

## **INCOME-TAX RULES, 1962 (26-3-1962)**

In exercise of the powers conferred by section 295 of the Income-tax Act, 1961 (43 of 1961), and rule 15 of Part A, rule 11 of Part B and rule 9 of Part C of the Fourth Schedule to that Act, the Central Board of Revenue hereby makes the following rules namely :--

### **PART I**

#### **Preliminary**

**1.- Short title and commencement:-** (1) These rules may be called the **Income-tax Rules, 1962.**

(2) They shall come into force on the 1st day of April, 1962.

**2. Definitions:-** (1) In these rules, unless the context otherwise requires,--

- (a) "Act" means the Income-tax Act, 1961 (43 of 1961);
- (aa) "authorised bank" means any bank as may be appointed by the Reserve Bank of India as its agent under the provisions of subsection (1) of section 45 of the Reserve Bank of India Act, 1934 (2 of 1934);
- (b) "Chapter", "section" and "Schedule" means respectively Chapter and section of, and Schedule to, the Act.

(2) All references to "Forms" in these rules shall be construed as references to the forms set out in Appendix II hereto.

### **PART II**

#### **Determination Of Income**

##### **A.--Salaries**

**2A.- Limits for the purposes of section 10(13A):-** The amount which is not to be included in the total income of an assessee in respect of the special allowance referred to in clause (13A) of section 10 shall be--

- (a) the actual amount of such allowance received by the assessee in respect of the relevant period; or
- (b) the amount by which the expenditure actually incurred by the assessee in payment of rent in respect of residential accommodation occupied by him

exceeds one-tenth of the amount of salary due to the assessee in respect of the relevant period; or

(c) an amount equal to--

(i) where such accommodation is situate at Bombay, Calcutta, Delhi or Madras, one-half of the amount of salary due to the assessee in respect of the relevant period; and

(ii) where such accommodation is situate at any other place, two-fifth of the amount of salary due to the assessee in respect of the relevant period,

(d) Omitted by the IT (Fourth Amdt.) Rules, 1986, w.e.f. 1-4-1987.

whichever is the least.

Explanation : In this rule--

(i) "salary" shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;

(ii) "relevant period" means the period during which the said accommodation was occupied by the assessee during the previous year.

(iii) Omitted by the IT (Fourth Amdt.) Rules, 1986, w.e.f. 1-4-1987.

**2B.- Conditions for the purpose of section 10(5):-** (1) The amount exempted under clause (5) of section 10 in respect of the value of travel concession or assistance received by or due to the individual from his employer or former employer for himself and his family, in connection with his proceeding,--

(a) on leave to any place in India;

(b) to any place in India after retirement from service or after the termination of his service;

shall be the amount actually incurred on the performance of such travel subject to the following conditions, namely :--

<sup>1</sup>[(i) where the journey is performed on or after the 1st day of October, 1997, by air, an amount not exceeding the air economy fare of the national carrier by the shortest route to the place of destination;

(ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1st day of October, 1997, by any mode of transport other than by air, an amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination; and

(iii) where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed on or after the 1st day of

October, 1997, between such places, the amount eligible for exemption shall be :--

- (A) where a recognised public transport system exists, an amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and
- (B) where no recognised public transport system exists, an amount equivalent to the air-conditioned first class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

(2) The exemption referred to in sub-rule (1) shall be available to an individual in respect of two journeys performed in a block of four calendar years commencing from the calendar year 1986 :

<sup>2</sup>**Provided** that nothing contained in this sub-rule shall apply to the benefit already availed of by the assessee in respect of any number of journeys performed before the 1st day of April, 1989 except to the extent that the journey or journeys so performed shall be taken into account for computing the limit of two journeys specified in this sub-rule.]

(3) Where such travel concession or assistance is not availed of by the individual during any such block of four calendar years, an amount in respect of the value of the travel concession or assistance, if any, first availed of by the individual during first calendar year of the immediately succeeding block of four calendar years shall be eligible for exemption.

Explanation : The amount in respect of the value of the travel concession or assistance referred to in this sub-rule shall not be taken into account in determining the eligibility of the amount in respect of the value of the travel concession or assistance in relation to the number of journeys under sub-rule (2).

<sup>3</sup>[(4) The exemption referred to in sub-rule (1) shall not be available to more than two surviving children of an individual after 1st October, 1998 :

**Provided** that this sub-rule shall not apply in respect of children born before 1st October, 1998, and also in case of multiple births after one child.]

**Footnotes:**

1. Substituted by the IT (First Amdt.) Rules, 1998, w.r.e.f. 1-10-1997, Prior to their substitution, clauses (i) (ii) and (iii), as amended by the IT (Fifth Amdt.) Rules, 1990, w.r.e.f. 1-4-1989, read as under:

- “(i) where the journey is performed on or after the 1<sup>st</sup> day April, 1989 by rail, an amount not exceeding the air-conditioned second class fare by the shortest route to the place of destination;
- (ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1<sup>st</sup> day of April, 1989 between such places, the amount eligible for exemption shall be,-

- (A) where a recognized public transport system exists, an amount not exceeding the 1<sup>st</sup> class or deluxe fare, as the case may be, on such transport by the shortest route to the place of destination; and
- (B) where no recognized public transport system exists, an amount equivalent to the air-conditioned second class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

2. Inserted by the IT (Fifth Amtd.) Rules, 1990, w.r.e.f. 1-4-1989.

3. Inserted by the IT (Fifth Amtd.) Rules, 1998, w.r.e.f. 1-10-1997.

**2BA. <sup>1</sup>[Guidelines for the purposes of section 10(10C):-** The amount received by an employee of—

- (i) a public sector company; or
- (ii) any other company; or
- (iii) an authority established under a Central, State or Provincial Act; or
- (iv) a local <sup>2</sup>[authority; or]
- <sup>3</sup>[(v) a co-operative society; or
- (vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956 (3 of 1956); or
- (vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961 (59 of 1961); or
- <sup>13</sup>[(viii) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification in the Official Gazette, specify in this behalf; or]
- (viii) such institute of management as the Central Government may, by notification in the Official Gazette specify in this behalf,

at the time of his voluntary retirement <sup>4</sup>[or voluntary separation] shall be exempt under clause (10C) of section 10 only if the scheme of voluntary retirement framed by the aforesaid company or authority <sup>5</sup>[or co-operative society or University or institute], as the case may be <sup>6</sup>[or if the scheme of voluntary separation framed by a public sector company,] is in accordance with the following requirements, namely :--

- (i) it applies to an employee <sup>7</sup>[\*\*\*] who has completed 10 years of service or completed 40 years of age;

<sup>8</sup>[(ii) it applies to all employees (by whatever name called) including workers and executives of a company or of an authority or of a cooperative

society, as the case may be, excepting directors of a company or of a co-operative society;]

- (iii) the scheme of voluntary retirement 9[or voluntary separation] has been drawn to result in overall reduction in the existing strength of the employees 10[\*\*\*];
- (iv) the vacancy caused by the voluntary retirement 9[or voluntary separation] is not to be filled up;
- (v) the retiring employee of a company shall not be employed in another company or concern belonging to the same management;
- (vi) the amount receivable on account of voluntary retirement 9[or voluntary separation] of the employee does not exceed the amount equivalent to 12[three months] salary for each completed year of service or salary at the time of retirement multiplied by the balance months of service left before the date of his retirement on superannuation:

11[**Provided** that requirement of (i) above would not be applicable in case of amount received by an employee of a public sector company under the scheme of voluntary separation framed by such public sector company]

Explanation : In this rule, the expression "salary" shall have the same meaning as is assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule.

**Footnotes:**

1 Substituted by the IT (First Amdt.) Rules, 1993, w.r.e.f.) 18-8-1992. Prior to its substitution, rule 2BA as inserted by the IT (Sixteenth Amdt.) Rules, 1992, w.e.f. 18-8-1992, and amended by the IT (Third Amdt.) Rules, 1993, w.e.f. 26-2-1993, read as under:

2BA. Guidelines for the purpose of section 10(10C).—The amount received by an employee of a public sector company or of any other company at the time of his voluntary retirement shall be exempt under clause (10C) of section 10 only if the scheme of voluntary retirement shall be exempt under clause (10C) of section 10 only if the scheme of voluntary retirement framed by the aforesaid company is in accordance with the following requirements, namely :--

- (i) it applies to an employee of the company who has completed 10 years of service  
or completed 40 years of age;
- (ii) it applies to all employees (by whatever name called) including workers and executives of the company excepting Directors of the company;

- (iii) the scheme of voluntary retirement has been drawn up to result in overall reduction in the existing strength of the employees of the company;
- (iv) the vacancy caused by voluntary retirement is not to be filled up, nor the retiring employee is to be employed in another company or concern belonging to the same management.
- (v) the amount receivable on account of voluntary retirement of the employee, does not exceed the amount equivalent to one and one-half months' salary for each completed year of service or salary at the time of retirement multiplied by the balance months of service left before the date of his retirement on superannuation.  
  
In any case, the amount should not exceed rupees five lakhs in case of each employee;
- (vi) the employee has not availed in the past, the benefit of any other voluntary retirement scheme.

Explanation : In this rule, the expression "salary" shall have the same meaning as is assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule.'

2 Substituted for "authority," by the IT (Fifth Amdt.) Rules, 1994, w.r.ef. 1-4-1994.

3 Inserted, by the IT (Fifth Amdt.) Rules, 1994, w.r.ef. 1-4-1994.

4 Inserted by the IT (Twenty-third Amdt.) Rules, 2000, w.e.f. 24-11-2000.

5 Inserted by the IT (Fifth Amdt.) Rules, 1994, w.r.e.f 1-4-1994.

6 Inserted by the IT (Twenty-third Amdt.) Rules, 2000, w.e.f. 24-11-2000.

7 Words "of the company or the authority, as the case may be," omitted by the IT (Fifth Amdt.) Rules, 1994, w.r.e.f. 1-4-1994.

8 Substituted, by the IT (Fifth Amdt.) Rules, 1994, w.r.e.f. 1-4-1994. Prior to substitution, it read as under :

"(ii) it applies to all employees (by whatever name called) including workers and executives of the company or the authority, as the case may be, excepting Directors of the company;"

9 Inserted by the IT (Twenty-third Amdt.) Rules, 2000, w.ef. 24-11-2000.

10 Words "of the company or the authority, as the case may be" omitted by the IT (Fifth Amdt.) Rules, 1994, w.r.e.f. 1-4-1994.

11 Inserted by the IT (Twenty-third Amdt.) Rules, 2000, w.ef. 24-11-2000.

12 Substituted for "one and one-half months" by the IT (Tenth Amdt.) Rules, 1994, w.e.f. 1-11-1994.

13 Inserted by IT (Tenth Amdt.) Rules, 2002 w.e.f. 19.06.2002.

**2BB.-<sup>1</sup>[Prescribed allowances for the purposes of clause (14) of section 10:-**

(1) For the purposes of sub-clause (i) of clause (14) of section 10, prescribed allowances, by whatever name called, shall be the following, namely:--

- (a) any allowance granted to meet the cost of travel on tour or on transfer;
- (b) any allowance, whether, granted on tour or for the period of journey in connection with transfer, to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;
- (c) any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment of profit :  

Provided that free conveyance is not provided by the employer;
- (d) any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit;
- (e) any allowance granted for encouraging the academic, research and training pursuits in educational and research institutions;
- (f) any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.

**Explanation :** For the purpose of clause (a), "allowance granted to meet the cost of travel on transfer" includes any sum paid in connection with transfer, packing and transportation of personal effects on such transfer.

(2) For the purposes of sub-clause (ii) of clause (14) of section 10, the prescribed allowances, by whatever name called, and the extent thereof shall be the following, namely :--

**TABLE**

<b>Sl. No.</b>	<b>Name of allowance</b>	<b>Place at which allowance is exempt</b>	<b>Extent to which allowance is exempt</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
1.	Any Special Compensatory Allowance in the nature of <sup>2</sup> [Special Compensatory (Hilly Areas) Allowance] or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance	I (a) Manipur Mollan/ RH-2365.  (b) Arunachal Pradesh  (i) Kameng;  (ii) North Eastern Arunachal Pradesh where heights are 9,000 ft. And above;  (iii) Areas east or west of Siang and Subansiri sectors  (c) Sikkim (i) Area North _NE- East of line Chhaten LR 0105, Launchung LR 1902, pt. 4326 LW 1790, pt. 4349 LW 1479, pt. 3601 LW 1471 to mile 13 LW 1367 to Berluk LW 2253.  (ii) All other areas at 9,000 ft. And above	<sup>3</sup> [Rs. 800 per month]



		<p>(d) Uttar Pradesh Areas of Harsil, Mana and Malari Sub- divisions and other areas of heights at 9,000 ft. And above.</p> <p>(e) Himachal Pradesh</p> <p>(i) All areas at 9,000 ft. And above ahead of line joining Puhkajakunzomla towards the bower.</p> <p>(ii) Area ahead of line joining Karchham and Shigrila towards the bower.</p> <p>(iii) All areas in Kalpa, Spiti, Lahul and Tisa.</p> <p>(f) Jammu and Kashmir</p> <p>(i) All areas from NR 396950 to NR 350850. NR 370790NR 311776 North of Shaikhra Village. North of Pindi Village to NR 240800.</p> <p>(ii) Areas of Doda, Sank and</p>	
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		<p>other posts located in areas at a height of 9,000 ft. And above.</p> <p>(iii) North of line Kud-Dudu and Bastttgarh, Bilwar, Batote and Patnitop.</p> <p>(iv) All areas ahead of Zojila served by Road Srinagar-Zojila-Leh in Leh District.</p> <p>(v) Gulmarg- All areas forward of line joining Anita Linyan 3309 _ Kaunrali-2407.</p> <p>(vi) Uri South _ All areas forward of Kaunrali- Kandi 1810 Kustam 1505 _ Sebasantra 1006 Changez 0507 _ Jak 19904 Keekar 9704 jammu 9607 Neeta 9508.</p> <p>(vii) BAAZ Kaiyan Bowl _ All areas</p>	
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		<p>forward of Dulurja 9712- BAAZ 0317- Shamsher 0416 including New Shamsher 0615- Zorawar 1017 _ Malaugan Base 1027 _ Radha 0836 to Nastachun Pass 9847.</p> <p>(viii) Tangdhar _ All areas west of Nastachun Pass Tangdhar Bowl and on Shamshabari Range and forward of it.</p> <p>(ix) Karan and Machhal sub- sectors- All areas along the line Pharkiangali 0869 to Z Gali 4376 and forward of Shamshabari Range.</p> <p>(x) Panzgam, Trehgam and Drugmul.</p>	
		II. Siachen area of Jammu and Kashmir	<sup>4</sup> [Rs. 7000 per

			month]
		III All places located at a height of 1,000 metres or more above the sea level, other than places specified at (I) and (II) above.	<sup>5</sup> [Rs. 300 per month]
<sup>62</sup>	Any special Compensatory Allowance in the nature of Border. Area Allowance, Remote Locality Allowance or Difficult Area Allowance or Disturbed Area Allowance	I. (a) Little Andaman, Nicobar and Narcondum Islands; (b) North and Middle Andamans; (c) Throughout Lakshadweep and Minicoy Islands; (d) All places on or north of the following demarcation line : Point 14600 (2881) to Sala MS 2686- Matau MS 6777-Sakong MT 1379- Bamong-Khonawa MO 2803-Nyapin MO 7525-River Khru to its junction with the river Kamla MP-2226-Talihayapuik MK 7410- Gshong MK 9749 - Yinki Yong NF 4324 - Damoroh MF 6208 - Ahinkolin NF 8811 - Kronli MG 2407 - Hanli NM 4096 Gurongon NM 4592	Rs. 1300 per month Rs. 1100/- per month Rs. 1050/- per month Rs. 750 per month Rs. 300/ per month Rs. 200 per month]

		<p>Loon NM 7579 - Mayuliang NM 0169 - Chawah NM 9943 - Kamphu NM 1125 - Point 6490 (NM 1493) Vijayanagar NSA - 486.</p> <p>(e) Following areas in Himachal Pradesh: (i) Pangi Tehsil of Chamba District;</p> <p>(ii) Following Panchayats and villages of Bharmour Tehsil of Chamba District (A) Panchayat Badgaun, Bajol, Deol Kugti Nayagam and Tundah. (B) Villages Ghatu of Gram Panchayat Jagat Kanarsi of Gram Panchayat Cauhata.</p> <p>(iii) Lahul and Spiti District;</p> <p>(iv) Kinnaur district: (A) Asrang, Chitkul and Hango Kuno Charang Panchayats (B) 15/20 Area comprising the Gram Panchayats of Chhota</p>	
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		<p>Khamba, Nathpa and Rupi.</p> <p>(C) PooH sub-Division excluding the Panchayat Areas specified above.</p> <p>(v) 15/20 Area of Rampur Tehsil comprising of Panchayats of Koot, Labana-Sadana, Sarpara and Chandi Branda of Shimla District.</p> <p>(vi) 15/20 Area of Nirmand Tehsil, comprising the Gram Panchayats of Kharga, Kushwar and Sarga of Kullu District.</p> <p>(f) Chimpluipui District of Mizoram and areas beyond 25 km from Lunglei town in Lunglei District of Mizoram.</p> <p>(g) following areas in Jammu and Kashmir :-</p> <p>(i) Niabat Bani, Lihi, Malhar and Macchodi of Kathua District;</p> <p>(ii) Dudu Basantgarh Lander Bhamag</p>	
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		<p>Illaqa, Thakrakote and Nagote of Udhampur District.</p> <p>(iii) All areas in Tehsil Mahore except those specified at III(f) (i) below in Udhampur District;</p> <p>(iv) Illaqa of Padder and Niabat Nowgaon in Kishtwar Tehsil of Doda District;</p> <p>(v) Leh District;</p> <p>(vi) Entire Gurez - Nirabat, Tangdar Sub-Division and Keran Illaqa of Baramulla District.</p> <p>(h) Following areas of Uttar Pradesh:- (i) Chamoli District;</p> <p>(ii) Pithoragarh District;</p> <p>(iii) Uttarakashi District; (i) Throughout Sikkim State II. Installations in the continental shelf of India and the Exclusive Economic Zone of India. III.</p> <p>(a) Throughout Arunachal Pradesh other than areas</p>	
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		<p>covered by those specified at I(d) above.</p> <p>(b) Throughout Nagaland State.</p> <p>(c) South Andaman (including Port Blair).</p> <p>(d) Throughout Lunglei District (excluding areas beyond 25 km from Lunglei town) of Mizoram.</p> <p>(e) Dharmanagar, Kailasahar, Amarpur and Khowai in Tripura.</p> <p>(f) Following areas in Jammu and Kashmir:-</p> <p>(i) Areas up to Goel from Kamban side and areas upto Arnas from Keasi side in Tehsil Mahore of Udhampur</p>	
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		<p>District;</p> <p>(ii) Matchill in Barmulla District.</p> <p>(g) Following areas in Himchal Pradesh:- (i) Bharmour Tehsil, excluding Panchayats and villages covered by those specified at I(e)(ii) above of Chamba District.</p> <p>(ii) Chhota Bhangal and Bara Bhangal area of Kangra District;</p> <p>(iii) Kinnaur District other than areas specified at I(e)(iv);</p> <p>(iv) Dodra-Kawar Tehsil, Gram Panchayats of Darakali in Rampur, Kashapath Tehsil and</p>	
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		<p>Munish, Ghori Chaibis of Pargana Sarahan of Shimla District. IV.</p> <p>(a) Throughout Aizawal District of Mizoram;</p> <p>(b) Throughout Tripura except areas those specified at III(e);</p> <p>(c) Throughout Manipur;</p> <p>(d) Followings ares of Himachal Pradesh: (i) Jhandru Panchayat in Bhatiyat Tehsil, Churah Tehsil, Dalhousie Town (including Banikhet proper) of</p>	
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		<p>Chamba District;</p> <p>(ii) Cuter Seraj (excluding Village of Jakat-Khana and Burow in Nirmand Tehsil of Kullu District;</p> <p>(iii) Following areas of Mansi District:</p> <p>(A) Chhuhar Valley (Joginder nagar Tehsil);</p> <p>(B) Bagra, Chhatri, Chhotdhar, Garagushain, Gato, Gharyas, Janjehli, Jaryar, Johar Kalhani Kalwan, Kholanal, Loth, Silibagi, Somachan, Thachdhar, Thachi and Thana</p>	
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		<p>Panchayats of Thunag Tehsil;</p> <p>(C) Binga, Kamlah, Saklana, Tanyar and Tara-kholah, Panchayats of Dharampur Block;</p> <p>(D) Balidhur, Bagra, Gopalpur, Khajol, Mahog, Mehudi, Manj, Pekhi, Sainj, Sarahan and Teban, Panchayats of Karsog Tehsil;</p> <p>(E) Bohi, Batwara, Dhanyara, Paura-Kothi, Seri and Shoja, Panchayats of Sundernagar Tehsil.</p> <p>(iv) Following areas and</p>	
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		officers of Kangara District: (A) Dharamsala town and Women's ITI, Dari, Mechanical Workshop, Ramnagar; Child Welfare and Twon Country Planning Offices, Sakoh; CRSF Office at lower Sakoh; Kangra Milk Supply Scheme, Shamanagar; Tea Factory, Dari; Forest Corporation Office, Shamnagar; Tea Factory, Dari; Settlement Office, Shamnagar and Binwa Project,	
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		<p>Shamnagar. Offices located outside the Municipal limit of Dharamshala town but included in Dharamsala town for spurposes of eligibility to special Compensatory (Remote Locality) Allowance; (B) Palampur town, includng HPKVV Campus at Palampur and H.P. Krishi Vishvavidyala Campus; Cattle Development Office/Jersy Farm, Banuri; Sericulture Office/Indo- German Agriculture</p>	
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		<p>Workshop/ HPPWD Division, Bundla; Electrical Sub- Division, Lohna; D.P.O. Corporation, Bundla and Electrical HPSEE Division, Ghuggar offices located outside the municipal limits of Palampur town but included in Palampur town for the purpose of above allowance.</p> <p>(v) Chopal Tehsil; Ghoris, Panjgaon, Patsnu, Naubis and Teen Koti of Pargana Sarahan; Deothi Gram</p>	
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		<p>Panchayat of Taklesh Area; Pargana Barabis; Kasba Rampur and Ghori Nog Pargana Ramputr of Rampur Tehsil of Shimla District and Shimla Town and its suburbs (Dhali, Jatog, Kasumpti, Mashobra, Taradevi and Tutu)</p> <p>(vi)</p> <p>Panchayats of Bani, Bakhali (Pachhad Tehsil), Bharog Bheneri (Paonata Tehsil), Birla (Nahan Tehsil), Dibber (Pachhad Tehsil) of Thanan</p>	
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		<p>Kasoga (Nahan Tehsil) in Sirmour District and Thansgiri Tract of Sirmour District;</p> <p>(vii) Mangal Panchayat of Solan District;</p> <p>(e) Following areas in Jammu and Kashmir:- (i) Areas in Poonch and Rojouri Districts excluding the towns of Poonch and Rajouri and Sunderbani and other Urban areas in the two districts;</p> <p>(f) Following areas in Jammu and Kashmir:-</p>	
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		<p>Areas not included in I(g), III(f) and IV(e) above, but which are within a distance of 8km from the line of actual control or at places which may be declared as qualifying for Border Allowance from time to time by the State Government for their own staff V. Jog Falls in Shimoga District in Karnataka.</p> <p>VI. (a) Throughout the State of Himachal Pradesh other than areas covered by those</p>	
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		specified in I(e), III(g) and IV(d) (b) Throughout the State of Assam and Meghalaya	
3.	<sup>7</sup> [Special Compensatory (Tribal Areas/Schedule Areas/ Agency Areas) Allowance]	(a) Madhya Pradesh (b) Tamil Nadu (c) Uttar Pradesh (d) Karnataka (e) Tripura (f) Assam (g) West Bengal (h) Bihar (i) Orissa	<sup>8</sup> [Rs. 200 per month]
4.	Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place,	Whole of India	70 percent of such allowance up to a maximum of <sup>9</sup> [Rs. 6,000 per month]

	provided that such employee is not in receipt of daily allowance.		
5.	Children Education Allowance	Whole of India	<sup>10</sup> [Rs. 100 per month per child] up to a maximum of two children.
6.	Any allowance granted to an employee to meet the hostel expenditure on his child	Whole of India	<sup>11</sup> [Rs. 300 per month per child] up to a maximum of two children.
7.	Compensatory Field Area Allowance	(a) Following areas in Arunachal Pradesh:- (i) Tirap and Changlang Districts; (ii) All areas North of line joining point 4448 in LZ 4179 _ Nukme Dong MS 3272 _ Sepla MT 2969 _ Palin MO 9213 _ Daporijo NR 5841 _ Along NL 1273 Hunli NM 3196-Tidding Tuwi MT	<sup>12</sup> [Rs. 2,600 per month]

		<p>6369 _ Hayuliang NN 0170- Tawaken MT 8136 _ Champai Bun NM 8814, all inclusive.</p> <p>(b) Throughout Manipur and Nagaland.</p> <p>(c) Following areas in Sikkim:- All areas North and North East of line joining Phalut LV 4750- Gezing LV 7059- Mangkha LV 6160- Penlang LaLW 0666- Rangli LW 1448-BP 1 in LW 2453 ON Indo _ Bhutan Border. all inclusive.</p> <p>(d) Folloeing areas in Himachal Pradesh: All areas East of line joining Umasila NV 3951 _ Udaipur NY 8663- Manikaran SB 2300-Pir Parbati Pass TA 1459- Taranda TA 2335- Barasua-Pass TA 8801, all inclusive.</p> <p>(e) Following areas in Uttar Pradesh:- All areas North and North- East of line joining Barasua Pass Gangnani</p>	
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		<p>TG 1362-Govind Ghat TG 0937- Tapovan TH 1822-Musiari TN 8982- Relaged TO 2466-all inclusive.</p> <p>(f) Following areas in Jammu and Kashmir:-</p> <p>(i) Areas North and East of line joining Zojila MU 3036 - Baralachala NE 6672 along the great Himalayan Range, all inclusive;</p> <p>(ii) All areas West of Line joining point 1556 in NR 5470 _ Gulmarg MT 3105- Naushara MY 3105- Ringapat MT 2133- Handwara MT 2043- Laingyal MT 2339- Point 8405 in NG 4565 - North of line joining point 8403 Bunakut MT 5453 Razan NN 2239 - Zojila, all inclusive;</p> <p>(iii) All areas West of line joining tip of Chicken Neck RD 7073 _ Canal junction RD 6364- Mawa Brahmana RD</p>	
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		6183- Chauki RD 6393 - Road junction RD 6499- Baramgala MY 3854 _ Point 1556 in NR 5470. all inclusive.	
8.	Compensatory Modified Field Area Allowance	<p>(a) Following areas in Punjab and Rajasthan:- Areas West of line joining Jessai, Barmer, Jaisalmer, Pokharan, Udasar, Mahajan Ranges, Suratgarh, Lalgah Jattan, Abohar, Govindgarh, Fazilka, Jandiala Guru, Moga, Dholewal, Deas, Bir Sarangwal, Hussainiwala, Dera Baba Nanak, Laisain pulge upto the international border, all inclusive.</p> <p>(b) Following areas in Haryana:- Satrod (Hissar).</p> <p>(c) Following areas in Himachal Pradesh: Areas North of line joining Narkhanda. keylong upto Field Area line/ High Altitude line. (</p> <p>d) Following areas in</p>	<sup>13</sup> [Rs. 1,000 per month]

		<p>Arunachal Pradesh and Assam:-</p> <p>(i) Cachar and North Cachar and District of Assam including Silchar;</p> <p>(ii) All areas of Arunachal Pradesh and Assam North of river Brahmaputra except Tejpur- Misamari and Field Areas.</p> <p>(e) Throughout Mizoram and Tripura.</p> <p>(f) Following areas in Sikkim and West Bengal:- Areas Northwards of line joining Sevoke LV 9112, Burdong LV 985 - Sherwani LV 9453 - Bagrakot LW 0113- Damdim LW 1109 - New Mal- Hasimara-QB 7894 Ganga Ram Tea Estate QA 1377 upto the High Altitude line/ field area line/ international border, all inclusive.</p> <p>(g) Following areas in Uttar Pradesh:- Areas North of line joining</p>	
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		<p>Uttarkashi. Karan Prayag, Gauchar, Joshimath, Chamoli, Rudra Prayag, Askote, Charamgad, Dharchula, Kausani and Narendra Nagar upto international border, all inclusive.</p> <p>(h) Following areas in Jammu and Kashmir:</p> <p>(i) Areas West of line joining Pattan, Baramulla, Kupwara, Drugmula, Panges, Mankes Buniyar, Pantha Chowk, Khanabal, Anantnag, Khundru and Khru upto the existing High Altitude line, all inclusive;</p> <p>(ii) Areas West of line joining _ BP _19. Brahmanadi-Bari, Jindra, Dhansal, Katra, Sanjhi Chatt, Batote Patni Top, Ram ban and Banihal upto the exiting High altitude line, all inclusive.</p>	
9.	Any special allowance in	Whole of India	<sup>14</sup> [Rs. 3,900 per

	the nature of counter-insurgency allowance granted to the members of armed forces operating in areas away from their permanent locations for a period of more than 30 days		month]
<sup>15</sup> 10.	Transport allowance granted to an employee <sup>16</sup> [other than an employee referred to in serial number 11] to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty.	Whole of India	Rs. 800 per month
<sup>17</sup> [11.	Transport allowance granted to an	Whole of India	Rs. 1,600 per month]

	employee, who is blind or orthopaedically handicapped with disability of lower extremities, to meet his expenditure for the purpose of commuting between the place of his residence and the place of his residence and the place of his duty.		
<sup>18</sup> [12.	Underground allowance granted to an employee who is working in uncongenial, unnatural climate in underground <sup>21</sup> [***] mines.	Whole of India.	Rs.800 per month.]
<sup>19</sup> [13.	Any special allowance in the nature of high altitude (uncongenial climate)	(a) For altitude of 9,000 to 15,000 feet (b) For altitude of 15,000 feet	Rs. 1,060 per month Rs. 1,600 per month

	allowance granted to the member of the armed forces operating in high altitude areas		
14.	Any special allowance granted to the members of the armed forces in the nature of special compensatory highly active field area allowance	Whole of India	Rs. 4,200 per month]
<sup>20</sup> [15.	Any special allowance granted to the member of the armed forces in the nature of Island (duty) allowance	Andaman & Nicobar and Lakshadweep Group of Islands	Rs. 3,250 per month:]

**Footnotes:**

1. Inserted by the IT (Eighth Amdt.) Rules, 1995, w.e.f. 1-7-1995.
2. Substituted for "Composite Hill Compensatory Allowance" by the IT (Third Amdt.) Rules 2000, w.r.ef. 1-8-1997

- 3** Substituted for "Rs. 600", by the IT (Third Amdt.) Rules, 2000, w.r.ef. 1-8-1997.
- 4.** Substituted for "Rs. 1200" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 5.** Substituted for "Rs. 150" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 6.** Substituted, by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 7.** Substituted for "Tribal Area Allowance" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 8.** Substituted for "Rs. 100", by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 9.** Substituted for "Rs. 3,000" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 10.** Substituted for "Rs. 50", by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 11.** Substituted for "Rs. 150", by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 12.** Substituted for "Rs. 1,300" by the IT (Twenty-second Amdt.) Rules, 2000, w.r.e.f. 1-5-1999. Earlier "Rs. 1,300" was substituted for "Rs. 975" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 13.** Substituted for "Rs. 500" by the IT (Twenty-second Amdt.) Rules, w.r.e.f. 1-5-1999. Earlier "Rs. 500" was substituted for "Rs. 375" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 14.** Substituted for "Rs. 1,300" by the IT (Twenty-second Amdt.) Rules, 2000, w.r.e.f. 1-5-1999. Earlier "Rs. 1,300" was substituted for "Rs. 975" by the IT (Third Amdt.) Rules, 2000, w.r.e.f. 1-8-1997.
- 15.** Inserted by the IT (Seventh Amdt.) Rules, 1998, w.r.e.f. 1-8
- 16.** Inserted by the IT (Twenty-ninth Amdt.) Rules, 1999, w.r.e.f. 1-8-1997.

- 17.** Inserted by the IT (Twenty-ninth Amdt.) Rules, 1999, w.r.e.f. 1-8-1997.
- 18.** Inserted by the IT (Fourth Amdt.) Rules, 2000, w.e.f. 24-4-2000.
- 19.** Inserted by the IT (Twenty-second Amdt.) Rules, 2000, w.r.e.f 1-5-1999.
- 20.** Inserted by the IT (Twenty-first Amdt.) Rules, 2000, w.r.e.f. 29-2-2000.
- 21.** Omitted by the IT (Thirteenth Amdt.) Rules, 2007, prior to omission it read as "coal".

**<sup>1</sup>[2BBA. Circumstances and conditions for the purposes of clause (19) of section 10.**

(1) For the purposes of clause (19) of section 10, the circumstances of death of a member of the armed forces (including para-military forces) of the Union in the course of operational duties shall be the following, namely :-

- (i) acts of violence or kidnepping or attacks by terrorists or anti-social elements;
- (ii) action against extremists or anti-social elements;
- (iii) enemy action in international war;
- (iv) action during deployment with a peace keeping mission abroad;
- (v) border skirmishes;
- (vi) laying or clearance of mines including enemy mines as also mine sweeping operations;
- (vii) explosions of mines while laying operationally oriented mine-fields or lifting or negotiation mine fields laid by the enemy or own forces in operational areas near international borders or the line of control ;
- (viii) in the aid of civil power in dealing with natural calamities and rescue operations;
- (ix) in the aid of civil power in quelling agitation or riots or revolts by demonstrators.

(2) It shall be certified by the Head of the Department where the deceased member of the armed forces (including para-military forces) last served, or the service headquarters, as the case may be, that the death of such member has occurred in the course of operational duties in circumstances mentioned in sub-rule (1).

**Footnotes:**

1. Inserted by Income-tax (4th Amendment) Rules, 2005 vide Notification No: 45/2005 dated 09.02.2005.

**2BC.- <sup>1</sup>[Amount of annual receipts for the purposes of sub-clauses (iiiad) and (iiiie) of clause (23C) of section 10.**

(1) For the purposes of sub-clause (iiiad) of clause (23C) of section 10, the amount of annual receipts on or after the 1st day of April, 1998, of any university or other educational institution, existing solely for educational purposes and not for purposes of profit, shall be one crore rupees.

(2) For the purposes of sub-clause (iiiie) of clause (23C) of section 10, the amount of annual receipts on or after the 1st day of April, 1998, of any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, shall be one crore rupees. Application under section 10(23) and under sub-clauses (iv) and (v) of section 10 clause (23C)

**Footnotes:**

<sup>1</sup> Inserted by the IT (Eighteenth Amdt.) Rules, 1998, w.e.f. 12-10-1998.

**<sup>2</sup>[2C. Guidelines for approval under sub-clauses (iv) and (v) of clause (23C)**

**of section 10.** (1) The prescribed authority under sub-clauses (iv) and (v) of clause (23C) of section 10 shall be the Chief Commissioner or Director General, to whom the application shall be made as provided in sub-rule (2).

(2) The application to be furnished under sub-clauses (iv) and (v) of clause (23C) of section 10 by a fund, trust or institution shall be in Form No. 56.

Explanation. For the purposes of this rule, Chief Commissioner or Director General means the Chief Commissioner or Director General whom the Central Board of Direct Taxes may, authorise to act as prescribed authority for the purposes of sub-clause (iv) or sub-clause (v) of clause (23C) of section 10 in relation to any fund or trust or institution.]

**Footnotes:**

1 Inserted by the IT (Ninth Amdt.) Rules, 1989, w.e.f. 28-8-1989.

2. Substituted by the Income-tax (Sixth Amendment) Rules, 2007 vide notification no. 194/2007 dated 30.05.2007 w.e.f. 01.06.2007. Prior to substitution it read as:

"2C.- <sup>1</sup>[Application under section 10(23) and under sub-clauses (iv) and (v) of section 10(23C). (1) The prescribed authority under clause (23) and sub-clauses (iv) and (v) of clause (23C) of section 10 shall be the Director General (Income-tax Exemptions), to whom the applications shall be made as provided in sub-rules (2) and (3).

(2) The Form in which an application is to be furnished under clause (23C) of section 10 by a sports association or institution shall be in Form No. 55.

(3) The Form of application to be furnished under sub-clauses (iv) and (v) of clause (23C) of section 10 by a fund, trust or institution shall be in Form No. 56.]."

**2CA.- <sup>1</sup>[GuideIines for approval under sub-clauses (vi) and (via) of clause (23C) of section 10.**

(1) The prescribed authority under sub-clauses (vi) and (via) of clause (23C) of section 10 shall be the Chief Commissioner or Director General, to whom the application shall be made as provided in sub-rule (2).

(1A) The prescribed authority under sub-clauses (vi) and (via) of clause (23C) of section 10 shall be the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963 (54 of 1963) for applications received prior to 3rd day of April, 2001.

<sup>3</sup>[Provided that in case of applications received prior to 3rd day of April, 2001 where no order has been passed granting approval or rejecting the application as on 31st day of May, 2007, the prescribed authority under sub-clauses (vi) and (via) of clause (23C) of section 10 shall be the Chief Commissioner or Director General.]

(2) An application for approval shall be made in Form No. 56D by any university or other educational institution or any hospital or other medical institution referred to in sub-clause (vi) or sub-clause (via) of clause (23C) of section 10.

(3) <sup>2</sup>[The approval of the Central Board of Direct Taxes or Chief Commissioner or Director General, as the case may be, granted before the 1st day of December, 2006 shall at any one time have effect for a period not exceeding three assessment years.]

<sup>4</sup>[Explanation. For the purposes of this rule, Chief Commissioner or Director General means the Chief Commissioner or Director General whom the Central Board of Direct Taxes may, authorise to act as prescribed authority, for the purposes of sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, in relation to any university or other educational institution or any hospital or other medical institution.]

**Footnotes:**



1 Substituted by the I.T. (Seventeenth Amendment) Rules 2001, w.e.f. 3—8-2001. Prior to its substituted the Rule stood as under :

“(1) The prescribed authority under sub-clauses (vi) and (via) of clause (23C) of section 10 shall be the [Chief Commissioner], to whom the application shall be made as provided in sub-rule (2),

(2) An application for approval shall be made in Form No. 56D by any university or other educational institution or any hospital or other medical institution referred to in sub-clause (vi) or sub-clause (via) of clause (23C) of section 10

(3) The approval of the [Chief Commissioner] shall at any one time have effect for a period not exceeding three assessment years.]

Explanation.--For the purposes of this rule, the "Chief Commissioner" means the Chief Commissioner to whom the Assessing Officer having jurisdiction to assess the university or other educational institutions or any hospital or other medical institutions referred to in sub-clattse(vi) or sub-clause (via) of clause (23C) of section 10 of the Act is subordinate.”

2. Substituted by the I.T. (Fourteenth Amendment) Rules 2006, dated 24-11-2006. Prior to its substituted the Rule stood as under :

(3) The approval of the Central Board of Direct Taxes or Chief Commissioner or Director General, as the case may be, shall at any one time have effect for a period not exceeding three assessment years.

3. Inserted by the Income-tax (Fifth Amendment) Rules, 2007 vide notification no. 193/2007 dated 30.05.2007 w.e.f. 01.06.2007.

4. Substituted by the Income-tax (Fifth Amendment) Rules, 2007 vide notification no. 193/2007 dated 30.05.2007 w.e.f. 01.06.2007. Prior to substitution it read as:

"Explanation.--For the purposes of this rule, "Chief Commissioner or Director General" means the Chief Commissioner or Director General to whom the Assessing Officer having jurisdiction to assess the university or other educational institutions or any hospital or other medical institutions referred to in sub-clause (vi) and sub-clause (via) of clause (23C) of Section 10 of the Act is subordinate."

**2D.- <sup>1</sup>[Guidelines for approval under clause (23F) of section 10.**(1) For the purposes of clause (23F) of section 10, the prescribed authority shall be the Director of Income-tax (Exemptions) having jurisdiction over the venture capital fund or the venture capital company who makes application for approval under sub-rule (2).

(2) An application for approval shall be made in Form No. 56A by a venture capital fund or a venture capital company to the Director of Income-tax (Exemptions) referred to in sub-rule (1).

(3) Every application under sub-rule (2) may be made in any previous year in which any income by way of dividend or long-term capital gains of a venture capital fund

or a venture capital company from investments made by way of equity shares in a venture capital undertaking shall not be included in computing the total income of such venture capital fund or venture capital company.

(4) Every application for approval under sub-rule (2) shall be accompanied by the following documents, namely :--

- (a) a copy of trust deed or certificate of incorporation under Companies Act, 1956(1 of 1956); balance sheets and profit and loss account for three previous years immediately preceding the previous year in which the application is made;
- (c) Forms 56B and 56C duly filled in and signed by the applicant; and
- (d) a copy of the certificate of registration issued by the Securities and Exchange Board of India.

(5) The Director of Income-tax (Exemptions) shall approve the venture capital fund or the venture capital company, as the case may be, subject to the following conditions, namely:--

- (a) the venture capital fund or the venture capital company, as the case may be, is registered with the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992):
- (b) <sup>2</sup>[\*\*\*]
- (c) <sup>2</sup>[\*\*\*]
- (d) a venture capital fund or a venture capital company, as the case may be, shall not invest more than <sup>3</sup>[twenty] per cent of its total monies raised or total paid-up share capital in one venture capital undertaking;
- (e) a venture capital fund or a venture capital company, as the case may be, shall not make investment of more than forty per cent in the equity capital of one venture capital undertaking;
- (f) every venture capital fund and venture capital company, shall maintain books of account and get such books audited by an accountant, as defined in Explanation to sub-section (2) of section 288 and furnish the report of such audit duly signed and verified by such accountant to the Director of Income-tax (Exemptions) before the due date of filing of the return under sub-section (1) of section 139.

(6) The Director of Income-tax (Exemptions) shall pass an order in writing granting approval or refusing approval to the venture capital fund or venture capital company, as the case may be :

Provided that the Director of Income-tax (Exemptions) shall not refuse the approval except in concurrence with the Director-General of Income-tax (Exemptions):

Provided further that every venture capital fund or venture capital company, as the case may be, shall be given an opportunity of being heard before passing an order under this rule.

(7) The Director of Income-tax (Exemptions) shall withdraw the approval granted under sub-rule (6) in the following circumstances, namely :--

(a) if the venture capital fund or the venture capital company--

- (i) fails to make investments in the manner specified in sub-rule (5);
- (ii) invests more than <sup>3</sup>[twenty] per cent of the monies raised by a venture capital fund or <sup>3</sup>[twenty] per cent of paid-up share capital of the venture capital company, as the case may be, in one venture capital undertaking;
- (iii) makes an investment of more than forty per cent in the equity capital in one venture capital undertaking; fails to maintain books of account and get such accounts audited by an accountant or fails to file the audit report required in clause (f) of sub-rule (5);
- (iv) violates the provisions of the Act or rules made thereunder;

(b) if the certificate of registration granted under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), to a venture capital fund or a venture capital company is suspended or cancelled by the Securities and Exchange Board of India.

**Footnotes:**

1 Inserted by the IT (Eleventh Amtd.) Rules, 1995, w.e.f. 18-7-1995.

2 Clauses (b) and (c) omitted by the IT (Twenty-sixth Amtd.) Rules, 1998, w.e.f. 1-4-1999. Prior to its omission clauses (b) and (c), as inserted by the IT (Eleventh Amtd.) Rules, 1995, w.e.f. 18-7-1995, reads as under:

“(b) every venture capital fund invests an amount not less than eighty per cent of its total monies (hereinafter referred to as such monies) raised for investments by way of acquiring equity shares of the venture capital undertakings in the following manner, namely:-

- (i) twenty per cent or more of such monies shall be invested during or before the end of the previous year in which the application is made under sub-rule (3) by way of acquiring equity shares of the venture capital undertakings;
- (ii) fifty per cent or more of such monies [including the investments referred to in sub-clause (i) above] shall be invested, during or before the end of the previous year immediately succeeding the previous year in which investment of twenty per cent referred to in

sub-clause (i) has been made, by way of acquiring equity shares of the venture capital undertakings;

- (iii) ighty per cent or more of such monies [including the investments, referred to in sub-clause (ii) above] shall be invested, during or before the end of the previous year immediately succeeding the previous year in which fifty per cent investment referred to in sub-clause (ii) has been made, by way of acquiring equity shares of the venture capital undertakings;

(c) every venture capital company invests an amount not less than eighty per cent of its total paid-up capital (hereinafter referred to as such capital) by way of acquiring equity shares of the venture capital undertakings in the following manner, namely :--

- (i) twenty per cent or more of such capital shall be invested, during or before the end of the previous year in which the application is made under sub-rule (3), by way of acquiring equity shares of the venture capital undertaking;
- (ii) fifty per cent or more of such capital [including the investments referred to in sub-clause (i) above] shall be invested, during or before the end of the previous year immediately succeeding the previous year in which investment of twenty per cent referred to in sub-clause (i) above has been made, by way of acquiring equity shares of the venture capital undertadings;
- (iii) eighty per cent or more of such capital [including the investments referred to in sub-clause (ii) above] shall be invested, during or before the end of the previous year in which fifty per cent investment referred to in sub-clause (ii) has been made, by way of acquiring equity shares of the venture capital undertakings;"

3 Substituted for "five" by the IT (Sixth Amdt.) Rules, 1997, w.e.f. 28-4-1997.

**2DA.- <sup>1</sup>[Guidelines for approval under clause (23FA) of section 10.**(1) An application for approval shall be made in Form No. 56AA by a venture capital fund or a venture capital company to the Central Government.

(2) Every application under sub-rule (1) may be made in any previous year in which any income by way of dividend or long-term capital gains of a venture capital fund or a venture capital company from investments made by way of equity shares in a venture capital undertaking shall not be included in computing the total income of such venture capital fund or venture capital company.

(3) Every application for approval under sub-rule (1) shall be accompanied by the following documents, namely :--

- (a) A copy of the trust deed registered under the provision of the Registration Act, 1908 or a certificate of incorporation under the Companies Act, 1956 (1 of 1956);
- (b) Balance sheets and profit and loss accounts for three previous years immediately preceding the previous year in which the application is made;
- (c) Forms 56BA and 56CA duly filled in and signed by the applicant; and
- (d) A copy of the certificate of registration issued by the Securities and Exchange Board of India under sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

(4) The Central Government may approve the venture capital fund or the venture capital company, as the case may be, subject to the following conditions, namely:--

- (a) A venture capital fund or a venture capital company, as the case may be, is registered with the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (b) A venture capital fund or a venture capital company, as the case may be, shall not invest more than twenty-five per cent of its total monies raised or total paid-up share capital in one venture capital undertaking;
- (c) Every venture capital fund and venture capital company, shall maintain books of account and get such books audited by an accountant, as defined in Explanation to sub-section (2) of section 288 of the Act and, furnish the report of such audit duly signed and verified by such accountant to the Central Government before the due date of filing of the return under sub-section (1) of section 139 of the Act.

(5) The Central Government may pass an order in writing granting approval or refusing approval to the venture capital fund or venture capital company, as the case may be :

**Provided** that no order refusing the approval shall be passed unless an opportunity of being heard has been given to the venture capital fund or the venture capital company.

(6) The approval of the Central Government under sub-rule (5) shall at any one time has effect for such assessment year or years, not exceeding three assessment years.

(7) The Central Government shall withdraw the approval granted under sub-rule (5) in the following circumstances :--

- (a) If the venture capital fund or the venture capital company--

- (4);
- (i) Fails to make investments in the manner specified in sub-rule
  - (ii) Invests more than twenty-five per cent of the monies raised by a venture capital fund or twenty-five per cent of paid-up share capital of the venture capital company, as the case may be, in one venture capital undertaking;
  - (iii) Fails to maintain books of accounts and get such accounts audited by an accountant or fails to file the audit report required in clause (d) of sub-rule (4);
  - (iv) Violates the provisions of the Act or rules made thereunder;

(b) If the certificate of registration granted under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), to a venture capital fund or a venture capital company is suspended or cancelled by the Securities and Exchange Board of India.

**Footnotes:**

1 Inserted by the IT (Thirty-fourth Amdt.) Rules, 1999, w.e.f. 27-12-1999.

**<sup>1</sup>[2E. Guidelines for approval under clause (23G) of section 10. -**

- (1) An application for approval shall be made on or after the 1st day of June 1998 in Form No. 56E by an enterprise to the Central Government.
- (2) Every application for approval made under sub-rule (1) shall be accompanied by the following documents, namely: —
  - (a) a copy of certificate of incorporation under the Companies Act, 1956 (1 of 1956) or a copy of the document evidencing the constitution of the enterprise and its legal status;
  - (b) a copy of the project report or agreement in respect of the eligible business duly approved by the Central Government or any State Government or any local authority or any other statutory body, as the case may be;
  - (c) balance sheets and profit and loss accounts for the three previous years immediately preceding the previous year in which the application has been made and also for the relevant part of the previous year in which the application has been made :

**Provided** that an application made under sub-rule (1) may be accompanied by the balance sheets and profit and loss accounts for less than three previous years where an enterprise has been formed at any time during the three previous years immediately preceding the previous year in which the application has been made and also for the relevant part of the previous year in which the application has been made.

- (3) The Central Government shall approve an enterprise for the purposes of clause (23G) of section 10, if such enterprise is wholly engaged in the eligible business.
- (4) The Central Government may, before approving an enterprise, call for such documents (including audited annual accounts) or information from the enterprise, as it thinks necessary in order to satisfy itself that such enterprise is wholly engaged in the eligible business and that Government may also make such enquiries as it may deem necessary in this behalf.
- (5) The Central Government shall pass an order in writing while granting approval or refusing approval to the enterprise:

**Provided** that no order refusing the approval shall be passed unless an opportunity of being heard has been given to the enterprise.

- (6) Every enterprise approved under sub-rule (5) shall maintain books of account and get such books audited by an accountant, as defined in Explanation to subsection (2) of section 288 and furnish the report of such audit duly signed and verified by such accountant to the Chief Commissioner of Income-tax under whose jurisdiction it is assessed, before the due date of filing of the return under subsection (1) of section 139.
- (7) Where the enterprise,-
  - (a) ceases to carry on the eligible business; or
  - (b) fails to maintain books of account and get such accounts audited by an accountant as required by sub-rule (6); or
  - (c) fails to furnish the audit report as required by sub-rule (6);the Chief Commissioner of Income-tax shall, after making such enquiries as he may deem necessary, furnish a report on the circumstances referred to in clause (a), (b) and (c) to the Central

Government, within six months from the due date of filing of return under sub-section (1) of section 139.

- (8) The Central Government, on being satisfied that any or all of the circumstances referred to in clauses (a), (b) and (c) of sub-rule (7) exist, shall withdraw the approval granted under sub-rule (5).

**Provided** that no order withdrawing the approval shall be passed unless an opportunity of being heard has been given to the enterprise.

**Explanation:** For the purposes of this rule, —

- (a) the expression “enterprise” means any enterprise wholly engaged in the eligible business ;
- (b) the expression “eligible business” means the business referred to in sub-section(4) of section 80 IA or a housing project referred to in sub-section (10) of section 80- IB and which fulfils the conditions specified in the said sub-sections or a hotel project or a hospital project as defined in clauses (g) and (h) of Explanation 1 to clause (23G) of Section 10.]

**Footnotes:**

1. Substituted by IT (Sixth Amdt), Rules, 2004 w.e.f. 12.04.2004, which was earlier, inserted by the IT (Eighteen th Amdt.) Rules, 1998, w.e.f. 12-10-1998. Prior to Substitution the text of Rule 2E read as under:

**“2E.- Guidelines for approval under clause (23G) of section**

**10.**(1) An application for approval shall be made on or after the 1st day of June, 1998 in Form No. 56E by an enterprise to the Central Government.

(2) Every application for approval made under sub-rule (1) shall be accompanied by the following documents, namely :--

- (a) a copy of certificate of incorporation under the Companies Act, 1956 (1 of 1956) or a copy of the document evidencing the constitution of the enterprise and its legal status;
- (b) a copy of the project report or agreement in respect of the infrastructure facility duly approved by the Central Government or any State Government or any local authority or any other statutory body, as the case may be;



- (c) balance sheets and profit and loss accounts for the three previous years immediately preceding the previous year in which the application has been made and also for the relevant part of the previous year in which the application has been made :

**Provided** that an application made under sub-rule (1) may be accompanied by the balance sheets and profit and loss accounts for less than three previous years where an enterprise has been formed at any time during the three previous years immediately preceding the previous year in which the application has been made and also for the relevant part of the previous year in which the application has been made.

(3) The Central Government shall approve an enterprise for the purposes of clause (23G) of section 10, if such enterprise is wholly engaged in the business of developing, maintaining and operating any infrastructure facility.

(4) The Central Government may, before approving an enterprise, call for such documents (including audited annual accounts) or information from the enterprise, as it thinks necessary in order to satisfy itself that such enterprise is wholly engaged in the business of developing, maintaining and operating an infrastructure facility and that Government may also make such enquiries as it may deem necessary in this behalf.

(5) The Central Government shall pass an order in writing while granting approval or refusing approval to the enterprise :

**Provided** that no order refusing the approval shall be passed unless an opportunity of being heard has been given to the enterprise.

(6) The approval of the Central Government under sub-rule (5) shall at any one time have effect for a period not exceeding three assessment years.

(7) Every enterprise approved under sub-rule (5) shall maintain books of account and get such books audited by an accountant, as defined in Explanation to subsection (2) of section 288 and furnish the report of such audit duly signed and verified by such accountant to the Central Government before the due date of filing of the return under subsection (1) of section 139.

(8) The Central Government shall withdraw the approval granted under sub-rule (5) if the enterprise--

- (a) ceases to carry on infrastructure facility; or

- (b) fails to maintain books of account and get such accounts audited by an accountant as required by sub-rule (7); or
- (c) fails to furnish the audit report as required by sub-rule (7).

Explanation : For the purposes of this rule,--

- (a) the expression "enterprise" means any enterprise wholly engaged in the business of developing, maintaining and operating any infrastructure facility;
- (b) the expression "infrastructure facility" shall have the meaning assigned to it in clause (c) of Explanation to clause (23G) of section 10."

### <sup>1</sup>[3. Valuation of perquisites

<sup>20</sup>[For the purpose of computing the income chargeable under the head Salaries, the value of perquisites provided by the employer directly or indirectly to the assessee (hereinafter referred to as employee) or to any member of his household by reason of his employment shall be determined in accordance with the following sub-rules, namely:-

(1) The value of residential accommodation provided by the employer during the previous year shall be determined on the basis provided in the Table below :-

**TABLE - I**

<b>Sl. No.</b>	<b>Circumstances</b>	<b>Where accommodation is unfurnished</b>	<b>Where accommodation is furnished</b>
(1)	(2)	(3)	(4)
(1)	Where the accommodation is provided by the Central Government or any State	License fee determined by the Central Government or any State Government in	The value of perquisite as determined under column (3) and increased by 10% per annum

	Government to the employees either holding office or post in connection with the affairs of the Union or of such State.	respect of accommodation in accordance with the rules framed by such Government as reduced by the rent actually paid by the employee.	of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for he same by the employee during the previous year.
(2)	Where the accommodation is provided by any other employer and (a) where the accommodation is owned by the employer, or (b) where the	(i) 15% of salary in cities having population exceeding 25 lakhs as per 2001 census; (ii) 10% of salary in cities having population exceeding 10	The value of perquisites as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, refrigerators,

	<p>accommodation is taken on lease or rent by the employer.</p>	<p>lakhs but not exceeding 25 lakhs as per 2001 census;</p> <p>(iii) 7.5% of salary in other areas, in respect of the period during which the said accommodation was occupied by the employee during the previous year as reduced by the rent, if any, actually paid by the employee.</p> <p>Actual amount of lease rental paid or payable by the employer or 15% of salary whichever is lower as reduced by the rent, if any, actually paid by the employee.</p>	<p>other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.</p> <p>The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning</p>
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			<p>plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.</p>
(3)	<p>Where the accommodation is provided by the employer specified in serial number (1) or (2) in a hotel (except where the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on his transfer</p>	Not applicable	<p>24% of salary paid or payable for the previous year or the actual charges paid or payable to such hotel, which is lower, for the period during which such accommodation is provided as reduced by the rent, if any, actually paid or payable by the</p>

	from one place to another)		employee:
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Provided that nothing contained in this sub-rule shall apply to any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site, or a dam site or a power generation site or an off-shore site-

(i) which, being of a temporary nature and having plinth area not exceeding 800 square feet, is located not less than eight kilometers away from the local limits of any municipality or a cantonment board; or

(ii) which is located in a remote area:

Provided further that where on account of his transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value with reference to the Table above for a period not exceeding 90 days and thereafter the value of perquisite shall be charged for both such accommodations in accordance with the Table.

**Explanation.-** For the purposes of this sub-rule, where the accommodation is provided by the Central Government or any State Government to an employee who is serving on deputation with anybody or undertaking under the control of such Government,-

(i) the employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation; and

(ii) the value of perquisite of such an accommodation shall be the amount calculated in accordance with Sl. No. (2)(a) of Table I, as if the accommodation is owned by the employer.

(2) (A) The value of perquisite by way of use of motor car to an employee by an employer shall be determined in accordance with the following Table, namely:-

**TABLE II**

**VALUE OF PERQUISITE PER CALENDAR MONTH**

<b>Sl. No.</b>	<b>Circumstances</b>	<b>Where cubic capacity of engine does not exceed 1.6 litres</b>	<b>Where cubic capacity of engine exceeds 1.6 litres</b>
(1)	(2)	(3)	(4)
(1)	<p>Where the motor car is owned or hired by the employer and</p> <p>(a) is used wholly and exclusively in the performance of his official duties;</p> <p>(b) is used exclusively for the private or personal purposes of the employee or any member of his household and the running and maintenance expenses are met or reimbursed by the employer;</p> <p>(c) is used partly in the performance of duties and partly for private or personal purposes of his own or any member of his</p>	<p>No value:</p> <p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as</p>	<p>No value:</p> <p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to</p>

	<p>household and-</p> <p>(i) the expenses on maintenance and running are met or reimbursed by the employer;</p> <p>(ii) the expenses on running and maintenance for private or personal use are fully met by the assessee.</p>	<p>reduced by any amount charged from the employee for such use.</p> <p>Rs. 1,800 (plus Rs. 900, if chauffeur is also provided to run the motor car)</p> <p>Rs. 600 (plus Rs.900, if chauffeur is also provided by the employer to run the motor car)</p>	<p>the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.</p> <p>Rs. 2,400 (plus Rs. 900, if chauffeur is also provided to run the motor car)</p> <p>Rs. 900 (plus Rs. 900, if chauffeur is also provided to run the motor car)</p>
(2)	<p>Where the employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur, if</p>	<p>No value:</p> <p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p>	<p>No value:</p> <p>Provided that the documents specified in clause (B) of this sub-rule are</p>



	<p>any) are met or reimbursed to him by the employer and-</p> <p>(i) such reimbursement is for the use of the vehicle wholly and exclusively for official purposes;</p> <p>(ii) such reimbursement is for the use of the vehicle partly for official purposes and partly for personal or private purposes of the employee or any member of his household.</p>	<p>Subject to the provisions of clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above.</p>	<p>maintained by the employer.</p> <p>Subject to the provisions of clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above</p>
(3)	<p>Where the employee owns any other automotive conveyance but the actual running and maintenance charges are met or reimbursed to him by the employer and</p> <p>(i) such reimbursement is for the use of the</p>	<p>No value:</p> <p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Subject to the provisions of clause (B) of this sub-rule, the actual amount of</p>	<p>Not applicable.</p>

	vehicle wholly and exclusively for official purposes; (ii) such reimbursement is for the use of vehicle partly for official purposes and partly for personal or private purposes of the employee.	expenditure incurred by the employer as reduced by the amount of Rs. 900.	
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Provided that where one or more motor-cars are owned or hired by the employer and the employee or any member of his household are allowed the use of such motor-car or all of any of such motor-cars (otherwise than wholly and exclusively in the performance of his duties), the value of perquisite shall be the amount calculated in respect of one car in accordance with Sl. No. (1)(c)(i) of Table II as if the employee had been provided one motor-car for use partly in the performance of his duties and partly for his private or personal purposes and the amount calculated in respect of the other car or cars in accordance with Sl. No. (1)(b) of Table II as if he had been provided with such car exclusively for his private or personal purposes.

(B) Where the employer or the employee claims that the motor-car is used wholly and exclusively in the performance of official duty or that the actual expenses on the running and maintenance of the motor-car owned by the employee for official purposes is more than the amounts deductible in Sl. No. 2(ii) or 3(ii) of Table II, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled:-

(a) the employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage, and the amount of expenditure incurred thereon;

(b) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

**Explanation.-** For the purposes of this sub-rule, the normal wear and tear of a motor-car shall be taken at 10% per annum of the actual cost of the motor-car or cars.

(3) The value of benefit to the employee or any member of his household resulting from the provision by the employer or services of a sweeper, a gardener, a watchman or a personal attendant, shall be the actual cost to the employer. The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services as reduced by any amount paid by the employee for such services.

(4) The value of the benefit to the employee resulting from the supply of gas, electric energy or water for his household consumption shall be determined as the sum equal to the amount paid on that account by the employer to the agency supplying the gas, electric energy or water. Where such supply is made from resources owned by the employer, without purchasing them from any other outside agency, the value of perquisite would be the manufacturing cost per unit incurred by the employer. Where the employee is paying any amount in respect of such services, the amount so paid shall be deducted from the value so arrived at.

(5) The value of benefit to the employee resulting from the provision of free or concessional educational facilities for any member of his household shall be determined as the sum equal to the amount of expenditure incurred by the employer in that behalf or where the educational institution is itself maintained and owned by the employer or where free educational facilities for such member of employees household are allowed in any other educational institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality. Where any amount is paid or recovered from the employee on that account, the value of benefit shall be reduced by the amount so paid or recovered:

Provided that where the educational institution itself is maintained and owned by the employer and free educational facilities are provided to the children of the employee or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, nothing contained in this sub-rule shall

apply if the cost of such education or the value of such benefit per child does not exceed one thousand rupees per month.

(6) The value of any benefit or amenity resulting from the provision by an employer who is engaged in the carriage of passengers or goods, to any employee or to any member of his household for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods shall be taken to be the value at which such benefit or amenity is offered by such employer to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity:

Provided that nothing contained in this sub-rule shall apply to the employees of an airline or the railways.

(7) In terms of provisions contained in sub-clause (viii) of clause 2 of section 17, the following other benefits or amenities and value thereof shall be determined in the manner provided hereunder:

(i) The value of the benefit to the assessee resulting from the provision of interest-free or concessional loan for any purpose made available to the employee or any member of his household during the relevant previous year by the employer or any person on his behalf shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India, constituted under the State Bank of India Act, 1955 (23 of 1955), as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him or any such member of his household:

Provided that no value would be charged if such loans are made available for medical treatment in respect of diseases specified in rule 3A of these Rules or where the amount of loans are petty not exceeding in the aggregate twenty thousand rupees:

Provided further that where the benefit relates to the loans made available for medical treatment referred to above, the exemption so provided shall not apply to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.

(ii) The value of travelling, touring, accommodation and any other expenses paid for or borne or reimbursed by the employer for any holiday availed of by the employee or any member of his household, other than concession or assistance referred to in rule 2B of these rules, shall be determined as the sum equal to the amount of the expenditure incurred by such employer in that behalf. Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public. Where the employee is on official tour and the expenses are incurred in respect of any member of his household accompanying him, the amount of expenditure so incurred shall also be a fringe benefit or amenity:

Provided that where any official tour is extended as a vacation, the value of such fringe benefit shall be limited to the expenses incurred in relation to such extended period of stay or vacation. The amount so determined shall be reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity.

(iii) The value of free food and non-alcoholic beverages provided by the employer to an employee shall be the amount of expenditure incurred by such employer. The amount so determined shall be reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity:

Provided that nothing contained in this clause shall apply to free food and non-alcoholic beverages provided by such employer during working hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints, to the extent the value thereof either case does not exceed fifty rupees per meal or to tea or snacks provided during working hours or to free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation.

(iv) The value of any gift, or voucher, or token in lieu of which such gift may be received by the employee or by member of his household on ceremonial occasions or otherwise from the employer shall be determined as the sum equal to the amount of such gift:

Provided that where the value of such gift, voucher or token, as the case may be, is below five thousand rupees in the aggregate during the previous year, the value of perquisite shall be taken as nil.

(v) The amount of expenses including membership fees and annual fees incurred by the employee or any member of his household, which is charged to a credit card (including any add-on-card) provided by the employer, or otherwise, paid for or reimbursed by such employer shall be taken to be the value of perquisite chargeable to tax as reduced by the amount, if any paid or recovered from the employee for such benefit or amenity:

Provided that there shall be no value of such benefit where expenses are incurred wholly and exclusively for official purposes and the following conditions are fulfilled:

(a) complete details in respect of such expenditure are maintained by the employer which may, inter alia, include the date of expenditure and the nature of expenditure;

(b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

(vi) (A) The value of benefit to the employee resulting from the payment or reimbursement by the employer of any expenditure incurred (including the amount of annual or periodical fee) in a club by him or by an member of his household shall be determined to be the actual amount of expenditure incurred or reimbursed by such employer on that account. The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity:

Provided that where the employer has obtained corporate membership of the club and the facility is enjoyed by the employee or any member of his household, the value of perquisite shall not include the initial fee paid for acquiring such corporate membership.

(B) Nothing contained in this clause shall apply if such expenditure is incurred wholly and exclusively for business purposes and the following conditions are fulfilled:-

(a) complete details in respect of such expenditure are maintained by the employer which may, inter alia, include the date of expenditure, the nature of expenditure and its business expediency;

(b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

(C) Nothing contained in this clause shall apply for use of health club, sports and similar facilities provided uniformly to all employees by the employer.

(vii) The value of benefit to the employee resulting from the use by the employee or any member of his household of any movable asset (other than assets already specified in this rule and other than laptops and computers) belonging to the employer or hired by him shall be determined at 10% per annum of the actual cost of such asset or the amount of rent or charge paid or payable by the employer, as the case may be, as reduced by the amount, if any, paid or recovered from the employee for such use.

(viii) The value of benefit to the employee arising from the transfer of any movable asset belonging to the employer directly or indirectly to the employee or any member of his household shall be determined to be the amount representing the actual cost of such assets to the employer as reduced by the cost of normal wear and tear calculated at the rate of 10% of such cost for each completed year during which such asset was put to use by the employer and as further reduced by the amount, if any, paid or recovered from the employee being the consideration for such transfer:

Provided that in the case of computers and electronic items, the normal wear and tear would be calculated at the rate of 50% and in the case of motor cars at the rate of 20% by the reducing balance method.

(ix) The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under an arms length transaction as reduced by the employees contribution, if any:

Provided that nothing contained in this clause shall apply to the expenses on telephones including a mobile phone actually incurred on behalf of the employee by the employer.

(8) (i) For the purposes of sub-clause (vi) of clause 2 of section 17, the fair market value of any specified security or sweat equity share, being an equity share in a company, on the date on which the option is exercised by the employee, shall be determined in accordance with the provisions of clause (ii) or clause (iii).

(ii) In a case where, on the date of the exercising of the option, the share in the company is listed on a recognized stock exchange, the fair market value shall be the

average of the opening price and closing price of the share on that date on the said stock exchange:

Provided that where, on the date of exercising of the option, the share is listed on more than one recognized stock exchanges, the fair market value shall be the average of opening price and closing price of the share on the recognised stock exchange which records the highest volume of trading in the share:

Provided further that where, on the date of exercising of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be

(a) the closing price of the share on any recognised stock exchange on a date closest to the date of exercising of the option and immediately preceding such date; or

(b) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of exercising of the option and immediately preceding such date, is recorded on more than one recognized stock exchange.

(iii) In a case where, on the date of exercising of the option, the share in the company is not listed on a recognised stock exchange, the fair market value shall be such value of the share in the company as determined by a merchant banker on the specified date.

(iv) For the purpose of this sub-rule,

(a) closing price of a share on a recognised stock exchange on a date shall be the price of the last settlement on such date on such stock exchange:

Provided that where the stock exchange quotes both buy and sell prices, the closing price shall be the sell price of the last settlement.

(b) merchant banker means category I merchant banker registered with Security and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(c) opening price of a share on a recognised stock exchange on a date shall be the price of the first settlement on such date on such stock exchange:



Provided that where the stock exchange quotes both buy and sell prices, the opening price shall be the sell price of the first settlement.

(d) recognised stock exchange shall have the same meaning assigned to it in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(e) specified date means,

(i) the date of exercising of the option; or

(ii) any date earlier than the date of the exercising of the option, not being a date which is more than 180 days earlier than the date of the exercising.

(9) For the purposes of sub-clause (vi) of clause 2 of section 17, the fair market value of any specified security, not being an equity share in a company, on the date on which the option is exercised by the employee, shall be such value as determined by a merchant banker on the specified date.

**Explanation.** - For the purposes of this sub-rule, merchant banker and specified date shall have the meanings assigned to them in sub-clause (b) and sub-clause (e) respectively of clause (iv) of sub-rule (8).

(10) This rule shall come into force with effect from the 1st day of April, 2009.

**Explanation.-** For the purposes of this rule-

(i) accommodation includes a house, flat, farm house or part thereof, or accommodation in a hotel, motel, service apartment, guest house, caravan, mobile home, ship or other floating structure;

(ii) entertainment includes hospitality of any kind and also, expenditure on business gifts other than free samples of the employers own product with the aim of advertising to the general public;

(iii) hotel includes licensed accommodation in the nature of motel, service apartment or guest house;

(iv) member of household shall include-

(a) spouse(s),

(b) children and their spouses,

(c) parents, and

(d) servants and dependants;

(v) remote area, for purposes of proviso to this sub-rule means an area that is located at least 40 kilometres away from a town having a population not exceeding 20,000 based on latest published all-India census;

(vi) salary includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called from one or more employers, as the case may be, but does not include the following, namely:-

(a) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;

(b) employers contribution to the provident fund account of the employee;

(c) allowances which are exempted from payment of tax;

(d) the value of perquisites specified in clause (2) of section 17 of the Income-tax Act;

(e) any payment or expenditure specifically excluded under proviso to sub-clause (iii) of clause (2) or proviso to clause (2) of section 17;

(f) lump-sum payments received at the time of termination of service or superannuation or voluntary retirement, like gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and similar payments;

(vii) maximum outstanding monthly balance means the aggregate outstanding balance for each loan as on the last day of each month.]

**Footnotes:**

1. Substituted by The I.T (Twenty Second Amendment) Rules, 2001 w.e.f. 01.04.2001 Prior to substitution rule 3 read as under:

**"3.- Valuation of perquisites.**

For the purpose of computing the income chargeable under the head "Salaries" the value of the perquisites (not provided for by way of monetary payment to the

asscssee) mentioned below shall be determined in accordance with the following clauses, namely:--

(a) The value of rent-free residential accommodation shall be determined on the basis provided hereunder, namely :--

(1) where the accommodation is provided—

(A) by Government to a person holding an office or post in connection with the affairs of the Union or of a State;

(B) by a body or undertaking under the control of Government to any officer of Government whose services have been lent to that body or undertaking (the accommodation itself having been allotted to it by Government), an amount equal to—

(1) if the accommodation is unfurnished, the rent which has been or would have been determined as payable by such person or officer in accordance with the rules framed by Government for allotment of residences to its officers;

(2) if the accommodation is furnished, an amount calculated in accordance with sub-clause (i) (1) plus 10 per cent per annum, of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor;

(ii) where the accommodation is provided—

(A) by the Reserve Bank of India, to any person employed by it;

(B) by a corporation established by a Central, State or Provincial Act, or by a company in which all the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any person employed by it;

(BB) by a company not being a company referred to in sub-clause (ii)(B) or sub-clause (ii)(D) in which all the shares are held by a corporation referred to in sub-clause (ii)(B) or by a company referred to in that sub-clause, to any person employed by it;

(C) by a body or undertaking including a society registered under the Societies Registration Act, 1860 (21 of 1860), financed wholly or mainly by the Government, to any person employed by it;

(D) by a company not being a company referred to in sub-clause (ii)(B) or sub-clause (ii)(BB) in which not less than 40 per cent of the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any officer of Government whose services have been lent to it or to any person employed by it after his retirement from the service of Government, an amount equal to—

(1) if the accommodation is unfurnished, 10 per cent of the salary due to such person or officer, as the case may be, in respect of the period during which the said accommodation was occupied by him during the previous year

Provided that where the assessee claims and the Assessing Officer is satisfied that the sum arrived at on the aforesaid basis exceeds the fair rental value of the accommodation, the value of the perquisite to the assessee shall be limited to such fair rental value;

(2) if the accommodation is furnished, an amount calculated in accordance with sub-clause (ii)(1) plus 10 per cent per annum, of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor;

(iii) in any other case,--

(A) the value of rent-free residential accommodation which is not furnished shall ordinarily be a sum equal to 10 per cent of the salary due to the assessee in respect of the period during which the said accommodation was occupied by him during the previous year:

Provided that—

(1) where the fair rental value of the accommodation is in excess of 20 per cent of the assessee's salary, the value of the perquisite shall be taken to be 10 per cent of the salary increased by a sum equal to the amount by which the fair rental value exceeds 20 per cent of the salary; so, however, that the Assessing Officer may,

having regard to the nature of the accommodation, determine the sum by which 10 per cent of the salary is to be increased, as a percentage (not exceeding 100 per cent) of the amount by which the fair rental value exceeds 20 per cent of the salary;

(2) where the assessee claims, and the Assessing Officer is satisfied that the sum arrived at on the basis provided above exceeds the fair rental value of the accommodation, the value of the perquisite to the assessee shall be limited to such fair rental value; (B) where the accommodation is furnished, the value of rent-free residential accommodation shall be the aggregate of the following sums, namely:--

(1) the fair rental value of the accommodation arrived at in accordance with the provisions of sub-clause (iii)(A) as if the accommodation were not furnished; and

(2) the fair rent for the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) calculated at 10 per cent per annum of the original cost of such furniture or if such furniture is hired from a third party, the actual hire charges payable therefor.

Explanation 1: "Salary" includes the pay, allowances, bonus or commission payable monthly or otherwise, but does not include the following, namely :--

(i) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the assessee concerned;

(ii) employer's contributions to the provident fund account of the assessee; (iii) allowances which are exempted from payment of tax;

(iv) any allowance in the nature of an entertainment allowance, to the extent such allowance is deductible under clause of section 16.

Explanation 2 : For the purposes of sub-clause (iii), the fair rental value of accommodation which is not furnished shall be the rent which a similar accommodation would realise in the same locality or the municipal valuation in respect of the accommodation, whichever is higher.

(b) The value of residential accommodation provided at a concessional rent shall be determined as the sum by which the value computed in accordance with clause (a), as if the accommodation were provided free of rent, exceeds the rent actually

payable by the assessee for the period of his occupation during the relevant previous year.

[(ba) The benefit to the assessee resulting from the provision by the employer of free services of a sweeper, a gardener or a watchman shall be valued at Rs. 120 per month per person.]

(c) (i) The value of a motor-car provided by the employer for use by the assessee exclusively for his private or personal purposes shall be determined as the sum actually expended by the employer on the maintenance and running of the motorcar during the relevant previous year (including remuneration, if any, paid by the employer to the chauffeur) and, where the motor-car is owned by the employer, as the aggregate of such sum and the amount representing the normal wear and tear of the motor-car;

(ii) the value of a motor-car provided by the employer for use by the assessee partly in the performance of his duties and partly for his private or personal purposes shall be determined to be a sum equal to that part of the amount actually expended by the employer on the maintenance and running of the motor-car during the relevant previous year (including remuneration, if any, paid by the employer to the chauffeur) which can reasonably be attributed to the user of the motor-car by the assessee for his private or personal purposes or, where the motor-car is owned by the employer, the aggregate of such sum and of a sum equal to that part of the amount representing the normal wear and tear of the motor-car which can reasonably be attributed to the user of the motor-car by the assessee for his private or personal purposes; so, however, that where a determination on the basis mentioned above presents difficulty, the value of the perquisite may be determined on the basis provided in the Table below :

**TABLE**

<b>Value of perquisite per calendar month</b>		
<b>1</b>	<b>2</b>	<b>3</b>
	Where the h.p. rating of the car does not exceed 16 or the cubic capacity	Where the h.p. rating of the car exceeds 16 or the cubic capacity of

	of the engine does not exceed 1.88 liters	the engine exceeds 1.88 liters
1. Where the motor-car is owned or hired by the employer and all the expenses on maintenance and running are met or reimbursed to the assessee by the employer	Rs. [600]  [200]	Rs. [800]  [300]
2. Where the motor-car is owned or hired by the employer but the expenses on maintenance and running for the assessee's private or personal purpose are met by the assessee's private or personal purposes are met by the assessee		

Provided that where a chauffeur is also provided to run the motor-car, the value of the perquisite as calculated in accordance with this Table shall be increased by a sum of Rs. [300] per month;

(iii) where one or more motor-cars are owned or hired by the employer of the assessee and the assessee is allowed the use of such motor-car or all or any of such motor-cars (otherwise than wholly and exclusively in the performance of his duties), an amount calculated in accordance with the Table under sub-clause (ii) and the proviso thereto as if the assessee had been provided one motor-car for use partly in the performance of his duties and partly for his private or personal purposes:

Provided that where two or more motor-cars are allowed to be so used and the h.p. rating of any one of such motor-cars exceeds 16 or the cubic capacity of the engine of any one of such motor-cars exceeds 1.88 litres, the assessee shall be deemed to have been provided by the employer with one motor-car of h.p. rating exceeding 16:

Provided further that where two or more motor-cars are allowed to be so used and a chauffeur is also provided to run any such motor-car, the value of the perquisite as so calculated shall be increased by a sum of Rs. [300] per month;

(iv) where the assessee owns a motor-car but (the actual running or maintenance charges (including remuneration of the chauffeur, if any) are met, or reimbursed to him, by the employer, the value of the perquisite to the assessee shall be determined as the sum actually expended by the employer which, in the opinion of the Assessing Officer, can reasonably be attributed to the user of the car by the assessee otherwise than wholly and exclusively in the performance of his duties; (v) the value of a motor-car or motor-cars provided for the use of, or allowed to be used by, the assessee (otherwise than wholly and exclusively in the performance of his duties) at a concessional rate shall be determined as the sum by which the value computed in accordance with the foregoing provisions of this clause exceeds the amount actually payable by the assessee for the use of such motor-car or motorcars for the period of use during the relevant previous year;

(vi) the value of the free use by the assessee of any other type of conveyance provided by the employer shall be determined as so much of the sum actually expended by the employer on the maintenance and running of the conveyance during the relevant previous year, and where the conveyance is owned by the employer, as so much of the aggregate of such sum and the amount representing the normal wear and tear of the conveyance, as, in the opinion of the Assessing Officer, can reasonably be attributed to the user by the assessee, otherwise than wholly and exclusively in the performance of his duties;

(d) the value of the benefit to the assessee resulting from the supply of gas, electric energy or water for his household consumption free of any charge shall be determined as the sum equal to the amount paid on that account by the employer to the agency supplying the gas, electric energy or water, but--



(i) where such supply is made from resources owned by the employer without purchasing them from any other outside agency, the value therefor shall be taken as nil, and

(ii) where the Assessing Officer is satisfied that the gas, electric energy or water supply to any assessee are consumed also for the purposes of his official duties, the Assessing Officer shall determine the value of the benefit to the assessee to be equal to the amount paid on that account by the employer to the agency supplying the gas, electric energy or water or 6 1/4 per cent of the salary of the assessee, whichever is lower;

(e) the value of the benefit to the assessee resulting from the provision of free education facilities for any member of his household shall be determined as the sum equal to the amount of the expenditure incurred by the employer in that behalf, but where the educational institution itself is maintained and run by the employer for the benefit of all his employees as a group, the value of the perquisite to the assessee shall be determined with reference to the reasonable cost of such education in a similar institution in or near the locality;

(f) the value of any benefit or amenity resulting from the provision by any undertaking engaged in the carriage of passengers or goods to any employee of the undertaking or to members of his family or his dependent relatives, of journey free of cost or at concessional fares, in any conveyance owned by the undertaking for the purpose of transport of passengers or goods shall be taken as nil;

(g) the value of any benefit or amenity not included in the preceding clauses of this rule shall be determined on such basis and in such amount as the Assessing Officer considers fair and reasonable".

2 Inserted by the I.T (Second Amendment) Rules, 2002 w.r.e.f. 01.04.2001.

3 Substituted by IT (17th Amdt.) Rules, 2002. w.e.f. 01.08.2002. Prior to substitution clause (B) read as under:

"(B) Where the employer or the employee claims that the motor-car is used wholly and exclusively in the performance of official duty or that the actual expenses on the running and maintenance of the motor-car owned by the

employee for official purposes is more than the amounts deductible in items 2(ii) or 3(ii) of the above Table, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled:-

- i) the employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage, and the amount of expenditure incurred thereon;
- ii) the employee gives a certificate that the expenditure was incurred wholly and exclusively for the performance of his official duty;
- iii) the supervising authority of the employee, wherever applicable, gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties”

4 Substituted by IT (17th Amdt.) Rules, 2002. w.e.f. 01.08.2002. Prior to substitution clause (v) read as under:

“(v) The amount of expenses including membership fees and annual fees incurred by the employee or any member of his household, which is charged to a credit card (including any add-on-card), provided by the employer or otherwise, paid for or reimbursed by the employer shall be taken to be the value of perquisite chargeable to tax. However, there shall be no value of such benefit where the expenses are incurred wholly and exclusively for official purposes and the following conditions are fulfilled:-

- (a) complete details in respect of such expenditure is maintained by the employer which may, inter-alia, include the date of expenditure and the nature of expenditure;
- (b) it is certified by the employee that such expenditure was incurred wholly and exclusively for the performance of official duty;
- (c) the supervising authority of the employee gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

(d) where an employee incurs expenditure on entertainment and claims the same to have been incurred wholly and exclusively, in the performance of his duties, details of such entertainment expenses, inter-alia, include the nature and purpose of entertainment and persons entertained.

The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity."

5 Substituted by IT (17th Amdt.) Rules, 2002. w.e.f. 01.08.2002. Prior to substitution clause (B) read as under:

"(B) Nothing contained in this sub-rule shall apply if such expenditure is incurred wholly and exclusively for business purposes and the following conditions are fulfilled-

(a) complete details in respect of such expenditure is maintained by the employer which may, inter-alia, include the date of expenditure, the nature of expenditure and its business expediency;

(b) it is certified by the employee that such expenditure was incurred wholly and exclusively for the performance of official duty;

(c) the supervising authority of the employee gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties;

(d) where an employee incurs expenditure on entertainment and claims the same to have been incurred wholly and exclusively for the performance of his duties, details of such entertainment expenses, inter-alia, include the nature and purpose of entertainment, persons entertained and business expediency for such entertainment."

6 Inserted by IT (19th Amdt) Rules, 2002 w.r.e.f 01.04.2001

7 The words "or the Railways" omitted by IT (19th Amdt) Rules, 2002 w.r.e.f 01.04.2001

8 Substituted for "the Railways" by IT (2nd Amdt.) Rules, 2003 w.r.e.f 01.04.2002.

9 Substituted by Income-tax (First Amendment) Rules, 2004 w.e.f.

01.04.2004. Prior to substitution it read as under:

"concessional loan made available to the employee or any member of his household during the relevant previous year by the employer or any person on his behalf shall be determined as the sum equal to the simple interest computed at the rate of 10% per annum in respect of loans for house and conveyance and at the rate of 13% per annum for other loans"

10. Substituted by Income-tax (13th Amendment) Rules, 2004 w.e.f. 03.11.2004.

Prior to substitution it read as under:

"Provided that nothing contained in this sub-rule would be applicable to any accommodation located in a 'remote area' provided to an employee working at a mining site or an onshore oil exploration site, or a project execution site or an accommodation provided in an offshore site of similar nature:"

11. Substituted by Income-tax (13th Amendment) Rules, 2004 w.e.f. 03.11.2004 for the words "value of free meals".

12. Substituted by Income-tax (13th Amendment) Rules, 2004 w.e.f. 03.11.2004.

Prior to substitution it read as under:

"Provided that nothing contained in this sub-rule shall apply to free meals provided by the employer during office hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints if the value thereof in either case is upto Rs.50/- per meal or to tea or snacks provided during office hours or to free meals during working hours provided in a remote area or an offshore installation."

13 Substituted by Income-tax (seventh Amendment) Rules, 2005 w.e.f. 01.04.2005.

Prior to substitution it read as under:

<b>SI. No</b>	<b>Circumstances</b>	<b>Where the accommodation is unfurnished</b>	<b>Where the accommodation is furnished</b>
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<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
(1)	Where the accommodation is provided by Union or State Government to their employees either holding office or post in connection with the affairs of Union or State or serving with any body or undertaking under the control of such Government on deputation	License fee determined by Union or State Government in respect of accommodation in accordance with the rules framed by that government as reduced by the rent actually paid by the employee.	The value of perquisite as determined under col. (3) and increased by 10% of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.
(2)	Where the accommodation is provided by any other		The value of perquisite as determined under col. (3)

	<p>employer and</p> <p>(a)Where the accommodation is owned by the employer or</p> <p>(b) Where the accommodation is taken on lease or rent by the employer.</p>	<p>i)10% of salary in cities having population exceeding 4 lacs as per 1991 census;</p> <p>ii) 7.5% of salary in other cities, in respect of the period during which the said accommodation was occupied by the employee during the previous year as reduced by the rent, if any, actually paid by the employee</p> <p>Actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by the rent, if any, actually paid by the employee.</p>	<p>and increased by 10% of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous years.</p>
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(3)	Where the accommodation is provided by the employer specified in Sl. No. (1) or (2) above in a hotel (except where the employee is provided such accommodation for a period not exceeding in aggregate 15 days on his transfer from one place to another)	Not applicable	24% of salary paid or payable for the previous year or the actual charges paid or payable to such hotel, which is lower, for the period in which such accommodation is provided as reduced by the rent, if any, actually paid or payable by the employee.
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<sup>14</sup>. Substituted by Income-tax (seventh Amendment) Rules, 2005 w.e.f. 01.04.2005.

Prior to substitution it read as under:

"(2) (A) The value of perquisite provided by way of use of motor car shall be determined on the basis provided in the Table-II below:

**TABLE-II**

**Value of Perquisite per calendar month**

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres.	Where cubic capacity of engine exceeds 1.6 litres.
1.	Where the motor car is owned or hired by the employer and-	No value provided that the documents specified in clause	No value provided that the documents specified in clause (B) of this sub-rule are

	<p>a. is used wholly and exclusively in the performance of his official duties.</p> <p>b. is used exclusively for the private or personal purposes of the employee or any member of his household and the running and maintenance expenses are met or reimbursed by the employer.</p> <p>c. Is used partly in the performance of duties and partly for private or personal purposes of his own or any member of his household and</p> <p>(i) the expenses on maintenance and running are</p>	<p>(B) of this sub-rule are maintained by the employer.</p> <p>Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.</p> <p>Rs. 1200 (plus Rs. 600, if chauffeur is</p>	<p>maintained by the employer.</p> <p>Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.</p> <p>Rs. 1600 (plus Rs. 600, if chauffeur is also provided to</p>
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	<p>met or reimbursed by the employer.</p> <p>(ii) The expenses on running and maintenance for such private or personal use are fully met by the assessee.</p>	<p>also provided to run the motor car)</p> <p>Rs. 400 (plus Rs. 600, if chauffeur is provided by the employer to run the motor car)</p>	<p>run the motor car)</p> <p>Rs. 600 (plus Rs. 600, if chauffeur is also provided to run the motor car)</p>
2.	<p>Where the employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur, if any) are met or reimbursed to him by the employer and</p> <p>(i) such reimbursement is for the use of the vehicle wholly and exclusively for official purposes.</p> <p>(ii) Such reimbursement is for the use of the vehicle partly for official purpose and partly for personal or private purposes of the employee or any member of his household.</p>	<p>No value provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Subject to the provisions contained in clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in col. (1)(c)(i) above.</p>	<p>No value provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Subject to the provisions contained in clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in col. (1)(c)(i) above.</p>

3.	<p>Where the employee owns any other automotive conveyance but the actual running and maintenance charges are met or reimbursed to him by the employer and</p> <p>(i) such reimbursement is for the use of the vehicle wholly and exclusively for official purposes.</p> <p>(ii) Such reimbursement is for the use of the vehicle partly for official purpose</p>	<p>No value provided that the documents specified in clause (B) of this sub-rule are maintained by the employer.</p> <p>Subject to the provisions</p>	<p>Not applicable</p>

	and partly for personal or private purposes of the employee.	contained in clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount Rs. 600/-.	
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Provided that where one or more motor-cars are owned or hired by the employer and the employee or any member of his household are allowed the use of such motor-car or all or any of such motor-cars (otherwise than wholly and exclusively in the performance of his duties), the value of perquisite shall be the amount calculated in respect of one car in accordance with item (1)(c)(i) of the Table-II as if the employee had been provided one motor-car for use partly in the performance of his duties and partly for his private or personal purposes and the amount calculated in respect of the other car or cars in accordance with item (1)(b) of the Table-II as if he had been provided with such car or cars exclusively for his private or personal purposes.

3[(B) Where the employer or the employee claims that the motor-car is used wholly and exclusively in the performance of official duty or that the actual expenses on the running and maintenance of the motor-car owned by the employee for official purposes is more than the amounts deductible in item 2(ii) or 3(ii) of the above Table, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled: –

(a) the employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage, and the amount of expenditure incurred thereon;

(b) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.]

**Explanation ;-** For the purposes of this sub-rule, the normal wear and tear of a motor car shall be taken at 10% per annum of the actual cost of the motor car or cars."

15. Substituted by Income-tax (seventh Amendment) Rules, 2005 w.e.f.

01.04.2005. Prior to substitution it read as under:

"(6) The value of any benefit or amenity resulting from the provision by any undertaking engaged in the carriage of passengers or goods to any employee or to any member of his household for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by the undertaking for the purpose of transport of passengers or goods shall be taken to be the value at which such benefit or amenity is offered by such undertaking to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity.

<sup>6</sup>[Provided that nothing contained in this sub-rule shall apply to the employees of <sup>8</sup>(an airline or the Railways.)]"

16. Substituted by Income-tax (seventh Amendment) Rules, 2005 w.e.f.

01.04.2005. Prior to substitution it read as under:

(ii) The value of travelling, touring, accommodation and any other expenses paid for or borne or reimbursed by the employer for any holiday availed of by the employee or any member of his household, other than concession or assistance referred to in Rule 2B, shall be determined as the sum equal to the amount of the expenditure incurred by the employer in that behalf. Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public. Where the employee is on official tour and the expenses are incurred in respect of any member of his household accompanying him, the amount of expenditure so incurred shall also be a fringe benefit or amenity. However, where any official tour is extended as a vacation, the value of such fringe benefit will be limited to the expenses incurred in relation to such extended period of stay or vacation. The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.

(iii) The <sup>11</sup>[value of free food and non-alcoholic beverages] provided by the employer to an employee shall be the amount of expenditure incurred by the employer. The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.

12[Provided that nothing contained in this sub-rule shall apply to free food and non-alcoholic beverages provided by the employer during working hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints, to the extent the value thereof in either case does not exceed Rs. 50 per meal or to tea or snacks provided during working hours or to free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation.]

(iv) The value of any gift, or voucher, or token in lieu of which such gift may be received by the employee or by member of his household on ceremonial occasions or otherwise shall be determined as the sum equal to the amount of such gift. However, where the value of such gift, voucher or token, as the case may be, is below Rs.5,000/- in the aggregate during the previous year, the value of perquisite shall be taken as nil.

<sup>4</sup>[(v) The amount of expenses including membership fees and annual fees incurred by the employee or any member of his household, which is charged to a credit card (including any add-on-card), provided by the employer or otherwise, paid for or reimbursed by the employer shall be taken to be the value of perquisite chargeable to tax. However, there shall be no value of such benefit where the expenses are incurred wholly and exclusively for official purposes and the following conditions are fulfilled:—

- (a) complete details in respect of such expenditure is maintained by the employer which may, inter alia, include the date of expenditure and the nature of expenditure;
- (b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.]

(vi) (A) The value of benefit to the employee resulting from the payment or reimbursement by the employer of any expenditure incurred (including the amount of annual or periodical fee) in a club by him or by any member of his household shall be determined to be the actual amount of expenditure incurred or reimbursed by the employer on that account. The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.

However, where the employer has obtained corporate membership of the club and the facility is enjoyed by the employee or any member of his household, the value of perquisite shall not include the initial fee paid for acquiring such corporate membership."

17 Substituted by Income-tax (seventh Amendment) Rules, 2005 w.e.f. 01.04.2005. Prior to substitution it read as under:

"(8) The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under an arms' length transaction as reduced by the employees' contribution, if any.

Provided however, that nothing contained in this sub-rule shall apply to the expenses on telephones including a mobile phone actually incurred on behalf of the employee by the employer."

18 Substituted by Income-tax (Fourteenth Amendment) Rules, 2007 w.e.f. 01.04.2006. Prior to substitution it read as under:

13[Table I

S.No.	Circumstances	Where accommodation is unfurnished	Where accommodation is furnished
(1)	(2)	(3)	(4)
1.	Where the accommodation is provided by the Central Government or any State Government to the employees either holding office or post in connection with the affairs of the Union or of such State or serving with any body or	Licence fee determined by the Central Government or any State Government in respect of accommodation in accordance with the rules framed by such Government or reduced by the amount actually paid	The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air conditioning plant or equipment) or if such furniture is hired from a third party, the actual

	under-taking under the control of such Government of deputation.	by the employee.	hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.
2.	Where the accommodation is provided by any other employer and -  (a) where the accommodation is owned by the employer, or  (b) where the accommodation is taken on lease or rent by the employer.	(i) 20% of salary in cities having population exceeding 4 lakhs as per 2001 census;  (ii) 15% of salary in other cities,  in respect of the period during which the said accommodation was occupied by the employee during the previous year as reduced by the rent, if any, actually paid by the employee.  Actual amount of lease rental paid or payable by the employer or 20% of salary whichever is lower as reduced by the rent, if any, actually paid by the employee.	The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.  The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee

			during the previous year.
3.	Where the accommodation is provided by the employer specified in serial number (1) or (2) above in a hotel (except where the employee is provided such accommodation for a period not exceeding in aggregate 15 days on his transfer from one place to another)	Not applicable.	24% of salary paid or payable for the previous year or the actual charges paid or payable to such hotel, which is lower, for the period during which such accommodation is provided as reduced by the rent, if any, actually paid or payable by the employee:]

19 Inserted by Income-tax (Fourteenth Amendment) Rules, 2007 w.e.f. 01.04.2008.

20. Substituted by the Income Tax (Thirteenth Amendment) Rules, 2009 vide Notification No. 94/2009 dated 18.12.2009 for the following : -

"For the purpose of computing the income chargeable under the head "Salaries", the value of perquisites provided by the employer directly or indirectly to the assessee (hereinafter referred to as employee) or to any member of his household by reason of his employment shall be determined in accordance with the following sub-rules, namely: -

(1) The value of residential accommodation provided by the employer during the previous year shall be determined on the basis provided in the Table below:-

<sup>18</sup>[TABLE I

SI No.	Circumstances	Where accommodation is unfurnished	Where accommodation is furnished
(1)	(2)	(3)	(4)
(1)	Where the	License fee	The value of



	<p>accommodation is provided by the Central Government or any State Government to the employees either holding office or post in connection with the affairs of the Union or of such State or serving with any body or undertaking under the control of such Government on deputation.</p>	<p>determined by the Central Government or any State Government in respect of accommodation in accordance with the rules framed by such Government as reduced by the rent actually paid by the employee.</p>	<p>perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.</p>
(2)	<p>Where the accommodation is provided by any other employer and-</p> <p>(a) where the accommodation is owned by the</p>	<p>(i) 15% of salary in cities having population exceeding 25 lakhs as per 2001 census;</p> <p>(ii) 10% of salary in cities having</p>	<p>The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets,</p>

	<p>employer, or (b) where the accommodation is taken on lease or rent by the employer.</p>	<p>population exceeding 10 lakhs but not exceeding 25 lakhs as per 2001 census; (iii) 7.5% of salary in other areas, in respect of the period during which the said accommodation was occupied by the employee during the previous year as reduced by the rent, if any, actually paid by the employee. Actual amount of lease rental paid or payable by the employer or 15% of salary whichever is lower as reduced by the rent, if any, actually paid by the employee.</p>	<p>radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year. The value of perquisite as determined under column (3) and increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or</p>
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			other similar appliances or gadgets) or if such furniture is hired from a third party, by the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year.
(3)	Where the accommodation is provided by the employer specified in serial number (1) or (2) in a hotel (except where the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on his transfer from one place to another)	Not applicable	24% of salary paid or payable for the previous year or the actual charges paid or payable to such hotel, which is lower, for the period during which such accommodation is provided as reduced by the rent, if any, actually paid or payable by the employee.

<sup>19</sup>[(2) (A) The value of perquisite provided by way of use of motor car to an employee by an employer, who is not liable to pay fringe benefit tax under Chapter XII-H of the Act, shall be determined in accordance with the following Table, namely:-

<b>Sl. No.</b>	<b>Circumstances</b>	<b>Where cubic capacity 8/L3of engine does not exceed 1.6 litres</b>	<b>Where cubic capacity of engine exceeds 1.6 litres</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
(1)	Where the motor car is owned or hired by the employer and(a) is used wholly and exclusively in the performance of his official duties; (b) is used exclusively for the private or personal purposes of the employee or any member of his household and the running and maintenance expenses are met or reimbursed by	No value : Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer. Actual amount of expenditure incurred by the employer on die running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor	No value : Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer. Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and

	the employer;	car and as reduced by any amount charged from the employee for such use.	tear of the motor car and as reduced by any amount charged from the employee for such use.
	(c) is used partly in the performance of duties and partly for private or personal purposes of his own or any member of his household and (i) the expenses on maintenance and running are met or reimbursed by the employer, (ii) the expenses on running and maintenance for such private or personal use are fully met by the assessee.	Rs. 1,200 (plus Rs. 600, if chauffeur is also provided to run the motor car) Rs. 400 (plus Rs. 600, if chauffeur is provided by the employer to run the motor car)	Rs. 1,600 (plus Rs. 600, if chauffeur is also provided to run the motor car) Rs. 600 (plus Rs. 600, if chauffeur is also provided to run the motor car)
(2)	(3)	Where the	No value :
			No value :

	<p>employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur, if any) are met or reimbursed to him by the employer and(i) such re-imburement is for the use of the vehicle wholly and exclusively for official purposes,(ii) such re-imburement is for the use of the vehicle partly for official purposes and partly for personal or private purposes of the employee or any member of his household. Where the</p>	<p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer. Subject to the provisions of clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above. No value : Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer. Subject to the provisions of clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by an amount of Rs. 600:</p>	<p>Provided that the documents specified in clause (B) of this sub-rule are maintained by the employer. Subject to the provisions contained in clause (B) of this sub-rule, the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above. Not applicable</p>
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	<p>employee owns any other automotive conveyance but the actual running and maintenance charges are met or reimbursed to him by the employer and(i) such re-imburement is for the use of the vehicle wholly and exclusively for official purposes, (ii) such re-imburement is for the use of the vehicle partly for official purposes and partly for personal or private purposes of the employee.</p>		
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Provided that where one or more motor-cars are owned or hired by the employer and the employee or any member of his household are allowed the use of such motor-car or all or any of such motor-cars (otherwise than wholly and exclusively in the performance of his duties), the value of perquisite shall be the amount calculated

in respect of one car in accordance with Sl. No. (I)(c)(i) of Table II as if the employee had been provided one motor-car for use partly in the performance of his duties and partly for his private or personal purposes and the amount calculated in respect of the other car or cars in accordance with Sl. No. (1)(b) of Table II as if he had been provided with such car or cars exclusively for his private or personal purposes.

(B) Where the employer or the employee claims that the motor-car is used wholly and exclusively in the performance of official duty or that the actual expenses on the running and maintenance of the motor-car owned by the employee for official purposes is more than the amounts deductible in Sl. Nos. 2(ii) or 3(iii) of Table II, he may claim a higher amount attributable to such official use and the value of perquisite in such a case shall be the actual amount of charges met or reimbursed by the employer as reduced by such higher amount attributable to official use of the vehicle provided that the following conditions are fulfilled:

(a) the employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage, and the amount of expenditure incurred thereon;

(b) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

Explanation. For the purposes of this sub-rule, the normal wear and tear of a motor-car shall be taken at 10% per annum of the actual cost of the motor-car or cars.

(iii) after sub-rule (5), the following sub-rule shall be inserted with effect from 1st April, 2008, namely:-

(6) The value of any benefit or amenity resulting from the provision by an employer, who is not liable to pay fringe benefit tax under Chapter XIIH of the Income-tax Act and is engaged in the carriage of passengers or goods to any employee or to any member of his household for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods shall be taken to be the value at which such benefit or amenity is offered by such employer to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity:



Provided that nothing contained in this sub-rule shall apply to the employees of an airline or the railways

(iv) in sub-rule (7),-

(a) after item (i), the following items shall be inserted with effect from 1st April, 2008, namely:-

(ii) The value of travelling, touring, accommodation and any other expenses paid for or borne or reimbursed by the employer, who is not liable to pay fringe benefit tax under Chapter XH-H of the Act, for any holiday availed of by the employee or any member of his household, other than concession or assistance referred to in rule 2B of these rules, shall be determined as the sum equal to the amount of the expenditure incurred by such employer in that behalf. Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public. Where the employee is on official tour and the expenses are incurred in respect of any member of his household accompanying him, the amount of expenditure so incurred shall also be a fringe benefit or amenity. However, where any official tour is extended as a vacation, the value of such fringe benefit shall be limited to the expenses incurred in relation to such extended period of stay or vacation. The amount so determined shall be reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity.

(iii) The value of free food and non alcoholic beverages provided by the employer, who is not liable to pay fringe benefit tax under Chapter XIIH of the Act, to an employee shall be the amount of expenditure incurred by such employer. The amount so determined shall be reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity:

Provided that nothing contained in this sub-rule shall apply to free food and non-alcoholic beverages provided by such employer during working hours at office or business premises or through paid vouchers which are not transferable and usable only at eating joints, to the extent the value thereof in either case does not exceed Rs. 50 per meal or to tea or snacks provided during working hours or to free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation.

(iv) The value of any gift, or voucher, or token in lieu of which such gift may be received by the employee or by member of his household on ceremonial occasions or otherwise from the employer, who is not liable to pay fringe benefit tax under Chapter XII-H of the Act, shall be determined as the sum equal to the amount of such gift. However, where the value of such gift, voucher or token, as the case may be, is below Rs. 5,000 in the aggregate during the previous year, the value of perquisite shall be taken as nil.

(v) The amount of expenses including membership fees and annual fees incurred by the employee or any member of his household, which is charged to a credit card (including any add-on-card), provided by the employer, who is not liable to pay fringe benefit tax under Chapter XII-H of the Act, or otherwise, paid for or reimbursed by such employer shall be taken to be the value of perquisite chargeable to tax. However, there shall be no value of such benefit where the expenses are incurred wholly and exclusively for official purposes and the following conditions are fulfilled

(a) complete details in respect of such expenditure are maintained by the employer which may, inter alia, include the date of expenditure and the nature of expenditure;

(b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.

(vi) (A) The value of benefit to the employee resulting from the payment or reimbursement by the employer, who is not liable to pay fringe benefit tax under Chapter XII-H of the Act, of any expenditure incurred (including the amount of annual or periodical fee) in a club by him or by any member of his household shall be determined to be the actual amount of expenditure incurred or reimbursed by such employer on that account. The amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity. However, where the employer has obtained corporate membership of the club and the facility is enjoyed by the employee or any member of his household, the value of perquisite shall not include the initial fee paid for acquiring such corporate membership.

(B) Nothing contained in this sub-rule shall apply if such expenditure is incurred wholly and exclusively for business purposes and the following conditions are fulfilled:

(a) complete details in respect of such expenditure are maintained by the employer which may, inter alia, include the date of expenditure, the nature of expenditure and its business expediency;

(b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties;

(c) Nothing contained in this sub-rule shall apply for use of health club, sports and similar facilities provide uniformly to all employees by the employer.

(b) after item (viii), the following item shall be inserted with effect from 1st day of April, 2008, namely:-

(ix) The value of any other benefit or amenity, service, right or privilege provided by the employer shall be determined on the basis of cost to the employer under an arms length transaction as reduced by the employees contribution, if any:

Provided that nothing contained in this item shall apply to the expenses on telephones including a mobile phone actually incurred on behalf of the employee by the employer.]

<sup>10</sup>**[Provided that** nothing contained in this sub-rule shall apply to any accommodation provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site, or a dam site or a power generation site or an off-shore site which,--

(i) being of a temporary nature and having plinth area not exceeding 800 Square feet, is located not less than eight kilometers away from the local limits of any municipality or a cantonment board; or

(ii) is located in a remote area:"]

Provided further that where on account of his transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower

value with reference to the Table above for a period not exceeding 90 days and thereafter the value of perquisite shall be charged for both such accommodations in accordance with the Table.

<sup>14</sup>[\*\*\*]

(3) The value of benefit to the employee or any member of his household resulting from the provision by the employer of services of a sweeper, a gardener, a watchman or a personal attendant, shall be the actual cost to the employer. The actual cost in such a case shall be the total amount of salary paid or payable by the employer or any other person on his behalf for such services as reduced by any amount paid by the employee for such services.

(4) The value of the benefit to the employee resulting from the supply of gas, electric energy or water for his household consumption shall be determined as the sum equal to the amount paid on that account by the employer to the agency supplying the gas, electric energy or water. Where such supply is made from resources owned by the employer, without purchasing them from any other outside agency, the value of perquisite would be the manufacturing cost per unit incurred by the employer. Where the employee is paying any amount in respect of such services, the amount so paid shall be deducted from the value so arrived at.

(5) The value of benefit to the employee resulting from the provision of free or concessional educational facilities for any member of his household shall be determined as the sum equal to the amount of expenditure incurred by the employer in that behalf or where the educational institution is itself maintained and owned by the employer or where free educational facilities for such member of employees' household are allowed in any other educational institution by reason of his being in employment of that employer, the value of the perquisite to the employee shall be determined with reference to the cost of such education in a similar institution in or near the locality. Where any amount is paid or recovered from the employee on that account, the value of benefit shall be reduced by the amount so paid or recovered:

**Provided** that where the educational institution itself is maintained and owned by the employer and free educational facilities are provided to the children of the employee or where such free educational facilities are provided in any institution by reason of his being in employment of that employer, nothing contained in this sub-

rule shall apply if the cost of such education or the value of such benefit per child does not exceed Rs.1,000/-p.m.

<sup>15</sup>[\*\*\*]

(7) In terms of provisions contained in sub-clause (vi) of sub-section (2) of section 17, the following other fringe benefits or amenities are hereby prescribed and the value thereof shall be determined in the manner provided hereunder:-

(i) The value of the benefit to the assessee resulting from the provision of interest-free or <sup>9</sup>[concessional loan for any purpose made available to the employee or any member of his household during the relevant previous year by the employer or any person on his behalf shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India, constituted under the State Bank of India Act, 1955(23 of 1955), as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it] on the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him or any such member of his household.

However, no value would be charged if such loans are made available for medical treatment in respect of diseases specified in Rule-3A of the these Rules or where the amount of loans are petty not exceeding in the aggregate Rs.20,000/-.

**Provided** that where the benefit relates to the loans made available for medical treatment referred to above, the exemption so provided shall not apply to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.

<sup>16</sup>[\*\*\*]

<sup>5</sup>[(B) Nothing contained in this sub-rule shall apply if such expenditure is incurred wholly and exclusively for business purposes and the following conditions are fulfilled : -

(a) complete details in respect of such expenditure is maintained by the employer which may, inter alia, include the date of expenditure, the nature of expenditure and its business expediency;

(b) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.]

(C) Nothing contained in this sub-rule shall apply for use of health club, sports and similar facilities provided uniformly to all employees by the employer.

(vii) The value of benefit to the employee resulting from the use by the employee or any member of his household of any moveable asset (other than assets already specified in this Rule and other than laptops and computers) belonging to the employer or hired by him shall be determined at 10% per annum of the actual cost of such asset or the amount of rent or charge paid or payable by the employer, as the case may be, as reduced by the amount, if any, paid or recovered from the employee for such use.

(viii) The value of benefit to the employee arising from the transfer of any moveable asset belonging to the employer directly or indirectly to the employee or any member of his household shall be determined to be the amount representing the actual cost of such asset to the employer as reduced by the cost of normal wear and tear calculated at the rate of 10% of the such cost for each completed year during which such asset was put to use by the employer and as further reduced by the amount, if any, paid or recovered from the employee being the consideration for such transfer.

**Provided** that in the case of computers and electronic items, the normal wear and tear would be calculated at the rate of 50% and in the case of motor cars at the rate of 20% by the reducing balance method.

<sup>17</sup>[\*\*\*]

(9) This Rule shall come into force with effect from the 1<sup>st</sup> day of April, 2001.**Provided** that the employee may, at his option, compute the value of all perquisites made available to him or any member of his household for the period beginning on 1<sup>st</sup> day of April, 2001 and ending on 30<sup>th</sup> day of September, 2001 in accordance with the Rules as they stood prior to this amendment.

<sup>2</sup>[**Provided further** that for an employee being an employee of an airline <sup>7</sup>[\*\*\*], the provisions, of sub-rule (6) shall come into force with effect from the 1<sup>st</sup> day of April, 2002.]

## **Explanation-**

For the purposes of this Rule -

(i) "accommodation" includes a house, flat, farm house or part thereof, or accommodation in a hotel, motel, service apartment, guest house, caravan, mobile home, ship or other floating structure;

(ii) "entertainment" includes hospitality of any kind and also, expenditure on business gifts other than free samples of the employers own product with the aim of advertising to the general public;

(iii) "hotel" includes licensed accommodation in the nature of motel, service apartment or guest house;

(iv) "member of household" shall include

(a) spouse(s)

(b) children and their spouses

(c) parents

(d) servants and dependants;

(v) "remote area", for purposes of proviso to this sub-rule means an area that is located at least 40 kilometers away from a town having a population not exceeding 20,000 based on latest published all-India census;

(vi) 'salary' includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called from one or more employers, as the case may be, but does not include the following, namely: -

(a) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the employee concerned;

(b) employer's contribution to the provident fund account of the employee;

(c) allowances which are exempted from payment of tax;

(d) the value of perquisites specified in sub-section (2) of section 17 of the Income-tax Act;

(e) any payment or expenditure specifically excluded under proviso to sub-clause (iii) of clause (2) or proviso to clause (2) of section 17;

(vii) maximum outstanding monthly balance" means the aggregate outstanding balance for each loan as on the last day of each month;.]"

**3A.- <sup>1</sup>[Exemption of medical benefits from perquisite value in respect of medical treatment of prescribed diseases or ailments in hospitals approved by the Chief Commissioner.**

(1) <sup>2</sup>[In granting approval to any hospital other than a hospital for Indian system of medicine and homoeopathic treatment for the purposes of sub-clause (b) of clause (ii) of the proviso to sub-clause (vi) of clause (2) of section 17], the Chief Commissioner shall satisfy himself that the hospital is registered with the local authority and fulfils the following requirements, namely :--

- (i) The building used for the hospital complies with the municipal bye-laws in force.
- (ii) The rooms are well ventilated, lighted and are kept in clean and hygienic conditions.
- (iii) At least ten iron spring beds are provided for patients. (iv) At least one properly equipped operation theatre is provided, with minimum floor space of 180 square feet and with a separate sterilization room.
- (iv) At least one labour room is provided, with minimum floor space of 180 square feet, in case the hospital provides medical service for maternity cases.
- (v) Aseptic conditions are maintained in the operation theatre and the labour room.
- (vi) A duty room is provided for the nursing staff on duty.
- (vii) Adequate space for storage of medicines, food articles, equipments, etc., is provided.
- (viii) The water used in the hospital or nursing home is fit for drinking.
- (ix) Adequate arrangements are made for isolating septic and infectious patients.
- (x) The hospital is provided with and maintains :--
  - (a) high pressure sterilizer and instrument sterilizer;
  - (b) oxygen cylinders and necessary attachments for giving oxygen;



(c) adequate surgical equipments, instruments and apparatus including intravenous apparatus;

(d) a pathological laboratory for testing of blood, urine and stool;

(e) electro-cardiogram monitoring system;

(f) stand-by generator for use in case of power failure.

(xi) There is at least one qualified doctor available on duty round the clock for every twenty beds or fraction thereof.

(xiii) In hospitals providing intensive care unit facilities, there are at least two qualified doctors available on duty round the clock exclusively for such intensive care unit. (xiv) One nurse is on duty round the clock for every five beds or a fraction thereof.

(xv) In hospitals providing intensive care unit facilities, there are at least four nurses provided exclusively for every four beds or fraction thereof for such intensive care unit.

(xvi) The hospital maintains record of health of every patient containing information about the patient's name, address, occupation, sex, age, date of admission, date of discharge, diagnosis of disease and treatment undertaken.

<sup>3</sup>[(1A) In granting approval to any hospital for Indian system of medicine and homoeopathic treatment for the purposes of sub-clause (b) of clause (ii) of the proviso to sub-clause (vi) of clause 2 of section 17, the Chief Commissioner shall satisfy himself that the hospital fulfils the conditions specified vide Office Memorandum dated the 6th June, 2002, by the Department of Indian Systems of Medicine and Homoeopathy, Ministry of Health and Family Welfare for approval of private hospitals for Indian system of medicine and homoeopathic treatment to Central Government Health Scheme beneficiaries and Central Government employees.]

(2) <sup>4</sup>[For the purpose of sub-clause (b) of clause (ii) of the proviso to sub-clause (vi) of clause (2) of section 17], the prescribed diseases or ailments shall be the following, namely :--

(a). cancer;

(b). tuberculosis;

(c). acquired immunity deficiency syndrome;

(d). disease or ailment of the heart, blood, lymph glands, bone marrow, respiratory system, central nervous system, urinary system, liver, gall bladder, digestive system, endocrine glands or the skin, requiring surgical operation;

(e). ailment or disease of the eye, ear, nose or throat, requiring surgical operation;

- (f). fracture in any part of the skeletal system or dislocation of vertebrae requiring surgical operation or orthopaedic treatment;
- (g). gynaecological or obstetric ailment or disease requiring surgical operation, caesarean operation or laparoscopic intervention;
- (h). ailment or disease of the organs mentioned at (d), requiring medical treatment in a hospital for at least three continuous days;
- (i). gynaecological or obstetric ailment or disease requiring medical treatment in a hospital for at least three continuous days;
- (j). burn injuries requiring medical treatment in a hospital for at least three continuous days;
- (k). mental disorder - neurotic or psychotic - requiring medical treatment in a hospital for at least three continuous days;
- (l). drug addiction requiring medical treatment in a hospital for at least seven continuous days;
- (m). anaphylectic shocks including insulin shocks, drug reactions and other allergic manifestations requiring medical treatment in a hospital for at least three continuous days.

Explanation : For the purpose of this rule,--

- (a). "qualified doctor" means a person who holds a degree recognised by the Medical Council of India and is registered by the Medical Council of any State;
- (b). "nurse" means a person who holds a certificate of a recognised Nursing Council and is registered under any law for the registration of nurses;
- (c). "surgical operation" includes treatment by modern methodology such as angioplasty, dialysis, lithotripsy, laser or cryo-surgery.]

**Footnotes:**

<sup>1</sup> Inserted by the IT (Nineteenth Amdt.) Rules, 1992, w.e.f. 7-10-1992.

<sup>2</sup> Substituted by the IT (19th Amendment) Rules, 2004 for the following :-

"In granting approval to any hospital for the purposes of sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17"

<sup>3</sup> Inserted by the IT (19th Amendment) Rules, 2004.

<sup>4</sup>. Substituted by the IT (19th Amendment) Rules, 2004 for the following :-

"For the purpose of sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17"

**B.--Income from house property Unrealised rent.**

**1"4. Unrealised rent.**-For the purposes of the Explanation below sub-section (1) of section 23, the amount of rent which the owner cannot realise shall be equal to the amount of rent payable but not paid by a tenant of the assessee and so proved to be lost and irrecoverable where,-

- a) the tenancy is bona fide;
- b) the defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
- c) the defaulting tenant is not in occupation of any other property of the assessee;
- d) the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless."

**Footnotes:**

1Substituted by I.T. (Eighth Amdt.) Rules 200, w.e.f. 2-07-2001. Prior to its Substitution Rule 4 read as under

"4.- Unrealised rent .Under clause (x) of sub-section (1) of section 24, deduction shall be allowed of such part of income in respect of which tax is payable under the head "Income from house property" as is equal to the amount of rent payable but not paid by a tenant of the assessec and so proved to be lost and irrecoverable where--

(a) the tenancy is bona fide;

(b) the defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;

(c) the defaulting tenant is not in occupation of any other property of the assessee;

(d) the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless; and

(e) the annual value of the property to which the unpaid rent relates has been included in the assessed income of the previous year during which that rent was due and tax has been duly paid on such assessed income :

Provided that the deduction to be allowed on this account shall not exceed the income under the head "Income from house property" included in the total income as computed without making any deduction under this rule."

### **C--Profits and gains of business or profession**

**5. Depreciation** (1) Subject to the provisions of sub-rule (2), the allowance under clause (ii) of subsection (I) of section 32 in respect of depreciation of any block of assets shall be calculated at the percentages specified in the second column of the Table in Appendix I to these rules on the written down value of such block of assets as are used for the purposes of the business or profession of the assessee at any time during the previous year.

<sup>1</sup>[(1A) The allowance under clause (i) of sub-section (1) of section 32 of the Act in respect of depreciation of assets acquired on or after 1st day of April, 1997 shall be calculated at the percentage specified in the second column of the Table in Appendix IA of these rules on the actual cost thereof to the assessee as are used for the purposes of the business of the assessee at any time during the previous year :

**Provided** that the aggregate depreciation allowed in respect of any asset for different assessment years shall not exceed the actual cost of the said asset :

**Provided further** that the undertaking specified in clause (i) of sub-section (1) of section 32 of the Act may, instead of the depreciation specified in Appendix IA, at its option, be allowed depreciation under sub-rule (1) read with Appendix I, if such option is exercised before the due date for furnishing the return of income under sub-section (f) of section 139 of the Act,

(a) for the assessment year 1998-99, in the case of an undertaking which began to generate power prior to 1st day of April, 1997; and

(b) for the assessment year relevant to the previous year in which it begins to generate power, in case of any other undertaking :

**Provided also** that any such option once exercised shall be final and shall apply to all the subsequent assessment years.]

(2) Where any new-machinery or plant is installed during the previous year relevant to the assessment year commencing on or after the 1st day of April, 1988, for the purposes of business of manufacture or production of any article or thing and such article or thing--

- (a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or
- (b) is an article or thing invented in, a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University or an institution recognised in this behalf by the Secretary, Department of Scientific and Industrial Research, Government of India, such plant or machinery shall be treated as a part of block of assets qualifying for depreciation at the rate of <sup>2</sup>[40] per cent of written down value, if the following conditions are fulfilled, namely :--
  - (i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner ;
  - (ii) the return furnished by the assessee for his income, or the income of any other person in respect of which he is assessable, for any previous year in which the said machinery or plant is acquired, shall be accompanied by a certificate from the Secretary, Department of Scientific and Industrial Research, Government of India, to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory ; and
  - (iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule to the Act.

Explanation : For the purposes of this sub-rule,--

- (a) "laboratory financed by the Government" means a laboratory owned by any body including a society registered under the Societies Registration Act, 1860 (21 of 1860)], and financed wholly or mainly by the Government ;

(b) "public sector company" means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) ; and

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

**Footnotes:**

<sup>1</sup> Inserted by the IT (Twelfth Amdt.) Rules, 1997, w.r.e.f. 2-4-1997.

<sup>2</sup> Substituted for "50" by the IT (Tenth Amdt.) Rules, 1991, w.e.f. 1-4-1992.

<sup>1</sup>[5A. -Form of report by an accountant for claiming deduction under section 32(1)(ia)

The report from an accountant which is required to be furnished by the assessee under the third proviso to clause (ia) of sub-section (1) of section 32 shall be in Form No. 3AA.]

<sup>1</sup> Inserted by IT (Fourteenth Amdt.) Rules, 2002 w.e.f. 1.04.2003

**<sup>1</sup>[5AA].- Prescribed authority for investment allowance.**

For the purposes of sub-section (2B) of section 32A, the "prescribed authority" shall be the Secretary, Department of Scientific and Industrial Research, Government of India.

<sup>1</sup> "Rule 5A" renumbered as "Rule 5AA" by IT (Fourteenth Amdt.) Rules, 2002 w.e.f. 01.04.2003

**5AB.- Report of audit of accounts to be furnished under section 32AB (5).**

The report of audit of the accounts of an assessee, which is required to be furnished under sub-section (5) of section 32AB shall be in <sup>1</sup>[Form No. 3AAA].

<sup>1</sup> Substituted for "Form No. 3AA" by IT (Fourteenth Amdt.) Rules w.e.f. 1.04.2003

**5AC.- <sup>1</sup>[Report of audit of accounts to be furnished under section 33AB(2).**

The report of audit of the accounts of an assessee, which is required to be furnished under sub-section (2) of section 33AB. shall be in Form No. 3AC.]

<sup>1</sup> Inserted by the IT (Second Amdt.) Rules, 1992, w.e.f. 14-1-1992.

**5AD.- <sup>1</sup>[Report of audit of accounts to be furnished under section 33ABA(2).**

The report of audit of the accounts of an assessee, which is required to be furnished under sub-section (2) of section 33ABA, shall be in Form No. 3AD.]

<sup>1</sup> Inserted by the IT (Twenty-fourth Amdt.) Rules, 1999, w.e.f. 30-6-1999.

**5B.- Development rebate.** The deduction to be allowed by way of development rebate in respect of any ship or machinery or plant referred to in sub-section (1A) of section 33 shall be a sum equivalent to--

- (a). in the case of any such ship--
  - (i) where the ship is acquired by the assessee at any time before the expiry of seven years from the date she was built, thirty per cent of the actual cost of the ship to the assessee ; and
  - (ii) in any other case, twenty per cent of the actual cost of the ship to the assessee;
- (b). in the case of any such machinery or plant installed after the 31st day of March, 1964--
  - (i) where it is installed before the 1st day of April, 1966, for the purposes of business of mining coal, twenty per cent of the actual cost of the machinery or plant to the assessee ; and
  - (ii) in any other case, ten per cent of the actual cost of the machinery or plant to the assessee.

Explanation : In this rule, "actual cost" shall have the meaning assigned to it in clause (1) of section 43.]

**<sup>1</sup>[5C. Guidelines, form and manner in respect of approval under clause (ii) and clause (iii) of sub-section (1) of section 35-**

(1) An application for approval,

(i) under clause (ii) of sub-section (1) of section 35 by a scientific research association in duplicate in Form No. 3CF-I;

(ii) under clause (ii) or clause (iii) of sub-section (1) of section 35 by a university, college or other institution in duplicate in Form No. 3CF-II shall be made, at any time during the financial year immediately preceding the assessment year from which the approval is sought, to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the applicant.

(2) Annexure to the application in Form No. 3CF-I shall be filled out if the association claims exemption under clause (21) of section 10 of the Income-tax Act.

- (3) The applicant shall send a copy of the application in Form No. 3CF-I or, as the case may be, Form No. 3CF-II to Member (IT), Central Board of Direct Taxes accompanied by the acknowledgement receipt as evidence of having furnished the application Form in duplicate in the office of the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case.
- (4) The period of one year, as specified in the fourth proviso to sub-section (1) of section 35, before the expiry of which approval is to be granted or the application is to be rejected by the Central Government shall be reckoned from the end of the month in which the application Form from the applicant for approval is received in the office of Member (IT), Central Board of Direct Taxes.
- (5) If any defect is noticed in the application in Form No. 3CF-I or Form No. 3CF-II or if any relevant document is not attached thereto, the Commissioner of Income-tax or, as the case may be, the Director of Income-tax shall serve a deficiency letter on the applicant, before the expiry of one month from the date of receipt of the application Form in his office.
- (6) The applicant shall remove the deficiency within a period of fifteen days from the date of service of the deficiency letter or within such further period which, on an application made in this behalf may be extended, so however, that the total period for removal of deficiency does not exceed thirty days, and if the applicant fails to remove the deficiency within the period of thirty days so allowed, the Commissioner of Income-tax or, as the case may be, the Director of Income-tax shall send his recommendation for treating the application as invalid to the Member (IT), Central Board of Direct Taxes.
- (7) The Central Government, if satisfied, may pass an order treating the application as invalid.
- (8) If the application Form is complete in all respects, the Commissioner of Income-tax or, as the case may be, the Director of Income-tax, may make such inquiry as he may consider necessary regarding the genuineness of the activity of the association or university or college or other institution and send his recommendation to the Member (IT) for grant of approval or rejection of the application before the expiry of the period of three months to be reckoned from the end of the month in which the application Form was received in his office.
- (9) The Central Government may before granting approval under clause (ii) or clause (iii) shall call for such documents or information from the applicant as it may consider necessary and may get any inquiry made for verification of the genuineness of the activity of the applicant.
- (10) The Central Government may, under sub-section (1) of section 35, issue the notification to be published in the Official Gazette granting approval to the association or university or college or other institution or for reasons to be recorded in writing reject the application.



- (11) The Central Government may withdraw the approval granted under clause (ii) or clause (iii) of sub-section (1) of section 35 if it is satisfied that the scientific research association or university or college or other institution has ceased its activities or its activities are not genuine or are not being carried out in accordance with all or any of the conditions under rule 5D or rule 5E.
- (12) No order treating the application as invalid or rejecting the application or withdrawing the approval, shall be passed without giving a reasonable opportunity of being heard to the scientific research association or university or college or other institution.
- (13) A copy of the order invalidating or rejecting the application or withdrawing the approval shall be communicated to the applicant, the Assessing Officer and the Commissioner of Income-tax or, as the case may be, the Director of Income-tax.

**5D. Conditions subject to which approval is to be granted to a Scientific Research Association under clause (ii) of sub-section (1) of section 35.**

- (1) The sole object of the applicant scientific research association shall be to undertake scientific research.
- (2) The applicant scientific research association shall carry on the scientific research activity by itself.
- (3) The scientific research association seeking approval under clause (ii) of sub-section (1) of section 35 shall maintain books of account and get such books audited by an accountant as defined in the Explanation to sub-section (2) of section 288 and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139.
- (4) The scientific research association shall maintain a separate statement of donations received and amount applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to in sub-rule (3).

<sup>1</sup>[(4A) The scientific research association shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing-

- (i) a detailed note on the research work undertaken by it during the previous year;
  - (ii) a summary of research articles published in national or international journals during the year;
  - (iii) any patent or other similar rights applied for or registered during the year;
  - (iv) programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme";
- (b) in sub-rule (5), in item (c), after the words "scientific research", the words, brackets, figure and letter "or a statement referred to in sub-rule (4A)
- (5) If the Commissioner of Income-tax or the Director of Income-tax is satisfied that the scientific research association,

- (a) is not maintaining books of account, or
- (b) has failed to furnish its audit report, or
- (c) has not furnished its statement of the sums received and the sums applied for scientific research, or
- (d) has ceased to carry on its research activities, or its activities are not genuine, or
- (e) is not fulfilling the conditions subject to which approval was granted to it he may after making appropriate enquiries furnish a report on the circumstances referred to in clauses (a) to (e) above to the Central Government within six months from the date of furnishing the return of income under sub-section (1) of section 139.

***Footnotes:***

1. Inserted by the Income-tax (Second Amendment) Rules, 2009, dated 05.01.2009

**5E. Conditions subject to which approval is to be granted to a University, College or other Institution under clause (ii) and clause (iii) of sub-section (1) of section 35.**

- (1) The sum paid to a university, college or other institution shall be used for scientific research and research in social science or statistical research.

- (2) The applicant university, college or other institution shall carry out scientific research, research in social science or statistical research through its faculty members or its enrolled students.
- (3) A university or college or other institution approved under clause (ii) or clause (iii) of sub-section (1) of section 35 shall maintain separate books of account in respect of the sums received by it for scientific research or, as the case may be, for research in social science or statistical research, reflect therein the amount used for carrying out research, get such books of account audited by an accountant, as defined in the Explanation to sub-section (2) of section 288 and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139.
- (4) The university or college or other institution shall maintain a separate statement of donations received and the amount used for research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to in sub-rule (3).

<sup>2</sup>[(4A) The university, college or other institution shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Incometax or Director of Income-tax containing-

- (i) a detailed note on the research work undertaken by it during the previous year;
  - (ii) a summary of research articles published in national or international journals during the year;
  - (iii) any patent or other similar rights applied for or registered during the year;
  - (iv) programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme";
- (b) in sub-rule (5), in item (c), after the words "used for research", the words, brackets, figure and letter "or a statement referred to in sub-rule (4A)]
- (5) If the Commissioner of Income-tax or the Director of Income-tax is satisfied that the university or college or other institution,-

- (a) is not maintaining separate books of account for research activities, or
- (b) has failed to furnish its audit report, or
- (c) has not furnished its statement of the sums received and the sums used for research, or
- (d) has ceased to carry on its research activities, or its activities are not genuine, or
- (e) is not fulfilling the conditions subject to which approval was granted to it,

he may after making appropriate enquiries furnish a report on the circumstances referred to in clauses (a) to (e) above to the Central Government within six months from the date of furnishing the return of income under section 139(1)."]

**Footnotes:**

1. Inserted by the Income-tax (Twelfth Amendment) Rules, 2006, dated 30.10.2006
2. Inserted by the Income-tax (Second Amendment) Rules, 2009, dated 05.01.2009

**<sup>1</sup>[5F. Prescribed authority, guidelines, form, manner and conditions for approval under clause (iia) of sub-section (1) of section 35.**

(1) For the purposes of clause (iia) of sub-section (1) of section 35, the prescribed authority shall be the Chief Commissioner of Income-tax having jurisdiction over the applicant.

(2) Guidelines, form and manner in respect of approval under clause (iia) of sub-section (1) of section 35 shall be as under:—

- (a) An application for approval under clause (iia) of sub-section (1) of section 35 by a company shall be made in duplicate in Form No. 3CF-III, to the Commissioner of Income-tax having jurisdiction over the applicant, at any time during the financial year immediately preceding the assessment year from which the approval is sought.
- (b) The applicant shall send a copy of the application in Form No. 3CF-III to the prescribed authority, accompanied by the acknowledgement receipt as evidence of having furnished the application form in duplicate in the office of the Commissioner of Income-tax having jurisdiction over the case.

- (c) Every notification under clause (iia) of sub-section (1) of section 35 shall be issued or an order rejecting the application shall be passed within a period of twelve months from the end of the month in which the application was received in the office of the Chief Commissioner of Income-tax.
- (d) If any defect is noticed in the application in Form No. 3CF-III or if any relevant document is not attached thereto, the Commissioner of Income-tax shall serve a deficiency letter on the applicant before the expiry of one month from the date of receipt of the application form in his office.
- (e) The applicant shall remove the deficiency within a period of fifteen days from the date of service of the deficiency letter or within such further period which, on an application made in this behalf may be extended, so however, that the total period for removal of deficiency does not exceed thirty days, and if the applicant fails to remove the deficiency within the period of thirty days so allowed, the Commissioner of Income-tax shall send his recommendation to the Chief Commissioner of Income-tax for treating the application as invalid.
- (f) The Chief Commissioner of Income-tax may, after examining the recommendations referred to in clause (e), pass an order that the application is invalid.
- (g) If the application form is complete in all respects, the Commissioner of Income-tax may, make such inquiry as he may consider necessary regarding the genuineness of the activity of the company and send his recommendation to the Chief Commissioner of Income-tax for grant of approval or rejection of the application before the expiry of the period of three months to be reckoned from the end of the month in which the application form was received in his office.
- (h) The Chief Commissioner of Income-tax may, before granting approval under clause (iia) of sub-section (1) of section 35, call for such documents or information from the applicant as it considers necessary and may get any inquiry made for verification of the genuineness of the activity of the applicant.
- (i) The Chief Commissioner of Income-tax may, under sub-section (1) of section 35, issue the notification to be published in the Official Gazette granting approval to the company or for reasons to be recorded in writing reject the application.
- (j) The Chief Commissioner of Income-tax may withdraw the approval granted under clause (iia) of sub-section (1) of section 35 if he is satisfied that the company has ceased to carry on its activities or its activities are not genuine or are not being carried on in accordance with all or any of the conditions under this rule:

Provided that no order treating the application as invalid or rejecting the application or withdrawing the approval shall be passed without giving a reasonable opportunity of being heard to the company.

- (k) A copy of the order invalidating or rejecting the application or withdrawing the approval shall be communicated to the applicant, the Assessing Officer and the Commissioner of Income-tax.

(3) Approval to a company under clause (iia) of sub-section (1) of section 35 shall be subject to the following conditions, namely:—

- (a) The sum paid to the company shall be used for scientific research;
- (b) The applicant company shall carry on scientific research through its own employees using its own assets;
- (c) A company approved under clause (iia) of sub-section (1) of section 35 shall maintain separate books of account in respect of the sums received by it for scientific research, reflect therein the amount used for carrying on research, get such books of account audited by an accountant, and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139.

*Explanation.*- For the purpose of this clause "accountant" shall have the same meaning as assigned to it in *Explanation* to sub-section (2) of section 288 of the Act.

- (d) The company shall maintain a separate statement of donations received and the amount used for research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to in sub-rule (3).
- (e) Subsequent to approval, the company shall, every year, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of income-tax containing the following information, namely:—
  - (i) a detailed note on the research work undertaken by it during the previous year;
  - (ii) a summary of research articles published in national or international journals during the year;
  - (iii) any patents or other similar rights applied for or registered during the year;
  - (iv) programme of research projects to be undertaken during the forthcoming year and the financial allocation for such subjects.
- (f) If the Commissioner of Income-tax is satisfied that the company,—
  - (i) is not maintaining separate books of account for research activities, or
  - (ii) has failed to furnish its audit report, or
  - (iii) has not furnished its statement of the sums received and the sums used for research, or a statement referred to in sub-clause (e), or
  - (iv) has ceased to carry on its research activities, or its activities are not genuine, or
  - (v) is not fulfilling the conditions subject to which approval was granted to it, he may after making appropriate enquiries, furnish a report on the circumstances referred to in sub-clauses (i) to (v) to the jurisdictional Chief Commissioner of Income-tax within six months from the date of furnishing the return of income under sub-section (1) of section 139.]

**Footnotes:**

1. Inserted by the Income-tax (Tenth Amendment) Rules, 2008, dated 11.12.2008

**6.- Prescribed authority for expenditure on scientific research:-** (1) For the purposes of <sup>1</sup><sup>2</sup>[clause (i) of]sub-section (1) and sub-section (2A) of] section 35, the prescribed authority shall be the Director General (Income-tax Exemptions) in concurrence with the Secretary, Department of Scientific and Industrial Research, Government of India.

<sup>13</sup>[(1A) For the purposes of sub-section (2AA) of section 35, the prescribed authority shall be-

(a) in the case of a National Laboratory or a University or an Indian Institute of Technology the head of the National Laboratory or the University or the Indian Institute of Technology, as the case may be; and

(b) in the case of a specified person, the Principal Scientific Adviser to the Government of India.]

<sup>3</sup>[(1B) For the purposes of sub-section (2AB) of section 35, the prescribed authority shall be the Secretary, Department of Scientific and Industrial Research.

<sup>17</sup>[\*\*\*]

<sup>4</sup>[(3) The application for obtaining approval under sub-section (2AA) of section 35 shall be made by a sponsor in Form No. 3CG.

Explanation : For the purposes of this rule "sponsor" means a person who makes an application in Form No. 3CG.]

<sup>5</sup>((4) The application required to be furnished by a company under sub-section (2AB) of section 35 shall be in Form No. 3CK.

<sup>6</sup>[(5) The head of the National Laboratory or the University or the Indian Institute of Technology <sup>14</sup>[or the Principal Scientific Adviser to the Government of India] shall, if he is satisfied that it is feasible to carry out the scientific research programme then, subject to other conditions prescribed in this rule and section 35 (2AA) of the Act, pass an order in writing in Form No. 3CH :

**Provided** that a reasonable opportunity of being heard shall be granted to the sponsor before rejecting an application :

**Provided further** that an order under this rule shall be passed within two months of the receipt of the application under sub-rule (1A).

<sup>16</sup>**Provided also that** the Principal Scientific Adviser to the Government of India may authorise an officer who is not below the rank of a Deputy Secretary to issue such order, after the scientific research programme has been approved by him.]

<sup>7</sup>[(5A) The prescribed authority shall, if he is satisfied that the conditions provided in this rule and in sub-section (2AB) of section 35 of the Act are fulfilled, pass an order in writing in Form No. 3CM :

**Provided** that a reasonable opportunity of being heard shall be granted to the company before rejecting an application.] <sup>8</sup>[\*\*\*]

<sup>9</sup>[(6) The National Laboratory <sup>15</sup>[University, Indian Institute of Technology or specified person] shall issue a receipt of payment for carrying out an approved programme of scientific research under sub-section (2AA) in Form No. 3CI.]

<sup>11</sup>[(7) Approval of a programme under sub-section (2AA) shall be subject to the following conditions:--

- (a) The programme should not relate purely to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of a like nature ;
- (b) The prescribed authority shall submit its report to the Director General (Income-tax Exemptions) in Form No. 3CJ within a period of three months from the date of granting approval to the programme ;  
  
<sup>16</sup>[Provided that the officer authorised by the prescribed authority, being the Principal Scientific Adviser to the Government of India, under sub-rule (5) shall submit such report to the Director General (Income-tax Exemptions);]
- (c) The sponsor and the National Laboratory, <sup>15</sup>[University, Indian Institute of Technology or specified person], as the case may be, shall submit to the Director General (Income-tax Exemptions) a yearly statement showing progress of implementation of the approved programme and actuals of expenditure incurred thereon ;
- (d) The prescribed authority shall not extend the duration of the programme or approve any escalation in costs ;
- (e) The National Laboratory, <sup>15</sup>[University, Indian Institute of Technology or specified person], as the case may be, shall maintain a separate account for each approved programme; which shall be audited annually and a copy thereof shall be furnished to the Director General (Income-tax Exemptions) by 31st day of October of each succeeding year ;
- (f) Assets acquired by the prescribed authority for executing the approved programme shall not be disposed of without the approval of the Director General (Income-tax Exemptions) ;
- (g) On completion of the approved programme, a completion certificate along with a copy of the report on the research activities carried out and salient features of the result obtained and its further application for commercial exploitation shall be jointly submitted by the sponsor and the National Laboratory<sup>15</sup>[University, Indian Institute of Technology or specified person ]to the Director General (Income-tax Exemptions) ;



- (h) A copy of the audited statement of accounts for the approved programme shall be submitted by the Head of the National Laboratory, University or Indian Institute of Technology <sup>14</sup>[or the Principal Scientific Adviser to the Government of India] to the Director General (Income-tax Exemptions) within six months of the completion of the programme.)

<sup>12</sup>[(7A) Approval of expenditure incurred on in-house research and development facility by a company under sub-section (2AB) of section 35 shall be subject to the following conditions, namely :--

- (a) The facility should not relate purely to market research, sales promotion, quality control, testing, commercial production, style changes, routine data collection or activities of a like nature;
- (b) The prescribed authority shall submit its report in relation to the approval of in-house Research and Development facility in Form No. 3CL to the Director General (Income-tax Exemptions) within sixty days of its granting approval;
- (c) The company shall maintain a separate account for each approved facility; which shall be audited annually and a copy thereof shall be furnished to the Secretary, Department of Scientific and Industrial Research by 31st day of October of each succeeding year.

Explanation : For the purposes of this sub-rule the expression "audited" means the audit of accounts by an accountant, as defined in the Explanation below sub-section (2) of section 288 of the Income-tax Act, 1961;

- (d) Assets acquired in respect of development of scientific research and development facility shall not be disposed off without the approval of the Secretary, Department of Scientific and Industrial Research.

**Footnotes:**

<sup>2</sup> Inserted by the IT (Twenty-second Amdt.) Rules, 1999, w.e.f. 25-6-1999.

<sup>3</sup> Inserted by the IT (Fifth Amdt.) Rules, 1998, w.e.f. 1-4-1998.

<sup>4</sup> Inserted by the IT (Sixteenth Amdt.) Rules, 1993, w.e.f. 15-9-1993.

<sup>5</sup> Inserted by the IT (Fifth Amdt.) Rules, 1998, w.e.f. 1-4-1998. Earlier sub-rule (4), as inserted by the IT (Sixteenth Amdt.) Rules, 1993, w.e.f. 15-9-1993, and later on omitted by the IT (Ninth Amdt.) Rules, 1996, w.e.f. 1-10-1996, read as under :

“(4) The Secretary, Department of Scientific and Industrial Research shall, within eight weeks of the receipt of an application to the Director General (Income-tax Exemptions).”

<sup>6</sup> Substituted by the IT (Ninth Amdt.) Rules, 1996, w.r.e.f. 1-10-1996. Prior to its substitution, sub-rule (5), as inserted by the IT (Sixteenth Amdt.) Rules, 1993, w.e.f. 15-9-1993, read as under :

"(5) The Director General (Income-tax Exemptions) shall within four weeks of the receipt of the decision conveyed by the Secretary, Department of Scientific and Industrial Research, issue an order of programme in Form No. 3CH."

<sup>7</sup> Inserted by the IT (Fifth Amdt.) Rules, 1998, w.e.f. 1-4-1998.

<sup>8</sup> Second proviso omitted by the IT (Twenty-sixth Amdt.) Rules, 1999, w.e.f. 5-7-1999. Prior to its omission, second proviso, as inserted by the IT (Fifth Amdt.) Rules, 1998, w.e.f. 1-4-1998, read as under :

"**Provided further** that an order under this rule shall be passed within two months of the receipt of application under sub-rule (4)."

<sup>9</sup> Inserted by the IT (Sixteenth Amdt.) Rules, 1993, w.e.f. 15-9-1993.

<sup>11</sup> Substituted by the IT (Ninth Amdt.) Rules, 1996, w.r.e.f. 1-10-1996. Prior to its substitution, sub-rule (7) was inserted by the IT (Sixteenth

Amdt.) Rules, 1993, w.e.f. 15-9-1993 and later amended by the IT (Eleventh Amdt.) Rules, w.e.f. 23-11-1994.

<sup>12</sup> Inserted by the IT (Fifth Amdt.) Rules, 1998, w.e.f. 1-4-1998.

<sup>13</sup> Substituted by the IT (Eighteenth Amdt. ) Rules 2001 w.e.f. 08-08-2001. Prior to its substitution sub Rule 1A read as under :

(1A) For the purposes of sub-section (2AA) of section 35, the prescribed authority shall be the head of the National Laboratory or the University or the Indian Institute of Technology, as the case may be.

<sup>14</sup> Inserted by the IT (Eighteenth Amdt.) Rules, 2001, w.e.f. 08-08-2001.

<sup>15</sup> Substituted for "University or Indian Institute of Technology " by the IT (Eighteenth Amdt.) Rules 2001 w.e.f. 08-08-2001

<sup>16</sup> Inserted by Income-tax (Twelfth Amendment) Rules, 2004.

<sup>17</sup> Omitted by the Income-tax (Twelfth Amendment) Rules, 2006 dated 30.10.2006. Earlier the provision read as ---

(2) The application required to be furnished by a scientific or industrial research organisation or institution under clause (ii) or (iii) of sub-section (1) of section 35 shall be in Form No. 3CF.

**6A. [Omitted by the IT (Thirty-Second Amdt.) Rules, 1999,w.e.f 19-11-1999]**

**6AA.- Prescribed activities for export markets development allowance.**

Omitted by the IT (Thirty-second Amdt) Rules, 1999, w.e.f. 19-11-1999.

**6AAA.- Prescribed authority for the purposes of sections 35CC and 35CCA.**

For the purposes of sections 35CC and 35CCA,--

- (i) the "prescribed authority" to approve the programme of rural development referred to in sub-section (1) of sections 35CC and in clause (a) of sub-section (1) of section 35CCA shall be the Committee consisting of the following, namely:--
  - (a) The Chief Commissioner or Commissioner of Income-tax who exercises jurisdiction over the State or, as the case may be, the Union territory in which the programme of rural development is to be carried out--Chairman ;
  - (b) An officer not below the rank of a Secretary to the Government of the State or, as the case may be, the Union territory in which the programme of rural development is to be carried out--Member;
- (ii) the "prescribed authority" to approve an association or institution referred to in clause (a) or clause (b) of sub-section (1) of section 35CCA shall be the Committee consisting of the following, namely :--
  - (a) The Chief Commissioner or Commissioner of Income-tax, who exercises jurisdiction over the State or, as the case may be, the Union territory in which the principal office of the association or institution is situated--Chairman ;
- (b) An officer not below the rank of a Secretary to the Government of the State or, as the case may be, the Union territory in which the principal office of the association or institution is situated--Member :

**Provided** that where in a case whether falling under clause (i) or clause (ii) two or more Commissioners exercise jurisdiction over the State or, as the case may be, the Union territory, the Board may, by notification in the Official Gazette, empower the Chief Commissioner or Commissioner] specified in this behalf to be the Chairman of the Committee.

Explanation : In this rule, "programme of rural development" shall have the meaning assigned to it in the Explanation to sub-section (1) of sections 35CC of the Income-tax Act.

**6AAB.[Omitted by the IT (Thirty-Second Amdt.) Rules, 1999,w.e.f 19-11-1999]**

**6AAC.- Prescribed authority for the purposes of section 35CCB.**

For the purposes of section 35CCB, the "prescribed authority" shall be the Secretary, Department of Environment, Government of India.

**6AB.-Form of audit report for claiming deductions under sections 35D and 35E.**

The report of audit of the accounts of an assessee, other than a company or a co-operative society, which is required to be furnished under sub-section (4) of sections 35D or sub-section (6) of section 35E shall be in <sup>1</sup>[Form No. 3AE]

**Footnotes:**

1. Substituted by Income-tax (11th Amendment) Rules, 2006 for the words "Form No. 3B"

**6ABA.Computation of aggregate average advances for the purposes of clause (viiia) of sub-section (1) of section 36.**

For the purposes of clause (viiia) of sub-section (1) of section 36, the aggregate average advances made by the rural branches of a scheduled bank shall be computed in the following manner, namely :--

(a) the amounts of advances made by each rural branch as outstanding at the end of the last day of each month comprised in the previous year shall be aggregated separately ;

(b) the sum so arrived at in the case of each such branch shall be divided by the number of months for which the outstanding advances have been taken into account for the purposes of clause (a) ;

(c) the aggregate of the sums so arrived at in respect of each of the rural branches shall be the aggregate average advances made by the rural branches of the scheduled bank.

Explanation : In this rule, "rural branch" and "scheduled bank" shall have the meanings assigned to them in the Explanation to clause (vita) of sub-section (1) of section 36.

**<sup>1</sup>[6ABAA.**

The conditions to be fulfilled by a public facility to be eligible to be notified as an infrastructure facility in accordance with the provisions of clause (d) of the Explanation to clause (viii) of sub-section (1) of section 36 shall be the following, namely:

(a) it is owned by a company registered in India or by a consortium of such companies or by an authority or a board or a corporation or any other body established or constituted under any Central or State Act;

(b) it has entered into an agreement with the Central Government or a State Government or a local authority or any other statutory body for (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining a new infrastructure facility similar in nature to an infrastructure facility referred to in the Explanation to clause (i) of sub-section (4) of section 80-IA;

(c) it has started or starts operating and maintaining such infrastructure facility on or after the 1st of April, 1995.]

**Footnotes:**

1. Inserted by Income-tax (Sixth Amendment) Rules, 2006 vide Notification no. SO1152(E) dated 20.07.2006.

**6ABB.-<sup>1</sup>[Form of report for claiming deduction under clause (xi) of sub-section (1) of section 36.**

The report of an accountant, which is required to be furnished under clause (xi) of sub-section (1) of section 36, shall be in Form No. 3BA.]

**Footnotes:**

<sup>1</sup> Inserted by the IT (Twentieth Amdt.) Rules, 1999, w.e.f. 1-4-2000.

**6AC.[Omitted by the IT (Thirty-Second Amdt.) Rules, 1999,w.e.f 19-11-1999]**

**6B.[Omitted by the IT (Thirty-Second Amdt.) Rules, 1999,w.e.f 19-11-1999]**

**6C.[Omitted by the IT (Amdt.) Rules, 1973, W.E.R 1-4- 1973]**

**6D.[Omitted by the IT (Thirty-Second Amdt.) Rules, 1999,w.e.f 19-11-1999]**

**<sup>6</sup> [6DD.- Cases and circumstances in which a payment or aggregate of payments exceeding twenty thousand rupees may be made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft**

No disallowance under sub-section (3) of section 40A shall be made and no payment shall be deemed to be the profits and gains of business or profession under sub-section (3 A) of section 40A where a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn, on a bank or account payee bank draft, exceeds twenty thousand rupees in the cases and circumstances specified here under, namely:-

(a) where the payment is made to-

(i) the Reserve Bank of India or any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949):

(ii) the State Bank of India or any subsidiary bank as defined in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);

(iii) any co-operative bank or land mortgage bank:

(iv) any primary agricultural credit society or any primary credit society as defined under section 56 of the Banking Regulation, Act, 1949 (10 of 1949);

(v) the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act 1956 (51 of 1955):

(b) where the payment is made to the Government and, under the rules framed by it, such payment is required to be made in legal tender;

(c) where the payment is made by-

(i) any letter of credit arrangements through a bank,

(ii) a mail or telegraphic transfer through a bank;

(iii) a book adjustment from any account in a bank to any other account in that or any other bank;

(iv) a bill of exchange made payable only to a bank; (v) the use of electronic clearing system through a bank account;

(vi) a credit card;

(vii) a debit card.

**Explanation:-** For the purposes of this clause and clause (g), the term "bank" means any bank, banking company or society referred to in sub-clauses (j) to (iv) of clause (a) and includes any bank [not being a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949)], whether incorporated or not, which is established outside India;

(d) where the payment is made by way of adjustment against the amount of any liability Incurred by the payee for any goods supplied or services rendered by the assessee to such payee;

(e) where the payment is made for the purchase of-

(i) agricultural or forest produce; or

(ii) the produce of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming; or

(iii) fish or fish products; or

(iv) the products of horticulture or apiculture,

to the cultivator, grower or producer of such articles, produce or products;

(f) where the payment is made for the purchase of the products manufactured or processed without the aid of power in a cottage industry, to the producer of such products;

(g) where the payment is made in a village or town, which on the date of such payment is not served by any bank, to any person who ordinarily resides, or is carrying on any business/profession or vocation, in any such village or town;

(h) where any payment is made to an employee of the assessee or the heir of any such employee, on or in connection with the retirement, retrenchment, resignation, discharge or death of such employee, on account of gratuity, 'retrenchment compensation or similar terminal benefit and the aggregate of such sums payable to the employee or his 'heir does not exceed fifty thousand rupees;

(i) where the payment is made by an assessee by way of salary to his employee after deducting the income-tax from salary in accordance with the provisions of section 192 of the Act and when such employee-

(i) is temporarily posted for a continue is period of fifteen days or more in a place other than his normal place of duty or on a ship and

(ii) does not maintain any account in any bank at such place or ship;

(j) where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike;

(k) where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;

(l) where the payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business.

**Explanation:-** For the purposes of this clause, the expressions "authorised dealer" or "money changer" means a person authorised as an authorised dealer or a money changer to deal in foreign currency or foreign exchange under any law for the time being in force.]

**Footnotes:**

1 Substituted for "ten thousand" by the IT (Thirty-first Amdt.) Rules, 1999, w.e.f. 1-4-1997. Earlier "ten thousand" was substituted for "two thousand five hundred" by the IT (Fifth Amdt.) Rules, 1989, w.e.f. 18-5-1989.

2 Clauses (j), (k) and (l) inserted by the IT (Twenty-First Amdt.) Rules, 1995, w.e.f. 1-12-1995.

3 Inserted by the IT (Sixteenth Amdt.) Rules, 2000, w..e.f. 25-7-1995.

4 Substituted by The Income-tax (13th Amendment) Rules, 2006, dated 09.11.2006 for the words "a crossed cheque drawn on a bank or by a crossed bank draft".

5. Rule 6DD shall be substituted by The Income-tax (8th Amendment) Rules, 2007, dated 27.06.2007 w.e.f. the assessment year 2008-09 for the following:

"Cases and circumstances in which payment in a sum exceeding twenty thousand rupees may be made otherwise than by an account payee cheque drawn on a bank or account payee bank draft.6DD. No disallowance under clause (a) of sub-section (3) of section 40A shall be made and no payment shall be deemed to be the profits and gains of business or profession under clause (b) of sub-section (3) of section 40A where any payment in a sum exceeding twenty thousand rupees is made otherwise than by an account payee cheque drawn on a bank or account payee bank draft in the cases and circumstances specified hereunder, namely:

(a) where the payment is made to

(i) the Reserve Bank of India or any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(ii) the State Bank of India or any subsidiary bank as defined in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);

(iii) any co-operative bank or land mortgage bank;

(iv) any primary agricultural credit society or any primary credit society as defined under section 56 of the Banking Regulation Act, 1949 (10 of 1949);

(v) the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956);



(b) where the payment is made to the Government and, under the rules framed by it, such payment is required to be made in legal tender;

(c) where the payment is made by

- (i) any letter of credit arrangements through a bank;
- (ii) a mail or telegraphic transfer through a bank;
- (iii) a book adjustment from any account in a bank to any other account in that or any other bank;
- (iv) a bill of exchange made payable only to a bank;
- (v) the use of electronic clearing system through a bank account;
- (vi) a credit card;
- (vii) a debit card.

Explanation.- For the purposes of this clause and clause (g), the term "bank" means any bank, banking company or society referred to in sub-clauses (i) to (iv) of clause (a) and includes any bank [not being a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949)], whether incorporated or not, which is established outside India;

(d) where the payment is made by way of adjustment against the amount of any liability incurred by the payee for any goods supplied or services rendered by the assessee to such payee;

(e) where the payment is made for the purchase of

- (i) agricultural or forest produce; or
- (ii) the produce of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming; or
- (iii) fish or fish products; or

(iv) the products of horticulture or apiculture,

to the cultivator, grower or producer of such articles, produce or products;

(f) where the payment is made for the purchase of the products manufactured or processed without the aid of power in a cottage industry, to the producer of such products;

(g) where the payment is made in a village or town, which on the date of such payment is not served by any bank, to any person who ordinarily resides, or is carrying on any business, profession or vocation, in any such village or town;

(h) where any payment is made to an employee of the assessee or the heir of any such employee, on or in connection with the retirement, retrenchment, resignation, discharge or death of such employee, on account of gratuity, retrenchment compensation or similar terminal benefit and the aggregate of such sums payable to the employee or his heir does not exceed fifty thousand rupees;

(i) where the payment is made by an assessee by way of salary to his employee after deducting the income-tax from salary in accordance with the provisions of section 192 of the Act, and when such employee

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(i) is temporarily posted for a continuous period of fifteen days or more in a place other than his normal place of duty or on a ship; and

(ii) does not maintain any account in any bank at such place or ship;

(j) where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike;

(k) where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;

(l) where the payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business.

Explanation.- For the purposes of this clause, the expressions "authorised dealer" or "money changer" means a person authorised as an authorised dealer or a money changer to deal in foreign currency or foreign exchange under any law for the time being in force."

6. Rule 6DD shall be substituted by The Income-tax (7th Amendment) Rules, 2008, dated 10.10.2008 w.e.f. the assessment year 2009-10 for the following:

**" 56DD.- Cases and circumstances In which payment in a sum exceeding twenty thousand rupees may be made otherwise than by <sup>4</sup> [an account payee cheque drawn on a bank or account payee bank draft.]**

No disallowance under sub-section ( 3 ) of section 40 A shall be made where any payment in a sum exceeding <sup>1</sup> [twenty thousand] rupees is made otherwise than by <sup>4</sup> [ an account payee cheque drawn on a bank or account payee bank draft] in the cases and circumstances specified hereunder, namely:--

(a) where the payment is made to--

- (i) the Reserve Bank of India or any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 ( 10 of 1949 );
- (ii) the State Bank of India or any subsidiary bank as defined in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 ( 38 of 1959 );
- (iii) any co-operative bank or land mortgage bank ;
- (iv) any primary agricultural credit society as defined in clause (cii) of section 2 of the Reserve Bank of India Act, 1934 ( 2 of 1934 ), or any primary credit society as defined in clause (civ) of that section ;
- (v) the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956 ( 31 of 1956 );
- (vi) the Industrial Finance Corporation of India established under section 3 of the Industrial Finance Corporation Act, 1948 ( 15 of 1948 );
- (vii) the Industrial Credit and Investment Corporation of India Ltd.;

- (viii) the Industrial Development Bank of India established under section 3 of the Industrial Development Bank of India Act, 1964 ( 18 of 1964 );
  - (ix) the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963 ( 52 of 1963 );
  - (x) the Madras Industrial Investment Corporation Ltd., Madras;
  - (xi) the Andhra Pradesh Industrial Development Corporation Ltd., Hyderabad;
  - (xii) the Kerala State Industrial Development Corporation Ltd., Trivandrum;
  - (xiii) the State Industrial and Investment Corporation of Maharashtra Ltd., Bombay ;
  - (xiv) the Punjab State Industrial Development Corporation Ltd., Chandigarh;
  - (xv) the National Industrial Development Corporation Ltd., New Delhi;
  - (xvi) the Mysore State Industrial Investment and Development Corporation Ltd., Bangalore;
  - (xvii) the Haryana State Industrial Development Corporation Ltd., Chandigarh;
  - (xviii) any State Financial Corporation established under section 3 of the State Financial Corporations Act, 1951 ( 63 of 1951 );
- (a) where the payment is made to Government and, under the rules framed by it, such payment is required to be made in legal tender;
  - (b) where under any contract entered into by the asscsce before the 1 st day of April, 1969 , the payment is required to be made in legal tender ;
  - (c) where the payment is made by--(i) any letter of credit arrangements through a bank ; (ii) a mail or telegraphic transfer through a bank; (iii) a book adjustment from any account in a bank to any other account in that or any other bank; (iv) a bill of exchange made payable only to a bank.

Explanation : For the purposes of this clause and clause (h), the term "bank" means any bank, banking company or society referred to in sub- clauses (i) to (iv) of clause (a) and includes any bank [not being a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 ( 10 of 1949 )], whether incorporated or not, which is established outside India;

- (d) where the payment is made by way of adjustment against the amount of any liability incurred by the payee for any goods supplied or services rendered by the assessee to such payee ;
- (e) where the payment is made for the purchase of-- (i) agricultural or forest produce ; or (ii) the produce of animal husbandry (including hides and skins) or dairy or poultry farming ; or (in) fish or fish products ; or (iv) the products of horticulture or apiculture, to the cultivator, grower or producer of such articles, produce or products;
- (f) where the payment is made for the purchase of the products manufactured or processed without the aid of power in a cottage industry, to the producer of such products;
- (g) where the payment is made in a village or town, which on the date of such payment is not served by any bank, to any person who ordinarily resides, or is carrying on any business, profession or vocation, in any such village or town;
- (h) where any payment by way of gratuity, retrenchment compensation or similar terminal benefit, is made to an employee of the assessee or the heirs of any such employee on or in connection with the retrenchment, resignation, discharge or death of such employee, if the income chargeable under the head "Salaries" of the employee in respect of the financial year in which such retirement, resignation, discharge or death took place or the immediately preceding financial year did not exceed Rs. 7 , 500 ;
- <sup>2</sup> [(j) where the payment is made by an assessee by way of salary to his employee after deducting the income-tax from salary in accordance with the provisions of section 192 of the Act, and when such employee--
  - (A). is temporarily posted for a continuous period of fifteen days or more in a place other than his normal place of duty or on a ship; and
  - (B). does not maintain any account in any bank at such place or ship;
- (k) where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike;
- (l) where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person;]
- <sup>3</sup> [(m) where the payment is made by an authorised dealer or a money changer against purchase of foreign currency or travellers cheques in the normal course of his business.

Explanation : For the purpose of this clause, the expression "authorised dealer" or "money changer" means a person authorised as an authorised dealer or money changer to deal in foreign currency or foreign exchange under any law for the time being in force.]”

**<sup>1</sup>[6DDA. Conditions that a stock exchange is required to fulfil to be notified as a recognised stock exchange for the purposes of clause (d) of proviso to clause (5) of Section 43.**

For the purposes of clause (d) of proviso to clause (5) of Section 43, a stock exchange shall fulfil the following conditions in respect of trading in derivatives, namely:--

- (i) the stock exchange shall have the approval of the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992) in respect of trading in derivatives and shall function in accordance with the guidelines or conditions laid down by the Securities and Exchange Board of India;
- (ii) the stock exchange shall ensure that the particulars of the client (including unique client identity number and PAN) are duly recorded and stored in its databases;
- (iii) the stock exchange shall maintain a complete audit trail of all transactions (in respect of cash and derivative market) for a period of seven years on its system;
- (iv) the stock exchange shall ensure that transactions once registered in the system cannot be erased or modified.]

***Footnotes:***

1. Inserted by Income-tax (20th Amendment) Rules, 2005 vide Notification No. 181/2005 dated 01.07.2005.

**<sup>1</sup>[6DDB. Notification of a recognised stock exchange for the purposes of clause (d) of proviso to clause (5) of Section 43.**

(1) An application for notification of a stock exchange as a recognised stock exchange for the purposes of clause (d) of proviso to clause (5) of Section 43 may be made to the Member(L), Central Board of Direct Taxes, North Block, New Delhi-110 001.

(2) The application referred to in sub-rule (1) shall be accompanied with the following documents, namely:--

- (i) approval granted by Securities and Exchange Board of India for trading in derivatives;
- (ii) up-to-date rules, bye-laws and trading regulations of the stock exchange;
- (iii) confirmation regarding fulfilling the conditions referred to in clause (ii) to clause (iv) of rule 6DDA; (iv) such other information as the stock exchange may like to place before the Central Government.

(3) The Central Government may call for such other information from the applicant as it deems necessary for taking a decision on the application.

(4) The Central Government, after examining the information furnished by the stock exchange under sub-rule (2) or sub-rule (3), shall notify the stock exchange as a recognised stock exchange for the purposes of clause (d) of proviso to clause (5) of Section 43 or issue an order rejecting the application before the expiry of four months from the end of the month in which the application is received.

(5) The notification referred to in sub-rule (4) shall be effective until the approval granted by the Securities and Exchange Board of India is withdrawn or expired, or the notification is rescinded by the Central Government.]

**Footnotes:**

1. Inserted by Income-tax (20th Amendment) Rules, 2005 vide Notification No. 181/2005 dated 01.07.2005.