

FINANCE BILL, 1988

(Bill No. 15 of 1988)

[As introduced in Lok Sabha on 29th February, 1988.]

*A Bill to give effect to the financial proposals of the
Central Government for the financial year 1988-89.*

BE it enacted by Parliament in the Thirty-ninth 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, 1988**.

(2) Save as otherwise provided in this Act, sections 2 to 75 and sections 86 to 88 shall be deemed to have come into force on the 1st day of April, 1988.

CHAPTER II

RATE 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, 1988, 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 167A 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 five 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 five 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 deducted under sub-section (1) of section 194E of the said Act from any payment referred to in the said sub-section (1) 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 and C of that Part apply, by a surcharge for purposes of the Union ; and

(b) in the cases to which Paragraph D 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 167A 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 five 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 five 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, 1988, 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 "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources" ;

(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, after clause (28A), the following clause shall be inserted with effect from the 1st day of April, 1989, namely :—

“(28B) “interest on securities” means,—

(i) interest on any security of the Central Government or a State Government ;

(ii) interest on debentures or other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central, State or Provincial Act ;’.

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

(a) in clause (6),—

(i) for sub-clauses (ii) to (v), the following sub-clause shall be substituted with effect from the 1st day of April, 1989, namely :—

“(ii) the remuneration received by him as an official, by whatever name called, of an embassy, high commission, legation, commission, consulate or the trade representation of a foreign State, or as a member of the staff of any of these officials, for service in such capacity :

Provided that the remuneration received by him as trade commissioner or other official representative in India of the Government of a foreign State (not holding office as such in an honorary capacity), or as a member of the staff of any of those officials, shall be exempt only if the remuneration of the corresponding officials or, as the case may be, members of the staff, if any, of the Government resident for similar purposes in the country concerned enjoys a similar exemption in that country :

Provided further that such members of the staff are subjects of the country represented and are not engaged in any business or profession or employment in India otherwise than as members of such staff ;” ;

(ii) in sub-clause (vii a),—

(1) in the opening paragraph, the brackets, words, figures and letters “(commencing from a date after the 31st day of March, 1971)” shall be omitted ;

(2) in item (A), for the brackets, letter and words “(A) such remuneration due to or received by him”, the following shall be substituted, namely :—

"(I) where such services commence from a date after the 31st day of March, 1971, but before the 1st day of April, 1988, —

(A) such remuneration due to or received by him" ;

(3) in the proviso, for the words "Provided that", the following shall be substituted, namely :—

'(II) where such services commence from a date after the 31st day of March, 1988, the tax on his income chargeable under the head "Salaries" paid to the Central Government by the employer (which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956 (1 of 1956)), the tax so paid by the employer for a period not exceeding forty-eight months commencing from the date of his arrival in India :

Provided that where he continues, with the approval of the Central Government, such approval being obtained before the 1st day of October of the relevant assessment year, to remain in employment in India after the expiry of the period of twenty-four months commencing from the date of his arrival in India :

Provided further that ;

(b) in clause (6A), in the *Explanation*, for the words "For the purposes of this clause", the words, brackets, figure and letter "For the purposes of this clause and clause (6B)" shall be substituted ;

(c) after clause (6A), the following clause shall be inserted, namely :—

"(6B) where in the case of a non-resident (not being a company) or of a foreign company deriving income (not being salary, royalty or fees for technical services) from Government or an Indian concern in pursuance of an agreement entered into by the Central Government with the Government of a foreign State or an international organisation, the tax on such income is payable by Government or the Indian concern to the Central Government under the terms of that agreement or any other related agreement approved by the Central Government, the tax so paid ;"

(d) in clause (15), after sub-clause (iib), the following sub-clause shall be inserted with effect from the 1st day of April, 1989, namely :—

"(iic) in the case of an individual or a Hindu undivided family, interest on such Relief Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf ;"

(e) in clause (20), the words "Interest on securities", shall be omitted with effect from the 1st day of April, 1989 ;

(f) in clause (23A), the words "Interest on securities" or ' shall be omitted with effect from the 1st day of April, 1989 ;

(g) in clause (23D) [as inserted by clause (m) of section 6 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)],—

(i) for the words "any income from", the words "any income of" shall be substituted ;

(ii) for the words "the income from the Mutual Fund shall be distributed to the unit holders", the words "such income shall be distributed to the holders of its units" shall be substituted ;

(h) in clause (24), the words "Interest on securities", shall be omitted with effect from the 1st day of April, 1989 ;

(i) after clause (30), the following clause shall be inserted with effect from the 1st day of April, 1989, namely :—

'(31) in the case of an assessee who carries on the business of growing and manufacturing rubber, coffee, cardamom or such other commodity in India, as the Central Government may, by notification in the Official Gazette, specify in this behalf, the amount of any subsidy received from or through the concerned Board under any such scheme for replantation or replacement of rubber plants, coffee plants, cardamom plants or plants for the growing of such other commodity or for rejuvenation or consolidation of areas used for cultivation of rubber, coffee, cardamom or such other commodity as the Central Government may, by notification in the Official Gazette, specify :

Provided that the assessee furnishes to the Assessing Officer, along with his return of income for the assessment year concerned or within such further time as the Assessing Officer may allow, a certificate from the concerned Board, as to the amount of such subsidy paid to the assessee during the previous year.

Explanation. — In this clause, "concerned Board" means,—

(i) in relation to rubber, the Rubber Board constituted under section 4 of the Rubber Act, 1947 (24 of 1947),

(ii) in relation to coffee, the Coffee Board constituted under section 4 of the Coffee Act, 1942 (7 of 1942),

(iii) in relation to cardamom, the Spices Board constituted under section 3 of the Spices Board Act, 1986 (10 of 1986),

(iv) in relation to any other commodity specified under this clause, any Board or other authority established under any law for the time being in force which the Central Government may, by notification in the Official Gazette, specify in this behalf.'.

5. Amendment of section 10A.—In section 10A of the Income-tax Act, with effect from the 1st day of April, 1989,—

(a) in sub-section (7), for the words, brackets and figures "before the expiry of the time allowed under sub-section (1) or sub-section (2) of section 139, whether fixed originally or on extension, for furnishing the return of income", the words, brackets and figures "before the due date for furnishing the return of income under sub-section (1) of section 139" shall be substituted ;

(b) in sub-section (8) [as inserted by section 126 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)],—

(i) for the words "in this section", the words, brackets and figure "in sub-section (5)" shall be substituted ;

(ii) for the words “purposes of this section”, the words “purposes of that sub-section” shall be substituted.

6. Insertion of new section 10B.—After section 10A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1989, namely :—

‘(10B) Special provision in respect of newly established hundred per cent. export-oriented undertakings.—(1) Subject to the provisions of this section, any profits and gains derived by an assessee from a hundred per cent. export-oriented undertaking (hereafter in this section referred to as the undertaking) to which this section applies shall not be included in the total income of the assessee.

(2) This section applies to any undertaking which fulfils all the following conditions, namely :—

(i) it manufactures or produces any article or thing ;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence :

Provided that this condition shall not apply in respect of any undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section ;

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

Explanation.—The provisions of *Explanation 1* and *Explanation 2* to sub-section (2) of section 80-I shall apply for the purposes of clause (iii) of this sub-section as they apply for the purposes of clause (ii) of that sub-section.

(3) The profits and gains referred to in sub-section (1) shall not be included in the total income of the assessee in respect of any five consecutive assessment years, falling within a period of eight years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things, specified by the assessee at his option :

Provided that nothing in this sub-section shall be construed to extend the aforesaid five assessment years to cover any period after the expiry of the said period of eight years.

(4) Notwithstanding anything contained in any other provision of this Act, in computing the total income of the assessee of the previous year relevant to the assessment year immediately succeeding the last of the relevant assessment years, or of any previous year relevant to any subsequent assessment year,—

(i) section 32, section 32A, section 33 and clause (ix) of sub-section (1) of section 36 shall apply as if every allowance or deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the undertaking in the previous year relevant to such assessment year or any expenditure incurred for the purposes of such business in such previous year had been

given full effect to for that assessment year itself and accordingly sub-section (2) of section 32, clause (ii) of sub-section (3) of section 32A, clause (ii) of sub-section (2) of section 33 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such allowance or deduction ;

(ii) no loss referred to in sub-section (1) of section 72 or sub-section (1) or sub-section (3) of section 74, in so far as such loss relates to the business of the undertaking, shall be carried forward or set off where such loss relates to any of the relevant assessment years ;

(iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I in relation to the profits and gains of the undertaking ; and

(iv) in computing the depreciation allowance under section 32, the written down value of any asset used for the purposes of the business of the undertaking shall be computed as if the assessee had claimed and been actually allowed the deduction in respect of depreciation for each of the relevant assessment years.

(5) Where the undertaking has begun to manufacture or produce articles or things in any previous year relevant to the assessment year commencing before the 1st day of April, 1989, the assessee may, at his option, before the due date for furnishing the return of his income under sub-section (1) of section 139 for the assessment year commencing on the 1st day of April, 1989, furnish to the Assessing Officer a declaration in writing that the provisions of sub-section (1) may be made applicable to him for each of the relevant assessment years as reduced by the number of assessment years which expired before the 1st day of April, 1989, and if he does so, then, the provisions of sub-section (1) shall apply to him for each of such relevant assessment years and the provisions of sub-section (4) shall also apply in computing the total income of the assessee for the assessment year immediately succeeding the last of the relevant assessment years and any subsequent assessment year.

(6) The provisions of sub-section (8) and sub-section (9) of section 80-I shall, so far as may be, apply in relation to the undertaking referred to in this section as they apply for the purposes of the industrial undertaking referred to in section 80-I.

(7) Notwithstanding anything contained in the foregoing provisions of this section, where the assessee, before the due date for furnishing the return of his income under sub-section (1) of section 139, furnishes to the Assessing Officer a declaration in writing that the provisions of this section may not be made applicable to him, the provisions of this section shall not apply to him for any of the relevant assessment years.

Explanation. — For the purposes of this section, —

(i) “hundred per cent. export-oriented undertaking” means an undertaking which has been approved as a hundred per cent. export-oriented undertaking by the Board appointed in this behalf by the Central Government in exercise of the powers conferred by section 14 of the Industries (Development and Regulation) Act, 1951 (65 of 1951), and the rules made under that Act ;

(ii) "relevant assessment years" means the five consecutive assessment years specified by the assessee at his option under sub-section (3) ;

(iii) "manufacture" includes any—

(a) process, or

(b) assembling, or

(c) recording of programmes on any disc, tape, perforated media or other information storage device.

7. Amendment of section 13A.—In section 13A of the Income-tax Act, the words "Interest on securities", shall be omitted with effect from the 1st day of April, 1989.

8. Amendment of section 14.—In section 14 of the Income-tax Act, the letter and words "B.—Interest on securities." shall be omitted with effect from the 1st day of April, 1989.

9. Amendment of section 16.—In section 16 of the Income-tax Act, in clause (i), for the portion beginning with the words "a sum equal to" and ending with the words "whichever is less", the following shall be substituted with effect from the 1st day of April, 1989, namely :—

"a sum equal to thirty-three and one-third per cent. of the salary or twelve thousand rupees, whichever is less".

10. Omission of sections 18 to 21.—Sections 18 to 21 of the Income-tax Act and the sub-heading "*B.—Interest on securities*" above section 18 shall be omitted with effect from the 1st day of April, 1989.

11. Amendment of section 40.—In section 40 of the Income-tax Act, with effect from the 1st day of April, 1989, —

(i) in clause (a), for sub-clause (i), the following sub-clause shall be substituted, namely :—

'(i) any interest (not being interest on a loan issued for public subscription before the 1st day of April, 1938), royalty, fees for technical services or other sum chargeable under this Act, which is payable outside India, on which tax has not been paid or deducted under Chapter XVII-B :

Provided that where in respect of any such sum, tax has been paid or deducted under Chapter XVII-B in any subsequent year, such sum shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid or deducted.

Explanation. — For the purposes of this sub-clause, —

(A) "royalty" shall have the same meaning as in *Explanation 2* to clause (vi) of sub-section (1) of section 9 ;

(B) "fees for technical services" shall have the same meaning as in *Explanation 2* to clause (vii) of sub-section (1) of section 9 ;

(ii) clause (d) shall be omitted.

12. 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)], with effect from the 1st day of April, 1989,—

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

“(a) any sum payable by the assessee by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force, or”;

(ii) in clause (c), the word “or” shall be inserted at the end ;

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

“(d) any sum payable by the assessee as interest on any loan or borrowing from any public financial institution, in accordance with the terms and conditions of the agreement governing such loan or borrowing,” ;

(iv) in the first proviso, after the word, brackets and letter “clause (c)”, the words, brackets and letter “or clause (d)” shall be inserted ;

(v) after *Explanation 2*, the following *Explanation* shall be inserted, namely :—

‘*Explanation 3.*—For the purposes of this section, the expression “public financial institution” shall have the meaning assigned to it in section 4A of the Companies Act, 1956 (1 of 1956).’

13. Insertion of new section 43C.—After section 43B of the Income-tax Act, the following section shall be inserted, namely :—

“43C. *Special provision for computation of cost of acquisition of certain assets.*—(1) Where an asset which becomes the property of an amalgamated company under a scheme of amalgamation, is sold after the 29th day of February, 1988, by the amalgamated company as stock-in-trade of the business carried on by it, the cost of acquisition of the said asset to the amalgamated company shall be the cost of acquisition of the said asset to the amalgamating company, as increased by the cost, if any, of any improvement made thereto, and the expenditure, if any, incurred, wholly and exclusively in connection with such transfer by the amalgamating company.

(2) Where an asset which becomes the property of the assessee on the total or partial partition of a Hindu undivided family or under a gift or will or an irrevocable trust, is sold after the 29th day of February, 1988, by the assessee as stock-in-trade of the business carried on by him, the cost of acquisition of the said asset to the assessee shall be the cost of acquisition of the said asset to the transferor or the donor, as the case may be, as increased by the cost, if any, of any improvement made thereto, and the expenditure, if any, incurred, wholly and exclusively in connection with such transfer (by way of effecting the partition, acceptance of the gift, obtaining probate in respect of the will or the creation of the trust), including the payment of gift-tax, if any, incurred by the transferor or the donor, as the case may be.”.

14. Amendment of section 44AB.—In section 44AB of the Income-tax Act, with effect from the 1st day of April, 1989,—

(a) in clauses (a) and (b), the words, figures and letters “or years relevant to the assessment year commencing on the 1st day of April, 1985, or any subsequent assessment year” shall be omitted ;

(b) for the words “such previous year or years”, the words “such previous year” shall be substituted ;

(c) in the *Explanation*, for clause (ii), the following clause shall be substituted, namely :—

‘(ii) “specified date”, in relation to the accounts of the previous year relevant to an assessment year, means,—

(a) where the assessee is a company, the 31st day of December of the assessment year ;

(b) in any other case, the 31st day of October of the assessment year.’

15. Insertion of new section 44AC.—After section 44AB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1989, namely :—

‘44AC. *Special provision for computing profits and gains from the business of trading in certain goods.*—(1) Notwithstanding anything to the contrary contained in sections 28 to 43B, in the case of an assessee, being a person (hereafter in this section referred to as the buyer) obtaining in any sale by way of auction, tender or any other mode, conducted by any other person or his agent (hereafter in this section referred to as the seller),—

(a) the right to receive any goods in the nature of alcoholic liquor for human consumption (other than Indian-made foreign liquor) ; or

(b) any forest produce, scrap or waste, whether industrial or non-industrial, or such other goods as the Central Government may, by notification in the Official Gazette, specify in this behalf,

a sum equal to sixty per cent. of the amount paid or payable by the buyer in respect of such sale shall be deemed to be the profits and gains of the buyer from the business of trading in such goods chargeable to tax under the head “Profits and gains of business or profession” :

Provided that nothing in this sub-section shall apply to any class of sales which the Central Government may, having regard to the smallness of the amount involved in such sales, the nature of the goods or other factors, by notification in the Official Gazette, specify.

(2) For the removal of doubts, it is hereby declared that the provisions of sub-section (1) shall not apply to a buyer in the further sale of any goods obtained under or in pursuance of the sale under sub-section (1).

Explanation.—For the purposes of this section, “seller” means the Central Government, a State Government or any local authority or corporation or authority established by or under a Central, State or Provincial Act, or any company.’

16. Amendment of section 44BB.—In section 44BB of the Income-tax Act, in sub-section (1), in the opening paragraph, for the words “in the case of an assessee”, the words “in the case of an assessee, being a non-resident,” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1983.

17. Amendment of section 47.—In section 47 of the Income-tax Act, after clause (v), the following proviso shall be inserted, namely :—

“Provided that nothing contained in clause (iv) or clause (v) shall apply to the transfer of a capital asset made after the 29th day of February, 1988, as stock-in-trade.”.

18. Amendment of section 56.—In section 56 of the Income-tax Act, in sub-section (2), after clause (ic) (as inserted by section 26 of the Finance Act, 1987 (11 of 1987)), the following clause shall be inserted with effect from the 1st day of April, 1989, namely :—

“(id) income by way of interest on securities, if the income is not chargeable to income-tax under the head “Profits and gains of business or profession”;

19. Amendment of section 57.—In section 57 of the Income-tax Act, with effect from the 1st day of April, 1989,—

(a) in clause (i),—

(1) after the word “dividends”, the words “or interest on securities” shall be inserted ;

(2) after the words “such dividend”, the words “or interest” shall be inserted ;

(b) the *Explanation* shall be omitted.

20. Amendment of section 58.—In section 58 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1989,—

(a) in clause (a), in sub-clause (ii), the words and figures “and in respect of which there is no person in India who may be treated as an agent under section 163” shall be omitted ;

(b) clause (b) shall be omitted.

21. Amendment of section 79.—In section 79 of the Income-tax Act, with effect from the 1st day of April, 1989,—

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

(b) clause (b) shall be omitted.

22. Amendment of section 80CC.—In section 80CC of the Income-tax Act, in sub-section (1), after the words “eligible issue of capital,”, the words, brackets, figures and letter “or units of any Mutual Fund specified under clause (23D) of section 10 if such Fund subscribes only to eligible issue of capital,” shall be inserted with effect from the 1st day of April, 1989.

23. Substitution of new section for section 80CCA.—For section 80CCA of the Income-tax Act [as inserted by section 34 of the Finance Act, 1987 (11 of 1987)], the following section shall be substituted, namely :—

'80CCA. Deduction in respect of deposits under National Savings Scheme or payment to a deferred annuity plan.—(1) Where an assessee, being—

(a) an individual, or

(b) a Hindu undivided family, or

(c) an association of persons or a body of individuals consisting, in either case, only of husband and wife governed by the system of community of property in force in the State of Goa and the Union territories of Dadra and Nagar Haveli and Daman and Diu,

has in the previous year —

(i) deposited any amount in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf (hereafter in this section referred to as the National Savings Scheme) ; or

(ii) paid any amount to effect or to keep in force a contract for such deferred annuity plan of the Life Insurance Corporation as the Central Government may, by notification in the Official Gazette, specify,

out of his income chargeable to tax, he shall, in accordance with, and subject to, the provisions of this section, be allowed a deduction in the computation of his total income of the whole of the amount deposited or paid (excluding interest or bonus accrued or credited to the assessee's account, if any) as does not exceed the amount of twenty thousand rupees in the previous year :

Provided that in relation to the assessment year commencing on the 1st day of April, 1989, and subsequent assessment years, this sub-section shall have effect as if for the words "twenty thousand rupees", the words "thirty thousand rupees" had been substituted.

(2) Where any amount—

(a) standing to the credit of the assessee under the National Savings Scheme in respect of which a deduction has been allowed under sub-section (1) together with the interest accrued on such amount is withdrawn in whole or part in any previous year, or

(b) is received on account of the surrender of the policy or as annuity or bonus in accordance with the deferred annuity plan of the Life Insurance Corporation in any previous year,

an amount equal to the whole of the amount referred to in clause (a) or clause (b) shall be deemed to be the income of the assessee of that previous year in which such withdrawal is made or, as the case may be, amount is received, and shall, accordingly, be chargeable to tax as the income of that previous year.

Explanation 1.—For the removal of doubts, it is hereby declared that interest on the deposits made under the National Savings Scheme shall not be chargeable to tax except in the manner and to the extent specified in sub-section (2).

Explanation II.—For the purposes of this section, “Life Insurance Corporation” shall have the same meaning as in clause (a) of sub-section (8) of section 80C.’

24. Amendment of section 80HHC.—In section 80HHC of the Income-tax Act, with effect from the 1st day of April, 1989,—

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

“(1) Where an assessee, being an Indian company or a person (other than a company) resident in India, is engaged in the business of export out of India of any goods or merchandise to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of the whole of the income derived by the assessee from the export of such goods or merchandise :

Provided that if the assessee, being a holder of an Export House Certificate or a Trading House Certificate (hereafter in this section referred to as an Export House or a Trading House, as the case may be), issues a certificate referred to in clause (b) of sub-section (4A), that in respect of the amount of the export turnover specified therein, the deduction under this sub-section is to be allowed to a supporting manufacturer, then the amount of deduction in the case of the assessee shall be reduced by such amount which bears to the total profits of the export business of the assessee the same proportion as the amount of export turnover specified in the said certificate bears to the total export turnover of the assessee.

(1A) Where the assessee, being a supporting manufacturer, has during the previous year, sold goods or merchandise to any Export House or Trading House in respect of which the Export House or Trading House has issued a certificate under the proviso to sub-section (1), there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of the assessee, a deduction of the whole of the income derived by the assessee from the sale of goods or merchandise to the Export House or Trading House in respect of which the certificate has been issued by the Export House or Trading House.”;

(b) after sub-section (3), the following sub-section shall be inserted, namely :—

“(3A) For the purposes of sub-section (1A), profits derived by a supporting manufacturer from the sale of goods or merchandise shall be,—

(a) in a case where the business carried on by the supporting manufacturer consists exclusively of sale of goods or merchandise to one or more Export Houses or Trading Houses, the profits of the business as computed under the head “Profits and gains of business or profession” ;

(b) in a case where the business carried on by the supporting manufacturer does not consist exclusively of sale of goods or merchandise to one or more Export Houses or Trading Houses, the amount which bears to the profits of the business (as computed under the head “Profits and gains of business or profession”) the same proportion as the turnover in respect of sale to the respective

Export House or Trading House bears to the total turnover of the business carried on by the assessee.';

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

“(4A) The deduction under sub-section (1A) shall not be admissible unless the supporting manufacturer furnishes in the prescribed form along with his return of income,—

(a) the report of an accountant, as defined in the *Explanation* below sub-section (2) of section 288, certifying that the deduction has been correctly claimed on the basis of the income of the supporting manufacturer in respect of his sale of goods or merchandise to the Export House or Trading House ; and

(b) a certificate from the Export House or Trading House containing such particulars as may be prescribed and verified in the manner prescribed that in respect of the export turnover mentioned in the certificate, the Export House or Trading House has not claimed the deduction under this section :

Provided that the certificate specified in clause (b) shall be duly certified by the auditor auditing the accounts of the Export House or Trading House under the provisions of this Act or under any other law.”;

(d) in the *Explanation*, after clause (c), the following clauses shall be inserted, namely :—

“(d) “Export House Certificate” or “Trading House Certificate” means a valid Export House Certificate or Trading House Certificate, as the case may be, issued by the Chief Controller of Imports and Exports, Government of India ;

(e) “supporting manufacturer” means a person being an Indian company or a person (other than a company) resident in India, manufacturing goods or merchandise and selling such goods or merchandise to an Export House or a Trading House for the purposes of export.’

25. Amendment of section 80L.— In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1989,—

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

“(iiia) interest on deposits under the Post Office (Monthly Income Account) Rules, 1987 ;”;

(b) in clause (vii),—

(i) in the opening paragraph, the words “or with a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes” shall be omitted ;

(ii) in the proviso, the words “or, as the case may be, the company” shall be omitted ;

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

“(x) interest on deposits with, or dividend received from, any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes :

Provided that the company is for the time being approved by the Central Government for the purpose of clause (viii) of sub-section (1) of section 36,” ;

(d) for the first and second provisos, the following provisos shall be substituted, namely :—

“Provided that where the gross total income of the assessee includes any income by way of interest on any deposits referred to in clause (iia), or income in respect of units referred to in clause (v) or clause (va), or income by way of interest or dividend referred to in clause (x), there shall be allowed in computing the total income of the assessee, a further deduction of an amount equal to so much of such income as has not been allowed by way of deduction under the foregoing provisions of this sub-section ; so, however, that the amount of such further deduction shall not exceed three thousand rupees :

Provided further that where any income by way of interest on any deposits referred to, in clause (iia) or any dividends referred to in clause (iv) remains unallowed after the deduction under the foregoing provisions of this section, there shall be allowed in computing the total income of the assessee, an additional deduction of an amount equal to so much of such income as has remained unallowed ; so, however, that the amount of such additional deduction shall not exceed three thousand rupees.”.

26. Amendment of section 80-O.—In section 80-O of the Income-tax Act (as amended by section 36 of the Finance Act, 1987 (11 of 1987)),—

(a) in the opening paragraph,—

(i) for the words “under an agreement approved by the Board in this behalf”, the words “under an agreement approved in this behalf by the Chief Commissioner or the Director General” shall be substituted with effect from the 1st day of April, 1989 ;

(ii) for the portion beginning with the words “and such income is received in convertible foreign exchange” and ending with the words “in computing the total income of the assessee”, the following shall be substituted, namely :—

“and such income is received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, is brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange, there shall be allowed, in accordance with and subject to the provisions of this section, a deduction of an amount equal to fifty per cent. of the income so received in, or brought into, India, in computing the total income of the assessee” ;

(b) for the first and second provisos, the following provisos shall be substituted with effect from the 1st day of April, 1989, namely :—

“Provided that the application for the approval of the agreement referred to in this section is made to the Chief Commissioner or, as the case may be, the Director General in the prescribed form and verified in the prescribed manner before the 1st day of October of the assessment year in relation to which the approval is first sought :

Provided further that the approval of the Chief Commissioner or, as the case may be, the Director General 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, or by the Board before the 1st day of April, 1989, and every application for such approval of any such agreement pending with the Board immediately before the 1st day of April, 1989, shall stand transferred to the Chief Commissioner or the Director General for disposal.”

27. Amendment of section 80P.—In section 80P of the Income-tax Act, in sub-section (2), in clause (f), the words and figures “chargeable under section 18” shall be omitted with effect from the 1st day of April, 1989.

28. Omission of section 86A.—Section 86A of the Income-tax Act shall be omitted with effect from the 1st day of April, 1989.

29. Amendment of section 89.—In section 89 of the Income-tax Act, sub-section (2) shall be omitted with effect from the 1st day of April, 1989.

30. Omission of section 112A.—Section 112A of the Income-tax Act shall be omitted with effect from the 1st day of April, 1989.

31. Amendment of section 115B.—Section 115B of the Income-tax Act shall be renumbered as sub-section (1) thereof, and after sub-section (1) as so renumbered, the following sub-section shall be inserted with effect from the 1st day of April, 1989, namely :—

“(2) Notwithstanding anything contained in sub-section (1) or in any other law for the time being in force or any instrument having the force of law, the assessee shall, in addition to the payment of income-tax computed under sub-section (1), deposit, during the previous year relevant to the assessment year commencing on the 1st day of April, 1989, an amount equal to thirty-three and one-third per cent. of the amount of income-tax computed under clause (i) of sub-section (1), in such social security fund (hereafter in this sub-section referred to as the security fund), as the Central Government may, by notification in the Official Gazette, specify in this behalf :

Provided that where the assessee makes during the said previous year any deposit of an amount of not less than two and one-half per cent. of the profits and gains of the life insurance business in the security fund, the amount of income-tax payable by the assessee under the said clause (i) shall be reduced by an amount equal to two and one-half per cent. of such profits and gains and, accordingly, the deposit of thirty-three and one-third per cent. required to be made under this sub-section shall be calculated on the income-tax as so reduced.”.

32. Amendment of section 115F.—In section 115F of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1989,—

(a) in the opening portion, —

(i) the words “or deposited” shall be omitted ;

(ii) the words, brackets, figure and letter “or in an account referred to in clause (4A),” shall be omitted ;

(iii) the words “or such deposit in the account aforesaid” shall be omitted ;

(b) in the *Explanation*, in clause (i), the words, brackets, figures and letter “referred to in clause (4A) of section 10 or” shall be omitted.

33. Amendment of section 131.—In section 131 of the Income-tax Act, with effect from the 1st day of June, 1988, —

(a) in sub-section (1A), for the words “If the Assistant Director of Inspection”, the words, brackets and figures “If the Director General or Director or Deputy Director or Assistant Director, or the authorised officer referred to in sub-section (1) of section 132 before he takes action under clauses (i) to (v) of that sub-section,” shall be substituted ;

(b) in sub-section (3), in the proviso, in clause (b) [as amended by section 2 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], for the words “the Chief Commissioner or Commissioner therefor”, the words “the Chief Commissioner or Director General or Commissioner or Director therefor, as the case may be”, shall be substituted.

34. Amendment of section 132.—In section 132 of the Income-tax Act, with effect from the 1st day of April, 1989, —

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

“Provided further that where it is not possible or practicable to take physical possession of any valuable article or thing and remove it to a safe place due to its volume, weight or other physical characteristics or due to its being of a dangerous nature, the authorised officer may serve an order on the owner or the person who is in immediate possession or control thereof that he shall not remove, part with or otherwise deal with it, except with the previous permission of such authorised officer and such action of the authorised officer shall be deemed to be seizure of such valuable article or thing under clause (iii).” ;

(b) in sub-section (3), after the words “other valuable article or thing,” the words, brackets and figure “for reasons other than those mentioned in the second proviso to sub-section (1),” shall be inserted.

35. Amendment of section 139.—In section 139 of the Income-tax Act, with effect from the 1st day of April, 1989, —

(a) in sub-section (6A), after the words “require him to furnish”, the words, figures and letters “the report of any audit obtained under section 44AB, the” shall be inserted ;

(b) in the *Explanation* below sub-section (9), after clause (b), the following clause shall be inserted, namely :—

“(bb) the return is accompanied by the report of the audit obtained under section 44AB ;”.

36. Omission of section 181.—Section 181 of the Income-tax Act and the sub-heading “O.—*Liability of State Governments*” above that section shall be omitted with effect from the 1st day of April, 1989.

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

(a) in the opening paragraph, for the words ‘chargeable under the head “Interest on securities”’, the words “by way of interest on securities” shall be substituted ;

(b) in the proviso, clause (ii) shall be omitted.

38. Amendment of section 194C.—In section 194C of the Income-tax Act, after sub-section (2), the following *Explanation* shall be inserted with effect from the 1st day of June, 1988, namely :—

‘*Explanation.*—For the purposes of this section, where any sum referred to in sub-section (1) or sub-section (2) is credited to any account, whether called “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.’.

39. Amendment of section 195.—In section 195 of the Income-tax Act, in sub-section (2), for the words “in the prescribed manner”, the words “by general or special order” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1988.

40. Insertion of new section 206C.—After section 206B of the Income-tax Act, the following sub-heading and section shall be inserted with effect from the 1st day of June, 1988, namely :—

“*BB. — Collection at source*”

206C. Profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.—(1) Every person, being a seller referred to in section 44AC, shall, at the time of debiting of the amount payable by the buyer referred to in that section to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer, a sum equal to twenty per cent. of such amount as income-tax on income comprised therein.

(2) The power to recover tax by collection under sub-section (1) shall be without prejudice to any other mode of recovery.

(3) Any person collecting any amount under sub-section (1) shall pay within seven days the amount so collected to the credit of the Central Government or as the Board directs.

(4) Any amount collected in accordance with the provisions of this section and paid under sub-section (3) shall be deemed as payment of tax on behalf of the

person from whom the amount has been collected and credit shall be given to him for the amount so collected on the production of the certificate furnished under sub-section (5) in the assessment made under this Act for the assessment year for which such income is assessable.

(5) Every person collecting tax in accordance with the provisions of this section shall within ten days from the date of debit or receipt of the amount furnish to the buyer to whose account such amount is debited or from whom such payment is received, a certificate to the effect that tax has been collected, and specifying the sum so collected, the rate at which the tax has been collected and such other particulars as may be prescribed.

(6) Any person responsible for collecting the tax who fails to collect the tax in accordance with the provisions of this section, shall, notwithstanding such failure, be liable to pay the tax to the credit of the Central Government in accordance with the provisions of sub-section (3).

(7) Without prejudice to the provisions of sub-section (6), if the seller does not collect the tax or after collecting the tax fails to pay it as required under this section, he shall be liable to pay simple interest at the rate of two per cent. per month or part thereof on the amount of such tax from the date on which such tax was collectable to the date on which the tax was actually paid.

(8) Where the tax has not been paid as aforesaid, after it is collected, the amount of the tax together with the amount of simple interest thereon referred to in sub-section (7) shall be a charge upon all the assets of the seller.”.

41. Amendment of section 230A.—In section 230A of the Income-tax Act, in sub-section (1), for the words “fifty thousand rupees”, the words “two lakh rupees” shall be substituted.

42. Insertion of new section 245DD.—After section 245D of the Income-tax Act, the following section shall be inserted, namely :—

“245DD. *Power of Settlement Commission to order provisional attachment to protect revenue.*—(1) Where, during the pendency of any proceeding before it, the Settlement Commission is of the opinion that for the purpose of protecting the interests of the revenue it is necessary so to do, it may, by order, attach provisionally any property belonging to the applicant in the manner provided in the Second Schedule :

Provided that where a provisional attachment made under section 281B is pending immediately before an application is made under section 245C, an order under this sub-section shall continue such provisional attachment up to the period up to which an order made under section 281B would have continued if such application had not been made :

Provided further that where the Settlement Commission passes an order under this sub-section after the expiry of the period referred to in the preceding proviso, the provisions of sub-section (2) shall apply to such order as if the said order had originally been passed by the Settlement Commission.

(2) Every provisional attachment made by the Settlement Commission under sub-section (1) shall cease to have effect after the expiry of a period of six months from the date of the order made under sub-section (1) :

Provided that the Settlement Commission may, for reasons to be recorded in writing, extend the aforesaid period by such further period or periods as it thinks fit, so, however, that the total period of extension shall not in any case exceed two years.”.

43. Amendment of section 246.—In section 246 of the Income-tax Act, —

(a) in sub-section (1), in clause (o), in sub-clause (iva), after the word, figures and letter “section 272B”, the words, figures and letters “or section 272BB” shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1987 ;

(b) in sub-section (2), in clause (a), the words, figures and letters “or an order under section 104, as it stood immediately before the 1st day of April, 1988, in respect of any assessment for the assessment year commencing on the 1st day of April, 1987, or any earlier assessment years, made against the assessee, being a company ;” shall be inserted at the end.

44. Amendment of section 263.—In section 263 of the Income-tax Act, in sub-section (1), for the *Explanation*, the following *Explanation* shall be substituted with effect from the 1st day of June, 1988, namely :—

‘*Explanation.*—For the removal of doubts, it is hereby declared that, for the purposes of this sub-section,—

(a) an order passed by the Assessing Officer shall include—

(i) an order of assessment made by the Assistant Commissioner or the Income-tax Officer on the basis of the directions issued by the Deputy Commissioner under section 144A ;

(ii) an order made by the Deputy Commissioner in exercise of the powers or in the performance of the functions of an Assessing Officer conferred on, or assigned to, him under the orders or directions issued by the Board or by the Chief Commissioner or Director General or Commissioner authorised by the Board in this behalf under section 120 ;

(b) “record” includes all records relating to any proceeding under this Act available at the time of examination by the Commissioner ;

(c) where any order referred to in this sub-section and passed by the Assessing Officer had been the subject-matter of any appeal, the powers of the Commissioner under this sub-section shall extend to such matters as had not been considered and decided in such appeal.’.

45. Amendment of section 271B.—In section 271B of the Income-tax Act, after the words, figures and letters “or obtain a report of such audit as required under section 44AB”, the words, brackets and figures “or furnish the said report along with the return of his income filed under sub-section (1) of section 139, or along with the return of income furnished in response to a notice under clause (i) of

sub-section (1) of section 142" shall be inserted with effect from the 1st day of April, 1989.

46. Insertion of new section 276BB.—After section 276B of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1988, namely :—

"276BB. *Failure to pay the tax collected at source.*—If a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine."

47. Amendment of section 279.—In section 279 of the Income-tax Act, with effect from the 1st day of April, 1989,—

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

'(1) A person shall not be proceeded against for an offence under section 275A, section 276, section 276A, section 276B, section 276BB, section 276C, section 276CC, section 276D, section 277 or section 278 except with the previous sanction of the Chief Commissioner or Director General or Commissioner :

Provided that no such sanction shall be required if the prosecution is at the instance of the Commissioner (Appeals) or the appropriate authority.

Explanation.—For the purposes of this section, "appropriate authority" shall have the same meaning as in clause (c) of section 269UA.' ;

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

"(2) Any offence under this Chapter may, either before or after the institution of proceedings, be compounded by—

(a) The Board or a Chief Commissioner or a Director General authorised by the Board in this behalf, in a case where the prosecution would lie at the instance of the Commissioner (Appeals) or the appropriate authority ;

(b) the Chief Commissioner or Director General or Commissioner, in any other case."

48. Omission of Chapter XXIIA.—Chapter XXIIA of the Income-tax Act shall be omitted.

49. Amendment of section 281B.—In section 281B of the Income-tax Act,—

(a) in sub-section (1), the following *Explanation* shall be inserted at the end, namely :—

"*Explanation.*—For the purposes of this sub-section, proceedings under sub-section (5) of section 132 shall be deemed to be proceedings for the assessment of any income or for the assessment or reassessment of any income which has escaped assessment." ;

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

“Provided further that where an application for settlement under section 245C is made, the period commencing from the date on which such application is made and ending with the date on which an order under sub-section (1) of section 245D is made shall be excluded from the period specified in the preceding proviso.”.

50. Omission of section 285A.—Section 285A of the Income-tax Act shall be omitted.

51. Amendment of section 293.—In section 293 of the Income-tax Act, for the words “any order made”, the words “any proceeding taken or order made” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1988.

52. Amendment of First Schedule.—In the First Schedule to the Income-tax Act, in rule 5, clause (b) shall be omitted with effect from the 1st day of April, 1989.

53. Amendment of Eleventh Schedule.—In the Eleventh Schedule to the Income-tax Act, for item 9, the following item shall be substituted with effect from the 1st day of April, 1989, namely :—

“9. Projectors.”.

54. Consequential amendments.—The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely :—

(i) in section 2, in clause (24), sub-clause (viii) shall be omitted ;

(ii) in section 18, in sub-section (1), in clause (i), the words, figures and letters “not being interest payable under section 280D in respect of any annuity deposit made under Chapter XXIIA” shall be omitted ;

(iii) in section 33, in sub-section (2) and the *Explanation* thereunder, the words, figures and letter “or section 280-O” shall be omitted ;

(iv) in section 33A, in sub-section (2) and the *Explanation* thereunder, the words, figures and letter “or section 280-O” shall be omitted ;

(v) in section 80B, in clause (5), the words, figures and letter “or under section 280-O” shall be omitted ;

(vi) in section 80J, in sub-section (3), the words, figures and letter “or section 280-O” shall be omitted ;

(vii) in section 80L, in sub-section (1), in clause (i), the brackets, words, figures and letters “(not being interest payable under section 280D in respect of any annuity deposit made under Chapter XXIIA)” shall be omitted ;

(viii) in section 253, in sub-section (1), in clause (c), the words, figures and letter “or under section 285A” shall be omitted.

55. 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 (xvie) and the *Explanation* thereto, the following clause shall be inserted, namely :—

“(xvif) in the case of an individual or a Hindu undivided family, such Relief Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf ;” ;

(ii) for clause (xxxa), the following clause shall be substituted with effect from the 1st day of April, 1989, namely :—

“(xxxa) the value of one or more dwelling units (each having a plinth area of eighty square metres or less) belonging to the assessee and used solely for the purpose of residence of persons employed by the assessee in any plantation or industrial undertaking belonging to the assessee ;” ;

(b) in sub-section (1A), after the brackets and figures “(xvi)”, the brackets, figures and letter “(xvie)”, shall be inserted with effect from the 1st day of April, 1989 ;

(c) in sub-section (3),—

(i) in the opening portion, after the brackets, figures and letter “(xvie)”, the brackets, figures and letter “(xvif)”, shall be inserted ;

(ii) in clause (aa),—

(1) after the word, brackets, figures and letter “clause (xvie)”, the words, brackets, figures and letter “or Relief Bonds referred to in clause (xvif)”, shall be inserted ;

(2) after the words “Bonds or debentures”, the words “or Relief Bonds” shall be inserted.

56. Insertion of new section 22DD.—After section 22D of the Wealth-tax Act, the following section shall be inserted, namely :—

“22DD. *Power of Settlement Commission to order provisional attachment to protect revenue.*—(1) Where, during the pendency of any proceeding before it, the Settlement Commission is of the opinion that for the purpose of protecting the interests of the revenue it is necessary so to do, it may, by order, attach provisionally any property belonging to the applicant in the manner provided in the Second Schedule to the Income-tax Act as made applicable to this Act by section 32 :

Provided that where a provisional attachment made under section 34C is pending immediately before an application is made under section 22C, an order under this sub-section shall continue such provisional attachment up to the period up to which an order made under section 34C would have continued if such application had not been made :

Provided further that where the Settlement Commission passes an order under this sub-section after the expiry of the period referred to in the preceding proviso, the provisions of sub-section (2) shall apply to such order as if the said order had originally been passed by the Settlement Commission.

(2) Every provisional attachment made by the Settlement Commission under sub-section (1) shall cease to have effect after the expiry of a period of six months from the date of the order made under sub-section (1) :

Provided that the Settlement Commission may, for reasons to be recorded in writing, extend the aforesaid period by such further period or periods as it thinks fit, so, however, that the total period of extension shall not in any case exceed two years."

57. Amendment of section 25.—In section 25 of the Wealth-tax Act, in sub-section (2), for the *Explanation*, the following *Explanation* shall be substituted, with effect from the 1st day of June, 1988, namely :—

'Explanation.—For the removal of doubts, it is hereby declared that, for the purposes of this sub-section, —

(a) an order passed by the Assessing Officer shall include an order made by the Deputy Commissioner in exercise of the powers or in the performance of the functions of an Assessing Officer conferred on or assigned to him under orders or directions issued by the Board or by the Chief Commissioner or Director General or Commissioner authorised by the Board in this behalf under section 120 of the Income-tax Act read with section 8 of this Act ;

(b) "record" includes all records relating to any proceeding under this Act available at the time of examination by the Commissioner ;

(c) where any order referred to in this sub-section and passed by the Assessing Officer had been the subject-matter of any appeal, the powers of the Commissioner under this sub-section shall extend to such matters as had not been considered and decided in such appeal.'

58. Amendment of section 34AB.—In section 34AB of the Wealth-tax Act, in sub-sections (1) and (2), for the word "Board", the words "Chief Commissioner or Director General" shall be substituted with effect from the 1st day of June, 1988.

59. Amendment of section 34ACC.—In section 34ACC of the Wealth-tax Act, for the words "to the Board", occurring at the end, the words "to the Chief Commissioner or Director General" shall be substituted with effect from the 1st day of June, 1988.

60. Amendment of section 34AD.—In section 34AD of the Wealth-tax Act, with effect from the 1st day of June, 1988, —

(a) in sub-section (1), —

(i) for the word "Board", at both the places where it occurs, the words "Chief Commissioner or Director General" shall be substituted ;

(ii) for the words "it is satisfied", the words "he is satisfied" shall be substituted ;

(iii) for the words "it thinks fit", the words "he thinks fit" shall be substituted ;

(b) in sub-section (2), for the word "Board", the words "Chief Commissioner or Director General" shall be substituted ;

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

"(3) Without prejudice to the provisions of sub-sections (1) and (2), the Chief Commissioner or Director General shall, once in three years, review the performance of all the registered valuers and may remove the name of any person from the Register of Valuers where he is satisfied, after giving that person a reasonable opportunity of being heard and after such further inquiry, if any, as he thinks fit to make, that his performance is such that his name should not remain on the Register of Valuers.

(4) The Chief Commissioner or Director General may himself conduct the inquiry referred to in sub-section (1) or sub-section (3) or appoint an Inquiry Officer not below the rank of a Commissioner to conduct such inquiry, and for the purposes of such inquiry, the Chief Commissioner or Director General and the Inquiry Officer so appointed shall have the same powers as are vested in a court under the Code of Civil Procedure, 1908 (5 of 1908), when trying a suit in respect of the following matters, namely :—

(a) discovery and inspection ;

(b) enforcing the attendance of any person including any officer of a banking company and examining him on oath ;

(c) compelling the production of books of account and other documents ;

(d) issuing commission."

61. Insertion of new section 34AE.—In Chapter VIIB of the Wealth-tax Act, after section 34AD, the following section shall be inserted with effect from the 1st day of June, 1988, namely :—

"34AE. *Existing registered valuers to apply afresh.*—(1) Notwithstanding anything contained in this Chapter, every person whose name is included in the Register of Valuers immediately before the 1st day of June, 1988, shall, if he intends to continue to be registered under this Act, make an application under sub-section (2) of section 34AB within a period of three months from that date, for being registered afresh as a valuer under this Chapter and the provisions of sub-section (3) of that section and the rules made thereunder shall be applicable in respect of the verification of the application, the fees that shall accompany such application and the declaration to be made by the applicant.

(2) The provisions of this Chapter regarding the registration of a person as a valuer and other matters shall, so far as may be, apply to every application made under sub-section (1).

(3) Every application pending before the Board immediately before the 1st day of June, 1988, shall be deemed to be an application received by the Chief Commissioner or Director General under sub-section (1)."

62. Amendment of section 34C.—In section 34C of the Wealth-tax Act—

(a) in sub-section (1), the following *Explanation* shall be inserted at the end, namely :—

“Explanation.—For the purposes of this sub-section, the proceedings under sub-section (5) of section 37A shall be deemed to be proceedings for the assessment of any net wealth or for the assessment or reassessment of any net wealth which has escaped assessment.”;

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

“Provided further that where an application for settlement under section 22C is made, the period commencing from the date on which such application is made and ending with the date on which an order under sub-section (1) of section 22D is made shall be excluded from the period specified in the preceding proviso.”.

63. Substitution of new section for section 35-I.—For section 35-I of the Wealth-tax Act, the following section shall be substituted with effect from the 1st day of April, 1989, namely :—

“35-I. Prosecutions to be with the previous sanction of certain wealth-tax authorities and their power to compound offences.—(1) A person shall not be proceeded against for an offence under this Act except with the previous sanction of the Chief Commissioner or Director General or Commissioner :

Provided that no such sanction shall be required if the prosecution is at the instance of the Commissioner (Appeals).

(2) Any such offence may, either before or after the institution of proceedings, be compounded by—

(a) the Board or a Chief Commissioner or a Director General authorised by the Board in this behalf, in a case where the prosecution would lie at the instance of the Commissioner (Appeals) ;

(b) the Chief Commissioner or Director General or Commissioner, in any other case.”

64. Amendment of section 37.—In section 37 of the Wealth-tax Act, with effect from the 1st day of June, 1988,—

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

“(1A) If the Director General or Director or Deputy Director or Assistant Director, or the authorised officer referred to in sub-section (1) of section 37A before he takes action under clauses (i) to (vi) of that sub-section, has reason to suspect that any net wealth has been concealed, or is likely to be concealed, by any person or class of persons within his jurisdiction, then, for the purposes of making any inquiry or investigation relating thereto, it shall be competent for him to exercise the powers conferred under sub-section (1) on the wealth-tax authorities referred to in that sub-section, notwithstanding that no proceedings with respect to such person or class of persons are pending before him or any other wealth-tax authority.” ;

(b) in sub-section (3), in the proviso, in clause (b) [as amended by section 127 of the Direct Tax Laws (Amendment) Act, 1987 (4 of 1988)], for the words "the Chief Commissioner or Commissioner therefor", the words "the Chief Commissioner or Director General or Commissioner or Director therefor, as the case may be" shall be substituted.

65. Amendment of section 43.—In section 43 of the Wealth-tax Act, for the words "any order made", the words "any proceeding taken or order made" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1988.

66. Amendment of Schedule I.—In Schedule I to the Wealth-tax Act, in Part I, the following shall be added at the end, namely :—

"Surcharge on wealth-tax

The amount of wealth-tax computed in accordance with the provisions of this Part shall, in relation to the assessment year commencing on the 1st day of April, 1988, be increased by a surcharge calculated at the rate of ten per cent. of such wealth tax."

Gift-tax

67. Amendment of section 5.—In section 5 of the Gift-tax Act, 1958 (18 of 1958) (hereinafter referred to as the Gift-tax Act), in sub-section (1), after clause (iii), the following clause shall be inserted, namely :—

"(iii) being an individual or a Hindu undivided family, of property in the form of such Relief Bonds, as the Central Government may, by notification in the Official Gazette, specify in this behalf subject to a maximum of rupees five lakhs in value in the aggregate in one or more previous years ;

Provided that the exemption conferred by this clause shall be available only to a person who has initially subscribed to the said Bonds ;"

68. Amendment of section 24.—In section 24 of the Gift-tax Act, in sub-section (2), for the *Explanation*, the following *Explanation* shall be substituted with effect from the 1st day of June, 1988, namely :—

'Explanation.—For the removal of doubts, it is hereby declared that, for the purposes of this sub-section, —

(a) an order passed by the Assessing Officer shall include an order passed by the Deputy Commissioner in exercise of the powers or in performance of the functions of an Assessing Officer conferred on or assigned to him under orders or directions issued by the Board or by the Chief Commissioner or Director General or Commissioner authorised by the Board in this behalf under section 120 of the Income-tax Act read with section 7 of this Act ;

(b) "record" includes all records relating to any proceeding under this Act available at the time of examination by the Commissioner ;

(c) where any order referred to in this sub-section and passed by the Assessing Officer had been the subject-matter of any appeal, the powers of the

Commissioner under this sub-section shall extend to such matters as had not been considered and decided in such appeal.

69. Amendment of section 35.—In section 35 of the Gift-tax Act, for sub-sections (3) and (4), the following sub-sections shall be substituted with effect from the 1st day of April, 1989, namely :—

“(3) A person shall not be proceeded against for an offence under this Act except with the previous sanction of the Chief Commissioner or Director General or Commissioner :

Provided that no such sanction shall be required if the prosecution is at the instance of the Commissioner (Appeals).

(4) Any such offence may, either before or after the institution of proceedings, be compounded by—

(a) the Board or a Chief Commissioner or a Director General authorised by the Board in this behalf, in a case where the prosecution would lie at the instance of the Commissioner (Appeals) ;

(b) the Chief Commissioner or Director General or Commissioner, in any other case.”.

70. Amendment of section 36.—In section 36 of the Gift-tax Act, after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of June, 1988, namely :—

“(1A) If the Director General or Director or Deputy Director or Assistant Director has reason to suspect that any gifts chargeable to tax under this Act have been concealed, or are likely to be concealed, by any person or class of persons within his jurisdiction, then, for the purposes of making any inquiry or investigation relating thereto, it shall be competent for him to exercise the powers conferred under sub-section (1) on the gift-tax authorities referred to in that sub-section, notwithstanding that no proceedings with respect to such person or class of persons are pending before him or any other gift-tax authority.”

71. Amendment of section 42.—In section 42 of the Gift-tax Act, for the words “any order made”, the words “any proceeding taken or order made” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1988.

Expenditure-tax

72. Substitution of new authorities.—In the Expenditure-tax Act, 1987 (35 of 1987) (hereinafter referred to as the Expenditure-tax Act), save as otherwise expressly provided herein, the references to any authorities specified in column (1) of the Table below shall be substituted by references to the authority or authorities specified in the corresponding entries in column (2) of the said Table and such consequential changes, as the rules of grammar may require, shall also be made.

TABLE

(1)	(2)
Commissioner	Chief Commissioner or Commissioner
Inspecting Assistant Commissioner	Deputy Commissioner
Income-tax Officer	Assessing Officer :

Provided that nothing contained in this section shall apply to the reference to "Commissioner" occurring in sections 21 and 23.

73. Amendment of section 6.—In section 6 of the Expenditure-tax Act,—

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

"(1) Every Director General of Income-tax, Chief Commissioner of Income-tax, Director of Income-tax, Commissioner of Income-tax, Commissioner of Income-tax (Appeals), Deputy Director of Income-tax, Deputy Commissioner of Income-tax, Assistant Director of Income-tax, Assistant Commissioner of Income-tax, Income-tax Officer, Tax Recovery Officer and Inspector of Income-tax shall have the like powers and perform the like functions under this Act as he has and performs under the Income-tax Act, and for the exercise of his powers and the performance of his functions, his jurisdiction under this Act shall be the same as he has under the Income-tax Act." ;

(b) in sub-section (3), for the words "Director of Inspection or by the Commissioner", the words "Director General or Director or by the Chief Commissioner or Commissioner" shall be substituted.

74. Amendment of section 13.—In section 13 of the Expenditure-tax Act, in sub-section (3), for the words and figures "the Commissioner, or, as the case may be, the order under section 22 or section 23 is received by the Commissioner", the words and figures "the Commissioner, or the order is received by the Chief Commissioner or Commissioner, as the case may be, under section 22 or section 23" shall be substituted.

75. Amendment of section 24.—In section 24 of the Expenditure-tax Act,—

(a) for the figures, brackets, letters and words "2(43B) and (44), 118, 125, 125A, 128 to 136 (both inclusive)", the figures, brackets and words "2(44), 118, 120, 129, 131 to 136 (both inclusive)" shall be substituted ;

(b) the figures "231," shall be omitted.

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

“Provided that the amount of wealth-tax computed in accordance with the provisions of this sub-section shall, in relation to the assessment year commencing on the 1st day of April, 1988, be increased by a surcharge calculated at the rate of ten per cent. of such wealth-tax.” ;

(ii) in sub-section (3), with effect from the 1st day of April, 1989, —

(a) in clause (i), the words, “not being any such precious metal or alloy held for use as raw material in industrial production” shall be inserted at the end ;

(b) to clause (v), the following proviso shall be added, namely : —

“Provided that nothing in this clause shall apply to any unused land held by the assessee for industrial purposes for a period of two years from the date of its acquisition by him ;” ;

(c) for clause (vi), the following clauses shall be substituted, namely : —

‘(vi) building or land appurtenant thereto, other than building or part thereof used by the assessee as factory, godown, warehouse, cinema house, hotel or office for the purposes of its business or as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch room mainly used for the welfare of its employees or used as residential accommodation, except as provided in clauses (via) and (vib), and the land appurtenant to such building or part ;

(via) any building used as residential accommodation in the nature of a guest house and land appurtenant thereto ;

(vib) any building and the land appurtenant to such building used as residential accommodation by any director, manager, secretary or any other employee of the assessee, such employee holding not less than one per cent. of the equity share of the assessee or by any relative of any person who holds not less than one per cent. of the equity share of the assessee.

Explanation. — For the purposes of this clause, “relative” shall have the meaning assigned to it in clause (b) of *Explanation 1* to section 80F of the Income-tax Act. ;

(d) after clause (viii), the following proviso and *Explanation* shall be inserted, namely : —

“Provided that this section shall not apply to any asset referred to in clause (i), (ii), (iii), (iv), (v) or (vi), which is held by the assessee as stock-in-trade in a business carried on by it or, in the case of motor-cars referred to in clause (vii), they are held as stock-in-trade in such business or registered as taxies and used as such in a business of running motor-cars on hire carried on by the assessee.

Explanation.—Where any question arises as to whether all or any of the assets referred to in clause (i), (ii), (iii) or (iv) are held by the assessee as stock-in-trade in a business carried on by it, the question shall be decided in accordance with such directions as the Board may, by general or special order, issue for the guidance of the Assessing Officer, having regard to the ratio which the early turnover of a business of trading in such assets bears to the average of the stocks of such assets held from time to time during the year in such business ordinarily and other relevant factors.”.

88. Amendment of Act 4 of 1988.—In the Direct Tax Laws (Amendment) Act, 1987,—

(a) in section 36, clause (a) shall be omitted ;

(b) in section 37,—

(i) in clause (a), after the words, brackets and figure “in sub-section (1),”, the words, figures and letters “with effect from the 1st day of April, 1988,” shall be inserted ;

(ii) in clause (b), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(c) in section 38, the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(d) section 92 shall be omitted ;

(e) in section 128,—

(i) in clause (i), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(ii) in clause (ii), after the words “shall be inserted”, the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted ;

(iii) in clause (iii), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(iv) in clause (vii), after the words “shall be substituted”, the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted ;

(f) in section 153, clause (a) shall be omitted ;

(g) in section 154,—

(i) in clause (1),—

(A) in sub-clause (b), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(B) in sub-clause (f), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(ii) in clause (2), in sub-clause (b), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(h) in section 155, in clause (a), in sub-clause (ii), the words, figures and letters “with effect from the 1st day of April, 1988” shall be inserted at the end ;

(i) in section 158, after the words "shall be inserted", the words, figures and letters "with effect from the 1st day of April, 1988" shall be inserted ;

(j) in section 162,—

(i) in clause (a), the words, figures and letters "with effect from the 1st day of April, 1988" shall be inserted at the end ;

(ii) in clause (b), after the words "shall be inserted", the words, figures and letters "with effect from the 1st day of April, 1988" shall be inserted ;

(iii) for clause (c), the following clause shall be substituted, namely : —

"(c) (i) clauses (vi), (via), (vii), (xiii), (xv), (xvi) and (xvii) shall be omitted with effect from the 1st day of April, 1988 ;

(ii) clause (xviii) shall be omitted ;"

(iv) in clause (g), after the words "shall be inserted", the words, figures and letters "with effect from the 1st day of April, 1988" shall be inserted ;

(k) in section 182, clause (a) shall be omitted.

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 76, 77, 81, 82 and 83 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

Nil ;

(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 *plus* 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 *plus* 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 *plus* 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, 1988, exceeds Rs. 18,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 12,000

Nil ;

(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 *plus* 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 *plus* 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 *plus* 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 *plus* 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 *plus* 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 *plus* 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

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* 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 *plus* 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 *plus* 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 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 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 crossword 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 ;	

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

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

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

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

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

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

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

(E) on the whole of 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 ;

(i) 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 crossword puzzles 40 per cent. ;

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

	Rate of income-tax
(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 crossword 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. ;
(ii) on income by way of winnings from lotteries and crossword 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 five 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" OR ANY PAYMENT REFERRED TO IN SUB-SECTION (1) OF SECTION 194E 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 (1) of section 194E of the said Act from any payment referred to in the said sub-section (1) 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 167A 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 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

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 D

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 provision 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 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 (1) 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 (1) 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 and 43B 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 (1) 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, 1988, 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, 1980, or 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, 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, 1980, 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, 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,

(ii) 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,

(iii) 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,

(iv) 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,

(v) 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,

(vi) 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,

(vii) 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, and

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

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, 1988.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1989, 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, 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 (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, 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.

(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 entitled 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 (No. 2) Act, 1980 (44 of 1980), or 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), 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.