

R.M.M. Law College Saharasa
Narashiji Arand
L.L.B. Part III rd
Paper - VIII th
Taxation

Deduction in respect of profits and gains from newly established small scale industrial undertaking in certain areas (Section 80HHA)

Where the gross total income of an assessee includes any profits and gains from a small-scale industrial undertaking to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent thereof.

This section applies to any small-scale industrial undertaking which fulfils all the following conditions:-

(i) It begins to manufacture or produce articles after the 30th September 1977 but before 1-4-90 in any rural area.

(ii) It is not formed by the splitting up or the reconstruction of a business already in existence. However this condition shall not

(2)

apply a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B in the circumstances and within the period specified in that section.

(iii) It is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

(iv) It employs less or more workers in a manufacturing process carried on with the aid of power, or employs less or more workers in a manufacturing process carried on without the aid of power.

where in the case of a small scale industrial undertaking any machinery or plant or a part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty percent of the total value of the machinery or plant used in the business, then, for the purposes of clause (iii) of this sub-section, the condition specified therein shall be deemed to have been fulfilled.

The deduction under this section shall be allowed in computing the total income

(3)

of each of the ten previous years being with the previous year in which the industrial undertaking to manufacture or produce commences: provided that such deduction shall not be allowed in computing the total income of any of the ten years aforesaid in respect of which the industrial undertaking is not a small-scale industrial undertaking within the meaning stated below.

Where the assessee is a person, other than a company or a co-operative society, the deduction under this section shall not be admissible unless the accounts of the small-scale industrial undertaking for the previous year relevant to the assessment year for the deduction is claimed have been audited by an accountant and the assessee furnishes, along with his return of income the report of such audit in the prescribed form duly signed and verified by such accountant.

Where a deduction in relation to the profits and gains of a small scale industrial undertaking to which section 80HH applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section.

(4)

for the same or any other assessment year.

Nothing contained in this section shall apply in relation to any small-scale industrial undertaking engaged in mining.

For the purposes of this section an industrial undertaking shall be deemed to be a small-scale industrial undertaking on the last day of the previous year regarded as a small-scale industrial undertaking under section 11B of Industries (Development and Regulation) Act 1952.