

Tax Hotline

July 24, 2001

SECTION 14A OF INCOME TAX ACT, 1961 ("ITA") TO APPLY TO NEW CASES ONLY.

The Indian Finance Act, 2001 inserted section 14A to the ITA that is to have retrospective effect from April 1, 1962. Section 14A of the ITA provides that *"no deduction should be allowed in respect of expenditure incurred by the taxpayer in relation to the income which did not form part of the total income under the ITA"*.

The Central Board of Direct Taxes, India has issued a circular stating that where the income tax proceedings stand completed as on April 1, 2001, shall not be reopened under section 147 of the ITA, as such opening of cases would create hardships upon the taxpayers.

Source: *Economic Times*, July 24, 2001

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