

THE
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FINANCE BILL, 1971

[The Finance Bill, 1971, which, when passed will be the Finance Act, 1971, was introduced in the Lok Sabha on 24th March, 1971. The Bill proposes to continue the existing tax structure for the financial year 1971-72, both with regard to assessment of tax and levy of advance tax. Section 2 of the Finance Act of 1970, which deals with income-tax, is made applicable to the year 1971-1972 with verbal alterations, consequential on the two new amendments which have already come into force from 1-4-71, viz., (i) the provision in section 164 relating to taxation of discretionary trusts, and (ii) the provision for assessing unregistered firm as registered firm if it is more beneficial to the revenue (s. 183(b)). The substitution of Para. A of Part III of the First Schedule, for Para. A of Part I is a very formal one as it simply applies for the assessment for the financial year 1971-72 the rates for advance tax contained in Part III of the First Schedule of the Act of 1970. See also Statement of Objects and Reasons printed at pp. 7-8 infra.]

THE FINANCE BILL, 1971

(introduced in the Lok Sabha on 24th March, 1971).

A Bill to continue for the financial year 1971-72 the existing rates of income-tax with certain modifications and to provide for the continuance of the provisions relating to special and regulatory duties of customs and excise and of certain commitments under the General Agreement on Tariffs and Trade and the discontinuance of the duty on salt for the said year.

BE it enacted by Parliament in the Twenty-second Year of the Republic of India as follows :—

1. Short title and commencement.—(1) This Act may be called the Finance Act, 1971.

(2) Sections 2, 5 and 8 shall be deemed to have come into force on the 1st day of April, 1971.

Note—Sec. 2 deals with income-tax ; and secs. 5 and 8 with excise duties.

2. Income-tax.—The provisions of section 2 of, and the First Schedule to, the Finance Act, 1970 (19 of 1970),* shall apply in relation to income-tax

*The provisions of sec. 2 and the First Schedule to the Finance Act, 1970, as made applicable for 1971-1972 are printed at p. 9 infra for easy reference.

for the assessment year or, as the case may be, the financial year commencing on the 1st day of April, 1971, as they apply in relation to income-tax for the assessment year or, as the case may be, the financial year commencing on the 1st day of April, 1970, with the following modifications, namely :

(a) in section 2,—

(i) for the figures “ 1970 ”, wherever they occur, the figures “ 1971 ” shall be substituted ;

(ii) for sub-section (3), the following sub-section shall be substituted, namely :

“ (3) In cases to which Chapter XII or section 164 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), applies, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be. ” ;

(iii) in sub-section (5), the following proviso shall be inserted at the end, namely :—

‘ Provided that in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent., “ advance tax ” shall be computed at that rate. ’ ;

(b) in the First Schedule,—

(i) in Part I,—

(1) for Paragraph A, the following Paragraph shall be substituted, namely :—

“ Paragraph A* ”

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000

Nil ;

(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 ;

10 per cent. of the amount by which the total income exceeds Rs. 5,000 ;

(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000

Rs. 500 plus 17 per cent. of the amount by which the total income exceeds Rs. 10,000 ;

*The substituted Paragraph A is Paragraph A of Part III of the 1st Schedule to F.A. 1970, which provides inter-alia for ‘ advance-tax ’ to be collected during the year 1970-71. It may be noted that the Finance Bill, 1971, adopts the rates of F.A. 70, for purposes of advance tax as no amendments are made to Part III of the Schedule except those necessitated by the new provisions relating to assessment of discretionary trusts (s. 164) and to assessing unregistered firms as registered firms, if this step is beneficial to the revenue (s. 183).

(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000

(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000

(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000

(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000

(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000

(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000

(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000

(11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000

(12) where the total income exceeds Rs. 2,00,000

Rs. 1,350 *plus* 23 per cent. of the amount by which the total income exceeds Rs. 15,000 ;

Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;

Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;

Rs. 11,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 40,000 ;

Rs. 23,000 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 60,000 ;

Rs. 37,000 *plus* 75 per cent. of the amount by which the total income exceeds Rs. 80,000 ;

Rs. 52,000 *plus* 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000 ;

Rs. 1,32,000 *plus* 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000 :

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely :—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000 ;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. ” ;

(2) *in Paragraph C*, the following *Explanation* shall be inserted at the end, namely :—

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.’;

(ii) in Part III,—

(1) in the opening portion, after the words ‘as the case may be, “advance tax”’, the brackets, words and figures ‘(not being “advance tax” in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent.)’ shall be inserted;

(2) in Paragraph A, for the figures “1971” occurring in the proviso, the figures “1972” shall be substituted;

(3) in Paragraph C, the following *Explanation* shall be inserted at the end, namely :—

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.’

3. Special duties of customs.—(1) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Indian Tariff Act, 1934 (32 of 1934) (hereinafter referred to as the Tariff Act), or in that Schedule as amended from time to time, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount :

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 4 of this Act shall not be included.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1972, except as respects things done or omitted to be done before such cesser ; and section 6 of the General Clauses Act, 1897 (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

4. Regulatory duties of customs.—(1) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act, or in that Schedule as amended from time to time, a regulatory duty of customs not exceeding—

(a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A, or sub-section (1) of section 4, of the Tariff Act ; or

(b) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (52 of 1962), whichever is higher :

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall come into force on the 16th day of May, 1971, and cease to have effect after the 15th day of May, 1972, except as respects things done or omitted to be done before such cesser ; and section 6 of the General Clauses Act, 1897 (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962 (52 of 1962).

(4) The provisions of the Customs Act, 1962 (52 of 1962), and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

5. **Amendment of Act 1 of 1949.**—In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures “ 1971 ”, the figures “ 1972 ” shall be substituted.

6. **Special duties of excise on certain goods.**—(1) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises and Salt Act, 1944 (1 of 1944), as amended from time to time (hereinafter referred to as the Central Excises Act) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected —

(a) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods ;

(b) as respects goods comprised in Items Nos. 2, 3(1), sub-items I, II(2) and II(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(2), 21, 22, 23, 23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of

Item No. 34 and sub-items II(1) and II(2) of Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods ; and

(c) as respects goods comprised in sub-item II(1) of Item No. 4 and Items Nos. 18, 18A(1), 18B, 20, 29A, 33A and sub-items (2) and (3) of Item No. 34 of that Schedule, a special duty of excise equal to 33½ per cent. of the total amount so chargeable on such goods.

(2) sub-section (1) shall cease to have effect after the 31st day of March, 1972, except as respects things done or omitted to be done before such cesser ; and section 6 of the General Clauses Act, 1897 (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

7. Regulatory duties of excise.—(1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act :

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall come into force on the 16th day of May, 1971, and cease to have effect after the 15th day of May, 1972, except as respects things done or omitted to be done before such cesser ; and section 6 of the General Clauses Act, 1897 (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the

time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

8. **Discontinuance of salt duty**—For the year beginning on the 1st day of April, 1971, no duty under the Central Excises Act or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

*Declaration under the Provisional Collection
of Taxes Act, 1931*

It is hereby declared that it is expedient in the public interest that the provisions of clause 3, clause 5 and clause 6 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931 (16 of 1931).

STATEMENT OF OBJECTS AND REASONS

The object of this short Bill is to continue the existing tax structure for the financial year 1971-72, subject to certain modifications in relation to income-tax.

Income-tax

2. Clause 2 of the Bill deals with income-tax. (1) The rates of income-tax and surcharges which were specified in Part III of the First Schedule to the Finance Act, 1970, for the purpose of deduction of tax at source from salaries during the financial year 1970-71, for computing the "advance tax" payable during that financial year in relation to current incomes, and for certain special purposes, are proposed to be continued for the purpose of assessments for the assessment year 1971-72. (2) Further, the same rates are proposed to be continued also for the purpose of deduction of tax at source from salaries during the financial year 1971-72, for computing the "advance tax" payable during that financial year on current incomes, and also for the said special purposes. Accordingly, clause 2 of the Bill proposes to apply to the financial year 1971-72, the provisions of section 2 of, and the First Schedule to, the Finance Act, 1970, with consequential modifications and certain other modifications which have become necessary as a result of the amendments made in 1970 to

section 164 and section 183 of the Income-tax Act. The modifications proposed as a result of these amendments are the following:—

(i) *Sub-section (3)* of section 2 of the Finance Act, 1970, is being substituted by a new sub-section (3) so as to make it clear that in cases to which Chapter XII or section 164 of the Income-tax Act applies, the tax chargeable for the assessment year 1971-72 shall be determined as provided in that Chapter or that section and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(ii) A proviso is proposed to be inserted at the end of *sub-section (5)* of section 2 of the Finance Act, 1970, so as to make it clear that in respect of any income which is chargeable to tax under section 164 of the Income-tax Act at the rate of 65 per cent., "advance tax" payable during the financial year 1971-72 shall be computed at the said rate of 65 per cent. instead of the rates specified in Part III of the First Schedule to the Finance Act, 1970. A consequential change is also being made in the opening portion of Part III of the First Schedule to the Finance Act, 1970.

(iii) An *Explanation* is being added at the end of Paragraph C of Part I as well as of Part III of the First Schedule to the Finance Act, 1970, so as to make it clear that income-tax and surcharges at the rates specified in that Paragraph will be chargeable also in the case of an unregistered firm assessed as a registered firm under section 183(b) of the Income-tax Act.

The modifications at (i) and (ii) above are proposed in the context of the amendment of section 164 of the Income-tax Act by the Finance Act, 1970, for charging tax on the income of a discretionary trust at the flat rate of 65 per cent. or at the rate which would have been applicable if such income were the total income of an association of persons, whichever is higher. The modification at (iii) above is proposed in the context of the amendment of section 183(b) of the Income-tax Act, by the Taxation Laws (Amendment) Act, 1970, under which an unregistered firm may be assessed as a registered firm and subjected to the tax chargeable on registered firms at the rates specified in Paragraph C and its partners charged to tax on their respective shares in the total income of the firm, where this course is beneficial to the revenue.

Indirect taxes

3. Clauses 3, 4, 5, 6, 7 and 8 deal with indirect taxes and are on the same lines as sections 29, 30, 31, 33, 34 and 36, respectively, of the Finance Act, 1970.

Clause 3 seeks to levy up to the 31st March, 1972, a special duty of customs.

Clause 4 seeks to provide for levy of regulatory duties of customs up to the 15th May, 1972, on a flexible basis within the specified ceiling rates, for regulating or bringing greater economy in imports.

Clause 5 seeks to continue for another year the provisions of the Indian Tariff (Amendment) Act, 1949.

Clause 6 seeks to continue up to the 31st March, 1972, the existing special duties of excise.

Clause 7 seeks to provide for levy of regulatory duties of excise up to the 15th May, 1972, on a flexible basis within the specified ceiling rate, for regulating or bringing greater economy in consumption.

Clause 8 provides that salt shall be duty free for another year.

SECTION 2 AND FIRST SCHEDULE TO THE FINANCE ACT, 1970,

as applicable for 1971-72

2. **Income-tax.**—(1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1971, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and in the cases to which Paragraph C applies, also by a special surcharge for purposes of the Union, calculated in each case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1971, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business ; and

(ii) on the remaining part of its total income, at the rate applicable to the company on its total income.

**(3) In cases to which Chapter XII or section 164 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), applies, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.*

*Sub-section (3) was wholly substituted, but the material changes are the insertions shown in italics.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule :

Provided that in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent., "advance-tax" shall be computed at that rate.

(6) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act ;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1971, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act ;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income ;

(d) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State

Government issued income-tax free, the income-tax whereon is payable by the State Government ;

(e) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 ;	10 per cent. of the amount by which the total income exceeds Rs. 5,000 ;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 500 <i>plus</i> 17 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,350 <i>plus</i> 23 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000	Rs. 6,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;
(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 11,000 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 40,000 ;
(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000	Rs. 23,000 <i>plus</i> 70 per cent. of the amount by which the total income exceeds Rs. 60,000 ;
(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000	Rs. 37,000 <i>plus</i> 75 per cent. of the amount by which the total income exceeds Rs. 80,000 ;
(11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000	Rs. 52,000 <i>plus</i> 80 per cent. of the amount by which the total income exceeds 1,00,000 ;
(12) where the total income exceeds Rs. 2,00,000	Rs. 1,52,000 <i>plus</i> 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000 ;

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000 ;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 plus 6 per cent. of the amount by which the total income exceeds Rs. 25,000 ; |

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,100 plus 12 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,100 plus 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder :—

(a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified ;

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified ; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely :—

(i) the amount of income-tax computed at the rate hereinbefore specified ; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b), of this sub-paragraph.

Explanation.—*For the purposes of this Paragraph "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.*

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business 52·5 per cent ;

(ii) on the balance, if any, of the total income the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income does not exceed Rs. 50,000 45 per cent. of the total income ;

(ii) in a case where the total income exceeds Rs. 50,000 55 per cent. of the total income ;

(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company—

(a) on so much of the total income as does not exceed Rs. 10,00,000 55 per cent. ;

(b) on the balance, if any, of the total income 60 per cent. ;

(ii) in any other case 65 per cent. of the total income :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government

50 per cent. ;

(ii) on the balance, if any, of the total income

70 per cent.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates :—

	Income-tax	
	Rate of Income-tax	Rate of Surcharge
I. In the case of a person other than a company—		
(a) where the person is resident—		
on securities ”	10 per cent.	<i>Nil</i>
(ii) on any other income (excluding interest payable on a tax free security)	20 per cent.	2 per cent.
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax free security)	Income-tax at 30 per cent. and surcharge at 3 per cent. of the amount of the income	
	<i>or</i>	
	income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income,	
	whichever is higher ;	
(ii) on the income by way of interest payable on a tax free security	15 per cent.	1·5 per cent.
2. In the case of a company—		
(a) where the company is a domestic company—		
on securities ”	20 per cent.	<i>Nil</i>
(ii) on any other income (excluding interest payable on a tax free security)	22 per cent.	<i>Nil</i>
(b) where the company is not a domestic company—		
(i) on the income by way of dividends payable by an Indian company as is referred to in clause (a)(i) of sub-section (1) of section 80M of the Income-tax Act	14 per cent.	<i>Nil</i>
(ii) on the income by way of dividends payable by any domestic company other than a company referred to in (i) hereinabove	24·5 per cent.	<i>Nil</i>
(iii) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government	50 per cent.	<i>Nil</i>

	Rate of Income-tax	Rate of Surcharge
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(iv) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government

50 per cent.

Nil

(v) on the income by way of interest payable on a tax free security

44 per cent.

Nil

(vi) on any other income

70 per cent.

Nil

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" are deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent.) shall be so calculated, charged, deducted or computed at the following rate or rates :—

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax, Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000

Nil;

(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000

10 per cent. of the amount by which the total income exceeds Rs. 5,000;

(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000

Rs. 500 plus 17 per cent. of the amount by which the total income exceeds Rs. 10,000;

(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000

(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000

(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000

(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000

(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000

(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000

(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000

(11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000

(12) where the total income exceeds Rs. 2,00,000

Rs. 1,350 *plus* 23 per cent. of the amount by which the total income exceeds Rs. 15,000 ;

Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;

Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;

Rs. 11,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 40,000 ;

Rs. 23,000 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 60,000 ;

Rs. 37,000 *plus* 75 per cent. of the amount by which the total income exceeds Rs. 80,000 ;

Rs. 52,000 *plus* 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000 ;

Rs. 1,32,000 *plus* 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000 ;

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1972, satisfies either of the following two conditions, namely,—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000 ;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of Income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 <i>plus</i> 6 per cent. of the amount by which the total income exceeds Rs. 25,000 ; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,100 <i>plus</i> 12 per cent. of the amount by which the total income exceeds Rs. 50,000 ; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 8,100 <i>plus</i> 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder :—

(a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified ;

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified ; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely :—

(i) the amount of income-tax computed at the rate hereinbefore specified ; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b), of this sub-paragraph.

Explanation.—*For the purposes of this paragraph "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.*

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business 52·5 per cent.

(ii) on the balance, if any, of the total income the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income does not exceed Rs. 50,000 45 per cent. of the total income ;

(ii) in a case where the total income exceeds Rs. 50,000 55 per cent. of the total income ;

(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company—

(a) on so much of the total income as does not exceed Rs. 10,00,000 55 per cent ;

(b) on the balance, if any, of the total income 60 per cent. ;

(ii) in any other case 65 per cent. of the total income :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company) ; and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government

50 per cent. ;

(ii) on the balance, if any, of the total income

70 per cent.

End of Schedule I.

THE FINANCE (NO. 2) BILL, 1971

ARRANGEMENT OF CLAUSES

CLAUSES

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RATES OF INCOME-TAX

2. Income-tax.

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THE FIRST SCHEDULE.

THE SECOND SCHEDULE.

FINANCE (No. 2) BILL, 1971

(No. 66 of 1971)

A Bill to give effect to the financial proposals of the Central Government for the financial year 1971-72 and to provide for the levy of foreign travel tax.

BE it enacted by Parliament in the Twenty-second Year of the Republic of India as follows :—

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(1) This Act may be called the Finance (No. 2) Act, 1971.

(2) *Save as otherwise provided in this Act, sections 2 to 38 and sections 53 and 54 shall be deemed to have come into force on the 1st day of April, 1971.*

CHAPTER II

RATES OF INCOME-TAX

2. Income-tax.—(1) *Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1971, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and in the cases to which Paragraph C applies, also by a special surcharge for purposes of the Union, calculated in each case in the manner provided therein.*

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1971, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business ; and

(ii) on the remaining part of its total income, at the rate applicable to the company on its total income.

(3) In cases to which Chapter XII or section 164 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), applies, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted

under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule :

Provided that in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

(6) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act ;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1971, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act ;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income ;

(d) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government ;

(e) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

INCOME-TAX

3. Amendment of section 2.—In section 2 of the Income-tax Act,—

(a) for clause (17), the following clause shall be substituted, namely :—

* '(17) "*company*" means—

(i) *any Indian company, or*

(ii) *any body corporate incorporated by or under the laws of a country outside India, or*

(iii) *any institution, association or body which is or was assessable or was assessed as a company for any assessment year under the Indian Income-tax Act, 1922 (11 of 1922), or which is or was assessable or was assessed under this Act as a company for any assessment year commencing on or before the 1st day of April, 1970, or*

*Insertions and substitutions are printed in italics.

(iv) any institution, association or body, whether incorporated or not and whether Indian or non-Indian, which is declared by general or special order of the Board to be a company :

Provided that such institution, association or body shall be deemed to be a company only for such assessment year or assessment years (whether commencing before the 1st day of April, 1971, or on or after that date) as may be specified in the declaration ;' ;

(b) in clause (18), after sub-clause (a), the following sub-clauses shall be inserted, namely :—

“(aa) if it is a company which is registered under section 25 of the Companies Act, 1956 (1 of 1956) ; or

(ab) if it is a company having no share capital and if, having regard to its objects, the nature and composition of its membership and other relevant considerations it is declared by order of the Board to be a company in which the public are substantially interested :

Provided that such company shall be deemed to be a company in which the public are substantially interested only for such assessment year or assessment years (whether commencing before the 1st day of April, 1971, or on or after that date) as may be specified in the declaration ; or” ;

(c) in clause (26),—

(i) after sub-clause (i), the following sub-clauses shall be inserted, namely :—

“(ia) a corporation established by or under a Central, State or Provincial Act ;

(ib) any institution, association or body which is declared by the Board to be a company under clause (17) ;” ;

(ii) in the proviso, for the words “registered office of the company”, the words “registered or, as the case may be, principal office of the company, corporation, institution, association or body” shall be substituted ;

(d) after clause (43A), the following clause shall be inserted with effect from the 1st day of January, 1972, namely :—

“(43B) “Tax Recovery Commissioner” means a Commissioner or an Assistant Commissioner of Income-tax who may be authorised by the Central Government, by general or special notification in the Official Gazette, to exercise the powers of a Tax Recovery Commissioner ;’.

4. Amendment of section 10.—In section 10 of the Income-tax Act,—

(a) in clause (20), for the words “which accrues or arises from the supply of a commodity or service within its own jurisdictional area ;”, the words “which accrues or arises from the supply of a commodity or service (not being water or electricity) within its own jurisdictional area or from the supply of water or electricity within or outside its own jurisdictional area ;” shall be substituted with effect from the 1st day of April, 1972 ;

(b) in clause (26A),—

(i) the brackets and words “(not being an individual who is in the service of Government)” shall be, and shall be deemed always to have been, omitted ;

(ii) for the expression “1st day of April, 1970”, the expression “1st day of April, 1975” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1970.

5. Amendment of section 11.—In section 11 of the Income-tax Act, after sub-section (1), the following sub-section shall be, and shall be deemed always to have been, inserted, namely:—

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

(a) *where a capital asset, being property held under trust wholly for charitable or religious purposes, is transferred and the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held, then, the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent specified hereunder, namely:—*

(i) *where the whole of the net consideration is utilised in acquiring the new capital asset, the whole of such capital gain;*

(ii) *where only a part of the net consideration is utilised for acquiring the new capital asset, so much of such capital gain as is equal to the amount, if any, by which the amount so utilised exceeds the cost of the transferred asset;*

(b) *where a capital asset, being property held under trust in part only for such purposes, is transferred and the whole or any part of the net consideration is utilised for acquiring another capital asset to be so held, then, the appropriate fraction of the capital gain arising from the transfer shall be deemed to have been applied to charitable or religious purposes to the extent specified hereunder, namely:—*

(i) *where the whole of the net consideration is utilised in acquiring the new capital asset, the whole of the appropriate fraction of such capital gain;*

(ii) *in any other case, so much of the appropriate fraction of the capital gain as is equal to the amount, if any, by which the appropriate fraction of the amount utilised for acquiring the new asset exceeds the appropriate fraction of the cost of the transferred asset.*

Explanation.—*In this sub-section,—*

(i) *“appropriate fraction” means the fraction which represents the extent to which the income derived from the capital asset transferred was immediately before such transfer applicable to charitable or religious purposes;*

(ii) *“cost of the transferred asset” means the aggregate of the cost of acquisition (as ascertained for the purposes of sections 48 and 49) of the capital asset which is the subject of the transfer and the cost of any improvement thereto within the meaning assigned to that expression in sub-clause (b) of clause (1) of section 55;*

(iii) *“net consideration” means the full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.’*

6. Amendment of section 13.—In section 13 of the Income-tax Act, in sub-section (4), for the words “moneys of the trust or the institution”, the words “funds of the trust or the institution” shall be substituted.

7. Amendment of section 16.—In section 16 of the Income-tax Act, in clause (iv), with effect from the 1st day of April, 1972,—

(a) in sub-clause (b), for the entry “Rs. 60”, the entry “Rs. 75” shall be substituted;

(b) in sub-clause (c), for the entry “Rs. 35”, the entry “Rs. 50” shall be substituted.

8. Amendment of section 36.—In section 36 of the Income-tax Act, in clause (viii) of sub-section (1), for the words “industrial development”, the words “industrial or agricultural development” shall be substituted with effect from the 1st day of April, 1972.

9. Amendment of section 40.—In section 40 of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) in clause (a), sub-clause (v) shall be omitted ;

(b) in clause (c), for the words “benefit derived by or accruing to it therefrom”, the following shall be substituted, namely :—

“benefit derived by or accruing to it therefrom, so, however, that the deduction in respect of the aggregate of such expenditure and allowance in respect of any person referred to in sub-clause (i) shall in no case exceed seventy-two thousand rupees.”.

10. Amendment of section 40A.—In section 40A of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) in sub-section (2), in the proviso to clause (a), for the words “provisions of this section”, the words “provisions of this sub-section” shall be substituted ;

(b) after sub-section (4), the following sub-sections shall be inserted, namely :—

‘(5)(a) Where the assessee—

(i) incurs any expenditure which results directly or indirectly in the payment of any salary to an employee or a former employee, or

(ii) incurs any expenditure which results directly or indirectly in the provision of any perquisite (whether convertible into money or not) to an employee or incurs directly or indirectly any expenditure or is entitled to any allowance in respect of any assets of the assessee used by an employee either wholly or partly for his own purposes or benefit,

then, subject to the provisions of clause (b), so much of such expenditure or allowance as is in excess of the limit specified in respect thereof in clause (c) shall not be allowed as a deduction :

Provided that in computing the aforesaid expenditure or allowance, the following shall not be taken into account, namely :—

(i) the value of any travel concession or assistance referred to in clause (5) of section 10 ;

(ii) passage moneys or the value of any free or concessional passage referred to in sub-clause (i) of clause (6) of section 10 ;

(iii) any payment referred to in clause (iv) or clause (v) of sub-section (1) of section 36 ;

(iv) any expenditure referred to in clause (ix) of sub-section (1) of section 36.

(b) Nothing in clause (a) shall apply to any expenditure or allowance in relation to—

(i) any employee in respect of any period of his employment outside India ;

(ii) any employee being an individual referred to in sub-clause (vii) or sub-clause (viiia) of clause (6) of section 10 in respect of any period during which he is entitled to the exemption under sub-clause (vii) or, as the case may be, sub-clause (viiia) aforesaid ;

(iii) any employee whose income chargeable under the head “Salaries” is seven thousand and five hundred rupees or less.

(c) The limits referred to in clause (a) are the following, namely :—

(i) in respect of the expenditure referred to in sub-clause (i), of clause (a), in the case of an employee, an amount calculated at the rate of five thousand rupees for

each month or part thereof comprised in the period of his employment in India during the previous year, and in the case of a former employee, being an individual who ceases or ceased to be the employee of the assessee during the previous year or any earlier previous year, sixty thousand rupees ;

(i) in respect of the aggregate of the expenditure and the allowance referred to in sub-clause (ii) of clause (a), one-fifth of the amount of the salary payable to the employee or an amount calculated at the rate of one thousand rupees for each month or part thereof comprised in the period of employment in India of the employee during the previous year, whichever is less.

Explanation 1.—The provisions of this sub-section shall apply notwithstanding that any amount not to be allowed under this sub-section is included in the total income of the employee or, as the case may be, the former employee.

Explanation 2.—In this sub-section,—

(a) “ salary ” has the meaning assigned to it in clause (1) read with clause (3) of section 17 subject to the following modifications, namely :—

(1) in the said clause (1), the word “ perquisites ” occurring in sub-clause (ia) and the whole of sub-clause (vii) shall be omitted ;

(2) in the said clause (3), the references to “ assessee ” shall be construed as references to “ employee or former employee ” and the references to “ his employer or former employer ” and “ an employer or a former employer ” shall be construed as references to “ the assessee ” ;

(b) “ perquisite ” means—

(i) the value of rent-free accommodation provided to the employee by the assessee ;

(ii) the value of any concession in the matter of rent respecting any accommodation provided to the employee by the assessee ;

(iii) the value of any benefit or amenity granted or provided free of cost or at concessional rate to the employee by the assessee ;

(iv) any sum paid by the assessee in respect of any obligation which, but for such payment, would have been payable by the employee ; and

(v) any sum paid by the assessee, whether directly or through a fund, other than a recognised provident fund or an approved superannuation fund, to effect an assurance on the life of the employee or to effect a contract for an annuity.

(6) Where the assessee incurs any expenditure by way of fees for services rendered by a person who at any time during the twenty-four months immediately preceding the previous year was an employee of the assessee,—

(a) such expenditure by way of fees, or

(b) where the assessee has also incurred in relation to such person any expenditure by way of salary referred to in sub-clause (i) of clause (a) of sub-section (5), the aggregate of such expenditure by way of fees and by way of salary,

shall not be allowed as a deduction to the extent such expenditure by way of fees or, as the case may be, the aggregate of such expenditure by way of fees and by way of salary exceeds sixty thousand rupees.

11. Omission of section 54A.—Section 54A of the Income-tax Act shall be omitted with effect from the 1st day of April, 1972.

12. Amendment of section 58.—In clause (a) of sub-section (1) of section 58 of the Income-tax Act, sub-clause (iv) shall be omitted with effect from the 1st day of April, 1972.

13. Amendment of section 67.—In section 67 of the Income-tax Act,—

(a) in clause (a) of sub-section (1), for the words “registered firm”, the words, brackets, letter and figures “registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183” shall be substituted;

(b) in sub-section (4), for the words “a firm treated as registered in accordance with the provisions of”, the words “an unregistered firm assessed as a registered firm under” shall be substituted.

14. Amendment of section 80A.—In section 80A of the Income-tax Act, in sub-section (3), for the word, figures and letter “section 80L”, the words, figures and letters “section 80MM or section 80N or section 80-O” shall be substituted with effect from the 1st day of April, 1972.

15. Amendment of section 80C.—In section 80C of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) *In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely:—*

- | | |
|---|--|
| (a) <i>where such aggregate does not exceed Rs. 1,000</i> | <i>The whole of such aggregate ;</i> |
| (b) <i>where such aggregate exceeds Rs. 1,000 but does not exceed Rs. 5,000</i> | <i>Rs. 1,000 plus 50 per cent. of the amount by which such aggregate exceeds Rs. 1,000 ;</i> |
| (c) <i>where such aggregate exceeds Rs. 5,000</i> | <i>Rs. 3,000 plus 40 per cent. of the amount by which such aggregate exceeds Rs. 5,000.” ;</i> |

(b) in sub-section (4), in clauses (ii) and (iv), for the words “fifteen thousand rupees”, the words “twenty thousand rupees” shall be substituted.

16. Amendment of section 80-I.—In section 80-I of the Income-tax Act, in sub-section (1), for the words “eight per cent.”, the words “five per cent.” shall be substituted with effect from the 1st day of April, 1972.

17. Amendment of section 80L.—In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1972,—

(a) for the words “Where the gross total income of an assessee”, the words “Where the gross total income of an assessee, being an individual or a Hindu undivided family,” shall be substituted;

(b) in clause (vi), the word “or” occurring at the end shall be omitted;

(c) in clause (vii), for the word and figures “section 36,”, the words and figures “section 36; or” shall be substituted;

(d) after clause (vii), the following clause shall be inserted, namely:—

“(viii) *interest on deposits with a co-operative society, not being a co-operative society referred to in clause (vi), made by a member of the society.”.*

18. Amendment of section 80M.—In section 80M of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) in sub-section (1),—

(i) for clauses (a) and (b), the following clauses shall be substituted, namely:—

"(a) sixty per cent. of such income, where the assessee is a domestic company;

(b) sixty-five per cent. of such income, where the assessee is a foreign company." ;

(ii) the *Explanation* shall be omitted ;

(b) for sub-section (2) and the *Explanation* appearing below that sub-section, the following sub-section shall be substituted, namely :—

"(2) Where a company to which this section applies is entitled also to the deduction under section 80K, the deduction under sub-section (1) shall be allowed in respect of income by way of dividends referred to therein as reduced by the amount of the deduction under section 80K."

19. Amendment of section 80MM.—In section 80MM of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) in sub-section (1),—

(i) for the words "assessee being an Indian company", the words and brackets "assessee, being an Indian company or a person (other than a company) who is resident in India," shall be substituted ;

(ii) for the words "received by it", the words "received by the assessee" shall be substituted ;

(iii) for the words "Central Government", in both the places where they occur, the word "Board" shall be substituted ;

(iv) for the words "there shall be allowed a deduction", the words "there shall, in accordance with and subject to the provisions of this section, be allowed a deduction" shall be substituted ;

(v) after the proviso, the following proviso shall be inserted, namely :—

"Provided further that approval of the Board shall not be necessary in the case of any such agreement which has been approved for the purposes of the deduction under this sub-section by the Central Government before the 1st day of April, 1972, and every application for such approval of any such agreement pending with the Central Government immediately before that day shall stand transferred to the Board for disposal." ;

(b) after sub-section (2), the following sub-section shall be inserted, namely :—

"(2A) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the assessee for the previous year have been audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288, 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 and setting forth such particulars as may be prescribed."

20. Amendment of section 80N.—In section 80N of the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) for the words "assessee being an Indian company", the words and brackets "assessee, being an Indian company or a person (other than a company) who is resident in India," shall be substituted ;

(b) for the words, figure and letters "Central Government in this behalf before the 1st day of October of the relevant assessment year", the word "Board in this behalf" shall be substituted ;

(c) the following provisos shall be inserted at the end, namely :—

“ Provided that the application for such approval is made to the Board before the 1st day of October of the relevant assessment year :

Provided further that the approval of the Board shall not be necessary in the case of any such agreement which has been approved for the purposes of the deduction under this section by the Central Government before the 1st day of April, 1972, and every application for such approval of any such agreement pending with the Central Government immediately before that day shall stand transferred to the Board for disposal.”.

21. Substitution of new section for section 80-O.—For section 80-O of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1972, namely :—

“ 80-O. Deduction in respect of royalties, etc., from certain foreign enterprises.

—(1) Where the gross total income of an assessee, being an Indian company or a person (other than a company) who is resident in India, includes any income by way of royalty, commission, fees or any similar payment received by the assessee from the Government of a foreign State or a foreign enterprise in consideration for the use outside India of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to such Government or enterprise by the assessee, or in consideration of technical services rendered or agreed to be rendered outside India to such Government or enterprise by the assessee, under an agreement approved by the Board in this behalf, there shall be allowed, in accordance with and subject to the provisions of this section, a deduction of the whole of such income, in computing the total income of the assessee :

Provided that the application for the approval of the agreement referred to in this sub-section is made to the Board before the 1st day of October of the assessment year in relation to which the approval is first sought :

Provided further that approval of the Board shall not be necessary in the case of any such agreement which has been approved for the purposes of the deduction under this section by the Central Government before the 1st day of April, 1972, and every application for such approval of any such agreement pending with the Central Government immediately before that day shall stand transferred to the Board for disposal.

(2) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the assessee for the previous year have been audited by an accountant as defined in the Explanation below sub-section (2) of section 288 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 and setting forth such particulars as may be prescribed.”.

22. Amendment of section 80P.—In section 80P of the Income-tax Act, in clause (a) of sub-section (2) with effect from the 1st day of April, 1972,—

(a) in sub-clause (v), the word “ or ” shall be inserted at the end ;

(b) after sub-clause (v), the following sub-clauses shall be inserted, namely :—

“ (vi) the collective disposal of the labour of its members, or

(vii) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fish or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its members, ” ;

(c) the following proviso shall be inserted at the end, namely :—

“ Provided that in the case of a co-operative society falling under sub-clause (vi) or sub-clause (vii), the rules and bye-laws of the society restrict the voting rights to the following classes of its members, namely :—

(1) the individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities ;

(2) the co-operative credit societies which provide financial assistance to the society ;

(3) the State Government ;”.

23. Amendment of section 80T.—In section 80T of the Income-tax Act, in clause (b), with effect from the 1st day of April, 1972,—

(a) in sub-clause (i), for the words “ forty-five per cent. ”, the words “ thirty-five per cent. ” shall be substituted ;

(b) in sub-clause (ii) and in the proviso, for the words “ sixty-five per cent. ”, wherever they occur, the words “ fifty per cent. ” shall be substituted.

24. Amendment of section 86.—In section 86 of the Income-tax Act, in clause (iii), after the words “ unregistered firm ”, the brackets, words, letter and figures “ [not being an unregistered firm assessed as a registered firm under clause (b) of section 183] ” shall be inserted.

25. Substitution of new section for section 115.—For section 115 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1972, namely :—

115. Tax on capital gains in case of companies.—Where the total income of a company includes any income chargeable under the head “ Capital gains ” relating to capital assets other than short-term capital assets (such income being hereinafter referred to as long-term capital gains), the income-tax payable shall be the aggregate of—

(i) the amount of income-tax calculated on the amount of long-term capital gains included in the total income—

(a) at the rate of forty-five per cent. on so much of the amount of such long-term capital gains as relate to buildings or lands or any rights in buildings or lands ; and

(b) at the rate of thirty-five per cent. on the balance of such long-term capital gains, if any ; and

(ii) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of long-term capital gains referred to in clause (i).

26. Amendment of section 194A.—In section 194A of the Income-tax Act, in clause (v) of sub-section (3), after the words “ by a co-operative society ”, the words “ to a member thereof or ” shall be inserted.

27. Amendment of section 230A.—In section 230A of the Income-tax Act, with effect from the 1st day of October, 1971,—

(a) in sub-section (1),—

(i) the brackets and words “ (other than agricultural land) ” shall be omitted ;

(ii) in clause (a), for the words and figures “ and the Gift-tax Act, 1958 (18 of 1958) ”, the words, figures and brackets “ the Gift-tax Act, 1958 (18 of 1958), the Super Profits Tax Act, 1963 (14 of 1963), and the Companies (Profits) Surtax Act, 1964 (7 of 1964) ”, shall be substituted ;

(b) after sub-section (2), the following sub-section shall be inserted, namely :—

“(3) The provisions of sub-section (1) shall not apply in a case where the person referred to in that sub-section is any such institution, association or body, or belongs to any such class of institutions, associations or bodies, as the Board may, for reasons to be recorded in writing, notify in this behalf in the Official Gazette.”.

28. Omission of section 235.—Section 235 of the Income-tax Act shall be omitted with effect from the 1st day of April, 1972.

29. Amendment of Second Schedule.—In the Second Schedule to the Income-tax Act, with effect from the 1st day of January, 1972,—

(a) in rules 82 and 83, for the words “ Tax Recovery Officer ”, the words “ Tax Recovery Commissioner, Tax Recovery Officer ” shall be substituted ;

(b) in rule 86,—

(i) for sub-rule (1), the following sub-rule shall be substituted, namely :—

“(1) An appeal from any original order passed by the Tax Recovery Officer under this Schedule, not being an order which is conclusive, shall lie—

(a) in the case of a Tax Recovery Officer, being a Collector or an Additional Collector, to the revenue authority to which appeals ordinarily lie against the orders of a Collector under the law relating to land revenue of the State concerned ;

(b) in the case of a Tax Recovery Officer, being an officer referred to in sub-clause (ii) of clause (44) of section 2, to the revenue authority to which an appeal or an application for revision would ordinarily lie, if the order passed by him were the order under the law relating to land revenue or other public demand for the time being in force in the State concerned ; and

(c) in the case of a Tax Recovery Officer, being an officer referred to in sub-clause (iii) of clause (44) of section 2, to the Tax Recovery Commissioner.’ ;

(ii) after sub-rule (3), the following sub-rule shall be inserted, namely :—

“(4) Notwithstanding anything contained in sub-rule (1), where a Tax Recovery Commissioner is authorised to exercise powers as such in respect of any area, then,—

(a) all appeals against the orders passed before the date of such authorisation by any Tax Recovery Officer authorised to exercise powers as such in respect of that area or an area which is included in that area, shall lie to such Tax Recovery Commissioner ; and

(b) any proceeding by way of appeal against any orders referred to in clause (a) pending on the date mentioned in that clause before an appellate authority referred to in clause (a) or clause (b) of sub-rule (1) shall stand transferred to such Tax Recovery Commissioner for disposal.” ;

(c) in rule 87, for the word “ officer ”, the words “ Tax Recovery Commissioner, Tax Recovery Officer or other officer ” shall be substituted ;

(d) in rule 92,—

(i) in sub-rule (1), for the words “ Tax Recovery Officers ”, the words “ Tax Recovery Commissioners, Tax Recovery Officers ” shall be substituted ;

(ii) in sub-rule (2), in clause (a), for the words “ Tax Recovery Officers ”, the words “ Tax Recovery Commissioners or Tax Recovery Officers ” shall be substituted.

30. Amendment of Sixth Schedule.—In the Sixth Schedule to the Income-tax Act, with effect from the 1st day of April, 1972,—

(a) for the brackets, words, figures and letters “[See sections 80B(7), 80-I and 80M]”, the following shall be substituted, namely :—

“ [See sections 80B(7) and 80-I] ” ;

(b) in item (2), the word “ Aluminium ” shall be omitted ;

(c) items (10), (12), (14), (18) and (20) shall be omitted.

CHAPTER IV

WEALTH-TAX

31. Amendment of section 4.—In section 4 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), with effect from the 1st day of April, 1972,—

(a) in sub-section (1),—

(i) in the proviso to clause (a), for the words, figures and letters “ after the 31st day of March, 1964 ”, the words, figures and letters “ after the 31st day of March, 1964, but before the 1st day of April, 1972 ” shall be substituted ;

(ii) in clause (b), for the words “ member of an association of persons ”, the words and brackets “ member of an association of persons (not being a co-operative housing society) ” shall be substituted ;

(b) after sub-section (1), the following sub-section shall be inserted, namely :—

“(1A) *Where, in the case of an individual being a member of a Hindu undivided family, any property having been the separate property of the individual has, at any time after the 31st day of December, 1969, been converted by the individual into property belonging to the family through the act of impressing such separate property with the character of property belonging to the family or throwing it into the common stock of the family (such property being hereinafter referred to as the converted property), then, notwithstanding anything contained in any other provision of this Act or in any other law for the time being in force, for the purpose of computing the net wealth of the individual under this Act for any assessment year commencing on or after the 1st day of April, 1972,—*

(a) *the individual shall be deemed to have transferred the converted property, through the family, to the members of the family for being held by them jointly ;*

(b) *the converted property or any part thereof, in so far as it is attributable to the interest of the individual in the property of the family, shall be deemed to be assets belonging to the individual and not to the family ;*

(c) *any part of the converted property in so far as it is attributable to the interest of the spouse or any minor child of the individual in the property of the family and where there is a partition (partial or total) amongst the members of the family, the converted property or any part thereof which is received by the spouse or minor child on such partition shall be deemed to be assets transferred indirectly by the individual to the spouse or minor child and the provisions of sub-section (1) shall, so far as may be, apply accordingly :*

Provided that the property referred to in clause (b) or clause (c) shall, on being included in the net wealth of the individual, be excluded from the net wealth of the family or, as the case may be, the spouse or minor child of the individual.” ;

(c) after sub-section (6) and before the *Explanation*, the following sub-section shall be inserted, namely :—

“(7) Where the assessee is a member of an association of persons, being a co-operative housing society, and a building or part thereof is allotted or leased to him under a house building scheme of the society, the assessee shall, notwithstanding anything contained in this Act or any other law for the time being in force, be deemed to be the owner of such building or part and the value of such building or part shall be included in computing the net wealth of the assessee; and, in determining the value of such building or part, the value of any outstanding instalments of the amount payable under such scheme by the assessee to the society towards the cost of such building or part and the land appurtenant thereto shall, whether the amount so payable is described as such or in any other manner in such scheme, be deducted as a debt owed by him in relation to such building or part.”;

(d) in the Explanation,—

(i) in clause (a), the word “and” occurring at the end shall be omitted;

(ii) after clause (b), the following clauses shall be inserted, namely:—

“(c) the expression “property” includes any interest in property, movable or immovable, the proceeds of sale thereof and any money or investment for the time being representing the proceeds of sale thereof and where the property is converted into any other property by any method, such other property; and

(d) the expressions “interest of the individual in the property of the family” and “interest of the spouse or any minor child of the individual in the property of the family” mean, respectively, the proportion in which the individual or, as the case may be, the spouse or minor child would be entitled to share the property of the family if there had been a total partition in the family as on the valuation date of the family relevant to the assessment year for which the individual is to be assessed under sub-section (1A).”.

32. Amendment of section 5.—In section 5 of the Wealth-tax Act,—

(a) in sub-section (1),—

(i) in clause (viii), after the words “articles intended for the personal or household use of the assessee”, the words “, but not including jewellery” shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1963;

(ii) in clause (viii) as so amended, the following provisos and Explanations shall be inserted at the end with effect from the 1st day of April, 1972, namely:—

‘Provided that the furniture, utensils or other articles are neither made wholly or partly of, nor contain (whether by way of embedding, covering or otherwise), gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals:

Provided further that nothing in this clause shall operate to exclude from the net wealth of the assessee any conveyance or conveyances to the extent the value or the aggregate value thereof exceeds the sum of twenty-five thousand rupees.

Explanation 1.—For the purposes of this clause and clause (xiii), “jewellery” includes—

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel.

Explanation 2.—For the purposes of this clause, “conveyance” means any motor car or other mechanically propelled vehicle, aircraft or boat;’;

(iii) in clause (xx), for the words, figures and letters "after the 31st day of March, 1964", the words, figures and letters "after the 31st day of March, 1964, but before the 1st day of June, 1971" shall be substituted with effect from the 1st day of April, 1972 ;

(iv) after clause (xxvii), the following clauses shall be inserted with effect from the 1st day of April, 1972, namely :—

"(xxviii) any shares held by the assessee in any co-operative society ;

(xxix) any deposits with a co-operative society, not being deposits referred to in clause (xxvi) or clause (xxx), made by a member of the society ;

(xxx) any deposits with a co-operative housing society made by a member of the society to whom a building or part thereof is allotted or leased under a house building scheme of the society, where such deposits have been made under such scheme."

(b) in sub-sections (1A) and (3), for the brackets, figures and word "(xxvi) and (xxvii)", the brackets, figures and word "(xxvii), (xxvii), (xxviii) and (xxix)" shall be substituted with effect from the 1st day of April, 1972.

33. Amendment of section 18.—In section 18 of the Wealth-tax Act, with effect from the 1st day of April, 1972,—

(a) in clause (i) of sub-section (1), for sub-clauses (A) and (B), the following sub-clauses shall be substituted, namely :—

"(A) the net wealth assessed under section 16 as reduced by the amount specified in sub-section (1A), or

(B) the net wealth assessed under section 17, where assessment has been made under that section, as reduced by—

(1) the net wealth, if any, assessed previously under section 16 or section 17, or

(2) the amount specified in sub-section (1A), whichever is greater," ;

(b) after sub-section (1), the following sub-section shall be inserted, namely :—

"(1A) The amount referred to in sub-clause (A) and sub-clause (B)(2) of clause (i) of sub-section (1) shall be,—

(a) in the case of an individual, Rs. 1,00,000 ;

(b) in the case of a Hindu undivided family, Rs. 2,00,000 ; and

(c) in the case of a company, Rs. 5,00,000."

34. Amendment of section 21.—In section 21 of the Wealth-tax Act, in sub-section (4), with effect from the 1st day of April, 1972,—

(a) in clause (a) and in the proviso, the words "in the case of an individual" shall be omitted ;

(b) the following *Explanation* shall be inserted at the end, namely :—

"*Explanation.*—Notwithstanding anything contained in section 5, in computing the net wealth for the purposes of this sub-section in any case, not being a case referred to in the proviso, any assets referred to in clauses (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii), and (xxix) of sub-section (1) of that section shall not be excluded."

35. Amendment of section 32.—In section 32 of the Wealth-tax Act, in *Explanation II*, for the words "Tax Recovery Officer and the Tax Recovery Commissioner referred to in the Income-tax Act or the rules made thereunder

shall be deemed to be the Tax Recovery Officer and the Tax Recovery Commissioner", the words "Tax Recovery Commissioner and the Tax Recovery Officer referred to in the Income-tax Act shall be deemed to be the Tax Recovery Commissioner and the Tax Recovery Officer" shall be substituted with effect from the 1st day of January, 1972.

36. Amendment of Schedule.—In the Schedule to the Wealth-tax Act, with effect from the 1st day of April, 1972, in Part I—

(a) in Paragraph A,—

(i) for items (1) and (2), the following item shall be substituted, namely :—

	Rate of tax
<i>"(1) In the case of every individual or Hindu undivided family—</i>	
<i>(a) where the net wealth does not exceed Rs. 5,00,000</i>	<i>1 per cent. of the net wealth ;</i>
<i>(b) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 ;</i>	<i>Rs. 5,000 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;</i>
<i>(c) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000</i>	<i>Rs. 15,000 plus 3 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 ;</i>
<i>(d) where the net wealth exceeds Rs. 15,00,000</i>	<i>Rs. 30,000 plus 8 per cent. of the amount by which the net wealth exceeds Rs. 15,00,000 :</i>

Provided that for the purposes of this item,—

(i) *no wealth-tax shall be payable where the net wealth does not exceed the following limit, namely :—*

(A) Rs. 1,00,000, in the case of an individual ;

(B) Rs. 2,00,000, in the case of a Hindu undivided family ;

(ii) *the wealth-tax payable shall, in no case, exceed 10 per cent. of the amount by which the net wealth exceeds the limit specified in sub-clause (A) or, as the case may be, sub-clause (B) of clause (i) of this proviso."*

(ii) item (3) shall be re-numbered as item (2) ;

(b) in Paragraph B, for the word, brackets and figure "item (3)", wherever they occur, the word, brackets and figure "item (2)" shall be substituted.

CHAPTER V

OTHER DIRECT TAXES

37. Amendment of Act 18 of 1958.—In the Gift-tax Act, 1958,—

(a) in section 2, in clause (xii), for the words and figure "includes the transfer of any property deemed to be a gift under section 4", the words and figure "includes the transfer or conversion of any property referred to in section 4, deemed to be a gift under that section" shall be substituted with effect from the 1st day of April, 1972 ;

(b) section 4 shall, with effect from the 1st day of April, 1972, be re-numbered as sub-section (1) thereof and after sub-section (1) as so re-numbered, the following sub-section shall be inserted with effect from that day, namely :—

“(2) Where, in the case of an individual being a member of a Hindu undivided family, any property having been the separate property of the individual has been converted by the individual into property belonging to the family through the act of impressing such separate property with the character of property belonging to the family or throwing it into the common stock of the family (such property being hereafter in this sub-section referred to as the converted property), then, notwithstanding anything contained in any other provision of this Act or any other law for the time being in force, for the purpose of computation of the taxable gifts made by the individual, the individual shall be deemed to have made a gift of so much of the converted property as the members of the Hindu undivided family other than such individual would be entitled to, if a partition of the converted property had taken place immediately after such conversion.”;

(c) in section 5, in sub-section (1),—

(i) in clause (v), for the word and figures “section 88”, the word, figures and letter “section 80G” shall be substituted, and shall be deemed to have been substituted, with effect from the 1st day of April, 1968;

(ii) in clause (va), in sub-clause (i), for the words, brackets and figures “sub-section (6) of section 88 of the Income-tax Act, 1961 (43 of 1961)”, the words, brackets, letters and figures “clause (b) of sub-section (2) of section 80G of the Income-tax Act” shall be substituted, and shall be deemed to have been substituted with effect from the 1st day of April, 1968;

(d) in section 33, in *Explanation II*, for the words “Tax Recovery Officer and the Tax Recovery Commissioner referred to in the Income-tax Act or the Rules made thereunder shall be deemed to be the Tax Recovery Officer and the Tax Recovery Commissioner” the words “Tax Recovery Commissioner and the Tax Recovery Officer referred to in the Income-tax Act shall be deemed to be the Tax Recovery Commissioner and the Tax Recovery Officer” shall be substituted with effect from the 1st day of January, 1972;

(e) in section 45, after *Explanation 2*, the following *Explanation* shall be inserted, namely:—

“*Explanation 3.*—For the removal of doubts, it is hereby declared that the exemption admissible under clause (e) in relation to gifts made by an institution or fund referred to in that clause shall not be denied merely on either or both of the following grounds, namely:—

(i) that, subsequent to the gift, any part of the income of the institution or fund has become chargeable to tax due to non-compliance with any of the provisions of section 11 of the Income-tax Act;

(ii) that, under clause (c) of sub-section (1) of section 13 of the Income-tax Act, the exemption under section 11 of that Act is denied to the institution or fund in relation to any income arising to it from any investment referred to in clause (h) of sub-section (2) of section 13 of the said Act where the aggregate of the funds invested by it in a concern referred to in the said clause (h) does not exceed five per cent. of the capital of that concern.”.

38. Amendment of Act 7 of 1964.—In the Companies (Profits) Surtax Act, 1964,—

(a) in section 18, for the figures and brackets “2(44)”, the figures, brackets, letter and word “2(43B) and (44)” shall be substituted with effect from the 1st day of January, 1972;

(b) for the Third Schedule, the following Schedule shall be substituted with effect from the 1st day of April, 1972, namely:—

"THE THIRD SCHEDULE

[See section 4]

Rates of surtax

Surtax shall be charged on the amount (hereinafter referred to as the chargeable amount) by which the chargeable profits exceed the amount of the statutory deduction at the following rates, namely:—

- (i) on so much of the chargeable amount as does not exceed five per cent. of the amount of capital as computed in accordance with the Second Schedule 25 per cent. ;
- (ii) on the balance, if any, of the chargeable amount ... 30 per cent."

CHAPTER VI

INDIRECT TAXES

39. Amendment of Act 32 of 1934.—The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Second Schedule.

40. Amendment of Act 1 of 1944.—In the Central Excises and Salt Act, 1944, in the First Schedule,—

(i) for Item No. I-E, the following Item shall be substituted, namely:—

" I-E GLUCOSE AND DEXTROSE AND PREPARATIONS Ten per cent.
THEREOF— *ad valorem.*" ;

(1) Glucose in whatever form, including liquid glucose, dextrose mono-hydrate and anhydrous dextrose.

(2) Preparations of glucose and dextrose in which the reducing sugars expressed as anhydrous dextrose amount to more than eighty per cent. by weight.

(ii) after Item No. I-E, the following Item shall be inserted, namely:—

' I-F MAIDA— Ten paise per
kilogram." ;

" Maida " means the product of wheat known commercially as maida obtained by milling cleaned, hard or soft wheat or blends thereof in a roller flour mill.

(iii) in Item No. 6, for the entry in the third column, the entry " Nine hundred and twenty rupees per kilolitre at fifteen degrees of Centigrade thermometer," shall be substituted ;

(iv) for Item No. 11A, the following Item shall be substituted, namely:—

" 11A ALL PRODUCTS DERIVED FROM REFINING OF CRUDE PETROLEUM OR SHALE (WHETHER GASEOUS, LIQUID, SEMI-SOLID OR SOLID IN FORM), NOT OTHERWISE SPECIFIED INCLUDING REFINERY GASES, LUBRICATING OIL AND GREASES, WAXES AND COKE—

- (1) Mineral turpentine oil Twenty per cent.
ad valorem plus
one hundred rupees
per metric tonne.
- (2) Liquefied petroleum gas Two hundred and
fifty rupees per
metric tonne.
- (3) Others Twenty per cent.
ad valorem." ;

(v) after Item No. 11A as so amended, the following Items shall be inserted, namely :—

' 11B COMPOUNDED LUBRICATING OILS AND GREASES, THAT IS TO SAY, LUBRICATING OILS AND GREASES OBTAINED BY COMPOUNDING OF MINERAL OILS WITH ANY OTHER INGREDIENTS.

Twenty per cent.
ad valorem.

Explanation.—The expression “ mineral oil ” has the meaning assigned to it in *Explanation I* to Item No. 6.

11C CALCINED PETROLEUM COKE.

Twenty per cent.
ad valorem.' ;

(vi) for Item No. 14AA, the following Item shall be substituted, namely :—

“ 14AA CHEMICALS, THE FOLLOWING, NAMELY :—

Ten per cent. *ad valorem.*” ;

- (1) Calcium carbide.
- (2) Bleaching paste and bleaching powder.
- (3) Sodium hydrosulphite.
- (4) Bicarbonate of soda.
- (5) Bichromates of potassium or sodium.
- (6) Hydrogen peroxide.
- (7) Potassium permanganate.

(vii) for Item No. 14F, the following Item shall be substituted, namely :—

' 14F COSMETICS AND TOILET PREPARATIONS NOT CONTAINING ALCOHOL OR OPIUM, INDIAN HEMP, OR OTHER NARCOTIC DRUGS OR NARCOTICS, NAMELY :—

Twenty-five per cent. *ad valorem.*' ;

(i) Preparations for the care of the skin including beauty creams, vanishing creams, cold creams, make-up creams, cleansing creams, skin foods and tonics, face powders, baby powders, toilet powders, talcum powders and lipsticks.

(ii) Preparations for the care of the hair—

- (a) Hair lotions, creams and pomades.
- (b) Perfumed hair oils.
- (c) Shampoos whether or not containing soap or detergent.

Explanation.—“ Alcohol”, “ opium”, “ Indian hemp”, “ narcotic drugs” and “ narcotics” have the meanings, respectively, assigned to them in section 2 of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 (16 of 1955).

(viii) in Item No. 15, for the entry in the third column against sub-item 1(2), the entry “ Twelve and a half per cent. *ad valorem.*” shall be substituted ;

(ix) for Item No. 15A, the following Item shall be substituted, namely :—

' 15A ARTIFICIAL OR SYNTHETIC RESINS AND PLASTIC MATERIALS, AND ARTICLES THEREOF—

(1) Artificial or synthetic resins and plastic materials in any form, whether solid, liquid or pasty, or as powder, granules or flakes, or in the form of moulding powders, the following, namely :—

Thirty per cent.
ad valorem.

(i) Condensation and Copolymerisation products, whether or not modified or polymerised, including Phenoplasts, Aminoplasts, Alkyds, Polyamides, Polyurethane, Polyallyl Esters and other Unsaturated Polyesters ;

(ii) Polymerisation and Copolymerisation products including Polyethylene and Polytetrahaloethylene, Polyisobutylene, Polystyrene, Polyvinyl chloride, Polyvinyl acetate, Polyvinyl Chloroacetate and other Polyvinyl derivatives, Polyacrylic and Polymethacrylic derivatives and Coumarone-Indene resins ; and

(iii) Cellulose acetate (including diortriacetate), Cellulose acetate butyrate and Cellulose propionate, Cellulose acetate-propionate, Ethyl cellulose and Benzyl cellulose, whether plasticised or not, and plasticised Cellulose nitrate.

(2) Articles made of plastics, all sorts, including tubes, rods, sheets, foils, sticks, other rectangular or profile shapes, whether laminated or not, and whether rigid or flexible, including layflat tubings and polyvinyl chloride sheets, not otherwise specified.

Thirty per cent.
ad valorem.

(3) Polyurethane foam.

Forty per cent.
ad valorem.

(4) Articles made of polyurethane foam.

Forty per cent.
ad valorem.' ;

Explanation.—For the purpose of sub-item (2), “plastics” means the various artificial or synthetic resins or plastic material included in sub-item (1).

(x) in Item No. 16A, for the entries in the third column against sub-items (1) and (2), the entries “Forty per cent. *ad valorem.*” and “twenty-five per cent. *ad valorem.*” shall, respectively, be substituted ;

(xi) after Item No. 22B, the following Items shall be inserted, namely :—

“22C. LINOLEUM, THAT IS TO SAY, COVERING MATERIAL PREPARED ON A BASE OF PAPER OR PAPER BOARD (INCLUDING FELT PAPER OR FELT PAPER BOARD) OR TEXTILE FABRICS, BY IMPREGNATION OR COATING WITH A LINOLEUM CEMENT.

Twenty per cent.
ad valorem.

22D. ARTICLES OF READY-TO-WEAR APPAREL (KNOWN COMMERCIALY AS READY-MADE GARMENTS), INCLUDING UNDER GARMENTS AND BODY-SUPPORTING GARMENTS BUT EXCLUDING ARTICLES OF HOSIERY, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.

Ten per cent.
ad valorem.

22E. TYPEWRITER AND SIMILAR RIBBONS, WHETHER OR NOT ON SPOOLS.

Ten per cent.
ad valorem.” ;

(xii) in Item No. 23A, for the entries in the third column against sub-items (1) and (4), the entries “Fifteen per cent. *ad valorem.*” and “Twenty per cent. *ad valorem.*” shall, respectively, be substituted ;

(xiii) in Item No. 23B, for the entry in the third column against each of the sub-items (1) and (4), the entry “Twenty per cent. *ad valorem.*” shall be substituted ;

(xiv) after Item No. 23C, the following Item shall be inserted, namely:—

'23D. MOSAIC TILES, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER. Ten per cent. *ad valorem.*' ;

Explanation.—For the purposes of this item, "mosaic tiles" means tiles known commercially as mosaic tiles.

(xv) in Item No. 27, after sub-item (e), the following sub-item shall be inserted, namely:—

'(f) Containers made of aluminium. Twenty-five per cent. *ad valorem.*' ;

Explanation.—"Containers" means containers ordinarily intended for packaging of goods for sale, including casks, drums, cans, boxes, gas cylinders and pressure containers, whether in assembled or unassembled condition, and containers known commercially as flattened or folded containers.

(xvi) after Item No. 30A, the following Item shall be inserted, namely:—

"30B. MOTOR STARTERS Ten per cent. *ad valorem.*" ;

(xvii) in Item No. 32, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Twenty per cent. *ad valorem.*", "Thirty per cent. *ad valorem.*", "Ten per cent. *ad valorem.*" and "Twenty-five per cent. *ad valorem.*" shall, respectively, be substituted ;

(xviii) for Item No. 33, the following Item shall be substituted, namely:—

"33. ELECTRIC FANS, ALL SORTS—

(1) Table, cabin, carriage, pedestal and air circulator fans, of a diameter not exceeding 40·6 centimetres. Six per cent. *ad valorem.*

(2) Those designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose. Ten per cent. *ad valorem.*

(3) Not otherwise specified. Ten per cent. *ad valorem.*" ;

(xix) after Item No. 33D, the following Item shall be inserted, namely:—

'33E. ELECTRICITY SUPPLY METERS— Ten per cent. *ad valorem.*' ;

"Electricity supply meters" means meters for measuring and registering the amount of electricity consumed in ampere hours or multiples thereof, or the amount of electric energy consumed in watt hours or multiples thereof.

(xx) after Item No. 34, the following Items shall be inserted, namely:—

'34A. PARTS AND ACCESSORIES OF MOTOR VEHICLES, NOT OTHERWISE SPECIFIED. Ten per cent. *ad valorem.*

Explanation.—The expression "Motor vehicles" has the meaning assigned to it in Item No. 34.

34B. WORKS TRUCKS MECHANICALLY PROPELLED, USED FOR SHORT DISTANCE TRANSPORT OR HANDLING OF GOODS, THE FOLLOWING, NAMELY:— Ten per cent. *ad valorem.*' ;

(1) Forklift trucks.

(2) Platform trucks.

(xxi) after Item No. 37A, the following Items shall be inserted, namely :—
“ 37B. CINEMATOGRAPH PROJECTORS. Twenty per cent.
ad valorem.”

37C. PHOTOGRAPHIC CAMERAS. Twenty per cent.
ad valorem.” ;

(xxii) in each of the Items Nos. 41 and 42, for the entry in the third column, the entry “ Two paise each. ” shall be substituted ;

(xxiii) Item No. 44 shall be omitted ;

(xxiv) for Item No. 46, the following Item shall be substituted, namely :—

‘ 46. METAL CONTAINERS NOT ELSEWHERE SPECIFIED. Ten per cent.
ad valorem.’ ;

Explanation.—The expression “ containers ” has the meaning assigned to it in the *Explanation* to Item No. 27.

(xxv) after Item No. 48, the following Items shall be inserted, namely :—

‘ 49. ROLLING BEARINGS, THAT IS TO SAY, BALL OR ROLLER BEARINGS, ALL SORTS. Ten per cent.
ad valorem.”

50. WELDING ELECTRODES, ALL SORTS. Ten per cent.
ad valorem.”

51. COATED ABRASIVES AND GRINDING WHEELS, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER, THE FOLLOWING, NAMELY :— Ten per cent.
ad valorem.”

(1) Natural or artificial abrasive powder or grain on a base of woven fabric, of paper, of paper board or of other materials, whether or not cut to shape or sewn or otherwise made up.

(2) Grinding wheels and the like (including grinding, sharpening, polishing, trueing and cutting wheels, heads, discs and points), of natural stone (agglomerated or not), of agglomerated natural or artificial abrasives, or of pottery, with or without cores, shanks, sockets, axles and the like of other materials, but not mounted on frameworks ; segments and other finished parts of such wheels, of natural stone (agglomerated or not), of agglomerated natural or artificial abrasives, or of pottery.

Explanation.—The expression “ grinding wheels and the like ” and “ segments and other finished parts of such wheels ” shall mean those used on machine tools, electro-mechanical or pneumatic hand tools for the trimming, polishing, sharpening, trueing or cutting of metals, stone, glass, plastics, ceramics, rubber, leather, mother of pearl, ivory and the like.

52. BOLTS AND NUTS, THREADED OR TAPPED, AND SCREWS, OF BASE METAL OR ALLOYS THEREOF, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER. Ten per cent.
ad valorem.”

Explanation.—The expression “ bolts and nuts, threaded or tapped, and screws ” used in this item shall include bolt-ends, screw studs, screw studding, self-tapped screws, screw hooks and screw rings.

53. ZIP OR SLIDE FASTENERS AND PARTS THEREOF—

(1) Zip or slide fasteners.

Twenty per cent.
ad valorem.

(2) Parts of Zip or slide fasteners.

Twenty-five
per cent.
ad valorem.

54. PRESSURE COOKERS—

“Pressure cookers” means enclosed cooking vessels for use with an external heat source, capable of maintaining working steam pressure, known commercially as pressure cookers.

Twenty per cent.
ad valorem.

55. VACUUM FLASKS AND OTHER VACUUM VESSELS AND PARTS THEREOF—

(1) Vacuum flasks and other vacuum vessels

Fifteen per cent.
ad valorem.

(2) Parts of vacuum flasks and other vacuum vessels

Twenty per cent.
ad valorem.

56. PLAYING CARDS

Twenty per cent.
ad valorem.

57. CAMPHOR

Ten per cent.
ad valorem.

58. MENTHOL

Ten per cent.
ad valorem.

59. ELECTRIC INSULATING TAPES, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.

Ten per cent.
ad valorem.

60. ADHESIVE TAPES, ALL SORTS, NOT ELSEWHERE SPECIFIED, INCLUDING CELLULOSE ADHESIVE TAPES AND PAPERBACKED ADHESIVE TAPES, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.

Ten per cent.
ad valorem.

41. Amendment of Act 58 of 1957.—In the *First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957*,—

(i) in item No. 4, under “*II. Manufactured tobacco*—”, for the entry in the third column against sub-item (2), the entry “*Seventy-five per cent. ad valorem.*” shall be substituted ;

(ii) in item No. 19, for sub-item I(2), the following sub-item shall be substituted, namely :—

“ (2) Others—

(a) Cotton fabrics, superfine

25 paise per
square metre.

(b) Cotton fabrics, fine

15 paise per
square metre.

(c) Cotton fabrics, medium-A

6 paise per
square metre.

(d) Cotton fabrics, medium-B	6 paise per square metre.
(e) Cotton fabrics, coarse	4 paise per square metre.
(f) Cotton fabrics not otherwise specified	25 paise per square metre.”.

42. Amendment of Act 27 of 1958.—In section 3 of the *Mineral Products (Additional Duties of Excise and Customs) Act, 1958*, in sub-section (1), in the Table, for the entry in the second column against item 3, the entry “Five hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer.” shall be substituted.

CHAPTER VII

FOREIGN TRAVEL TAX

43. Extent and commencement.—(1) The provisions of this Chapter extend to the whole of India except the State of Jammu and Kashmir.

(2) They shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

44. Definitions.—In this Chapter, unless the context otherwise requires,—

(a) “aircraft” means any aircraft as defined in section 2 of the Aircraft Act, 1934 (22 of 1934), which is used (whether exclusively or not) for the carriage of passengers ;

(b) “carrier” means the person or authority undertaking the carriage of a passenger on an international journey and includes any agent, representative or other person acting on behalf of such person or authority ;

(c) “customs port” and “customs airport” mean, respectively, a port or airport appointed as such under clause (a) of section 7 of the Customs Act, 1962 (52 of 1962).

(d) “fare” means the total amount of all charges of whatever nature (including charges, if any, for provision of food or accommodation) payable to the carrier by or on behalf of a passenger in respect of his international journey ;

(e) “international journey”, in relation to a passenger, means—

(i) his journey from the last customs port or customs airport of departure of the ship or aircraft in the territories to which this Chapter extends to a place outside India, and includes further journeys by such passenger outside India by the same or different carriers ;

(ii) his journey from a place outside India to the first customs port or customs airport of arrival of the ship or aircraft in the said territories,

irrespective of whether the journey commences or terminates at such customs port or customs airport ;

(f) “passenger” means any person travelling on board a ship or an aircraft on an international journey except—

(i) a person employed or engaged in any capacity on board the ship or aircraft on the business thereof ;

(ii) a person on board the ship or aircraft either in pursuance of obligations laid upon the master, captain or other person in charge of the ship or aircraft to carry shipwrecked or distressed or other persons or by reason of any circumstances which neither the master or captain or other person in charge of the ship or aircraft nor the charterer, if any, could have prevented or forestalled ;

(g) "ship" means a ship used (whether exclusively or not) for the carriage of passengers.

45. Foreign travel tax.—(1) With effect from the date of commencement of this Chapter, there shall be levied and paid to the Central Government in respect of every international journey by a passenger, where the fare for such journey is paid or is payable in Indian currency, a tax (hereafter in this Chapter referred to as the foreign travel tax) at the rate of twenty per cent. of the fare paid or payable by such passenger for such journey.

Explanation.—When a passenger performs an international journey at a concessional rate or without being charged any fare, the fare ordinarily payable for the journey shall, for the purposes of this section, be deemed to be the fare payable by such passenger.

(2) In accordance with rules made under this Chapter, the foreign travel tax shall be collected by the carriers undertaking the carriage of the passengers as an addition to the fares payable by such passengers and shall be paid to the Central Government.

46. Power to exempt.—Notwithstanding anything contained in this Chapter, the Central Government may,—

(a) by notification in the Official Gazette, and subject to such conditions and limitations as may be specified therein, exempt, wholly or to such extent as may be specified in the notification, any class or classes of passengers or any category or categories of passengers under any such class from the payment of foreign travel tax if that Government is satisfied that it is necessary so to do in the public interest ;

(b) by order in writing, and subject to such conditions and limitations as may be specified therein, exempt, wholly or to such extent as may be specified in the order, any passenger from the payment of the said tax if that Government is satisfied, for reasons to be recorded in the order, that it is necessary or expedient so to do, having regard to the special circumstances of his case and the purpose of his journey.

47. Penalty.—Any carrier contravening the provisions of sub-section (2) of section 45 and any person committing a breach of any rule or regulation made under this Chapter shall be liable to a penalty not exceeding five thousand rupees and such penalty may be adjudged by such authority and in such manner as may be specified in the rules made under this Chapter.

48. Protection of action taken in good faith.—No suit or other legal proceeding shall lie against the Central Government and no suit, prosecution or other legal proceeding shall lie against any officer or authority of that Government for anything in good faith done or intended to be done in pursuance of this Chapter or the rules and regulations made thereunder.

49. Power to make rules.—(1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the purposes of this Chapter.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the assessment and collection of the foreign travel tax including the charges for collection payable to carriers, the authorities by whom adjudication of penalty and other functions under this Chapter are to be discharged, the issue of notices requiring payment of such tax, the manner in which such tax shall be payable, the recovery of any such tax due to the Central Government in the same manner as an arrear of land revenue or in any other manner, and the procedure for claiming refund of any amount paid under this Chapter ;

(b) the powers of authorities referred to in clause (a) to enter, inspect and search any ship or aircraft or any premises of a carrier and to examine any tickets, books of account, returns or other documents for the purpose of carrying out any duty imposed on any such authority by or under this Chapter :

Provided that the provisions of the Code of Criminal Procedure, 1898 (5 of 1898), relating to searches shall, so far as they are applicable, apply in relation to searches under rules made under this clause ;

(c) the procedure for adjudication of penalty ;

(d) appeal and revision in the case of any order made under this Chapter, the manner in which and the time within which appeal may be preferred or application for revision may be made and the fees payable therefor ;

(e) any other matter which is to be, or may be, provided for by rules under this Chapter.

50. Power to make regulations.—(1) The Central Board of Excise and Customs constituted under section 3 of the Central Boards of Revenue Act, 1963 (54 of 1963), may, by notification in the Official Gazette, make regulations consistent with this Chapter and the rules made thereunder, generally to carry out the purposes of this Chapter.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the returns and other particulars and information which carriers shall furnish, the authorities to whom, and the intervals at which, such returns, particulars and information shall be furnished ;

(b) supplemental matters arising out of any rule made by the Central Government under this Chapter.

51. Rules and notifications to be laid before Parliament.—Every rule made under this Chapter and every notification issued under section 46 shall be laid as soon as may be after it is made or issued before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule should not be made or the notification should not be issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be ; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

CHAPTER VIII

MISCELLANEOUS

52. Amendment of Act 6 of 1898.—In the First Schedule to the Indian Post Office Act, 1898, for the sub-heading "*Parcels*" and the entries thereunder, the following shall be substituted, namely :—

" Parcels

For a weight not exceeding four hundred grams One rupee.

For every four hundred grams, or fraction thereof, exceeding four hundred grams one rupee."

53. Amendment of Act 47 of 1961.—In the Deposit Insurance Corporation Act, 1961, in section 30, for the words "nine accounting years", the words "fourteen accounting years" shall be substituted.

54. Housing and Urban Development Finance Corporation Private Ltd. to be exempt for a certain period from liability to pay income-tax and surtax—Notwithstanding anything contained in the Income-tax Act or the Companies (Profits) Surtax Act, 1964 (7 of 1964), the Housing and Urban Development Finance Corporation Private Ltd. (a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), shall not be liable to pay any tax, under either of the two Acts first mentioned, on its income, profits or gains for the previous year relevant to the assessment year commencing on the 1st day of April, 1971, and for the nine previous years next following that previous year.

55. Repeal.—Section 2 of the Finance Act, 1971 (14 of 1971), is hereby repealed and shall be deemed never to have been enacted.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 39, 40, 41 and 42 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931 (16 of 1931).

THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX AND SURCHARGES ON INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 5,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 | 10 per cent. of the amount by which the total income exceeds Rs. 5,000; |
| (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000 | Rs. 500 <i>plus</i> 17 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,350 <i>plus</i> 23 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,500 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000 | Rs. 6,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |

(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000

Rs. 11,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 40,000;

(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000

Rs. 23,000 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 60,000;

(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000

Rs. 37,000 *plus* 75 per cent. of the amount by which the total income exceeds Rs. 80,000;

(11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000

Rs. 52,000 *plus* 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000;

(12) where the total income exceeds Rs. 2,00,000

Rs. 1,32,000 *plus* 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000 :

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely :—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 15 per cent. of the total income ;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ;

(3) where the total income exceeds Rs. 20,000 Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

- | | |
|---|--|
| (i) on that part of its total income which consists of profits and gains from life insurance business | 52·5 per cent. ; |
| (ii) on the balance, if any, of the total income | the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested. |

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income does not exceed Rs. 50,000	45 per cent. of the total income ;
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(ii) in a case where the total income exceeds Rs. 50,000	55 per cent. of the total income ;
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(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company—

(a) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent. ;
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(b) on the balance, if any, of the total income	60 per cent. ;
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(ii) in any other case	65 per cent. of the total income :
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Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company) ; and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—
 (i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government

50 per cent. ;

(ii) on the balance, if any, of the total income

70 per cent.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates :—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(a) where the person is resident—		
(i) on income by way of interest other than “Interest on securities”	10 per cent.	Nil.
(ii) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent.
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax-free security)	Income-tax at 30 per cent. and surcharge at 4.5 per cent. of the amount of the income	
	<i>or</i>	
	income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income,	
	whichever is higher ;	
(ii) on the income by way of interest payable on a tax-free security	15 per cent.	2.25 per cent.

Income-tax

	Rate of Income-tax	Rate of surcharge
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2. In the case of a company—

(a) where the company is a domestic company—

(i) on income by way of interest other than "Interest on securities "

20 per cent. Nil

(ii) on any other income (excluding interest payable on a tax-free security)

22 per cent. Nil

(b) where the company is not a domestic company—

(i) on the income by way of dividends payable by any domestic company

24.5 per cent. Nil

(ii) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government

50 per cent. Nil

(iii) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government

50 per cent. Nil

(iv) on the income by way of interest payable on a tax-free security

44 per cent. Nil

(v) on any other income

70 per cent. Nil

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent.) shall be so calculated, charged deducted or computed at the following rate or rates:—

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000

Nil ;

(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000

10 per cent. of the amount by which the total income exceeds Rs. 5,000 ;

- | | |
|---|--|
| (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000 | Rs. 500 <i>plus</i> 17 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,350 <i>plus</i> 23 per cent. of the amount by which the total income exceeds Rs. 15,000 ; |
| (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,500 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ; |
| (6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ; |
| (7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000 | Rs. 6,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ; |
| (8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | Rs. 11,000 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 40,000 ; |
| (9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000 | Rs. 23,000 <i>plus</i> 70 per cent. of the amount by which the total income exceeds Rs. 60,000 ; |
| (10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000 | Rs. 37,000 <i>plus</i> 75 per cent. of the amount by which the total income exceeds Rs. 80,000 ; |
| (11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000 | Rs. 52,000 <i>plus</i> 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000 ; |
| (12) where the total income exceeds Rs. 2,00,000 | Rs. 1,32,000 <i>plus</i> 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000 : |

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1972, satisfies either of the following two conditions, namely :—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000 ;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the following rates, namely :—

- (a) in a case where the total income does not exceed Rs. 15,000 10 per cent.;
- (b) in any other case 15 per cent.:

Provided that the amount of surcharge payable shall, in no case, exceed the aggregate of the following sums, namely :—

(i) an amount calculated at the rate of 10 per cent. on the amount of income-tax on an income of Rs. 15,000, if such income had been the total income (the income of Rs. 15,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); and

(ii) 40 per cent. of the amount by which the total income exceeds Rs. 15,000.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 15 per cent. of the total income ;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
- (3) where the total income exceeds Rs. 20,000 Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 Nil ;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
- (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 600 plus 6 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
- (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,100 plus 12 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
- (5) where the total income exceeds Rs. 1,00,000 Rs. 8,100 plus 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder :—

(a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified ;

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified ; and

(c) a special surcharge calculated at the rate of fifteen per cent. on the aggregate of the following amounts, namely :—

(i) the amount of income-tax computed at the rate hereinbefore specified ; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b), of this sub-paragraph.

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business. 52·5 per cent. ;

(ii) on the balance, if any, of the total income the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income does not exceed Rs. 50,000 45 per cent. of the total income ;

(ii) in a case where the total income exceeds Rs. 50,000 55 per cent. of the total income ;

(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company—

(a) on so much of the total income as does not exceed Rs. 10,00,000 55 per cent. ;

(b) on the balance, if any, of the total income 60 per cent. ;

(ii) in any other case 65 per cent. of the total income :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company) ; and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government

50 per cent. ;

(ii) on the balance, if any, of the total income

70 per cent.

THE SECOND SCHEDULE

(See section 39)

In the First Schedule to the Tariff Act,—

(i) in Items Nos. 1(1), 39(2), 46(6), 58(1), 73(15)(a), 73(15)(b), 75(4), 75(9), 75(10), 75(11), 75(12), 75(12A), 75(14) and 75(15), for the entry against each of them in the fourth column, the entry "100 per cent. *ad valorem*." shall be substituted ;

(ii) in Item No. 5(2), for the entries in the fourth and sixth columns, the entries "100 per cent. *ad valorem*." and "90 per cent. *ad valorem*," shall, respectively, be substituted ;

(iii) in Item No. 9(3), for the entries in the fourth and sixth columns against sub-item (a), the entries "Rs. 60 per kilogram" and "Rs. 60 per kilogram less $7\frac{1}{2}$ per cent. *ad valorem*." shall, respectively, be substituted ;

(iv) in Items Nos. 75(2), 75(3) and 75(13), for the entries against each of them in the fourth and fifth columns, the entries "100 per cent. *ad valorem*." and "92 $\frac{1}{2}$ per cent. *ad valorem*." shall, respectively, be substituted ;

(v) in Item No. 75(18), for the entry in the fourth column against sub-item (b)(ii), the entry "100 per cent. *ad valorem*." shall be substituted.

(vi) in Item No. 87C, for the entry in the fourth column against sub-item (i), the entry "30 per cent. *ad valorem*." shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1971-72 and to provide for the levy of foreign travel tax. The Notes on Clauses explain the various provisions contained in the Bill.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

(Copy of letter No. F. 3(30)-B/71, dated the 28th May, 1971, from Shri Y. B. Chavan, Minister of Finance, to the Secretary, Lok Sabha.)

The President, having been informed of the subject-matter of the proposed Bill, recommends under article 117(1) and (3) read with article 274(1) of the Constitution of India, the introduction of the Finance (No. 2) Bill, 1971, to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 28th May, 1971.
