comprehensive income on the convergence date which shall be subsequently re-classified to the profit or loss;

(*B*) revaluation surplus for assets in accordance with the Indian Accounting Standards 16 and Indian Accounting Standards 38 adjusted on the convergence date;

(*C*) gains or losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with the Indian Accounting Standards 109 adjusted on the convergence date;

(*D*) adjustments relating to items of property, plant and equipment and intangible assets recorded at fair value as deemed cost in accordance with paragraphs D5 and D7 of the Indian Accounting Standards 101 on the convergence date;

(*E*) adjustments relating to investments in subsidiaries, joint ventures and associates recorded at fair value as deemed cost in accordance with paragraph D15 of the Indian Accounting Standards 101 on the convergence date; and

(*F*) adjustments relating to cumulative translation differences of a foreign operation in accordance with paragraph D13 of the Indian Accounting Standards 101 on the convergence date.]

(*3*) Nothing contained in sub-section (*1*) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-section (*2*) of section 32 or sub-section (*3*) of section 32A or clause (*ii*) of sub-section (*1*) of section 72 or section 73 or section 74 or sub-section (*3*) of section 74A.

(*4*) Every company to which this section applies, shall furnish a report in the prescribed form from an accountant as defined in the *Explanation* below sub-section (*2*) of section 288, certifying that the book profit has been computed in accordance with the provisions of this section along with the return of income filed under sub-section (*1*) of section 139 or along with the return of income furnished in response to a notice under clause (*i*) of sub-section (*1*) of section 142.

(*5*) Save as otherwise provided in this section, all other provisions of this Act shall apply to every assessee, being a company, mentioned in this section.]

[1][(*5A*) The provisions of this section shall not apply to any income accruing or arising to a company from life insurance business referred to in section 115B.]

[2][(*6*) The provisions of this section shall not apply to the income accrued or arising on or after the 1st day of April, 2005 from any business carried on, or services rendered, by an entrepreneur or a Developer, in a Unit or Special Economic Zone, as the case may be:]

[3][Provided that the provisions of this sub-section shall cease to have effect in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 2012.]

[4][(*7*) Notwithstanding anything contained in sub-section (*1*), where the assessee referred to therein, is a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange, the provisions of sub-section (*1*) shall have the effect as if for the words "eighteen and one-half per cent" wherever occurring in that sub-section, the words "nine per cent" had been substituted.

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

(*a*) "International Financial Services Centre" shall have the same meaning as assigned to it in clause (*q*) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005);

(*b*) "unit" means a unit established in an International Financial Services Centre;

(*c*) "convertible foreign exchange" means a foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Management Act, 1999 (42 of 1999) and the rules made thereunder.]

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1. Ins. by Act 23 of 2012, s. 48 (w.e.f. 1-4-2001).

2. Ins. by Act 28 of 2005, s. 27 and the Second Schedule (w.e.f. 10-2-2006).

3. Ins. by Act 8 of 2011, s. 18 (w.e.f. 1-4-2012).

4. Ins. by Act 28 of 2016, s. 55 (w.e.f. 1-4-2017).

[1][CHAPTER XIIBA

SPECIAL PROVISIONS RELATING TO CERTAIN [2][PERSONS OTHER THAN A COMPANY]

[3][**115JC. Special provisions for payment of tax by certain persons other than a company.**—(*1*) Notwithstanding anything contained in this Act, where the regular income-tax payable for a previous year by a person, other than a company, is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of that person for such previous year and he shall be liable to pay income-tax on such total income at the rate of eighteen and one-half per cent.

(*2*) Adjusted total income referred to in sub-section (*1*) shall be the total income before giving effect to this Chapter as increased by—

(*i*) deductions claimed, if any, under any section (other than section 80P) included in Chapter VIA under the heading "C.—Deductions in respect of certain incomes"; [4]***

(*ii*) deduction claimed, if any, [5][under section 10AA; and]

[6][(*iii*) deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.]

(*3*) Every person to whom this section applies shall obtain a report, in such form as may be prescribed, from an accountant, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income under sub-section (*1*) of section 139.]

[7][(*4*) Notwithstanding anything contained in sub-section (*1*), where the person referred to therein, is a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange, the provisions of sub-section (*1*) shall have effect as if for the words "eighteen and one-half per cent.", the words "nine per cent." had been substituted.]

115JD. Tax credit for alternate minimum tax.—(*1*) The credit for tax paid by [8][a person under section 115JC shall be allowed to him] in accordance with the provisions of this section.

(*2*) The tax credit of an assessment year to be allowed under sub-section (*1*) shall be the excess of alternate minimum tax paid over the regular income-tax payable of that year.

[9][Provided that where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India under section 90 or section 90A or section 91, allowed against the alternate minimum tax payable, exceeds the amount of the tax credit admissible against the regular income-tax payable by the assessee, then, while computing the amount of credit under this sub-section, such excess amount shall be ignored.]

(*3*) No interest shall be payable on tax credit allowed under sub-section (*1*).

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1. Ins. by Act 8 of 2011, s. 19 (w.e.f. 1-4-2012).
2. Subs. by Act 23 of 2012, s. 49, for "LIMITED LIABILITY PARTERSHIPS" (w.e.f. 1-4-2013).
3. Subs. by s. 50, *ibid*., for section 115JC (w.e.f. 1-4-2013).
4. The "word" omitted by Act 25 of 2014, s. 39 (w.e.f. 1-4-2015).
5. Subs. by s. 39, *ibid*., for "under section 10AA" (w.e.f. 1-4-2015).
6. Ins. by s. 39, *ibid*. (w.e.f. 1-4-2015).
7. Ins. by Act 13 of 2018, s. 38 (w.e.f. 1-4-2019).
8. Subs. by Act 23 of 2012, s. 51, for "a limited liability partnership under section 115JC shall be allowed to it" (w.e.f. 1-4-2013).
9. Ins. by Act 7 of 2017, s. 48 (w.e.f. 1-4-2018).

(*4*) The amount of tax credit determined under sub-section (*2*) shall be carried forward and set off in accordance with the provisions of sub-sections (*5*) and (*6*) but such carry forward shall not be allowed beyond the [1][fifteenth assessment year] immediately succeeding the assessment year for which tax credit becomes allowable under sub-section (*1*).

(*5*) In any assessment year in which the regular income-tax exceeds the alternate minimum tax, the tax credit shall be allowed to be set off to the extent of the excess of regular income-tax over the alternate minimum tax and the balance of the tax credit, if any, shall be carried forward.

(*6*) If the amount of regular income-tax or the alternate minimum tax is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

115JE. Application of other provisions of this Act.—Save as otherwise provided in this Chapter, all other provisions of this Act shall apply to a [2][person] referred to in this Chapter.

[3][**115JEE. Application of this Chapter to certain persons.**—(*1*) The provisions of this Chapter shall apply to a person who has claimed any deduction under—

(*a*) any section (other than section 80P) included in Chapter VI-A under the heading "C.—*Deductions in respect of certain incomes*"; or

[4][(*b*) section 10AA; or

(*c*) section 35AD.]

(*2*) The provisions of this Chapter shall not apply to an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2, if the adjusted total income of such person does not exceed twenty lakh rupees.]

[5][(*3*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*2*), the credit for tax paid under section 115JC shall be allowed in accordance with the provisions of section 115JD.]

115JF. Interpretation in this Chapter. In this Chapter—

(*a*) "accountant" shall have the same meaning as in the *Explanation* below sub-section (*2*) of section 288;

[6][(*b*) "alternate minimum tax" means the amount of tax computed on adjusted total income,—

(*i*) in case of an assessee being a unit referred to in sub-section (*4*) of section 115JC, at a rate of nine per cent.;

(*ii*) in any other case, at a rate of eighteen and one-half per cent.;]

[7][(*ba*) "convertible foreign exchange" means a foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purpose of the Foreign Exchange Management Act, 1999 and the rules made thereunder;

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

[8]* * * * *

1. Subs. by Act 7 of 2017, s. 48, for "tenth assessment year" (w.e.f. 1-4-2018).
2. Subs. by Act 23 of 2012, s. 52, for "a limited liability partnership" (w.e.f. 1-4-2013).
3. Ins. by s. 53, *ibid*. (w.e.f. 1-4-2013).
4. Subs. by Act 25 of 2014, s. 40, for clause (*b*) (w.e.f. 1-4-2015).
5. Ins. by s. 40, *ibid*. (w.e.f. 1-4-2015).
6. Subs. by Act 13 of 2018, s. 39, for clause (*b*) (w.e.f.1-4-2019).
7. Ins. by s. 39, *ibid*. (w.e.f. 1-4-2019).
8. Clause (*c*) omitted by Act 23 of 2012, s. 54 (w.e.f. 1-4-2013).

(*d*) "regular income-tax" means the income-tax payable for a previous year by [1][a person on his total income] in accordance with the provisions of this Act other than the provisions of this Chapter.]

[2][(*e*) "unit" means a unit established in an International Financial Services Centre.]

[3][CHAPTER XIIBB

SPECIAL PROVISIONS RELATING TO CONVERSION OF INDIAN BRANCH OF A FOREIGN BANK INTO A SUBSIDIARY COMPANY

115JG. Conversion of an Indian branch of foreign company into subsidiary Indian company.—(*1*) Where a foreign company is engaged in the business of banking in India through its branch situate in India and such branch is converted into a subsidiary company thereof, being an Indian company (hereafter referred to as an Indian subsidiary company) in accordance with the scheme framed by the Reserve Bank of India, then, notwithstanding anything contained in the Act and subject to the conditions as may be notified by the Central Government in this behalf,—

(*i*) the capital gains arising from such conversion shall not be chargeable to tax in the assessment year relevant to the previous year in which such conversion takes place;

(*ii*) the provisions of this Act relating to treatment of unabsorbed depreciation, set off or carry forward and set off of losses, tax credit in respect of tax paid on deemed income relating to certain companies and the computation of income in the case of the foreign company and Indian subsidiary company shall apply with such exceptions, modifications and adaptations as may be specified in that notification.

(*2*) In case of failure to comply with any of the conditions specified in the scheme or in the notification issued under sub-section (*1*), all the provisions of this Act shall apply to the foreign company and the said Indian subsidiary company without any benefit, exemption or relief under sub-section (*1*).

(*3*) Where, in a previous year, any benefit, exemption or relief has been claimed and granted to the foreign company or the Indian subsidiary company in accordance with the provisions of sub-section (*1*) and, subsequently, there is failure to comply with any of the conditions specified in the scheme or in the notification issued under sub-section (*1*), then,—

(*i*) such benefit, exemption or relief shall be deemed to have been wrongly allowed;

(*ii*) the Assessing Officer may, notwithstanding anything contained in this Act, re-compute the total income of the assessee for the said previous year and make the necessary amendment; and

(*iii*) the provisions of section 154 shall, so far as may be, apply thereto and 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 failure to comply with the condition referred to in sub-section (*1*) takes place.

(*4*) Every notification issued under this section shall be laid before each House of Parliament.]

[4][CHAPTER XIIBC

SPECIAL PROVISIONS RELATING TO FOREIGN COMPANY SAID TO BE RESIDENT IN INDIA

115JH. Foreign company said to be resident in India.—(*1*) Where a foreign company is said to be resident in India in any previ- ous year and such foreign company has not been resident in India in any of the previous years preceding the said previous year, then, notwithstanding anything contained in this Act and subject to the conditions as may be notified by the Central Government in this behalf, the provisions of this Act relating to the computation of total income, treatment of unabsorbed depreciation, set off or carry forward and set off of losses, collection and recovery and special provisions relating to avoidance of tax shall apply with such exceptions, modifications and adaptations as may be specified in that notification for the said previous year:

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1. Subs. by Act 23 of 2012, s. 54, for "a limited liability partnership on its total income" (w.e.f. 1-4-2013).
2. Ins. by Act 13 of 2018, s. 39 (w.e.f. 1-4-2018).
3. Ins. by Act 23 of 2012, s. 55 (w.e.f. 1-4-2013).
4. Ins. by Act 28 of 2016, s. 56 (w.e.f. 1-4-2017).

Provided that where the determination regarding foreign company to be resident in India has been made in the assessment proceedings relevant to any previous year, then, the provisions of this sub-section shall also apply in respect of any other previous year, succeeding such previous year, if the foreign company is resident in India in that previous year and the previous year ends on or before the date on which such assessment proceeding is completed.

(*2*) Where, in a previous year, any benefit, exemption or relief has been claimed and granted to the foreign company in accordance with the provisions of sub-section (*1*), and, subsequently, there is failure to comply with any of the conditions specified in the notification issued under sub-section (*1*), then,—

(*i*) such benefit, exemption or relief shall be deemed to have been wrongly allowed;

(*ii*) the Assessing Officer may, notwithstanding anything contained in this Act, re-compute the total income of the assessee for the said previous year and make the necessary amendment as if the exceptions, modifications and adaptations referred to in sub-section (*1*) did not apply; and

(*iii*) the provisions of section 154 shall, so far as may be, apply thereto and 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 failure to comply with the condition referred to in sub-section (*1*) takes place.

(*3*) Every notification issued under this section shall be laid before each House of Parliament.]

[1]* * * * *

115K. [**Special provision for computation of income in certain cases.**]—*Omitted by the Finance Act* 1997 (26 *of* 1997), *s*. 39 (*w.e.f.* 1-4-1998).

115L. [Return of income not to be filed in certain cases.]—*Omitted by the Finance Act*, 1997 (26 *of* 1997), *s*. 39 (*w.e.f.* 1-4-1998).

115M. [**Special provision for disallowance of deductions and rebate of income-tax.]**—*Omitted by the Finance Act*, 1997 (26 *of* 1997), *s*. 39, (*w.e.f.* 1-4-1998).

115N. [Bar of proceedings in certain cases.]—*Omitted by the Finance Act*, 1997 (26 *of* 1997), *s*. 39, (*w.e.f.* 1-4-1998).

[2][CHAPTER XIID

SPECIAL PROVISIONS RELATING TO TAX ON DISTRIBUTED PROFITS OF DOMESTIC COMPANIES

115-O. Tax on distributed profits of domestic companies.—[3][(*1*) Notwithstanding anything contained in any other provision of this Act and subject to the provisions of this section, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2003, whether out of current or accumulated profits shall be charged to additional income-tax (hereafter referred to as tax on distributed profits) [4][at the rate of fifteen per cent.]]

[5][Provided that in respect of dividend referred to in sub-clause (*e*) of clause (*22*) of section 2, this sub-section shall have effect as if for the words "fifteen per cent.", the words "thirty per cent." had been substituted;]

1. Chapter XIIC consisting of sections 115K to 115N omitted by Act 26 of 1997, s. 39 (w.e.f. 1-4-1998). Earlier Chapter XIIC was inserted by the Act 18 of 1992, s. 58 (w.e.f. 1-4-1993).
2. Ins. by s. 40, ibid. (w.e.f. 1-6-1997).
3. Subs. by Act 32 of 2003, s. 55, for sub-section (*1*) (w.e.f. 1-4-2003). Earlier sub-section (*1*) was amended by Act 10 of 2000, s. 53 (w.e.f. 1-6-2000), Act 14 of 2001, s. 55 (w.e.f. 1-6-2001), and Act 20 of 2002, s. 53 (w.e.f. 1-4-2003).
4. Subs. by Act 22 of 2007, s. 35, for "at the rate of twelve and one-half per cent." (w.e.f. 1-4-2007).
5. Ins. by Act 13 of 2018, s. 40 (w.e.f. 1-4-2018).

[1][(*1A*) The amount referred to in sub-section (*1*) shall be reduced by,—

[2][(*i*) the amount of dividend, if any, received by the domestic company during the financial year, if such dividend is received from its subsidiary and,—

(*a*) where such subsidiary is a domestic company, the subsidiary has paid the tax which is payable under this section on such dividend; or

(*b*) where such subsidiary is a foreign company, the tax is payable by the domestic company under section 115BBD on such dividend:

Provided that the same amount of dividend shall not be taken into account for reduction more than once;]

(*ii*) the amount of dividend, if any, paid to any person for, or on behalf of, the New Pension System Trust referred to in clause (*44*) of section 10.

Explanation.—For the purposes of this sub-section, a company shall be a subsidiary of another company, if such other company, holds more than half in nominal value of the equity share capital of the company.]

[3][(*1B*) For the purposes of determining the tax on distributed profits payable in accordance with this section, any amount by way of dividends referred to in sub-section (*1*) as reduced by the amount referred to in sub-section (*1A*) [hereafter referred to as net distributed profits], shall be increased to such amount as would, after reduction of the tax on such increased amount at the rate specified in sub-section (*1*), be equal to the net distributed profits.]

[4][Provided that this sub-section shall not apply in respect of dividend referred to in sub-clause (e) of clause (22) of section 2.]

(*2*) Notwithstanding that no income-tax is payable by a domestic company on its total income computed in accordance with the provisions of this Act, the tax on distributed profits under sub-section (*1*) shall be payable by such company.

(*3*) The principal officer of the domestic company and the company shall be liable to pay the tax on distributed profits to the credit of the Central Government within fourteen days from the date of—

(*a*) declaration of any dividend; or

(*b*) distribution of any dividend; or

(*c*) payment of any dividend,

whichever is earliest.

(*4*) The tax on distributed profits so paid by the company shall be treated as the final payment of tax in respect of the amount declared, distributed or paid as dividends and no further credit therefor shall be claimed by the company or by any other person in respect of the amount of tax so paid.

(*5*) No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the amount which has been charged to tax under sub-section (*1*) or the tax thereon.

[5][(*6*) Notwithstanding anything contained in this section, no tax on distributed profits shall be chargeable in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a Special Economic Zone for any assessment year on any amount declared, distributed or paid by such Developer or enterprise, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2005 out of its current income either in the hands of the Developer or enterprise or the person receiving such dividend [6]***]:

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1. Subs. by Act 33 of 2009, s. 47, for sub-section (*1A*) (w.r.e.f. (1-4-2009). Earlier sub-section (*1A*) was inserted by Act 18 of 2008, s. 24 (w.e.f. 1-4-2008).
2. Subs. by Act 17 of 2013, s. 30, for clause (*i*) (w.e.f. 1-6-2013).
3. Ins. by Act 25 of 2014, s. 41 (w.e.f. 1-10-2014).
4. Ins. by Act 13 of 2018, s. 40 (w.e.f. 1-4-2018).
5. Ins. by Act 28 of 2005, s. 27 and the Second Schedule (w.e.f. 10-2-2006).
6. The words "not falling under clause (*23G*)" omitted by Act 21 of 2006, s. 25 (w.e.f. 1-4-2007).

[1][Provided that the provisions of this sub-section shall cease to have effect from the 1st day of June, 2011.]

[2][(*7*) No tax on distributed profits shall be chargeable under this section in respect of any amount declared, distributed or paid by the specified domestic company by way of dividends (whether interim or otherwise) to a business trust out of its current income on or after the specified date:

Provided that nothing contained in this sub-section shall apply in respect of any amount declared, distributed or paid, at any time, by the specified domestic company by way of dividends (whether interim or otherwise) out of its accumulated profits and current profits up to the specified date.

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

(*a*) "specified domestic company" means a domestic company in which a business trust has become the holder of whole of the nominal value of equity share capital of the company (excluding the equity share capital required to be held mandatorily by any other person in accordance with any law for the time being in force or any directions of Government or any regulatory authority, or equity share capital held by any Government or Government body);

(*b*) "specified date" means the date of acquisition by the business trust of such holding as is referred to in clause (*a*).]

[3][(*8*) Notwithstanding anything contained in this section, no tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit of an International Financial Services Centre, deriving income solely in convertible foreign exchange, for any assessment year on any amount declared, distributed or paid by such company, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2017, out of its current income, either in the hands of the company or the person receiving such dividend.

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

(*a*) "International Financial Services Centre" shall have the same meaning as assigned to it in clause (*q*) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005);

(*b*) "unit" means a unit established in an International Financial Services Centre, on or after the 1st day of April, 2016;

(*c*) "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 the Foreign Exchange Management Act, 1999 (42 of 1999) and the rules made thereunder.]

115P. Interest payable for non-payment of tax by domestic companies.—Where the principal officer of a domestic company and the company fails to pay the whole or any part of the tax on distributed profits referred to in sub-section (*1*) of section 115-O, within the time allowed under sub-section (*3*) of that section, he or it shall be liable to pay simple interest at the rate of [4][one per cent.] for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115Q. When company is deemed to be in default.—If any principal officer of a domestic company and the company does not pay tax on distributed profits in accordance with the provisions of section 115O, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

[5]* * * * *]

1. Ins. by Act 8 of 2011, s. 20 (w.e.f. 1-6-2011).
2. Ins. by Act 28 of 2016, s. 57 (w.e.f. 1-6-2016).
3. Ins. by s. 57, *ibid.* (w.e.f. 1-4-2017).
4. Subs. by Act 54 of 2003, s. 4, for "one and one-fourth per cent." (w.e.f. 8-9-2003). Earlier the quoted words were amended by Act 10 of 2000, s. 54 (w.e.f. 1-6-2000).
5. The *Explanation* omitted by Act 13 of 2018, s. 41 (w.e.f. 1-4-2018).

[1][CHAPTER XIIDA

SPECIAL PROVISIONS RELATING TO TAX ON DISTRIBUTED INCOME OF DOMESTIC COMPANY FOR BUY-BACK OF SHARES

115QA. Tax on distributed income to shareholders.—(*1*) Notwithstanding anything contained in any other provision of this Act, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount of distributed income by the company on buy-back of shares (not being shares listed on a recognised stock exchange) from a shareholder shall be charged to tax and such company shall be liable to pay additional income-tax at the rate of twenty per cent on the distributed income.

Explanation.—For the purposes of this section,—

(*i*) "buy-back" means purchase by a company of its own shares in accordance with the provisions of [2][any law for the time being in force relating to companies];

(*ii*) "distributed income" means the consideration paid by the company on buy-back of shares as reduced by [3][the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed].

(*2*) Notwithstanding that no income-tax is payable by a domestic company on its total income computed in accordance with the provisions of this Act, the tax on the distributed income under sub-section (*1*) shall be payable by such company.

(*3*) The principal officer of the domestic company and the company shall be liable to pay the tax to the credit of the Central Government within fourteen days from the date of payment of any consideration to the shareholder on buy-back of shares referred to in sub-section (*1*).

(*4*) The tax on the distributed income by the company shall be treated as the final payment of tax in respect of the said income and no further credit therefor shall be claimed by the company or by any other person in respect of the amount of tax so paid.

(*5*) No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax under sub-section (*1*) or the tax thereon.

115QB. Interest payable for non-payment of tax by company.—Where the principal officer of the domestic company and the company fails to pay the whole or any part of the tax on the distributed income referred to in sub-section (*1*) of section 115QA, within the time allowed under sub-section (*3*) of that section, he or it shall be liable to pay simple interest at the rate of one per cent for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

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1. Ins. by Act 17 of 2013, s. 31 (w.e.f. 1-6-2013).

2. Subs. by Act 28 of 2016, s. 58, for "section 77A of the Companies Act, 1956 (1 of1956)" (w.e.f. 1-6-2016).

3. Subs. by s. 58, *ibid*., for "the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed" (1-6-2016).

115QC. When company is deemed to be assessee in default.—If any principal officer of a domestic company and the company does not pay tax on distributed income in accordance with the provisions of section 115QA, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.]

[1][CHAPTER XIIE

SPECIAL PROVISIONS RELATING TO TAX ON DISTRIBUTED INCOME

115R. Tax on distributed income to unit holders.—(*1*) Notwithstanding anything contained in any other provisions of this Act and section 32 of the Unit Trust of India Act, 1963 (52 of 1963), [2][any amount of income distributed on or before the 31st day of March, 2002 by the Unit Trust of India to its unit holders] shall be chargeable to tax and the Unit Trust of India shall be liable to pay additional income-tax on such distributed income at the rate of [3][ten per cent]:

Provided that nothing contained in this sub-section shall apply in respect of any income distributed to a unit holder of open-ended equity oriented funds in respect of any distribution made from such fund for a period of three years commencing from the 1st day of April, 1999.

[4][(*2*) Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income [5][at the rate of—

[6][(*i*) twenty-five per cent. on income distributed to any person being an individual or a Hindu undivided family by a money market mutual fund or a liquid fund;

(*ii*) thirty per cent. on income distributed to any other person by a money market mutual fund or a liquid fund;

(*iii*) ten per cent. on income distributed to any person by an equity oriented fund;

(*iv*) twenty-five per cent. on income distributed to any person being an individual or a Hindu undivided family by a fund other than a money market mutual fund or a liquid fund or an equity oriented fund; and

(*v*) thirty per cent. on income distributed to any other person by a fund other than a money market mutual fund or a liquid fund or an equity oriented fund:]

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1. Ins. by Act 27 of 1999, s. 61 (w.e.f. 1-6-1999).
2. Subs. by Act 20 of 2002, s. 54, for "any amount of income distributed on or before the 31st day of March, 2002 by the Unit Trust of India to its unit holders" (w.e.f. 1-4-2003).
3. Subs. by Act 14 of 2001, s. 57, for "twenty per cent." (w.e.f. 1-6-2001), earlier substituted by Act 10 of 2000, s. 55 (w.e.f. 1-6-2001).
4. Subs. by Act 32 of 2003, s. 56, for sub-section (*2*) (w.e.f. 1-4-2003), Earlier amended by 20 of 2002, s. 54 (w.e.f. 1-4-2003).
5. Subs. by Act 23 of 2004, s. 29, for "at the rate of twelve and one-half per cent." (w.e.f. 9-7-2004).
6. Subs. by Act 13 of 2018, s. 42, for clause (*i*) to clause (*iii*) (w.e.f. 1-4-2018). Earlier it was amended by Act 17 of 2013, s. 32 (w.e.f. 1-6-2013), Act 8 of 2011, s. 21 (w.e.f. 1-6-2011) and Act 22 of 2007, s. 36 (w.e.f. 1-4-2007).

[1][Provided that where any income is distributed by a mutual fund under an infrastructure debt fund scheme to a non-resident (not being a company) or a foreign company, the mutual fund shall be liable to pay additional income-tax at the rate of five per cent on income so distributed:]

[2][Provided further that] nothing contained in this sub-section shall apply in respect of any income distributed,—

(*a*) by the Administrator of the specified undertaking, to the unit holders; or

[3]* * * * *

[4][*Explanation.*—For the purposes of this sub-section,—

(*i*) "administrator" and "specified company" shall have the meanings respectively assigned to them in the *Explanation* to clause (*35*) of section 10;

(*ii*) "infrastructure debt fund scheme" shall have the same meaning as assigned to it in clause (*1*) of regulation 49L of 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).]

[5][(*2A*) For the purposes of determining the additional income-tax payable in accordance with sub-section (*2*), the amount of distributed income referred therein shall be increased to such amount as would, after reduction of the additional income-tax on such increased amount at the rate specified in sub-section (*2*), be equal to the amount of income distributed by the Mutual Fund.]

(*3*) The person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

[6]* * * *

(*4*) No deduction under any other provision of this Act shall be allowed to the Unit Trust of India or to a Mutual Fund in respect of the income which has been charged to tax under sub-section (*1*) or sub-section (*2*).

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1. Ins. by Act 17 of 2013, s. 32 (w.e.f. 1-6-2013).

2. Subs. by s. 32, *ibid*., for "Provided that" (w.e.f. 1-6-2013).

3. Clause (*b*) omitted by Act 13 of 2018, s. 42 (w.e.f. 1-4-2018). Earlier it was amended by Act 21 of 2006, s. 26 (w.e.f. 1-6-2006).

4. Subs. by Act 17 of 2013, s. 32, for the *Explanation* (w.e.f. 1-6-2013).

5. Ins. by Act 25 of 2014, s. 42 (w.e.f. 1-10-2014).

6. Sub-section (*3A*) omitted by s. 42, *ibid*. (w.e.f. 1-4-2015).Earlier inserted by Act 10 of 2000, s. 55 (w.e.f. 1-6-2000).

115S. Interest payable for non-payment of tax.—Where the person responsible for making payment of the income distributed by the [1][specified 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) or a Mutual Fund and the specified company] or the Mutual Fund, as the case may be, fails to pay the whole or any part of the tax referred to in sub-section (*1*) or sub-section (*2*) of section 115R, within the time allowed under sub-section (*3*) of that section, he or it shall be liable to pay simple interest at the rate of [2][one per cent.] every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115T. Unit Trust of India or Mutual Fund to be an assessee in default.—If any person responsible for making payment of the income distributed by the [1][specified 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) or a Mutual Fund and the specified company] or the Mutual Fund, as the case may be, does not pay tax, as is referred to in sub-section (*1*) or sub-section (*2*) of section 115R, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

Explanation.—For the purposes of this Chapter,—

(*a*) "Mutual Fund" means a Mutual Fund specified under clause (*23D*) of section 10;

[3][(*b*) "equity oriented fund" means a fund referred to in clause (*a*) of the *Explanation* to section 112A and the Unit Scheme, 1964 made by the Unit Trust of India;']

(*c*) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

[4][(*d*) "money market mutual fund" means a money market mutual fund as defined in sub-clause (*p*) of clause (*2*) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;

(*e*) "liquid fund" means a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder.]

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1. Subs. by Act 32 of 2003, s. 57, for "Unit Trust of India or a Mutual Fund and the Unit Trust of India" (w.e.f. 1-4-2003).

2. Subs. by Act 54 of 2003, s. 5, for "one and one-fourth per cent." (w.e.f. 8-9-2003).

3. Subs. by Act 13 of 2018, s. 43, for clause (*b*) (w.e.f. 1-4-2018). Earlier it was amended by Act 21 of 2006, s. 27 (w.e.f. 1-6-2006).

4. Ins. by Act 22 of 2007, s. 37 (w.e.f. 1-4-2007).

[1][CHAPTER XIIEA

SPECIAL PROVISIONS RELATING TO TAX ON DISTRIBUTED INCOME BY SECURITISATION TRUSTS

115TA. Tax on distributed income to investors.—(*1*) Notwithstanding anything contained in any other provisions of the Act, any amount of income distributed by the securitisation trust to its investors shall be chargeable to tax and such securitisation trust shall be liable to pay additional income-tax on such distributed income at the rate of—

(*i*) twenty-five per cent. on income distributed to any person being an individual or a Hindu undivided family;

(*ii*) thirty per cent. on income distributed to any other person:

Provided that nothing contained in this sub-section shall apply in respect of any income distributed by the securitisation trust to any person in whose case income, irrespective of its nature and source, is not chargeable to tax under the Act.

(*2*) The person responsible for making payment of the income distributed by the securitisation trust shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

[2]* * * * *

(*4*) No deduction under any other provisions of this Act shall be allowed to the securitisation trust in respect of the income which has been charged to tax under sub-section (*1*).

[3]**[**(*5*) Nothing contained in this section shall apply in respect of any income distributed by a securitisation trust to its investors on or after the 1st day of June, 2016.**]**

115TB. Interest payable for non-payment of tax.—Where the person responsible for making payment of the income distributed by the securitisation trust and the securitisation trust fails to pay the whole or any part of the tax referred to in sub-section (*1*) of section 115TA, within the time allowed under sub-section (*2*) of that section, he or it shall be liable to pay simple interest at the rate of one per cent. every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115TC. Securitisation trust to be assessee in default.—If any person responsible for making payment of the income distributed by the securitisation trust and the securitisation trust does not pay tax, as referred to in sub-section (*1*) of section 115TA, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

[4][**115TCA. Tax on income from securitisation trusts.**—(*1*) Notwithstanding anything contained in this Act, any income accruing or arising to, or received by, a person, being an investor of a securitisation trust, out of investments made in the securitisation trust, shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person, had the investments by the securitisation trust been made directly by him.

1. Ins. by Act 17 of 2013, s. 33 (w.e.f. 1-6-2013).

2. Sub-section (*3*) omitted by Act 25 of 2014, s. 43 (w.e.f. 1-4-2015).

3. Ins. by Act 28 of 2016, s. 59 (w.e.f. 1-6-2016).

4. Ins. by s. 61, *ibid.* (w.e.f. 1-4-2017).

(*2*) The income paid or credited by the securitisation trust shall be deemed to be of the same nature and in the same proportion in the hands of the person referred to in sub-section (*1*), as if it had been received by, or had accrued or arisen to, the securitisation trust during the previous year.

(*3*) The income accruing or arising to, or received by, the securitisation trust, during a previous year, if not paid or credited to the person referred to in sub-section (*1*), shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

(*4*) The person responsible for crediting or making payment of the income on behalf of securitisation trust and the securitisation trust shall furnish, within such period, as may be prescribed, to the person who is liable to tax in respect of such income and to the prescribed income-tax authority, a statement in such form and verified in such manner, giving details of the nature of the income paid or credited during the previous year and such other relevant details, as may be prescribed.

(*5*) Any income which has been included in the total income of the person referred to in sub-section (*1*), in a previous year, on account of it having accrued or arisen in the said previous year, shall not be included in the total income of such person in the previous year in which such income is actually paid to him by the securitisation trust.

Explanation.—For the purposes of this Chapter,—

(*a*) "investor" means a person who is holder of any securitised debt instrument or securities [1][or security receipt] issued by the securitisation trust;

(*b*) "securities" means debt securities issued by a Special Purpose Vehicle as referred to in the guidelines on securitisation of standard assets issued by the Reserve Bank of India;

(*c*) "securitised debt instrument" shall have the same meaning as assigned to it in clause (*s*) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*d*) "securitisation trust" means a trust, being a—

(*i*) "special purpose distinct entity" as defined in clause (*u*) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the Securities Contracts (Regulation) Act, 1956 (42 of 1956), and regulated under the said regulations; or

(*ii*) "Special Purpose Vehicle" as defined in, and regulated by, the guidelines on securitisation of standard assets issued by the Reserve Bank of India; [1][or]

[1][(*iii*) trust set-up by a securitisation company or a reconstruction company formed, for the purposes of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002), or in pursuance of any guidelines or directions issued for the said purposes by the Reserve Bank of India,]

which fulfils such conditions, as may be prescribed.]

[1][(*e*) "security receipt" shall have the same meaning as assigned to it in clause (*zg*) of sub-section (*1*) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002).]

1. Ins. by Act 28 of 2016, s. 60 (w.e.f. 1-6-2016).

[1][CHAPTER XIIEB

SPECIAL PROVISIONS RELATING TO TAX ON ACCRETED INCOME OF CERTAIN TRUSTS AND INSTITUTIONS

115TD.Tax on accreted income.—(*1*) Notwithstanding anything contained in this Act, where in any previous year, a trust or institution registered under section 12AA has—

(*a*) converted into any form which is not eligible for grant of registration under section 12AA;

(*b*) merged with any entity other than an entity which is a trust or institution having objects similar to it and registered under section 12AA; or

(*c*) failed to transfer upon dissolution all its assets to any other trust or institution registered under section 12AA or to any fund or institution or trust 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, within a period of twelve months from the end of the month in which the dissolution takes place,

then, in addition to the income-tax chargeable in respect of the total income of such trust or institution, the accreted income of the trust or the institution as on the specified date shall be charged to tax and such trust or institution, as the case may be, shall be liable to pay additional income-tax (herein referred to as tax on accreted income) at the maximum marginal rate on the accreted income.

(*2*) The accreted income for the purposes of sub-section (*1*) means the amount by which the aggregate fair market value of the total assets of the trust or the institution, as on the specified date, exceeds the total liability of such trust or institution computed in accordance with the method of valuation as may be prescribed:

Provided that so much of the accreted income as is attributable to the following asset and liability, if any, related to such asset shall be ignored for the purposes of sub-section (*1*), namely:—

(*i*) any asset which is established to have been directly acquired by the trust or institution out of its income of the nature referred to in clause (*1*) of section 10;

(*ii*) any asset acquired by the trust or institution during the period beginning from the date of its creation or establishment and ending on the date from which the registration under section 12AA became effective, if the trust or institution has not been allowed any benefit of section 11 and 12 during the said period:

Provided further that where due to the first proviso to sub-section (*2*) of section 12A, the benefit of section 11 and 12 have been allowed to the trust or the institution in respect of any previous year or years beginning prior to the date from which the registration under section 12AA is effective, then, for the purposes of clause (*ii*) of the first proviso, the registration shall be deemed to have become effective from the first day of the earliest previous year:

Provided also that while computing the accreted income in respect of a case referred to in clause (*c*) of sub-section (*1*), assets and liabilities, if any, related to such asset, which have been transferred to any other trust or institution registered under section 12AA or to any fund or institution or trust 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, within the period specified in the said clause, shall be ignored.

1. Ins. by Act 28 of 2016, s. 62 (w.e.f. 1-6-2016).

(*3*) For the purposes of sub-section (*1*), a trust or an institution shall be deemed to have been converted into any form not eligible for registration under section 12AA in a previous year, if,—

(*i*) the registration granted to it under section 12AA has been cancelled; or

(*ii*) it has adopted or undertaken modification of its objects which do not conform to the conditions of registration and it,—

(*a*) has not applied for fresh registration under section 12AA in the said previous year; or

(*b*) has filed application for fresh registration under section 12AA but the said application has been rejected.

(*4*) Notwithstanding that no income-tax is payable by a trust or the institution on its total income computed in accordance with the provisions of this Act, the tax on the accreted income under sub-section (*1*) shall be payable by such trust or the institution.

(*5*) The principal officer or the trustee of the trust or the institution, as the case may be, and the trust or the institution shall also be liable to pay the tax on accreted income to the credit of the Central Government within fourteen days from,—

(*i*) the date on which,—

(*a*) the period for filing appeal under section 253 against the order cancelling the registration expires and no appeal has been filed by the trust or the institution; or

(*b*) the order in any appeal, confirming the cancellation of the registration, is received by the trust or institution,

in a case referred to in clause (*i*) of sub-section (*3*);

(*ii*) the end of the previous year in a case referred to in sub-clause (*a*) of clause (*ii*) of sub-section (*3*);

(*iii*) the date on which,—

(*a*) the period for filing appeal under section 253 against the order rejecting the application expires and no appeal has been filed by the trust or the institution; or

(*b*) the order in any appeal, confirming the cancellation of the application, is received by the trust or institution,

in a case referred to in sub-clause (*b*) of clause (*ii*) of sub-section (*3*);

(*iv*) the date of merger in a case referred to in clause (*b*) of sub-section (*1*);

(*v*) the date on which the period of twelve months referred to in clause (*c*) of sub-section (*1*) expires.

(*6*) The tax on the accreted income by the trust or the institution shall be treated as the final payment of tax in respect of the said income and no further credit therefor shall be claimed by the trust or the institution or by any other person in respect of the amount of tax so paid.

(*7*) No deduction under any other provision of this Act shall be allowed to the trust or the institution or any other person in respect of the income which has been charged to tax under sub-section (*1*) or the tax thereon.

Explanation.—For the purposes of this section,—

(*i*) "date of conversion" means,—

(*a*) the date of the order cancelling the registration under section 12AA, in a case referred to in clause (*i*) of sub-section (*3*); or

(*b*) the date of adoption or modification of any object, in a case referred to in clause (*ii*) of sub-section (*3*);

(*ii*) "specified date" means,—

(*a*) the date of conversion in a case falling under clause (*a*) of sub-section (*1*);

(*b*) the date of merger in a case falling under clause (*b*) of sub-section (*1*); and

(*c*) the date of dissolution in a case falling under clause (*c*) of sub-section (*1*);

(*iii*) registration under section 12AA shall include any registration obtained under section 12A as it stood before its amendment by the Finance (No. 2) Act, 1996 (33 of 1996).

115TE. Interest payable for non-payment of tax by trust or institution.—Where the principal officer or the trustee of the trust or the institution and the trust or the institution fails to pay the whole or any part of the tax on the accreted income referred to in sub-section (*1*) of section 115TD, within the time allowed under sub-section (*5*) of that section, he or it shall be liable to pay simple interest at the rate of one per cent for every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

115TF.When trust or institution is deemed to be assessee in default.—(*1*) If any principal officer or the trustee of the trust or the institution and the trust or the institution does not pay tax on accreted income in accordance with the provisions of section 115TD, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

(*2*) Notwithstanding anything contained in sub-section (*1*), in a case where the tax on accreted income is payable under the circumstances referred to in clause (*c*) of sub-section (*1*) of section 115TD, the person to whom any asset forming part of the computation of accreted income under sub-section (*2*) thereof has been transferred, shall be deemed to be an assessee in default in respect of such tax and interest thereon and all the provisions of this Act for the collection and recovery of income-tax shall apply:

Provided that the liability of the person referred to in this sub-section shall be limited to the extent to which the asset received by him is capable of meeting the liability.]

[1][CHAPTER XIIF

SPECIAL PROVISIONS RELATING TO TAX ON INCOME RECEIVED FROM VENTURE CAPITAL COMPANIES AND VENTURE CAPITAL FUNDS

115U. Tax on income in certain cases.—(*1*) Notwithstanding anything contained in any other provisions of this Act,any [2][income accruing or arising to or received] by a person out of investments made in a venture capital company or venture capital fund shall be chargeable to income-tax in the same manner as if it were the [2][income accruing or arising to or received] by such person had he made investments directly in the venture capital undertaking.

(*2*) [3][The person responsible for crediting or making] payment of the income on behalf of a venture capital company or a venture capital fund and the venture capital company or venture capital fund shall furnish, within such time as may be prescribed, [4][to the person who is liable to tax in respect of such income] and to the prescribed income-tax authority, a statement in the prescribed form and verified in the prescribed manner, giving details of the nature of the [5][income paid or credited] during the previous year and such other relevant details as may be prescribed.

(*3*) [5][The income paid or credited] by the venture capital company and the venture capital fund shall be deemed to be of the same nature and in the same proportion in the hands of [6][the person referred to in sub-section (*1*) as it had been] received by, or [7][had accrued or arisen] to, the venture capital company or the venture capital fund, as the case may be, during the previous year.

(*4*) The provisions of Chapter XII-D or Chapter XII-E or Chapter XVIIB shall not apply to the income paid by a venture capital company or venture capital fund under this Chapter.

[8][(*5*) The income accruing or arising to or received by the venture capital company or venture capital fund, during a previous year, from investments made in venture capital undertaking if not paid or credited to the person referred to in sub-section (*1*), shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.]

[9][(*6*) Nothing contained in this Chapter shall apply in respect of any income, of a previous year relevant to the assessment year beginning on or after the 1st day of April, 2016, accruing or arising to, or received by, a person from investments made in a venture capital company or venture capital fund, being an investment fund specified in clause (*a*) of the *Explanation* 1 to section 115UB.]

Explanation [10][*1*].—For the purposes of this Chapter, "venture capital company", "venture capital fund" and "venture capital undertaking" shall have the meanings respectively assigned to them in clause (*23FB*) of section 10.

[11][*Explanation 2.*—For the removal of doubts, it is hereby declared that any income which has been included in total income of the person referred to in sub-section (*1*) in a previous year, on account of it having accrued or arisen in the said previous year, shall not be included in the total income of such person in the previous year in which such income is actually paid to him by the venture capital company or the venture capital fund.]

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1. Ins. by 10 of 2000, s. 57 (w.e.f. 1-4-2001).
2. Subs. by Act 23 of 2012, s. 57, for "income received" (w.e.f. 1-4-2013).
3. Subs. by s. 57, *ibid*., for "The person responsible for making" (w.e.f. 1-4-2013).
4. Subs. by s. 57, *ibid*., for "to the person receiving such income" (w.e.f. 1-4-2013).
5. Subs. by s. 57, *ibid.,* for "income paid" (w.e.f. 1-4-2013).
6. Subs. by s. 57, *ibid*., for "the person receiving such income as it had been" (w.e.f. 1-4-2013).
7. Subs. by s. 57, *ibid*., for "had accrued" (w.e.f. 1-4-2013).
8. Ins. by s. 57, *ibid.* (w.e.f. 1-4-2013).
9. Ins. by Act 20 of 2015, s. 31 (w.e.f. 1-4-2016).
10. The *Explanation* renumbered as *Explanation* 1 thereof by Act 23 of 2012, s. 57 (w.e.f. 1-7-2012).
11. Ins. by s. 57, *ibid.* (w.e.f. 1-7-2012).

[1][CHAPTER XIIFA

SPECIAL PROVISIONS RELATING TO BUSINESS TRUSTS

115UA. Tax on income of unit holder and business trust.—(*1*) Notwithstanding anything contained in any other provisions of this Act, any income distributed by a business trust to its unit holders shall be deemed to be of the same nature and in the same proportion in the hands of the unit holder as it had been received by, or accrued to, the business trust.

(*2*) Subject to the provisions of section 111A and section 112, the total income of a business trust shall be charged to tax at the maximum marginal rate.

(*3*) If in any previous year, the distributed income or any part thereof, received by a unit holder from the business trust is of the nature as referred to [2][in sub-clause (*a*) of clause (*23FC*)] [3][or clause (*23FCA*)] of section 10, then, such distributed income or part thereof shall be deemed to be income of such unit holder and shall be charged to tax as income of the previous year.

(*4*) Any person responsible for making payment of the income distributed on behalf of a business trust to a unit holder shall furnish a statement to the unit holder and the prescribed authority, within such time and in such form and manner as may be prescribed, giving the details of the nature of the income paid during the previous year and such other details as may be prescribed.]

[4][CHAPTER XIIFB

SPECIAL PROVISIONS RELATING TO TAX ON INCOME OF INVESTMENT FUNDS AND INCOME RECEIVED FROM SUCH FUNDS

115UB. Tax on income of investment fund and its unit holders.—(*1*) Notwithstanding anything contained in any other provisions of this Act and subject to the provisions of this Chapter, any income accruing or arising to, or received by, a person, being a unit holder of an investment fund, out of investments made in the investment fund, shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person had the investments made by the investment fund been made directly by him.

(*2*) Where in any previous year, the net result of computation of total income of the investment fund [without giving effect to the provisions of clause (*23FBA*) of section 10] is a loss under any head of income and such loss cannot be or is not wholly set-off against income under any other head of income of the said previous year, then,—

(*i*) such loss shall be allowed to be carried forward and it shall be set-off by the investment fund in accordance with the provisions of Chapter VI; and

(*ii*) such loss shall be ignored for the purposes of sub-section (*1*).

(*3*) The income paid or credited by the investment fund shall be deemed to be of the same nature and in the same proportion in the hands of the person referred to in sub-section (*1*), as if it had been received by, or had accrued or arisen to, the investment fund during the previous year subject to the provisions of sub-section (*2*).

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1. Ins. by Act 25 of 2014, s. 44 (w.e.f. 1-4-2015).

2. Subs. by Act 28 of 2016, s. 63, for "in clause (23FC)" (w.e.f. 1-4-2017).

3. Ins. by Act 20 of 2015, s. 32 (w.e.f. 1-4-2016).

4. Ins. by s. 33, *ibid.* (w.e.f. 1-4-2016).

(*4*) The total income of the investment fund shall be charged to tax—

(*i*) at the rate or rates as specified in the Finance Act of the relevant year, where such fund is a company or a firm; or

(*ii*) at maximum marginal rate in any other case.

(*5*) The provisions of Chapter XIID or Chapter XIIE shall not apply to the income paid by an investment fund under this Chapter.

(*6*) The income accruing or arising to, or received by, the investment fund, during a previous year, if not paid or credited to the person referred to in sub-section (*1*), shall subject to the provisions of sub-section (*2*), be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

(*7*) The person responsible for crediting or making payment of the income on behalf of an investment fund and the investment fund shall furnish, within such time as may be prescribed[2], to the person who is liable to tax in respect of such income and to the prescribed income-tax authority, a statement in the prescribed form and verified in such manner, giving details of the nature of the income paid or credited during the previous year and such other relevant details, as may be prescribed.

Explanation 1.—For the purposes of this Chapter,—

(*a*) "investment fund" means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*b*) "trust" means a trust established under the Indian Trusts Act, 1882 (2 of 1882) or under any other law for the time being in force;

(*c*) "unit" means beneficial interest of an investor in the investment fund or a scheme of the investment fund and shall include shares or partnership interests.

Explanation 2.—For the removal of doubts, it is hereby declared that any income which has been included in total income of the person referred to in sub-section (*1*) in a previous year, on account of it having accrued or arisen in the said previous year, shall not be included in the total income of such person in the previous year in which such income is actually paid to him by the investment fund.]

[1][CHAPTER XIIG

SPECIAL PROVISIONS RELATING TO INCOME OF SHIPPING COMPANIES

A.—Meaning of certain expressions

115V. Definitions.—In this Chapter, unless the context otherwise requires,—

(*a*) "bareboat charter" means hiring of a ship for a stipulated period on terms which give the charterer possession and control of the ship, including the right to appoint the master and crew;

(*b*) "bareboat charter-*cum*-demise" means a bareboat charter where the ownership of the ship is intended to be transferred after a specified period to the company to whom it has been chartered;

(*c*) "Director-General of Shipping" means the Director-General of Shipping appointed by the Central Government under sub-section (*1*) of section 7 of the Merchant Shipping Act, 1958 (44 of 1958);

1. Ins. by Act 23 of 2004, s. 30 (w.e.f. 1-4-2005).

(*d*) "factory ship" includes a vessel providing processing services in respect of processing of the fishing produce;

(*e*) "fishing vessel" shall have the meaning assigned to it in clause (*12*) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958);

(*f*) "pleasure craft" means a ship of a kind whose primary use is for the purposes of sport or recreation;

(*g*) "qualifying company" means a company referred to in section 115VC;

(*h*) "qualifying ship" means a ship referred to in section 115VD;

(*i*) "seagoing ship" means a ship if it is certified as such by the competent authority of any country;

(*j*) "tonnage income" means the income of a tonnage tax company computed in accordance with the provisions of this Chapter;

(*k*) "tonnage tax activities" means the activities referred to in sub-sections (*2*) and (*5*) of section 115V-I;

(*l*) "tonnage tax company" means a qualifying company in relation to which tonnage tax option is in force;

(*m*) "tonnage tax scheme" means a scheme for computation of profits and gains of business of operating qualifying ships under the provisions of this Chapter.

B.—Computation of tonnage income from business of operating qualifying ships

115VA. Computation of profits and gains from the business of operating qualifying ships.—Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of a company, the income from the business of operating qualifying ships, may, at its option, be computed in accordance with the provisions of this Chapter and such 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".

115VB. Operating ships.—For the purposes of this Chapter, a company shall be regarded as operating a ship if it operates any ship whether owned or chartered by it and includes a case where even a part of the ship has been chartered in by it in an arrangement such as slot charter, space charter or joint charter:

Provided that a company shall not be regarded as the operator of a ship which has been chartered out by it on bareboat charter-*cum*-demise terms or on bareboat charter terms for a period exceeding three years.

115VC. Qualifying company.—For the purposes of this Chapter, a company is a qualifying company if—

(*a*) it is an Indian company;

(*b*) the place of effective management of the company is in India;

(*c*) it owns at least one qualifying ship; and

(*d*) the main object of the company is to carry on the business of operating ships.

Explanation.—For the purposes of this section, "place of effective management of the company" means—

(*A*) the place where the board of directors of the company or its executive directors, as the case may be, make their decisions; or

(*B*) in a case where the board of directors routinely approve the commercial and strategic decisions made by the executive directors or officers of the company, the place where such executive directors or officers of the company perform their functions.

115VD. Qualifying ship.—For the purposes of this Chapter, a ship is a qualifying ship if—

(*a*) it is a sea going ship or vessel of fifteen net tonnage or more;

(*b*) it is a ship registered under the Merchant Shipping Act, 1958 (44 of 1958), or a ship registered outside India in respect of which a licence has been issued by the Director-General of Shipping under section 406 or section 407 of the Merchant Shipping Act, 1958 (44 of 1958); and

(*c*) a valid certificate in respect of such ship indicating its net tonnage is in force,

but does not include—

(*i*) a sea going ship or vessel if the main purpose for which it is used is the provision of goods or services of a kind normally provided on land;

(*ii*) fishing vessels;

(*iii*) factory ships;

(*iv*) pleasure crafts;

(*v*) harbour and river ferries;

(*vi*) offshore installations;

[1]* * * *

(*viii*) a qualifying ship which is used as a fishing vessel for a period of more than thirty days during a previous year.

115VE. Manner of computation of income under tonnage tax scheme.—(*1*) A tonnage tax company engaged in the business of operating qualifying ships shall compute the profits from such business under the tonnage tax scheme.

(*2*) The business of operating qualifying ships giving rise to income referred to in sub-section (*1*) of section 115V-I shall be considered as a separate business (hereafter in this Chapter referred to as the tonnage tax business) distinct from all other activities or business carried on by the company.

(*3*) The profits referred to in sub-section (*1*) shall be computed separately from the profits and gains from any other business.

(*4*) The tonnage tax scheme shall apply only if an option to that effect is made in accordance with the provisions of section 115VP.

(*5*) Where a company engaged in the business of operating qualifying ships is not covered under the tonnage tax scheme or, has not made an option to that effect, as the case may be, the profits and gains of such company from such business shall be computed in accordance with the other provisions of this Act.

115VF. Tonnage income.—Subject to the other provisions of this Chapter, the tonnage income shall be computed in accordance with section 115VG and the income so computed shall be deemed to be the profits chargeable under the head "Profits and gains of business or profession" and the relevant shipping income referred to in sub-section (*1*) of section 115V-I shall not be chargeable to tax.

1. Clause (*vii*) omitted by Act 18 of 2005, s. 36 (w.e.f 1-4-2006).

115VG. Computation of tonnage income.—(*1*) The tonnage income of a tonnage tax company for a previous year shall be the aggregate of the tonnage income of each qualifying ship computed in accordance with the provisions of sub-sections (*2*) and (*3*).

(*2*) For the purposes of sub-section (*1*), the tonnage income of each qualifying ship shall be the daily tonnage income of each such ship multiplied by—

(*a*) the number of days in the previous year; or

(*b*) the number of days in part of the previous year in case the ship is operated by the company as a qualifying ship for only part of the previous year, as the case may be.

(*3*) For the purposes of sub-section (*2*), the daily tonnage income of a qualifying ship having tonnage referred to in column (1) of the Table below shall be the amount specified in the corresponding entry in column (2) of the Table:

[1][TABLE

Qualifying ship having net tonnage	*Amount of daily tonnage income*
(1)	(2)
up to 1,000	Rs. 70 for each 100 tons
exceeding 1,000 but not more than 10,000	Rs. 700 *plus* Rs. 53 for each 100 tons exceeding 1,000 tons
exceeding 10,000 but not more than 25,000	Rs. 5,470 *plus* Rs. 42 for each 100 tons exceeding 10,000 tons
exceeding 25,000	Rs. 11,770 *plus* Rs. 29 for each 100 tons exceeding 25,000 tons.]

(*4*) For the purposes of this Chapter, the tonnage shall mean the tonnage of a ship indicated in the certificate referred to in section 115VX and includes the deemed tonnage computed in the prescribed manner.

Explanation.—For the purposes of this sub-section, "deemed tonnage" shall be the tonnage in respect of an arrangement of purchase of slots, slot charter and an arrangement of sharing of break-bulk vessel.

(*5*) The tonnage shall be rounded off to the nearest multiple of hundred tons and for this purpose any tonnage consisting of kilograms shall be ignored and thereafter if such tonnage is not a multiple of hundred, then, if the last figure in that amount is fifty tons or more, the tonnage shall be increased to the next higher tonnage which is a multiple of hundred and if the last figure is less than fifty tons, the tonnage shall be reduced to the next lower tonnage which is a multiple of hundred; and the tonnage so rounded off shall be the tonnage of the ship for the purposes of this section.

(*6*) Notwithstanding anything contained in any other provision of this Act, no deduction or set off shall be allowed in computing the tonnage income under this Chapter.

115VH. Calculation in case of joint operation, etc.—(*1*) Where a qualifying ship is operated by two or more companies by way of joint interest in the ship or by way of an agreement for the use of the ship and their respective shares are definite and ascertainable, the tonnage income of each such company shall be an amount equal to a share of income proportionate to its share of that interest.

1. Subs. by Act 23 of 2012, s. 58, for the Table (w.e.f. 1-4-2013).

(*2*) Subject to the provisions of sub-section (*1*), where two or more companies are operators of a qualifying ship, the tonnage income of each company shall be computed as if each had been the only operator.

115VI. Relevant shipping income.—(*1*) For the purposes of this Chapter, the relevant shipping income of a tonnage tax company means—

(*i*) its profits from core activities referred to in sub-section (*2*);

(*ii*) its profits from incidental activities referred to in sub-section (*5*):

Provided that where the aggregate of all such incomes specified in clause (*ii*) exceeds one-fourth per cent of the turnover from core activities referred to in sub-section (*2*), such excess shall not form part of the relevant shipping income for the purposes of this Chapter and shall be taxable under the other provisions of this Act.

(*2*) The core activities of a tonnage tax company shall be—

(*i*) its activities from operating qualifying ships; and

(*ii*) other ship-related activities mentioned as under:—

(*A*) shipping contracts in respect of—

(*i*) earning from pooling arrangements;

(*ii*) contracts of affreightment.

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

(*a*) "pooling arrangement" means an agreement between two or more persons for providing services through a pool or operating one or more ships and sharing earnings or operating profits on the basis of mutually agreed terms;

(*b*) "contract of affreightment" means a service contract under which a tonnage tax company agrees to transport a specified quantity of specified products at a specified rate, between designated loading and discharging ports over a specified period;

(*B*) specific shipping trades, being—

(*i*) on-board or on-shore activities of passenger ships comprising of fares and food and beverages consumed on board;

(*ii*) slot charters, space charters, joint charters, feeder services, container box leasing of container shipping.

(*3*) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, exclude any activity referred to in clause (*ii*) of sub-section (*2*) or prescribe the limit up to which such activities shall be included in the core activities for the purposes of this section.

(*4*) Every notification issued under this Chapter shall be laid, as soon as may be after it is issued, before each House of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification, or both Houses agree that the notification should not be issued, the notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that notification.

(*5*) The incidental activities shall be the activities which are incidental to the core activities and which may be prescribed for the purpose.

(*6*) Where a tonnage tax company operates any ship, which is not a qualifying ship, the income attributable to operating such non-qualifying ship shall be computed in accordance with the other provisions of this Act.

(*7*) Where any goods or services held for the purposes of tonnage tax business are transferred to any other business carried on by a tonnage tax company, or where any goods or services held for the purposes of any other business carried on by such tonnage tax company are transferred to the tonnage tax business and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the tonnage tax business does not correspond to the market value of such goods or services as on the date of the transfer, then, the relevant shipping income under this section 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:

Provided that where, in the opinion of the Assessing Officer, the computation of the relevant shipping income in the manner hereinbefore specified presents exceptional difficulties, the Assessing Officer may compute such income on such reasonable basis as he may deem fit.

Explanation.—For the purposes of this sub-section, "market value", in relation to any goods or services, means the price that such goods or services would ordinarily fetch on sale in the open market.

(*8*) Where it appears to the Assessing Officer that, owing to the close connection between the tonnage tax company 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 tonnage tax company more than the ordinary profits which might be expected to arise in the tonnage tax business, the Assessing Officer shall, in computing the relevant shipping income of the tonnage tax company for the purposes of this Chapter, take the amount of income as may reasonably be deemed to have been derived therefrom.

Explanation.—For the purposes of this Chapter, in case the relevant shipping income of a tonnage tax company is a loss, then, such loss shall be ignored for the purposes of computing tonnage income.

115VJ. Treatment of common costs.—(*1*) Where a tonnage tax company also carries on any business or activity other than the tonnage tax business, common costs attributable to the tonnage tax business shall be determined on a reasonable basis.

(*2*) Where any asset, other than a qualifying ship, is not exclusively used for the tonnage tax business by the tonnage tax company, depreciation on such asset shall be allocated between its tonnage tax business and other business on a fair proportion to be determined by the Assessing Officer, having regard to the use of such asset for the purpose of the tonnage tax business and for the other business.

115VK. Depreciation.—(*1*) For the purposes of computing depreciation under clause (*iv*) of section 115VL, the depreciation for the first previous year of the tonnage tax scheme (hereafter in this section referred to as the first previous year) shall be computed on the written down value of the qualifying ships as specified under sub-section (*2*).

(*2*) The written down value of the block of assets, being ships, as on the first day of the first previous year, shall be divided in the ratio of the book written down value of the qualifying ships (hereafter in this section referred to as the qualifying assets) and the book written down value of the non-qualifying ships (hereafter in this section referred to as the other assets).

(*3*) The block of qualifying assets as determined under sub-section (*2*) shall constitute a separate block of assets for the purposes of this Chapter.

(*4*) For the purposes of sub-section (*2*), the book written down value of the block of qualifying assets and the block of other assets shall be computed in the following manner, namely:—

(*a*) the book written down value of each qualifying asset and each other asset as on the first day of the previous year and which form part of the block of assets to be divided shall be determined by taking the book written down value of each asset appearing in the books of account as on the last day of the preceding previous year:

Provided that any change in the value of the assets consequent to their revaluation after the date on which the Finance (No. 2) Act, 2004 receives the assent of the President shall be ignored;

(*b*) the book written down value of all the qualifying assets and other assets shall be aggregated; and

(*c*) the ratio of the aggregate book written down value of the qualifying assets to the aggregate book written down value of the other assets shall be determined.

(*5*) Where an asset forming part of a block of qualifying assets begins to be used for purposes other than the tonnage tax business, an appropriate portion of the written down value allocable to such asset shall be reduced from the written down value of that block and shall be added to the block of other assets.

Explanation.—For the purposes of this sub-section, appropriate portion of the written down value allocable to the asset, which begins to be used for purposes other than the tonnage tax business, shall be an amount which bears the same proportion to the written down value of the block of qualifying assets as on the first day of the previous year as the book written down value of the asset beginning to be used for purposes other than tonnage tax business bears to the book written down value of all the assets forming the block of qualifying asset.

(*6*) Where an asset forming part of a block of other assets begins to be used for tonnage tax business, an appropriate portion of the written down value allocable to such asset shall be reduced from the written down value of the block of other assets and shall be added to the block of qualifying asset.

Explanation.—For the purposes of this sub-section, appropriate portion of written down value allocable to the asset which begins to be used for the tonnage tax business shall be an amount which bears the same proportion to the written down value of the block of other assets as on the first day of the previous year as the book written down value of the asset beginning to be used for tonnage tax business bears to the total book written down value of all the assets forming the block of other assets.

(*7*) For the purposes of computing depreciation under clause (*iv*) of section 115VL in respect of an asset mentioned in sub-sections (*5*) and (*6*), depreciation computed for the previous year shall be allocated in the ratio of the number of days for which the asset was used for the tonnage tax business and for purposes other than tonnage tax business.

Explanation 1.—For the removal of doubts, it is hereby declared that for the purposes of this Act, depreciation on the block of qualifying assets and block of other assets so created shall be allowed as if such written down value referred to in sub-section (*2*) had been brought forward from the preceding previous year.

Explanation 2.—For the purposes of this section, "book written down value" means the written down value as appearing in the books of account.

115VL. General exclusion of deduction and set off, etc.—Notwithstanding anything contained in any other provision of this Act, in computing the tonnage income of a tonnage tax company for any previous year (hereafter in this section referred to as the "relevant previous year") in which it is chargeable to tax in accordance with this Chapter—

(*i*) sections 30 to 43B shall apply as if every loss, allowance or deduction referred to therein and relating to or allowable for any of the relevant previous years, had been given full effect to for that previous year itself;

(*ii*) no loss referred to in sub-sections (*1*) and (*3*) of section 70 or sub-sections (*1*) and (*2*) of section 71 or sub-section (*1*) of section 72 or sub-section (*1*) of section 72A, in so far as such loss relates to the business of operating qualifying ships of the company, shall be carried forward or set off where such loss relates to any of the previous years when the company is under the tonnage tax scheme;

(*iii*) no deduction shall be allowed under Chapter VIA in relation to the profits and gains from the business of operating qualifying ships; and

(*iv*) in computing the depreciation allowance under section 32, the written down value of any asset used for the purposes of the tonnage tax business shall be computed as if the company has claimed and has been actually allowed the deduction in respect of depreciation for the relevant previous years.

115VM. Exclusion of loss.—(*1*) Section 72 shall apply in respect of any losses that have accrued to a company before its option for tonnage tax scheme and which are attributable to its tonnage tax business, as if such losses had been set off against the relevant shipping income in any of the previous years when the company is under the tonnage tax scheme.

(*2*) The losses referred to in sub-section (*1*) shall not be available for set off against any income other than relevant shipping income in any previous year beginning on or after the company exercises its option under section 115VP.

(*3*) Any apportionment necessary to determine the losses referred to in sub-section (*1*) shall be made on a reasonable basis.

115VN. Chargeable gains from transfer of tonnage tax assets.—Any profits or gains arising from the transfer of a capital asset being an asset forming part of the block of qualifying assets shall be chargeable to income-tax in accordance with the provisions of section 45, read with section 50, and the capital gains so arising shall be computed in accordance with the provisions of sections 45 to 51:

Provided that for the purpose of computing such profits or gains, the provisions of section 50 shall have effect as if for the words "written down value of the block of assets", the words "written down value of the block of qualifying assets" had been substituted.

Explanation.—For the purposes of this Chapter, "written down value of the block of qualifying assets" means the written down value computed in accordance with the provisions of sub-section (*2*) of section 115VK.

115V-O. Exclusion from provisions of section 115JB.—The book profit or loss derived from the activities of a tonnage tax company, referred to in sub-section (*1*) of section 115V-I, shall be excluded from the book profit of the company for the purposes of section 115JB.

C.—Procedure for option of tonnage tax scheme

115VP. Method and time of opting for tonnage tax scheme.—(*1*) A qualifying company may opt for the tonnage tax scheme by making an application to the Joint Commissioner having jurisdiction over the company in the form and manner as may be prescribed, for such scheme.

(*2*) The application under sub-section (*1*) may be made by any existing qualifying company at any time after the 30th day of September, 2004 but before the 1st day of January, 2005 (hereafter referred to as the "initial period"):

Provided that—

(*i*) a company incorporated after the initial period; or

(*ii*) a qualifying company incorporated before the initial period but which becomes a qualifying company for the first time after the initial period,

may make an application within three months of the date of its incorporation or the date on which it became a qualifying company, as the case may be.

(*3*) On receipt of an application for option for tonnage tax scheme under sub-section (*1*), the Joint Commissioner may call for such information or documents from the company as he thinks necessary in order to satisfy himself about the eligibility of the company and after satisfying himself about such eligibility of the company to make such option for tonnage tax scheme, he—

(*i*) shall pass an order in writing approving the option for tonnage tax scheme; or

(*ii*) shall, if he is not so satisfied, pass an order in writing refusing to approve the option for tonnage tax scheme,

and a copy of such order shall be sent to the applicant:

Provided that no order under clause (*ii*) shall be passed unless the applicant has been given a reasonable opportunity of being heard.

(*4*) Every order granting or refusing the approval of the option for tonnage tax scheme under clause (*i*) or clause (*ii*), as the case may be, of sub-section (*3*) shall be passed before the expiry of one month from the end of the month in which the application was received under sub-section (*1*).

(*5*) Where an order granting approval is passed under sub-section (*3*), the provisions of this Chapter shall apply from the assessment year relevant to the previous year in which the option for tonnage tax scheme is exercised.

115VQ. Period for which tonnage tax option to remain in force.—(*1*) An option for tonnage tax scheme, after it has been approved under sub-section (*3*) of section 115VP, shall remain in force for a period of ten years from the date on which such option has been exercised and shall be taken into account from the assessment year relevant to the previous year in which such option is exercised.

(*2*) An option for tonnage tax scheme shall cease to have effect from the assessment year relevant to the previous year in which—

(*a*) the qualifying company ceases to be a qualifying company;

(*b*) a default is made in complying with the provisions contained in section 115VT or section 115VU or section 115VV;

(*c*) the tonnage tax company is excluded from the tonnage tax scheme under section 115VZC;

(*d*) the qualifying company furnishes to the Assessing Officer, a declaration in writing to the effect that the provisions of this Chapter may not be made applicable to it,

and the profits and gains of the company from the business of operating qualifying ships shall be computed in accordance with the other provisions of this Act.

115VR. Renewal of tonnage tax scheme.—(*1*) An option for tonnage tax scheme approved under sub-section (*3*) of section 115VP may be renewed within one year from the end of the previous year in which the option ceases to have effect.

(*2*) The provisions of sections 115VP and 115VQ shall apply in relation to a renewal of the option for tonnage tax scheme in the same manner as they apply in relation to the approval of option for tonnage tax scheme.

115VS. Prohibition to opt for tonnage tax scheme in certain cases.—A qualifying company, which, on its own, opts out of the tonnage tax scheme or makes a default in complying with the provisions of section 115VT or section 115VU or section 115VV or whose option has been excluded from tonnage tax scheme in pursuance of an order made under sub-section (*1*) of section 115VZC, shall not be eligible to opt for tonnage tax scheme for a period of ten years from the date of opting out or default or order, as the case may be.

D.—Conditions for applicability of tonnage tax scheme

115VT. Transfer of profits to Tonnage Tax Reserve Account.—(*1*) A tonnage tax company shall, subject to and in accordance with the provisions of this section, be required to credit to a reserve account (hereafter in this section referred to as the Tonnage Tax Reserve Account) an amount not less than twenty per cent of the book profit derived from the activities referred to in clauses (*i*) and (*ii*) of sub-section (*1*) of section 115V-I in each previous year to be utilised in the manner laid down in sub-section (*3*):

Provided that a tonnage tax company may transfer a sum in excess of twenty per cent of the book profit and such excess sum transferred shall also be utilised in the manner laid down in sub-section (*3*).

Explanation.—For the purposes of this section, "book profit" shall have the same meaning as in the *Explanation* to sub-section (*2*) of section 115JB so far as it relates to the income derived from the activities referred to in clauses (*i*) and (*ii*) of sub-section (*1*) of section 115V-I.

(*2*) Where the company has book profit from the business of operating qualifying ships and book loss from any other sources, and consequently, the company is not in a position to create the full or any part of the reserves under sub-section (*1*), the company shall create the reserves to the extent possible in that previous year and the shortfall, if any, shall be added to the amount of the reserves required to be created for the following previous year and such shortfall shall be deemed to be part of the reserve requirement of that following previous year:

Provided that to the extent the shortfall in creation of reserves during a particular previous year is carried forward to the following previous year under this sub-section, the company shall be considered as having created sufficient reserves for the first mentioned previous year:

Provided further that nothing contained in the first proviso shall apply in respect of the second year in case the shortfall in creation of reserves continues for two consecutive previous years.

(*3*) The amount credited to the Tonnage Tax Reserve Account under sub-section (*1*) shall be utilised by the company before the expiry of a period of eight years next following the previous year in which the amount was credited—

(*a*) for acquiring a new ship for the purposes of the business of the company; and

(*b*) until the acquisition of a new ship, for the purposes of the business of operating qualifying ships other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India.

(*4*) Where any amount credited to the Tonnage Tax Reserve Account under sub-section (*1*),—

(*a*) has been utilised for any purpose other than that referred to in clause (*a*) or clause (*b*) of sub-section (*3*); or

(*b*) has not been utilised for the purpose specified in clause (*a*) of sub-section (*3*); or

(*c*) has been utilised for the purpose of acquiring a new ship as specified in clause (*a*) of sub-section (*3*), but such ship is sold or otherwise transferred, other than in any scheme of demerger by the company to any person at any time before the expiry of three years from the end of the previous year in which it was acquired,

an amount which bears the same proportion to the total relevant shipping income of the year in which such reserve was created, as the amount out of such reserve so utilised or not utilised bears to the total reserve created during that year under sub-section (*1*) shall be taxable under the other provisions of this Act—

(*i*) in a case referred to in clause (*a*), in the year in which the amount was so utilised; or