

## **Income Tax Laws and Practices**

### **BBA 405**

#### **36. Income of a News Agency [Section 10(22B)]**

In case there is any income of a news agency set up solely in India for collection and distribution of news and which is so notified in this behalf shall be fully exempted provided such income or accumulated income is used solely for collection and distribution of news and not to be distributed in any manner amongst its members.

The approval given under this section shall be withdrawn if the news agency has not applied, accumulated or distributed its income in accordance with the prescribed conditions, the notification issued under this section shall be cancelled

#### **37. Income of some Professional Institutions [Section 10(23A)]**

Any income (other than income from house property and income from rendering any specific service or income by way of interest or dividend on investment) of an professional institution/association is exempt from tax, if the following conditions are satisfied:

1. Professional institution is established in India for the purpose of control, supervision, regulation or encouragement of the profession of law, medicine, accountancy, engineering or architecture or such other notified profession.
2. The institution applies its income, or accumulates it for application, solely to the objects for which it is established.

3. The institution is approved by the Central Government by general or special order.

### 38. Exemption of Income Received by Regimental Fund [Section 23AA]

Any income received by any person on behalf of any Regimental Fund or Non Public Fund established by the armed forces of India for the welfare of the past and present members of such forces or their dependents shall be exempted from tax

### 39. Income of a Fund set-up for the welfare of employees or their dependents [Section 10(23AAA)]

Any income of such fund which is approved by Commissioner of Income-tax shall be fully exempted provided its income is applied wholly and exclusively for the objects for which it is established. The CBDT has notified following purposes for which the fund is expected to help its members or their dependents—

1. Cash amount given to a member of the fund—
2. on superannuation, or
3. in the event of member's own illness or illness of his/her spouse or dependent children; or
4. to meet the cost of education of dependent children of members.
5. Cash amount given to the dependents of members in the event of death of such a member

### 40. Income of a pension fund set up by LIC or other insurer [Section 10(23AAB)]

Income of an institution constituted as a public charitable trust or society which is established for the development of khadi and village industries (not for profit purpose) is exempt from tax, if following conditions are satisfied:

1. Income is attributable to the business of production, sale, or marketing, of khadi or products of village industries.
2. Institution applies its income, or accumulates it for application, solely for the development of khadi or village industries or both
3. Institution is approved by the Khadi and Village Industries Commission

41. Income of State Level Khadi and Village Industries Board [Section 10(23BB)]

Any income from an authority (whether known as the Khadi and Village Industries Board, or by any other name) established in a State by or under a State or Provincial Act for the development of Khadi or Village Industries in the State, shall be exempted from tax

42. Income of certain Authorities set up to manage Religious and Charitable Institutions [Section 10(23BBA)]

Any income of any body or authority established, or appointed by or under any Central, State or Provincial Act which provides administration of any of the following institutions

1. Public, Religious or Charitable Trusts
2. Endowments (including Maths, Gurudwaras, Temples, Wakfs etc.) ; or
3. a society for religious or charitable purposes registered under Societies Act 1860, shall be exempted from tax.

43. Income of European Economic Community [Section 10(23BBB)]

Any income of European Economic community derived in India by way of interest, dividend or capital gain from investments made out of its funds under such scheme as the Central Govt. may notify is fully exempted.

44. Income of a SAARC Fund for regional projects [Section 10(23BBC)]

Any income of a fund set up as SAARC Fund for Regional Projects set up by Colombo Declaration issued on 21<sup>st</sup>. Dec. 1991 by Heads of State or Government of the Member Countries of South Asian Association for Regional Co-operation shall be fully exempted.

45. Any income of Insurance Regulatory and Development Authority [Section 10(23BBE)]

Any income of Insurance Regulatory and Development Authority established under Insurance Regulatory and Development Authority Act 1999 shall be fully exempted

46. Income of Prasar Bharti [Section 10(23BBH)] [Inserted by the Finance Act 2012, w.e.f. 2013-14]

Any income of the Prasar Bharti (Broadcasting Corporation of India) established under section 3(1) of the Prasar Bharti (Broadcasting Corporation of India) Act, 1990, shall be exempt.

47. Any income received by a person on behalf of following Funds [Section 10(23C)]

Any income received by any person on behalf of the Prime Minister's National Relief Fund, the Prime Minister's Fund (Promotion of Folk Art) or the Prime Minister's Aid to Students Fund is exempt from tax under clause (i), (ii) and (iii) of section 10(23C) respectively.

1. Any income received by any person on behalf of :
2. the Prime Minister's National Relief Fund ; or
3. the Prime Minister's Fund (Promotion of Folk Art) ; or
4. the Prime Minister's Aid to Student's Fund ; or
5. The National Foundation for Communal Harmony
6. Any educational institution which is
7. a non profit earning body and is wholly or substantially financed by the Government;
8. a non profit earning body whose aggregate annual receipts do not exceed the prescribed limits (to be notified) ; or
9. a non profit earning body other than those mentioned at (a) and (b) above but are approved by the prescribed authority.
- 10.any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or reception and treatment of persons during convalescence or of persons requiring medical attention and existing solely for philanthropic purposes and which:
- 11.is wholly or substantially financed by the Government ; or
- 12.whose aggregate annual receipts do not exceed the prescribed limits (to be notified); or
- 13.other than those mentioned a) and (b) above but is approved by the prescribed authority.

- 14.any other fund established for charitable purposes which may be notified by Central Government ; or
- 15.any trust or institution set up wholly for religious purposes or purpose which may be notified by the Central Government.

The above exemption shall not be available for the profits and gains of any business which is carried on, on behalf of or by any fund or institution referred in points (iv) and (v) above or to the profits or gains of any business undertaking held under trust for the purposes of any fund or institution referred in points (iv) and (v) above. This amendment has come into effect from assessment year 1984-85. In case annual receipts of such an institution exceeds ` 1 crore in a previous year, it has to file an application upto 30th September in the succeeding financial year. Under Section 10(23C) income of institutions specified above shall be exempt from income tax. In certain cases, approvals are required to be taken from prescribed authority in the prescribed manner to become eligible for claiming exemption.

#### 48. Income of Mutual Fund [Section 10(23D)]

Any income of following mutual funds (subject to provisions of sections 115R to 115T) is exempt from tax:

- A mutual fund registered under the Securities and Exchange Board of India Act or regulation made thereunder.
- A mutual fund set-up by a public sector bank, or a public financial institution or authorised by RBI (subject to conditions notified by the Central Government).

49. Exemption of income of a securitisation trust [Section 10(23DA)] [w.e.f. A.Y. 2014-15]

Any income of a securitisation trust from the activity of securitisation shall be exempt.

50. Income of Investor Protection Fund [Section 10(23EA)]

Any income by way of contributions received from recognised stock exchanges and the members thereof, of a notified Investor Protection Fund set up by recognised stock exchanges in India is exempt from tax.

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax

51. Exemption of income of investor protection fund of depository [Section 10(23ED)] [w.e.f. A.Y. 2014-15]

Any income, by way of contributions received from a depository, of notified Investor Protection Fund set up by a depository in accordance with the regulations made under the SEBI Act and Depository Act is exempt from tax

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part with a depository, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall, accordingly, be chargeable to income-tax.

52. Exemption for Certain Incomes of a Venture Capital Company or Venture Capital Fund from Certain Specified Business or Industries [Section 10 (23FB)]

As per this amendment, the exemption will now be available only in respect of income of a Venture Capital Company or Venture Capital Fund from investment in a venture capital undertaking engaged in certain specified businesses or industries.

**New definition of “Venture Capital Company”, “Venture Capital Fund” and “Venture Capital undertaking”** [Explanation 1 of section 10 (23FB)]  
[w.e.f A.Y. 20 13-14]

1. **Meaning of Venture Capital Company.** A company which has been registered before 21-5-2012 under the SEBI Regulations, 1996 (Venture Capital Fund Regulation) or which has been registered as venture capital fund being a sub category of category 1 Alternative Investment Fund under the SEBI Regulation 2012 (Alternative Investment Fund Regulations). The Company has to satisfy the conditions mentioned in clause (a).
2. **Meaning of Venture Capital fund.** A trust which has been registered before 21-5-2012 under the Venture Capital Fund Regulations or which has been registered as venture capital fund being a sub-category of category 1 Alternative Investment Fund under the Alternative Investment Funds Regulations. The trust has to satisfy the conditions mentioned in clause (b).
3. **Meaning of venture Capital undertaking.** As defined under the Venture Capital Fund Regulation or under the Alternative Investment Funds Regulation.

53. Income of Registered Trade Unions [Section 10(24)]

The following incomes of registered trade unions are exempt from tax :



1. Income from house property.
2. Income from other sources.

The trade union must be a registered one and formed primarily for the purpose of regulating the relations between workmen and employer or between workmen and workmen. This benefit shall also be available to an association of registered trade unions.