

THE FINANCE BILL, 1989

(Bill No. 11 of 1989)

[As introduced in Lok Sabha on 28th February, 1989.]

A Bill to give effect to the financial proposals of the Central Government for the financial year 1989-90.

BE it enacted by Parliament in the Fortieth Year of the Republic of India as follows :—

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(1) This Act may be called the **Finance Act, 1989.**

(2) Save as otherwise provided in this Act, sections 2 to 33 shall be deemed to have come into force on the 1st day of April, 1989.

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, 1989, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union ; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees,

of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income ; and

(b) the income-tax chargeable shall be calculated as follows :—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income ;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees ; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income ;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income :

Provided that the amount of income-tax so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), apply, 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 :

Provided that in respect of any income chargeable to tax under section 115B or section 115BB of the Income-tax Act, the income-tax computed under section 115B or section 115BB shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D 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 and shall be increased, —

(a) in the cases to which the provisions of sub-item (a) of item 1 of that Part apply, by a surcharge for purposes of the Union ; and

(b) in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(5) In cases in which tax has to be deducted under section 194C of the Income-tax Act, the deduction shall be made at the rates specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such deduction.

(6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rate specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such collection.

(7) Subject to the provisions of sub-section (8), 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 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 and shall be increased, —

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union ; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein :

Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be :

Provided further that in respect of any income chargeable to tax under section 115B of the Income-tax Act, the "advance tax" computed under the first proviso shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such "advance tax".

(8) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee, has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds, —

(i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force, —

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,

(i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees,

of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income ; and

(b) such income-tax or, as the case may be, "advance-tax" shall be so calculated, charged or computed as follows :—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income ;

(ii) the net agricultural income shall be increased, —

(A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees ; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II as if the net agricultural income as so increased were the total income ;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income :

Provided that the amount of income-tax or "advance tax" so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

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

(a) "company in which the public are substantially interested" means a company within the meaning of clause (18) of section 2 of the Income-tax Act, and includes a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year ;

(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, 1989, 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 the Act ;

(c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) ;

(d) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Income from house

property", "Capital gains" and "Income from other sources" or of income by way of interest on securities ;

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule ;

(f) "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 ;

(g) "trading company" means a company whose business consists mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined in section 80B of the Income-tax Act) is not less than fifty-one per cent. of the amount of such gross total income ;

(h) all other words and expressions used in this section or in 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

DIRECT TAXES

Income-tax

3. Amendment of section 2.—In section 2 of the Income-tax Act [as amended by section 3 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], in clause (1A), the following *Explanation* shall be inserted at the end and shall be deemed to have been inserted with effect from the 1st day of April, 1970, namely :—

"Explanation.—For the removal of doubts, it is hereby declared that revenue derived from land shall not include and shall be deemed never to have included any income arising from the transfer of any land referred to in item (a) or item (b) of sub-clause (iii) of clause (14) of this section ;".

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

(a) after clause (14), the following clause shall be inserted, namely :—

'(14A) any income received by a public financial institution as exchange risk premium from any person borrowing foreign currency from such institution, provided the amount of such premium is credited by such institution to a fund specified under clause (23E).

Explanation. — For the purposes of this clause, —

(i) the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956) ;

(ii) the expression “exchange risk premium” means a premium paid by a person borrowing foreign currency from a public financial institution to cover the risk which may be borne by such institution on account of fluctuations in exchange rate of foreign currencies borrowed by such institution ; ;

(b) in clause (15), in sub-clause (iv), after item (h), the following item shall be inserted with effect from the 1st day of April, 1990, namely: —

“(i) by Government on deposits made by an employee of the Central Government or a State Government, in accordance with such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, out of the moneys due to him on account of his retirement, whether on superannuation or otherwise ;” ;

(c) after clause (23D), the following clause shall be inserted, namely : —

“(23E) any income of such Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf :

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a public financial institution, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax.

Explanation. — For the purposes of this clause, the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956) ; ;

(d) after clause (26A), the following clause shall be inserted with effect from the 1st day of April, 1990, namely : —

“(26AA) any income of a person by way of winnings from any lottery, the draw of which is held in pursuance of any agreement entered into on or before the 28th day of February, 1989, between the State Government of Sikkim and the organising agents of such lottery, where such person is resident in the State of Sikkim in any previous year.

Explanation. — For the purposes of this clause, a person shall be deemed to be resident in the State of Sikkim if he fulfils the requirements of clause (1) or clause (2) or clause (3) or clause (4) of section 6, as the case may be, subject to the modifications that : —

(i) references in those clauses to India shall be construed as references to the State of Sikkim ; 'and

(ii) in sub-clause (i) of clause (3), reference to Indian company shall be construed as reference to a company formed and registered under any law for the time being in force in the State of Sikkim and having its registered office in that State in that year ;'.

5. Amendment of section 16.—In section 16 of the Income-tax Act, with effect from the 1st day of April, 1990, —

(a) in clause (i), —

(i) the proviso shall be omitted ;

(ii) for the word and figure "*Explanation 1*", the word "*Explanation*" shall be substituted ;

(iii) *Explanation 2* shall be omitted ;

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

"(iii) a deduction of any sum paid by the assessee on account of a tax on employment within the meaning of clause (2) of article 276 of the Constitution, leviable by or under any law."

6. Amendment of section 17.—In section 17 of the Income-tax Act, in clause (2), in sub-clause (iii), the following *Explanation* shall be inserted at the end with effect from the 1st day of April, 1990, namely : —

"*Explanation.*—For the removal of doubts, it is hereby declared that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or other place of work, or from such office or place to his residence, shall not be regarded as a benefit or amenity granted or provided to him free of cost or at concessional rate for the purposes of this sub-clause."

7. Amendment of section 32AB.—In section 32AB of the Income-tax Act, —

(a) in sub-section (1), in clause (ii), the word "eligible" shall be omitted with effect from the 1st day of April, 1991 ;

(b) in sub-section (2), clause (i) shall be omitted with effect from the 1st day of April, 1991 ;

(c) sub-section (3) shall be omitted with effect from the 1st day of April, 1991 ;

(d) in sub-section (4), after clause (d), the following clause shall be inserted with effect from the 1st day of April, 1991, namely : —

"(e) any new machinery or plant to be installed in an industrial undertaking, other than a small scale industrial undertaking, as defined in

section 80HHA, for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.”;

(e) in sub-section (5A),—

(i) for the words “scheme and” the words “scheme or” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1987 ;

(ii) the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987, namely :—

“*Explanation.*—For the removal of doubts, it is hereby declared that nothing contained in this sub-section shall affect the operation of the provisions of sub-section (5AA) or sub-section (6) in relation to any withdrawals made from the deposit account either before or after the expiry of a period of five years from the date of deposit.”;

(f) after sub-section (5A), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987, namely :—

“(5AA) Where any amount, standing to the credit of the assessee in the deposit account, is withdrawn during any previous year by the assessee in the circumstance specified in clause (a) or clause (d) of sub-section (5A), the whole of such amount shall be deemed to be the profits and gains of business or profession of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year, as if the business had not closed or, as the case may be, the firm had not been dissolved.”;

(g) in sub-section (5B), the word “eligible” shall be omitted with effect from the 1st day of April, 1991 ;

(h) in sub-section (6), after the words “closure of the account”, the brackets, words, letters and figure “[in circumstances other than the circumstances specified in clauses (b), (c) and (e) of sub-section (5A)]” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987.

8. Amendment of section 36.—In section 36 of the Income-tax Act, in sub-section (1), after clause (ix) and the provisos thereto, the following clause shall be inserted, namely :—

“(x) any sum paid by a public financial institution by way of contribution towards any fund specified under clause (23E) of section 10.

Explanation.—For the purposes of this clause, “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956).’.

9. Amendment of section 43B.—In section 43B of the Income-tax Act [as amended by section 15 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988), and section 12 of the Finance Act, 1988 (26 of 1988)],—

(a) for the second proviso, the following proviso shall be substituted, namely :—

“Provided further that no deduction shall, in respect of any sum referred to in clause (b), be allowed unless such sum has actually been paid in cash or by issue of a cheque or draft or by any other mode on or before the due date as defined in the *Explanation* below clause (va) of sub-section (1) of section 36, and where such payment has been made otherwise than in cash, the sum has been realised within fifteen days from the due date.”;

(b) after *Explanation 1*, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1984, namely :—

‘Explanation 2.—For the purposes of clause (a), as in force at all material times, “any sum payable” means a sum for which the assessee incurred liability in the previous year even though such sum might not have been payable within that year under the relevant law.’;

(c) *Explanation 2* and *Explanation 3* shall be renumbered as *Explanation 3* and *Explanation 4* respectively.

10. Insertion of new section 44BBB.—After section 44BBA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1990, namely :—

‘44BBB. Special provision for computing profits and gains of foreign companies engaged in the business of civil construction, etc., in certain turnkey power projects.—Notwithstanding anything to the contrary contained in sections 28 to 44AA, in the case of an assessee, being a foreign company, engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project approved by the Central Government in this behalf and financed under any international aid programme, a sum equal to ten per cent. of the amount paid or payable (whether in or out of India) to the said assessee or to any person on his behalf on account of such civil construction, erection, testing or commissioning shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession”.’.

11. Amendment of section 48.—In section 48 of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 1990, —

(i) in clause (b), —

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

“(ia) in respect of long-term capital gain so arrived at relating to equity shares of venture capital undertakings,—

(A) in the case of a company, other than venture capital company, thirty per cent. of the amount of such gain in excess of ten thousand rupees ;

(B) in the case of venture capital company, sixty per cent. of the amount of such gain in excess of ten thousand rupees ;

(C) in any other case, sixty per cent. of the amount of such gain in excess of ten thousand rupees ;” ;

(b) in sub-clause (ii), in the opening portion, for the words “other capital assets”, the words, brackets, figures and letter “capital assets [other than capital assets referred to in sub-clauses (i) and (ia)]” shall be substituted ;

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

‘*Explanation.*—For the purposes of this section,—

(a) “venture capital company” means such company as is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings or, if the circumstances so require, by way of advancing loans to such undertakings, and is approved by the Central Government in this behalf ;

(b) “venture capital undertaking” means such company as the prescribed authority may, having regard to the following factors, approve for the purposes of sub-clause (ia) of clause (b) of sub-section (2), namely :—

(1) the total investment in the company does not exceed ten crore rupees or such other higher amount as may be prescribed ;

(2) the company does not have adequate financial resources to undertake projects for which it is otherwise professionally or technically equipped ; and

(3) the company seeks to employ any technology which will result in significant improvement over the existing technology in India in any field and the investment in such technology involves high risk.’

12. Amendment of section 54E.—In section 54E of the Income-tax Act, in sub-section (1), in *Explanation 1*, after clause (d), the following clause shall be inserted with effect from the 1st day of April, 1990, namely :—

“(e) in a case where the original asset is transferred after the 31st day of March, 1989, any of the assets specified in clauses (c) and (d) and

such debentures or bonds issued by the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987), as the Central Government may, by notification in the Official Gazette, specify in this behalf."

13. Amendment of section 57.—In section 57 of the Income-tax Act, after clause (ii), the following clause shall be inserted, with effect from the 1st day of April, 1990, namely :—

'(iia) in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent. of such income or twelve thousand rupees, whichever is less.

Explanation.—For the purposes of this clause, "family pension" means a regular monthly amount payable by the employer to a person belonging to the family of an employee in the event of his death ;

14. Amendment of section 80C.—In section 80C of the Income-tax Act, in sub-section (2), in clause (h), with effect from the 1st day of April, 1990,—

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

"(ia) as subscription to any such deposit scheme of the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987), as the Central Government may, by notification in the Official Gazette, specify in this behalf ;"

(b) in sub-clause (ii), in item (c), after sub-item (3), the following sub-item shall be inserted, namely :—

"(3A) the National Housing Bank, or".

15. Amendment of section 80CC.—In section 80CC of the Income-tax Act, with effect from the 1st day of April, 1990,—

(i) in sub-section (1), for the words and figures "section 10 if such fund subscribes", the words and figures "section 10 or units issued under any scheme of the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963 (52 of 1963), if the amount of subscription to any units, issued by the Mutual Fund or, as the case may be, the Unit Trust of India under such scheme, is subscribed" shall be substituted ;

(ii) in sub-section (3), in clause (a),—

(a) in sub-clause (ii), in the proviso, the word "or" shall be inserted at the end ;

(b) after sub-clause (ii), as so amended, the following sub-clause shall be inserted, namely :—

"(iia) a hospital ; or".

16. Insertion of new section 80JJ.—After section 80J of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1990, namely :—

"80JJ. Deduction in respect of profits and gains from business of poultry farming.—Where the gross total income of an assessee includes any profits and gains derived from business of poultry farming, there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to thirty-three and one-third per cent. thereof."

17. Amendment of section 80U.—In section 80U of the Income-tax Act, with effect from the 1st day of April, 1990,—

(a) in sub-section (1),—

(i) in clause (ii), the word "or" shall be inserted at the end ;

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

"(iii) is subject to mental retardation to the extent specified in the rules made in this behalf by the Board, and which has the effect of reducing substantially his capacity to engage in a gainful employment or occupation," ;

(iii) in the proviso,—

(1) in clause (a), the word "and" occurring at the end shall be omitted ;

(2) in clause (b), the word "and" shall be inserted at the end ;

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

"(c) in a case referred to in clause (iii), a certificate as to the mental retardation from a psychiatrist working in a Government hospital." ;

(b) for sub-section (2), the following sub-section shall be substituted, namely :—

"(2) The Board shall, in making any rules for specifying any disability or mental retardation for the purposes of clause (ii) or clause (iii), as the case may be, of sub-section (1), have regard to the nature of such disability or mental retardation and the effect which such disability or mental retardation is likely to have on the capacity of a person subject thereto, or suffering therefrom, to engage in a gainful employment or occupation."

18. Amendment of section 115B.—In section 115B of the Income-tax Act (as amended by section 31 of the Finance Act, 1988 (26 of 1988)), in sub-section (2), with effect from the 1st day of April, 1990,—

(a) for the words, figures and letters "the previous year relevant to the assessment year commencing on the 1st day of April, 1989", the words, figures and letters "the previous years relevant to the assessment years commencing on the 1st day of April, 1989, and the 1st day of April, 1990" shall be substituted ;

(b) in the proviso, for the words "previous year", the words "previous years" shall be substituted.

19. Amendment of section 115J.—In section 115J of the Income-tax Act,—

(i) after sub-section (1) and before the *Explanation*, the following sub-section shall be inserted, namely :—

"(1A) Every assessee, being a company, shall, for the purposes of this section, prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956 (1 of 1956).";

(ii) in the *Explanation*,—

(a) in the opening portion, for the words and figures "prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956 (1 of 1956)", the words, brackets, figure and letter "prepared under sub-section (1A)" shall be substituted ;

(b) in clause (i), for the words "profits and loss account ; or", the following shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1988, namely :—

"profit and loss account :

Provided that, where this section is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made after the 1st day of April, 1988, shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation* ; or".

20. Amendment of section 153.—In section 153 of the Income-tax Act [as amended by section 59 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], in sub-section (1), the following proviso shall be inserted at the end, namely :—

"Provided that in respect of a return filed under sub-section (4) or sub-section (5) of section 139, which relates to the assessment year commencing on the 1st day of April, 1988, or any earlier assessment year, no order of assessment referred to in this sub-section shall be made at any time after the expiry of one year from the end of the financial year in which such return is filed."

21. Amendment of section 192.—In section 192 of the Income-tax Act, with effect from the 1st day of June, 1989, —

(a) in sub-section (2A), for the words “public sector undertaking”, the words “company, co-operative society, local authority, university, institution, association or body” shall be substituted ;

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

‘Explanation.—For the purposes of this sub-section, “University” means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956), to be a University for the purposes of that Act.’

22. Amendment of section 193.—In section 193 of the Income-tax Act, with effect from the 1st day of June, 1989, —

(a) in the opening portion, for the words “at the time of payment”, the words “at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier” shall be substituted ;

(b) in the proviso, in clause (v), in sub-clause (b), for the words “one thousand rupees”, the words “two thousand and five hundred rupees” shall be substituted ;

(c) after the proviso, the following *Explanation* shall be inserted, namely :—

‘Explanation.—For the purposes of this section, where any income by way of interest on securities is credited to any account, whether called “Interest payable account” or “Suspense account” or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.’

23. Amendment of section 263.—In section 263 of the Income-tax Act, in sub-section (1), in the *Explanation*, —

(i) in clause (a), after the words “an order passed”, the words, figures and letters “on or before or after the 1st day of June, 1988,” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(ii) in clause (b), for the word “includes”, the words “shall include and shall be deemed always to have included” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988 ;

(iii) in clause (c), —

(a) after the words "of any appeal", the words, figures and letters "filed on or before or after the 1st day of June, 1988" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(b) after the words "shall extend", the words "and shall be deemed always to have extended" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988.

24. Amendment of section 285B.—In section 285B of the Income-tax Act, the words "as employee or otherwise" shall be omitted with effect from the 1st day of June, 1989.

25. Consequential amendments.—The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, with effect from the 1st day of April, 1990, namely :—

(a) in section 80A, in sub-section (3), after the figures and letter "80J", the words, figures and letters "or section 80JJ" shall be inserted ;

(b) in section 80P, in sub-section (3),—

(i) after the words, figures and letter "or section 80J", the words, figures and letters "or section 80JJ" shall be inserted ;

(ii) for the words, figures and letter "and section 80J", the words, figures and letters "section 80J and section 80JJ" shall be substituted.

26. Application of the Income-tax Act to the State of Sikkim.—Notwithstanding anything contained in the notification of the Government of India in the Ministry of Home Affairs, No. S.O. 1028(E), dated the 7th November, 1988, and the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. S.O. 148(E), dated 23rd February, 1989, in so far as it relates to the commencement of the Income-tax Act, 1961 (43 of 1961), in the State of Sikkim, the provisions of the Income-tax Act, 1961, shall come into force in the State of Sikkim with effect from the previous year relevant to the assessment year commencing on the 1st day of April, 1990, and any law corresponding to the Income-tax Act, 1961, which, immediately before such commencement, was in force in the State of Sikkim shall be deemed never to have ceased to have effect in relation to the previous year beginning with the 1st day of April, 1988, and ending with the 31st day of March, 1989, and shall continue to be in force for the purposes of the levy, assessment and collection of income-tax or for the purpose of imposing any penalty or for any other purpose whatsoever connected with, or incidental to, any of the purposes aforesaid, under such law.

WEALTH-TAX

27. Amendment of section 5.—In section 5 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act),—

(a) in sub-section (1),—

(i) after clause (xxvb), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1988, namely :—

“(xxvc) the right or interest of the assessee in any annuity plan of the Life Insurance Corporation referred to in clause (ii) of sub-section (1) of section 80CCA of the Income-tax Act ;” ;

(ii) after clause (xxviib), the following clauses shall be inserted with effect from the 1st day of April, 1990, namely :—

“(xxviic) any deposits made in accordance with the scheme referred to in item (i) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, by any employee of the Central Government or a State Government ;

(xxviid) any deposits made with the National Housing Bank established under section 3 of the National Housing Bank Act, 1987 (53 of 1987) ;” ;

(b) in sub-section (1A), after the brackets, figures and letter “(xxviib),”, the brackets, figures and letter “(xxviid),” shall be inserted with effect from the 1st day of April, 1990.

28. Amendment of section 17A.—In section 17A of the Wealth-tax Act [as amended by section 140 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], in sub-section (1), for the proviso, the following proviso shall be substituted, namely :—

“Provided that,—

(a) where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991 ;

(b) where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992.”.

29. Amendment of section 21AA.—In section 21AA of the Wealth-tax Act, in sub-section (1), after the words “or co-operative society”, the words and figures “or society registered under the Societies Registration Act, 1860 (21 of 1860), or under any law corresponding to that Act in force in any part of India” shall be inserted.

30. Amendment of section 25.—In section 25 of the Wealth-tax Act, in sub-section (2), in the *Explanation*,—

(i) in clause (a), after the words “an order passed”, the words, figures and letters “on or before or after the 1st day of June, 1988,” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(ii) in clause (b), for the word “includes”, the words “shall include and shall be deemed always to have included” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988 ;

(iii) in clause (c),—

(a) after the words “of any appeal”, the words, figures and letters “filed on or before or after the 1st day of June, 1988” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(b) after the words “shall extend”, the words “and shall be deemed always to have extended” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988.

GIFT-TAX

31. Amendment of section 16A.—In section 16A of the Gift-tax Act, 1958 (18 of 1958) (hereinafter referred to as the Gift-tax Act) [as amended by section 172 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], in sub-section (1),—

(a) for the words “one year”, the words “two years” shall be substituted ;

(b) for the proviso, the following proviso shall be substituted, namely :—

“Provided that,—

(a) where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991 ;

(b) where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992.”.

32. Amendment of section 24.—In section 24 of the Gift-tax Act, in sub-section (2), in the *Explanation*,—

(i) in clause (a), after the words “an order passed”, the words, figures and letters “on or before or after the 1st day of June, 1988,” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(ii) in clause (b), for the word “includes”, the words “shall include and shall be deemed always to have included” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988 ;

(iii) in clause (c),—

(a) after the words “of any appeal”, the words, figures and letters “filed on or before or after the 1st day of June, 1988” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988 ;

(b) after the words “shall extend”, the words “and shall be deemed always to have extended” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988.

Expenditure-tax

33. Amendment of Act 35 of 1987.—In section 4 of the Expenditure-tax Act, 1987, for the words “ten per cent.”, the words “twenty per cent.” shall be substituted with effect from the 1st day of June, 1989.

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 34 [except sub-clause (b) thereof] and clauses 35, 36, 37, 38 and 39 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

Paragraph A

Sub-Paragraph I

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 Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies, —

Rates of income-tax

(1) where the total income does not exceed Rs. 18,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000	25 per cent. of the amount by which the total income exceeds Rs. 18,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 1,750 <i>plus</i> 30 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. 9,250 <i>plus</i> 40 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. 29,250 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax :

Provided that no such surcharge shall be payable by a non-resident.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1989, exceeds Rs. 18,000, —

Rates of income-tax

(1) where the total income does not exceed Rs. 12,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000	25 per cent. of the amount by which the total income exceeds Rs. 12,000 ;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	Rs. 2,000 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 8,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 40,000 ;
(5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000	Rs. 16,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 60,000 ;
(6) where the total income exceeds Rs. 1,00,000	Rs. 36,000 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax :

Provided that no such surcharge shall be payable by a non-resident.

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 in accordance with the preceding provisions of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

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	5 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. 750 <i>plus</i> 7 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. 2,500 <i>plus</i> 15 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. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge

for purposes of the Union calculated at the rate of five per cent. of such income-tax.

Sub-Paragraph II

In the case of every 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,—

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> 7 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. 2,350 <i>plus</i> 13 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. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

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, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

Paragraph E

In the case of a company, —

Rates of income-tax

I. In the case of a domestic company, —

1. where the company is a 50 per cent. of the total income ;
company in which the public are
substantially interested

2. where the company is not a
company in which the public are
substantially interested —

(i) in the case of a trading 60 per cent. of the total income ;
company or an investment com-
pany

(ii) in any other case 55 per cent. of the total income.

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
Government or an Indian concern
in pursuance of an agreement
made by it with the Government
or the Indian concern after the
31st day of March, 1961, but
before the 1st day of April, 1976,
or

(b) fees for rendering
technical services received from
Government or an Indian concern
in pursuance of an agreement
made by it with the Government

or the Indian concern after the 29th day of February, 1964, but before the 1st day of April, 1976,

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

65 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of item I of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

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, 194B, 194BB, 194D 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 :—

	Rate of income-tax
1. In the case of a person other than a company,—	
(a) where the person is resident in India—	
(i) on income by way of interest other than "Interest on securities"	10 per cent. ;
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent. ;
(iii) on income by way of winnings from horse races	40 per cent. ;
(iv) on income by way of insurance commission	10 per cent. ;
(v) on income by way of interest payable on—	10 per cent. ;
(A) any security, other than a tax-free security, of the Central or a State Government ;	

Rate of income-tax

(B) any debentures or other securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act ;

(C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956, and any rules made thereunder ;

(vi) on any other income 20 per cent. ;
(excluding interest payable on a tax-free security)

(b) where the person is not resident in India —

(i) in the case of a non-resident Indian —

(A) on investment income 20 per cent. ;
and long-term capital gains

(B) on income by way of 15 per cent. ;
interest payable on a tax-free security

(C) on income by way of 40 per cent. ;
winnings from lotteries and cross-word puzzles

(D) on income by way of 40 per cent. ;
winnings from horse races

(E) on the whole of income-tax at 30 per cent. of the
other income amount of income

or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher ;

	Rate of income-tax
(ii) in the case of any other person, —	
(A) on income by way of interest payable on a tax-free security	15 per cent. ;
(B) on income by way of winnings from lotteries and cross-word puzzles	40 per cent. ;
(C) on income by way of winnings from horse races	40 per cent. ;
(D) on the whole of the other income	income-tax at 30 per cent. of the amount of income
	or
	income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher ;

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. ;
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent. ;
(iii) on income by way of winnings from horse races	40 per cent. ;
(iv) on any other income (excluding interest payable on tax-free security)	21.5 per cent. ;

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

(i) on income by way of dividends payable by any domestic company	25 per cent. ;
---	----------------

	Rate of Income-tax
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent. ;
(iii) on income by way of winnings from horse races	40 per cent. ;
(iv) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	25 per cent. ;
(v) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern	30 per cent. ;
(vi) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(v)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government, —	
(A) where the agreement is made after the 31st day of March, 1961, but before the 1st day of April, 1976	50 per cent. ;
(B) where the agreement is made after the 31st day of March, 1976	30 per cent. ;

(vii) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government, —

(A) where the agreement is made after the 29th day of February, 1964, but before the 1st day of April, 1976	50 per cent. ;
---	----------------

(B) where the agreement is made after the 31st day of March, 1976	30 per cent. ;
---	----------------

(viii) on income by way of interest payable on a tax-free security	44 per cent. ;
--	----------------

(ix) on any other income	65 per cent.
--------------------------	--------------

Explanation.—For the purposes of this Part, “investment income”, “long-term capital gains” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of, —

(a) sub-item (a) of item 1 of this Part shall be increased by a surcharge for purposes of the Union, and

(b) sub-item (a) of item 2 of this Part shall be increased by a surcharge,

calculated at the rate of eight per cent. of such income-tax.

PART III

RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES” 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 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 Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or section or surcharge on such "advance tax" in respect of any income chargeable to tax under section 115B], shall be calculated, charged, deducted or computed at the following rate or rates :—

Paragraph A

Sub-Paragraph I

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 Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 18,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000	20 per cent. of the amount by which the total income exceeds Rs. 18,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 1,400 <i>plus</i> 30 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. 8,900 <i>plus</i> 40 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. 28,900 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge

for purposes of the Union calculated at the rate of eight per cent. of such income-tax :

Provided that no such surcharge shall be payable by a non-resident.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1990, exceeds Rs. 18,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 12,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000	25 per cent. of the amount by which the total income exceeds Rs. 12,000 ;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	Rs. 2,000 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 8,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 40,000 ;
(5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000	Rs. 16,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 60,000 ;
(6) where the total income exceeds Rs. 1,00,000	Rs. 36,000 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax :

Provided that no such surcharge shall be payable by a non-resident.

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 in accordance with the preceding provisions of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies, —

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 | 5 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. 750 <i>plus</i> 7 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. 2,500 <i>plus</i> 15 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. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge

for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

Sub-Paragraph II

In the case of every 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,—

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> 7 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. 2,350 <i>plus</i> 13 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. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

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, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

Paragraph E

In the case of a company, —

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	50 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 a trading company or an investment company	60 per cent. of the total income ;
---	------------------------------------

(ii) in any other case	55 per cent. of the total income.
------------------------	-----------------------------------

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 Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961, but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964, but before the 1st day of April, 1976,

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	65 per cent.
--	--------------

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of item I of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge calculated at the rate of eight per cent. of such income-tax.

PART IV

[See section 2(9)(e)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.—Agricultural income of the nature referred to in sub-clause (a) of clause (1A) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly :

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1A) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43, 43A, 43B and 43C of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1A) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income :

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8.—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9.—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1989, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant

to the assessment years commencing on the 1st day of April, 1981, or the 1st day of April, 1982, or the 1st day of April, 1983, or the 1st day of April 1984, or the 1st day of April 1985, or the 1st day of April 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, or the 1st day of April, 1983, or the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, or the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, or the 1st day of April, 1988,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, to the extent, if

any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1988,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1989.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1990, or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1982, or the 1st day of April, 1983, or the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989, is a loss, then, for the purposes of sub-section (8) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, or the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, or the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, or the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the

previous year relevant to the assessment year commencing on the 1st day of April, 1986, or the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, or the 1st day of April, 1988, or the 1st day of April, 1989,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, or the 1st day of April, 1989,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1989, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1989,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1990.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Assessing Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1981 (16 of 1981), or of the First Schedule to the Finance Act, 1982 (14 of 1982), or of the First Schedule to the Finance Act, 1983 (11 of 1983), or of the First Schedule to the Finance Act, 1984 (21 of 1984), or

of the First Schedule to the Finance Act, 1985 (32 of 1985), or of the First Schedule to the Finance Act, 1986 (23 of 1986), or of the First Schedule to the Finance Act, 1987 (11 of 1987), or of the First Schedule to the Finance Act, 1988 (26 of 1988), shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Assessing Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

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 1989-90. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI

S. B. CHAVAN.

The 28th February, 1989.

FINANCIAL MEMORANDUM

Chapter V of the Bill provides for the levy of a new tax to be known as inland air travel tax in respect of inland journeys by passengers in an aircraft.

The new tax will necessitate employment of additional staff in the Customs and Central Excise field formations and the Directorate General of Inspection (Customs and Central Excise). This staff will be required to check the weekly returns, passenger lists and cases relating to refunds or short collections. This is expected to involve a total annual recurring expenditure of about Rs. 20 lakhs. Besides this annual recurring expenditure, non-recurring expenditure of Rs. 5 lakhs is also likely to be incurred.

To the extent the collection of the tax is entrusted to any State Government or the International Airports Authority of India or the National Airports Authority or carriers who may be authorised by the Central Government in this behalf, it will be necessary to incur expenditure for payment of collection charges. The exact expenditure to be incurred for such collection, which will be of a recurring nature, cannot be estimated at this stage.

The provisions of the said Chapter do not involve any other expenditure, whether of a recurring or of a non-recurring nature.

Sub-clause (b) of clause 4 of the Bill seeks to insert a new item (i) in sub-clause (iv) of clause (15) of, and to insert a new clause (23E) in, section 10 of the Income-tax Act relating to incomes not to be included in the total income. The new item (i) enables the Central Government to frame a scheme, by notification in the Official Gazette, in relation to deposits which may be made by any employee of the Central Government or a State Government. The new clause (23E) empowers the Central Government to specify, by notification in the Official Gazette, any Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, whereupon the income of such Fund will be exempt from income-tax.

Clause 10 of the Bill seeks to insert a new section 44BBB in the Income-tax Act. The said section empowers the Central Government to approve any turnkey power project which is financed under any international aid programme for the purposes of application of the provisions in relation to business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof in connection with such project.

Clause 11 of the Bill seeks to amend sub-section (2) of section 48 of the Income-tax Act. The new clause (a) of the *Explanation* to sub-section (2) empowers the Central Government to approve a venture capital company which is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings or, if the circumstances so require, by way of advancing loans to such undertakings. Clause (b) of the said *Explanation* enables the Central Board of Direct Taxes to make rules, by notification in the Official Gazette, to specify an authority which may approve a venture capital undertaking for the purposes of new sub-clause (ia) of clause (b) of sub-section (2), having regard to the factors specified in clause (b) of the said *Explanation*. Further, sub-clause (1) of clause (b) of the *Explanation* empowers the Board to make rules for specifying a higher amount than the existing ten crore rupees specified in that sub-clause, in relation to the total investment in the venture capital undertaking, which may be taken into consideration by the prescribed authority as one of the factors for approving a venture capital undertaking for the purposes of section 48.

Clause 12 of the Bill seeks to insert a new clause (e) in *Explanation 1* of sub-section (1) of section 54E of the Income-tax Act. The new clause (e) empowers the Central Government to specify, by notification in the Official Gazette, debentures or bonds issued by the National Housing Bank which will be treated as "specified asset" for the purposes of the said section.

Clause 14 of the Bill seeks to amend sub-section (2) of section 80C of the Income-tax Act relating to deductions in respect of life insurance premia, contributions to provident fund, etc. The new sub-clause (ia) of clause (h) of sub-section (2) empowers the Central Government to specify, by notification in the Official Gazette, any deposit scheme of the National Housing Bank the subscriptions to which will qualify for deduction under the said clause (h).

Clause 17 of the Bill seeks to amend section 80U of the Income-tax Act relating to deduction in the case of totally blind or physically handicapped resident persons. The new clause (iii) of sub-section (1) empowers the Central Board of Direct Taxes to make rules, by notification in the Official Gazette, to specify the extent of mental retardation for the purposes of that sub-section, whereupon a person who is subject to such mental retardation will be allowed a deduction of a sum of fifteen thousand rupees in computing his total income. Sub-section (2) of section 80U specifies the factors which the Board shall take into account while making the said rules.

Clause 44 contained in Chapter V relating to inland air travel tax empowers the Central Government to exempt, by notification in the Official Gazette, 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 inland air travel tax. The guidelines which have to be taken into account for granting exemptions have been spelt out in the clause.

Clause 48 empowers the Central Government to make rules to carry out the provisions of Chapter V. The matters in respect of which rules may be made include collection of inland air travel tax, the charges for collection payable to any State Government or the International Airports Authority of India or the National Airports Authority or carriers, the specification of authorities competent to discharge functions under Chapter V, the adjudication of penalties, manner of payment and collection of tax, penalties or other sums due under Chapter V, powers of officers to enter upon and inspect and search any aircraft, etc., the procedure for adjudication of penalties and appeals against them made under that Chapter.

The aforesaid provisions of the Income-tax Act, the Wealth-tax Act, the Gift-tax Act and Chapter V of this Bill empower the Central Government or the Central Board of Direct Taxes to issue notifications, frame schemes and make rules for the purposes specified in the relevant provisions. The matters in respect of which notifications may be issued or schemes may be framed or rules may be made in accordance with the aforesaid provisions are matters of administrative detail or procedure and it is not practicable to provide for them in the Bill itself.

The delegation of legislative power is, therefore, of a normal character.