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L.B. Part - IIIrd

Paper - VIII

Taxation

Definitions of certain terms relevant to income from profits and gains of business or profession (3,43) -

In section 28 to 41 and in this section, unless the context otherwise requires -

(1) "actual cost" means the actual cost of the assets to the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority;

Provided that where the actual cost of an asset, being a motor car which is acquired by the assessee after the 31st day of March, 1967 but before the 1st day of March, 1975 and is used otherwise than in a business of running it or hire for tourists, exceeds twenty-five thousand rupees, the excess of the actual cost over such amount shall be ignored, and the actual cost thereof shall be taken to be twenty-five thousand rupees.

Explanation 1:-

Where an asset is used in the business after it ceases to be used for scientific research related to the business, a deduction has to be made under clause (iii) of sub-section (1) of section 35 in respect of that asset, the actual cost of the asset to the assessee shall be the actual cost to the assessee as reduced by the amount of any deduction allowed under clause (iii) of sub-section (1) of section 35 or under any corresponding provision of the Indian Income Tax Act, 1922.

Explanation 2:-

Where an asset is acquired by the assessee by way of gift or inheritance, the actual cost of the asset to the assessee shall be the actual cost of the previous owner as reduced by—
 (a) the amount of depreciation actually allowed under this act and the corresponding provision of the Indian Income Tax Act-1922 in respect of any previous year relevant to the assessment year commencing before the 1st day of April 1988; and
 (b) the amount of depreciation that would have been allowable to the assessee for

(3)

any assessment year commencing on or after the 1st day of April, 1922, as if the asset was the only asset in the relevant block of assets.

Explanation 3-

Where the before the date of acquisition by the assessee, the assets were at any time used by any other person for the purposes of his business or profession and the Assessing officer is satisfied that the main purpose of the transfer of such assets, directly or indirectly to the assessee, was the production of a liability to income-tax, the actual cost to the assessee shall be such an amount as the assessing Officer may, with the previous approval of the Deputy Commissioner, determine having regard to all the circumstances of the case.

Explanation 4 -

Where any asset which had once belonged to the assessee and had been used by him for the purpose of his business or profession and thereafter ceased to be his property by reason of transfer or otherwise, is required by him;

Explanation 5 -

Where a building previously

(4)

The property of the assessee is brought into use for the purpose of the business or profession after the 28th day of February, 1946 the actual cost to the assessee shall be the actual cost of the building to the assessee, as reduced by an amount equal to the depreciation calculated at the rate in force on that date that would have been allowable had the building been used for the aforesaid purposes since the date of its acquisition by the assessee.

Explanation 6 -

When any capital asset is transferred by a holding company to its subsidiary company or by a subsidiary company to its holding company, then if the conditions of clause (iv) or as the case may be of clause (v) of section 47 are satisfied, the actual cost of the transferred capital asset to the transferee company shall be taken to be the same as it would have been if the transferor company had continued to hold the capital asset for the purpose of its business.
