

## CHAPTER VIII

### REBATES AND RELIEFS

#### A.—Rebate of income-tax

#### Rebate to be allowed in computing income-tax.

**87.** (1) In computing the amount of income-tax on the total income of an assessee with which he is chargeable for any assessment year, there shall be allowed from the amount of income-tax (as computed before allowing the deductions under this Chapter), in accordance with and subject to the provisions of [sections 87A, 88, 88A, 88B, 88C, 88D and 88E](#), the deductions specified in those sections.

(2) The aggregate amount of the deductions under [section 87A](#) or [section 88](#) or [section 88A](#) or [section 88B](#) or [section 88C](#) or [section 88D](#) or [section 88E](#) shall not, in any case, exceed the amount of income-tax (as computed before allowing the deductions under this Chapter) on the total income of the assessee with which he is chargeable for any assessment year.

#### Rebate of income-tax in case of certain individuals.

**87A.** An assessee, being an individual resident in India, whose total income does not exceed <sup>19</sup>[*three hundred fifty thousand*] rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of <sup>20</sup>[*two thousand and five hundred*] rupees, whichever is less.

#### Rebate on life insurance premia, contribution to provident fund, etc.

**88.** (1) Subject to the provisions of this section, an assessee, being an individual, or a Hindu undivided family, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to—

- (i) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, is one lakh fifty thousand rupees or less, twenty per cent of the aggregate of the sums referred to in sub-section (2):

**Provided** that an individual shall be entitled to a deduction of an amount equal to thirty per cent of the aggregate of the sums referred to in sub-section (2) if his income under the head "Salaries"—

- (a) does not exceed one lakh rupees during the previous year before allowing the deduction under [section 16](#); and
- (b) is not less than ninety per cent of his gross total income, as defined in sub-section (5) of [section 80B](#);

- (ii) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, is more than one lakh fifty thousand rupees but does not exceed five lakh rupees, fifteen per cent of the aggregate of the sums referred to in sub-section (2);
- (iii) in the case of an individual or a Hindu undivided family, whose gross total income before giving effect to deductions under Chapter VI-A, exceeds five lakh rupees, *nil*.
- (2) The sums referred to in sub-section (1) shall be any sums paid or deposited in the previous year by the assessee—
- (i) to effect or to keep in force an insurance on the life of persons specified in sub-section (4);
  - (ii) to effect or to keep in force a contract for a deferred annuity, not being an annuity plan referred to in clause (xiii*a*), on the life of persons specified in sub-section (4) :  
**Provided** that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;
  - (iii) by way of deduction from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one-fifth of the salary;
  - (iv) as a contribution by an individual to any provident fund to which the Provident Funds Act, 1925 (19 of 1925), applies;
  - (v) as a contribution to any provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette, where such contribution is to an account standing in the name of any person specified in sub-section (4);
  - (vi) as a contribution by an employee to a recognised provident fund;
  - (vii) as a contribution by an employee to an approved superannuation fund;
  - (viii) in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time, where such sums are deposited in an account standing in the name of the persons specified in sub-section (4);
  - (ix) as subscription to any such security of the Central Government or any such deposit scheme as that Government may, by notification in the Official Gazette, specify in this behalf;
  - (x) as subscription to the National Savings Certificates (VI Issue) and National Savings Certificates (VII Issue) issued under the Government Savings Certificates Act, 1959 (46 of 1959);
  - (xi) as subscription to any such savings certificate as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959), as the Central Government may, by notification in the Official Gazette, specify in this behalf;
  - (xii) as a contribution, in the name of any person specified in sub-section (4), for participation in the Unit-linked Insurance Plan, 1971 (hereafter in this section referred to as the Unit-linked Insurance Plan) deemed to have been made under sub-clause (a) of clause (8) of section 19 of the Unit Trust of India Act, 1963 (52 of 1963);
  - (xiii) as a contribution in the name of any person specified in sub-section (4) for participation in any such unit-linked insurance plan of the LIC Mutual Fund notified under clause

(23D) of [section 10](#), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xiiia*) to effect or to keep in force a contract for such annuity plan of the Life Insurance Corporation or any other insurer as the Central Government may, by notification in the Official Gazette, specify;

(*xiiib*) as subscription, not exceeding ten thousand rupees, to any units of any Mutual Fund notified under clause (23D) of section 10 or the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), under any plan formulated in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xiiic*) as a contribution by an individual to any pension fund set up by any Mutual Fund notified under clause (23D) of section 10 or by the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xiv*) as subscription to any such deposit scheme of, or as a contribution to any such pension fund set up by, the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987) (hereafter in this section referred to as the National Housing Bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xiva*) as subscription to any such deposit scheme of—

(*a*) a public sector company which is engaged in providing long-term finance for construction or purchase of houses in India for residential purposes; or

(*b*) any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both,

not being a scheme the interest on deposits whereunder qualifies for the purposes of computing the deduction under [section 80L](#), as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*xivb*) as tuition fees (excluding any payment towards any development fees or donation or payment of similar nature), whether at the time of admission or thereafter,—

(*a*) to any university, college, school or other educational institution situated within India;

(*b*) for the purpose of full-time education of any of the persons specified in subsection (4);

(*xv*) for the purposes of purchase or construction of a residential house property the income from which is chargeable to tax under the head "Income from house property" (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of—

(*a*) any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis; or

(*b*) any instalment or part payment of the amount due to any company or co-operative society of which the assessee is a shareholder or member towards the cost of the house property allotted to him; or

- (c) repayment of the amount borrowed by the assessee from—
- (1) the Central Government or any State Government, or
  - (2) any bank, including a co-operative bank, or
  - (3) the Life Insurance Corporation, or
  - (4) the National Housing Bank, or
  - (5) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is eligible for deduction under clause (viii) of sub-section (1) of [section 36](#), or
  - (6) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or
  - (6A) the assessee's employer where such employer is an authority or a board or a corporation or any other body established or constituted under a Central or State Act, or
  - (7) the assessee's employer where such employer is a public company or a public sector company or a University established by law or a college affiliated to such University or a local authority or a co-operative society;
- (d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,
- but shall not include any payment towards or by way of—
- (A) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or
  - (B) [Omitted by the Finance (No. 2) Act, 1991, w.e.f. 1-4-1992;]
  - (C) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or
  - (D) any expenditure in respect of which deduction is allowable under the provisions of [section 24](#);
- (xvi) as subscription to equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form<sup>21</sup>:

**Provided** that where a deduction is claimed and allowed under this clause with reference to the cost of any equity shares or debentures, the cost of such shares or debentures shall not be taken into account for the purposes of [sections 54EA](#) and [54EB](#).

*Explanation.*—For the purposes of this clause,—

- (i) "eligible issue of capital" means an issue made by a public company formed and registered in India or a public financial institution and the entire proceeds of the issue are utilised wholly and exclusively for the purposes of any business referred to in sub-section (4) of [section 80-IA](#);

- (ii) "public company"<sup>22</sup> shall have the meaning assigned to it in section 3 of the Companies Act, 1956 (1 of 1956);
- (iii) "public financial institution"<sup>23</sup> shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956);
- (xvii) as subscription to any units of any mutual fund referred to in clause (23D) of [section 10](#) and approved by the Board on an application made by such mutual fund in the prescribed form<sup>24</sup> :

**Provided** that where a deduction is claimed and allowed under this clause with reference to the cost of units, the cost of such units shall not be taken into account for the purposes of [sections 54EA](#) and [54EB](#) :

**Provided further** that this clause shall apply if the amount of subscription to such units is subscribed only in the eligible issue of capital of any company.

*Explanation.*—For the purposes of this clause "eligible issue of capital" means an issue referred to in clause (i) of the *Explanation* to clause (xvi) of sub-section (2) of [section 88](#).

(2A) The provisions of sub-section (2) shall apply only to so much of any premium or other payment made on an insurance policy other than a contract for a deferred annuity as is not in excess of twenty per cent of the actual capital sum assured.

*Explanation.*—In calculating any such actual capital sum, no account shall be taken—

- (i) of the value of any premiums agreed to be returned, or
- (ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be, or, may be, received under the policy by any person.

(3) The sums referred to in sub-section (2) shall be paid or deposited at any time during the previous year, and the assessee, being an individual or a Hindu undivided family, shall be entitled to a deduction under sub-section (1) on so much of the aggregate of such sums paid or deposited as does not exceed the total income of the assessee, chargeable to tax during the relevant previous year.

(4) The persons referred to in sub-section (2) shall be the following, namely :—

- (a) for the purposes of clauses (i), (v), (xii) and (xiii) of that sub-section,—
  - (i) in the case of an individual, the individual, the wife or husband and any child of such individual, and
  - (ii) in the case of a Hindu undivided family, any member thereof;
- (b) for the purposes of clause (ii) of that sub-section,—
  - (i) in the case of an individual, the individual, the wife or husband and any child of such individual, and
  - (ii) [\*\*\*]
- (c) for the purposes of clause (viii) of that sub-section,—
  - (i) in the case of an individual, such individual or a minor of whom he is the guardian;
  - (ii) in the case of a Hindu undivided family, any member of the family;
  - (iii) [\*\*\*]
- (d) for the purpose of clause (xivb) of that sub-section, in the case of an individual, any two children of such individual.

(5) Where the aggregate of any sums specified in clause (i) to clause (xvii) of sub-section (2) exceeds an amount of one hundred thousand rupees, a deduction under sub-section (1) shall be allowed with reference to so much of the aggregate as does not exceed an amount of one hundred thousand rupees:

**Provided** that where the aggregate of any sums specified in clause (i) to clause (xv) of sub-section (2) exceeds an amount of seventy thousand rupees, a deduction under sub-section (1) in respect of such sums shall be allowed with reference to so much of the aggregate as does not exceed an amount of seventy thousand rupees:

**Provided further** that where the aggregate of any sums specified in clause (xv) of sub-section (2) exceeds an amount of twenty thousand rupees, a deduction under sub-section (1) in respect of such sums shall be allowed with reference to so much of the aggregate as does not exceed an amount of twenty thousand rupees:

**Provided also** that where the aggregate of any sum specified in clause (xivb) of sub-section (2) exceeds an amount of twelve thousand rupees in respect of a child, a deduction under sub-section (1) in respect of such sum shall be allowed with reference to so much of the aggregate as does not exceed an amount of twelve thousand rupees in respect of such child.

(5A) [Omitted by the Finance Act, 2002, w.e.f. 1-4-2003.]

(6) [Omitted by the Finance Act, 2002, w.e.f. 1-4-2003.]

(7) Where, in any previous year, an assessee—

(i) terminates his contract of insurance referred to in clause (i) of sub-section (2), by notice to that effect or where the contract ceases to be in force by reason of failure to pay any premium, by not reviving contract of insurance,—

(a) in case of any single premium policy, within two years after the date of commencement of insurance; or

(b) in any other case, before premiums have been paid for two years; or

(ii) terminates his participation in any unit-linked insurance plan referred to in clause (xii) or clause (xiii) of sub-section (2), by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation, before contributions in respect of such participation have been paid for five years; or

(iii) transfers the house property referred to in clause (xv) of sub-section (2) before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sum specified in that clause,

then,—

(a) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums, referred to in clauses (i), (xii), (xiii) and (xv) of sub-section (2), paid in such previous year; and

(b) the aggregate amount of the deductions of income-tax so allowed in respect of the previous year or years preceding such previous year, shall be deemed to be tax payable by the assessee in the assessment year relevant to such previous year and shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year.

(7A) If any equity shares or debentures, with reference to the cost of which a deduction is allowed under sub-section (1), are sold or otherwise transferred by the assessee to any person at any time within a period of three years from the date of their acquisition, the aggregate

amount of the deductions of income-tax so allowed in respect of such equity shares or debentures in the previous year or years preceding the previous year in which such sale or transfer has taken place shall be deemed to be tax payable by the assessee for the assessment year relevant to such previous year and shall be added to the amount of income-tax on the total income of the assessee with which he is chargeable for such assessment year.

*Explanation.*—A person shall be treated as having acquired any shares or debentures on the date on which his name is entered in relation to those shares or debentures in the register of members or of debenture-holders, as the case may be, of the public company.

(8) In this section,—

- (i) "contribution" to any fund shall not include any sums in repayment of loan;
- (ii) "insurance" shall include—
  - (a) a policy of insurance on the life of an individual or the spouse or the child of such individual or a member of a Hindu undivided family securing the payment of specified sum on the stipulated date of maturity, if such person is alive on such date notwithstanding that the policy of insurance provides only for the return of premiums paid (with or without any interest thereon) in the event of such person dying before the said stipulated date;
  - (b) a policy of insurance effected by an individual or a member of a Hindu undivided family for the benefit of a minor with the object of enabling the minor, after he has attained majority to secure insurance on his own life by adopting the policy and on his being alive on a date (after such adoption) specified in the policy in this behalf;
- (iii) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956);
- (iv) "public company"<sup>25</sup> shall have the same meaning as in section 3 of the Companies Act, 1956 (1 of 1956);
- (v) "security" means a Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944);
- (vi) "transfer" shall be deemed to include also the transactions referred to in clause (f) of [section 269UA](#).

(9) No deduction from the amount of income-tax shall be allowed under this section to an assessee, being an individual or a Hindu undivided family for the assessment year beginning on the 1st day of April, 2006 and subsequent years.

Section - 88A, Income-tax Act, 1961-2018

**Rebate in respect of investment in certain new shares or units.**

**88A.** [Omitted by the Finance (No. 2) Act, 1996, w.r.e.f. 1-4-1994.]

Section - 88B, Income-tax Act, 1961-2018

**Rebate of income-tax in case of individuals of sixty-five years or above.**

**88B.** [Omitted by the Finance Act, 2005, w.e.f. 1-4-2006.]

Section - 88C, Income-tax Act, 1961-2018

**Rebate of income-tax in case of women below sixty-five years.**

**88C.** [Omitted by the Finance Act, 2005, w.e.f. 1-4-2006.]

Section - 88D, Income-tax Act, 1961-2018

**Rebate of income-tax in case of certain individuals.**

**88D.** [Omitted by the Finance Act, 2005, w.e.f. 1-4-2006.]

Section - 88E, Income-tax Act, 1961-2018

**Rebate in respect of securities transaction tax.**

**88E.** (1) Where the total income of an assessee in a previous year includes any income, chargeable under the head "Profits and gains of business or profession", arising from taxable securities transactions, he shall be entitled to a deduction, from the amount of income-tax on such income arising from such transactions, computed in the manner provided in sub-section (2), of an amount equal to the securities transaction tax paid by him in respect of the taxable securities transactions entered into in the course of his business during that previous year:

**Provided** that no deduction under this sub-section shall be allowed unless the assessee furnishes along with the return of income, evidence of payment of securities transaction tax in the prescribed form<sup>26</sup>:

**Provided further** that the amount of deduction under this sub-section shall not exceed the amount of income-tax on such income computed in the manner provided in sub-section (2).

(2) For the purposes of sub-section (1), the amount of income-tax on the income arising from the taxable securities transactions, referred to in that sub-section, shall be equal to the amount calculated by applying the average rate of income-tax on such income.

(3) No deduction under this section shall be allowed in, or after, the assessment year beginning on the 1st day of April, 2009.

*Explanation.*—For the purposes of this section, the expressions, "taxable securities transaction" and "securities transaction tax" shall have the same meanings respectively assigned to them under Chapter VII of the Finance (No. 2) Act, 2004.

Section - 89, Income-tax Act, 1961-2018

*B.—Relief for income-tax*

**Relief when salary, etc., is paid in arrears or in advance.**

**89.** Where an assessee is in receipt of a sum in the nature of salary, being paid in arrears or in advance or is in receipt, in any one financial year, of salary for more than twelve months or a payment which under the provisions of clause (3) of [section 17](#) is a profit in lieu of salary, or is in receipt of a sum in the nature of family pension as defined in the *Explanation* to clause (iia) of [section 57](#), being paid in arrears, due to which his total income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant such relief as may be prescribed<sup>27</sup>:



**Provided** that no such relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in sub-clause (i) of clause (10C) of [section 10](#), a scheme of voluntary separation, if an exemption in respect of any amount received or receivable on such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under clause (10C) of [section 10](#) in respect of such, or any other, assessment year.

Section - 89A, Income-tax Act, 1961-2018

#### **Tax relief in relation to export turnover.**

**89A.** [Omitted by the Finance Act, 1983, w.e.f. 1-4-1983. The provisions of this section were later substituted by scheme contained in section 80HHC, inserted by the Finance Act, 1983, w.e.f. 1-4-1983. Originally section 89A was inserted by the Finance Act, 1982, w.e.f. 1-6-1982.]

Section - 95, Income-tax Act, 1961-2018

### **CHAPTER X-A**

#### **GENERAL ANTI-AVOIDANCE RULE**

##### **Applicability of General Anti-Avoidance Rule.**

**95.** (1) Notwithstanding anything contained in the Act, an arrangement entered into by an assessee may be declared to be an impermissible avoidance arrangement and the consequence in relation to tax arising therefrom may be determined subject to the provisions of this Chapter.

(2) This Chapter shall apply in respect of any assessment year beginning on or after the 1st day of April, 2018.

*Explanation.*—For the removal of doubts, it is hereby declared that the provisions of this Chapter may be applied to any step in, or a part of, the arrangement as they are applicable to the arrangement.

Section - 96, Income-tax Act, 1961-2018

##### **Impermissible avoidance arrangement.**

**96.** (1) An impermissible avoidance arrangement means an arrangement, the main purpose of which is to obtain a tax benefit, and it—

- (a) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
- (b) results, directly or indirectly, in the misuse, or abuse, of the provisions of this Act;
- (c) lacks commercial substance or is deemed to lack commercial substance under [section 97](#), in whole or in part; or

(d) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for *bona fide* purposes.

(2) An arrangement shall be presumed, unless it is proved to the contrary by the assessee, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

Section - 97, Income-tax Act, 1961-2018

**Arrangement to lack commercial substance.**

97. (1) An arrangement shall be deemed to lack commercial substance, if—

(a) the substance or effect of the arrangement as a whole, is inconsistent with, or differs significantly from, the form of its individual steps or a part; or

(b) it involves or includes—

(i) round trip financing;

(ii) an accommodating party;

(iii) elements that have effect of offsetting or cancelling each other; or

(iv) a transaction which is conducted through one or more persons and disguises the value, location, source, ownership or control of funds which is the subject matter of such transaction; or

(c) it involves the location of an asset or of a transaction or of the place of residence of any party which is without any substantial commercial purpose other than obtaining a tax benefit (but for the provisions of this Chapter) for a party; or

(d) it does not have a significant effect upon the business risks or net cash flows of any party to the arrangement apart from any effect attributable to the tax benefit that would be obtained (but for the provisions of this Chapter).

(2) For the purposes of sub-section (1), round trip financing includes any arrangement in which, through a series of transactions—

(a) funds are transferred among the parties to the arrangement; and

(b) such transactions do not have any substantial commercial purpose other than obtaining the tax benefit (but for the provisions of this Chapter),

without having any regard to—

(A) whether or not the funds involved in the round trip financing can be traced to any funds transferred to, or received by, any party in connection with the arrangement;

(B) the time, or sequence, in which the funds involved in the round trip financing are transferred or received; or

(C) the means by, or manner in, or mode through, which funds involved in the round trip financing are transferred or received.

(3) For the purposes of this Chapter, a party to an arrangement shall be an accommodating party, if the main purpose of the direct or indirect participation of that party in the arrangement, in whole or in part, is to obtain, directly or indirectly, a tax benefit (but for the provisions of this Chapter) for the assessee whether or not the party is a connected person in relation to any party to the arrangement.

(4) For the removal of doubts, it is hereby clarified that the following may be relevant but shall not be sufficient for determining whether an arrangement lacks commercial substance or not, namely:—

- (i) the period or time for which the arrangement (including operations therein) exists;
- (ii) the fact of payment of taxes, directly or indirectly, under the arrangement;
- (iii) the fact that an exit route (including transfer of any activity or business or operations) is provided by the arrangement.

Section - 98, Income-tax Act, 1961-2018

**Consequences of impermissible avoidance arrangement.**

**98.** (1) If an arrangement is declared to be an impermissible avoidance arrangement, then, the consequences, in relation to tax, of the arrangement, including denial of tax benefit or a benefit under a tax treaty, shall be determined, in such manner as is deemed appropriate, in the circumstances of the case, including by way of but not limited to the following, namely:—

- (a) disregarding, combining or recharacterising any step in, or a part or whole of, the impermissible avoidance arrangement;
- (b) treating the impermissible avoidance arrangement as if it had not been entered into or carried out;
- (c) disregarding any accommodating party or treating any accommodating party and any other party as one and the same person;
- (d) deeming persons who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount;
- (e) reallocating amongst the parties to the arrangement—
  - (i) any accrual, or receipt, of a capital nature or revenue nature; or
  - (ii) any expenditure, deduction, relief or rebate;
- (f) treating—
  - (i) the place of residence of any party to the arrangement; or
  - (ii) the situs of an asset or of a transaction,  
at a place other than the place of residence, location of the asset or location of the transaction as provided under the arrangement; or
- (g) considering or looking through any arrangement by disregarding any corporate structure.

(2) For the purposes of sub-section (1),—

- (i) any equity may be treated as debt or *vice versa*;
- (ii) any accrual, or receipt, of a capital nature may be treated as of revenue nature or *vice versa*; or
- (iii) any expenditure, deduction, relief or rebate may be recharacterised.

Section - 99, Income-tax Act, 1961-2018

**Treatment of connected person and accommodating party.**

**99.** For the purposes of this Chapter, in determining whether a tax benefit exists,—

- (i) the parties who are connected persons in relation to each other may be treated as one and the same person;
- (ii) any accommodating party may be disregarded;
- (iii) the accommodating party and any other party may be treated as one and the same person;
- (iv) the arrangement may be considered or looked through by disregarding any corporate structure.

Section - 100, Income-tax Act, 1961-2018

### **Application of this Chapter.**

**100.** The provisions of this Chapter shall apply in addition to, or in lieu of, any other basis for determination of tax liability.

Section - 101, Income-tax Act, 1961-2018

### **Framing of guidelines.**

**101.** The provisions of this Chapter shall be applied in accordance with such guidelines and subject to such conditions, as may be prescribed.<sup>51</sup>

Section - 102, Income-tax Act, 1961-2018

### **Definitions.**

**102.** In this Chapter, unless the context otherwise requires,—

- (1) "arrangement" means any step in, or a part or whole of, any transaction, operation, scheme, agreement or understanding, whether enforceable or not, and includes the alienation of any property in such transaction, operation, scheme, agreement or understanding;
- (2) "asset" includes property, or right, of any kind;
- (3) "benefit" includes a payment of any kind whether in tangible or intangible form;
- (4) "connected person" means any person who is connected directly or indirectly to another person and includes,—
  - (a) any relative of the person, if such person is an individual;
  - (b) any director of the company or any relative of such director, if the person is a company;
  - (c) any partner or member of a firm or association of persons or body of individuals or any relative of such partner or member, if the person is a firm or association of persons or body of individuals;

- (d) any member of the Hindu undivided family or any relative of such member, if the person is a Hindu undivided family;
  - (e) any individual who has a substantial interest in the business of the person or any relative of such individual;
  - (f) a company, firm or an association of persons or a body of individuals, whether incorporated or not, or a Hindu undivided family having a substantial interest in the business of the person or any director, partner, or member of the company, firm or association of persons or body of individuals or family, or any relative of such director, partner or member;
  - (g) a company, firm or association of persons or body of individuals, whether incorporated or not, or a Hindu undivided family, whose director, partner, or member has a substantial interest in the business of the person, or family or any relative of such director, partner or member;
  - (h) any other person who carries on a business, if—
    - (i) the person being an individual, or any relative of such person, has a substantial interest in the business of that other person; or
    - (ii) the person being a company, firm, association of persons, body of individuals, whether incorporated or not, or a Hindu undivided family, or any director, partner or member of such company, firm or association of persons or body of individuals or family, or any relative of such director, partner or member, has a substantial interest in the business of that other person;
- (5) "fund" includes—
- (a) any cash;
  - (b) cash equivalents; and
  - (c) any right, or obligation, to receive or pay, the cash or cash equivalent;
- (6) "party" includes a person or a permanent establishment which participates or takes part in an arrangement;
- (7) "relative" shall have the meaning assigned to it in the *Explanation* to clause (vi) of subsection (2) of [section 56](#);
- (8) a person shall be deemed to have a substantial interest in the business, if,—
- (a) in a case where the business is carried on by a company, such person is, at any time during the financial year, the beneficial owner of equity shares carrying twenty per cent or more, of the voting power; or
  - (b) in any other case, such person is, at any time during the financial year, beneficially entitled to twenty per cent or more, of the profits of such business;
- (9) "step" includes a measure or an action, particularly one of a series taken in order to deal with or achieve a particular thing or object in the arrangement;
- (10) "tax benefit" includes,—
- (a) a reduction or avoidance or deferral of tax or other amount payable under this Act; or
  - (b) an increase in a refund of tax or other amount under this Act; or
  - (c) a reduction or avoidance or deferral of tax or other amount that would be payable under this Act, as a result of a tax treaty; or

- (d) an increase in a refund of tax or other amount under this Act as a result of a tax treaty; or
  - (e) a reduction in total income; or
  - (f) an increase in loss,
- in the relevant previous year or any other previous year;
- (II) "tax treaty" means an agreement referred to in sub-section (1) of [section 90](#) or sub-section (1) of [section 90A](#).