

# THE FINANCE BILL, 1987

(BILL NO. 14 OF 1987)

*[As introduced in Lok Sabha on 28th February, 1987.]*

*A Bill to give effect to the financial proposals of the Central Government for the financial year 1987-88.*

BE it enacted by Parliament in the Thirty-eighth 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, 1987.

(2) Save as otherwise provided in this Act, sections 2 to 93 shall be deemed to have come into force on the 1st day of April, 1987.

## CHAPTER II

### RATES OF INCOME-TAX

**2. Income-tax.**—(1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1987, income-tax shall be charged at the rates specified in Part I of the First Schedule.

(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.

(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.

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

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule :

Provided that in 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 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.

(6) 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.

(7) 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, 1987, 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,—

(a) in clause (22), with effect from the 1st day of April, 1988,—

(i) in sub-clause (e), for the words "being a person who has a substantial interest in the company", the words and brackets "or to any

concern in which such shareholder is a member or a partner and in which he has a substantial interest (hereafter in this clause referred to as the said concern)" shall be substituted;

(ii) in sub-clause (ii), after the words "a shareholder", the words "or the said concern" shall be inserted;

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

*'Explanation 3.—For the purposes of this clause,—*

(a) "concern" means a Hindu undivided family, or a firm or an association of persons or a body of individuals or a company;

(b) a person shall be deemed to have a substantial interest in a concern, other than a company, if he is, at any time during the previous year, beneficially entitled to not less than twenty per cent. of the income of such concern ;';

(b) in clause (24), after sub-clause (ix), the following sub-clause shall be inserted with effect from the 1st day of April, 1988, namely:—

"(x) any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act, 1948 (34 of 1948), or any other fund for the welfare of such employees ;";

(c) after clause (29), the following clauses shall be inserted with effect from the 1st day of April, 1988, namely:—

*'(29A) "long-term capital asset" means a capital asset which is not a short-term capital asset;*

*(29B) "long-term capital gain" means capital gain arising from the transfer of a long-term capital asset ;';*

(d) after clause (36), the following clause shall be inserted namely:—

*'(36A) "public sector company" means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);';*

(e) in clause (42A), before the *Explanation*, the following proviso shall be inserted with effect from the 1st day of April, 1988, namely:—

*'Provided that in the case of a share held in a company, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twelve months" had been substituted.'*

(f) after clause (42A), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

*'(42B) "short-term capital gain" means capital gain arising from the transfer of a short-term capital asset ;';*

(g) in clause (47) with effect from the 1st day of April, 1988,—

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

(ii) after sub-clause (iv), the following sub-clauses and *Explanation* shall be inserted, namely :—

‘(v) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882); or

(vi) any transaction (whether by way of becoming a member of, or acquiring shares in, a co-operative society, company or other association of persons or by way of any agreement or any arrangement or in any other manner whatsoever) which has the effect of transferring, or enabling the enjoyment of, any immovable property.

*Explanation.*—For the purposes of sub-clauses (v) and (vi), “immovable property” shall have the same meaning as in clause (d) of section 269UA;’.

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

(a) after clause (10B), the following clause shall be inserted, namely :—

“(10C) any payment received by an employee of a public sector company at the time of his voluntary retirement in accordance with any scheme which the Central Government may, having regard to the economic viability of such company and other relevant circumstances, approve in this behalf;”;

(b) in clause (15),—

(i) in sub-clause (ii),—

(A) in the opening paragraph, for the words, brackets and figures “the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959”, the words and figures “the Post Office Cumulative Time Deposit Rules, 1981” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1983;

(B) in the proviso, for the words, brackets and figures “in item (3) in the Table below rule 3 of the Post Office Savings Banks Rules, 1965”, the words and figures “in item 6 in the Table below rule 4 of the Post Office Savings Account Rules, 1981” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1983;

(ii) in sub-clause (iv), after item (g) and the *Explanation* thereto, the following item shall be inserted, namely :—

“(h) by any public sector company in respect of such bonds or debentures and subject to such conditions, including the condition that the holder of such bonds or debentures registers his name and the holding with that company, as the Central Government may, by notification in the Official Gazette, specify in this behalf;”;

(c) in clause (17),—

(i) in sub-clause (i), the word “and” shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1986;

(ii) for sub-clause (ii), the following sub-clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1986, namely :—

“(ii) any allowance received by any person by reason of his membership of Parliament under the Members of Parliament (Constituency Allowance) Rules, 1986 ;

(iii) all other allowances not exceeding six hundred rupees per month in the aggregate received by any person by reason of his membership of any State Legislature or of any Committee thereof, 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, in the *Explanation* occurring at the end, after clause (ii), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1981, namely :—

“(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.’

**6. Amendment of section 27.**—In section 27 of the Income-tax Act, for clause (iii), the following clauses shall be substituted with effect from the 1st day of April, 1988, namely :—

“(iii) a member of a co-operative society, company or other association of persons to whom a building or part thereof is allotted or leased under a house building scheme of the society, company or association, as the case may be, shall be deemed to be the owner of that building or part thereof ;

(iiia) a person who is allowed to take or retain possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882), shall be deemed to be the owner of that building or part thereof ;

(iiib) a person who acquires any rights (excluding any rights by way of a lease from month to month or for a period not exceeding one year) in or with respect to any building or part thereof, by virtue of any such transaction as is referred to in clause (f) of section 269UA, shall be deemed to be the owner of that building or part thereof ;”.

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

(a) in sub-section (1)—

(i) for the words “deduction of”, the words, brackets and figures “deduction (such deduction being allowed before the loss, if any, brought forward from earlier years is set off under section 72) of” shall be substituted ;

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

" Provided that where such assessee is a firm, or any association of persons or any body of individuals, the deduction under this section shall not be allowed in the computation of the income of any partner, or as the case may be, any member of such firm, association of persons or body of individuals." ;

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

' (ii) ' new ship " or " new aircraft " includes a ship or aircraft which before the date of acquisition by the assessee was used by any other person, if it was not at any time previous to the date of such acquisition owned by any person resident in India ;

(iii) " new machinery or plant " includes machinery or plant which before its installation by the assessee was used outside India by any other person, if the following conditions are fulfilled, namely :—

(a) such machinery or plant was not, at any time previous to the date of such installation by the assessee, used in India ;

(b) such machinery or plant is imported into India from any country outside India ; and

(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee ;

(iv) " Tea Board " means the Tea Board established under section 4 of the Tea Act, 1953 (29 of 1953) ; ;

(c) in sub-section (3), in clause (a), for the words " as increased by an amount equal to the depreciation, if any, debited in the audited profit and loss account ; and ", the following shall be substituted, namely :—

" as increased by the aggregate of—

(i) the amount of depreciation ;

(ii) the amount of income-tax paid or payable, and provision therefor ;

(iii) the amount of surtax paid or payable under the Companies (Profits) Surtax Act, 1964 (7 of 1964) ;

(iv) the amounts carried to any reserves, by whatever name called ;

(v) the amount or amounts set aside to provisions made for meeting liabilities, contingencies or commitments ;

(vi) the amount by way of provision for losses of subsidiary companies ; and

(vii) the amount or amounts of dividends paid or proposed,

if any debited to the profit and loss account ; and as reduced by any amount or amounts withdrawn from reserves or provisions, if such amounts are credited to the profit and loss account ; and " ;

(d) after sub-section (5), the following sub-sections shall be inserted, namely :—



‘(5A) Any amount standing to the credit of the assessee in the deposit account shall not be allowed to be withdrawn before the expiry of a period of five years from the date of deposit except for the purposes specified in the scheme and in the circumstances specified below :—

- (a) closure of business ;
- (b) death of an assessee ;
- (c) partition of a Hindu undivided family ;
- (d) dissolution of a firm ;
- (e) liquidation of a company.

(5B) Where any amount standing to the credit of the assessee in the deposit account is utilised by the assessee for the purposes of any expenditure in connection with the eligible business or profession in accordance with the scheme, such expenditure shall not be allowed in computing the income chargeable under the head “ Profits and gains of business or profession ”. ’ ;

(e) in sub-section (6),—

(i) for the words “ is not utilised in accordance with the scheme ”, the words “ is not utilised in accordance with, and within the time specified in, the scheme ” shall be substituted ;

(ii) the words “ within that previous year, ” shall be omitted.

**8. Amendment of section 33AB.**—In section 33AB of the Income-tax Act, in sub-section (5), for the words, figures and letters “ assessment year commencing on the 1st day of April, 1986, and the four assessment years next following that assessment year ”, the words, figures and letters “ assessment years commencing on the 1st day of April, 1986, and the 1st day of April, 1987 ” shall be substituted with effect from the 1st day of April, 1988.

**9. Amendment of section 36.**—In section 36 of the Income-tax Act, in sub-section (1), after clause (v), the following clause shall be inserted with effect from the 1st day of April, 1988, namely :—

‘(va) any sum received by the assessee from any of his employees to which the provisions of sub-clause (x) of clause (24) of section 2 apply, if such sum is credited by the assessee to the employee’s account in the relevant fund or funds on or before the due date.

*Explanation.*—For the purposes of this clause, “ due date ” means the date by which the assessee is required as an employer to credit an employee’s contribution to the employee’s account in the relevant fund under any Act, rule, order or notification issued thereunder or under any standing order, award, contract of service or otherwise.’.

**10. Amendment of section 43B.**—In section 43B of the Income-tax Act, before the *Explanation*, the following provisos shall be inserted with effect from the 1st day of April, 1988, namely :—

“ Provided that nothing contained in this section shall apply in relation to any sum referred to in clause (a) which is actually paid by the assessee on or before the due date applicable in his case for furnishing

the return of income under sub-section (1) of section 139 in respect of the previous year in which the liability to pay such sum was incurred as aforesaid and the evidence of such payment is furnished by the assessee along with such return :

Provided further that no deduction shall, in respect of any sum referred to in clause (b), be allowed unless such sum has actually been paid during the previous year on or before the due date as defined in the *Explanation* below clause (va) of sub-section (1) of section 36.”.

**11. Insertion of new section 44BB.**—In the Income-tax Act, after section 44B, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1983, namely:—

‘44BB. *Special provision for computing profits and gains in connection with the business of exploration, etc., of mineral oils.*—(1) Notwithstanding anything to the contrary contained in sections 28 to 41 and sections 43 and 43A, in the case of an assessee engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils, a sum equal to ten per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession” :

Provided that this sub-section shall not apply in a case where the provisions of section 42 or section 44D or section 115A or section 293A apply for the purposes of computing profits or gains or any other income referred to in those sections.

(2) The amounts referred to in sub-section (1) shall be the following, namely:—

(a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used or to be used in the prospecting for, or extraction or production of, mineral oils in India; and

(b) the amount received or deemed to be received in India by or on behalf of the assessee on account of the provision of services and facilities in connection with, or supply of plant and machinery on hire used or to be used in the prospecting for, or extraction or production of, mineral oils outside India.

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

(i) “plant” includes ships, aircraft, vehicles, drilling units, scientific apparatus and equipment, used for the purposes of the said business;

(ii) “mineral oil” includes petroleum and natural gas.’.

**12. Insertion of new section 44BBA.**—In the Income-tax Act, after section 44BB (as directed to be inserted by section 11), the following section shall be inserted with effect from the 1st day of April, 1988, namely:—

‘44BBA. *Special provision for computing profits and gains of the business of operation of aircraft in the case of non-residents.*—(1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of aircraft, a sum equal to five per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession”.

(2) The amounts referred to in sub-section (1) shall be the following, namely :—

(a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, live-stock, mail or goods from any place in India ; and

(b) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, live-stock, mail or goods from any place outside India.’

**13. Amendment of section 45.**—In section 45 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), for the figures, letters and word “54E and 54F”, the figures, letters and word “54E, 54F, 54G and 54H” shall be substituted ;

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

‘(3) The profits or gains arising from the transfer of a capital asset by a person to a firm or other association of persons or body of individuals (not being a company or a co-operative society) in which he is or becomes a partner or member, by way of capital contribution or otherwise, shall be chargeable to tax as his income of the previous year in which such transfer takes place and, for the purposes of section 48, the amount recorded in the books of account of the firm, association or body as the value of the capital asset shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

(4) The profits or gains arising from the transfer of a capital asset by way of distribution of capital assets on the dissolution of a firm or other association of persons or body of individuals (not being a company or a co-operative society) or otherwise, shall be chargeable to tax as the income of the firm, association or body, of the previous year in which the said transfer takes place and, for the purposes of section 48, the fair market value of the asset on the date of such transfer shall be deemed to be the full value of the consideration received or accruing as a result of the transfer.

(5) Notwithstanding anything contained in sub-section (1), where the capital gain arises from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, and the compensation or the consideration for such transfer is enhanced or further enhanced by any court, tribunal or

other authority, the capital gain shall be dealt with in the following manner, namely :—

(a) the capital gain computed with reference to the compensation awarded in the first instance or, as the case may be, the consideration determined or approved in the first instance by the Central Government or the Reserve Bank of India shall be chargeable as income under the head "Capital gains" of the previous year in which the transfer took place ; and

(b) the amount by which the compensation or consideration is enhanced or further enhanced by the court, tribunal or other authority shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such amount is received by the assessee.

*Explanation.*—For the purposes of this sub-section,—

(i) in relation to the amount referred to in clause (b), the cost of acquisition and the cost of improvement shall be taken to be *nil* ;

(ii) the provisions of this sub-section shall apply also in a case where the transfer took place prior to the 1st day of April, 1988 ;

(iii) where by reason of the death of the person who made the transfer, or for any other reason, the enhanced compensation or consideration is received by any other person, the amount referred to in clause (b) shall be deemed to be the income, chargeable to tax under the head "Capital gains", of such other person. '

**14. Amendment of section 47.**—In section 47 of the Income-tax Act, clause (ii) shall be omitted with effect from the 1st day of April, 1988.

**15. Substitution of new section for section 48.**—For section 48 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely :—

' 48. *Mode of computation and deductions.*—(1) The income chargeable under the head "Capital gains" shall be computed,—

(a) by deducting from the full value of the consideration received or accruing as a result of the transfer of the capital asset the following amounts, namely :—

(i) expenditure incurred wholly and exclusively in connection with such transfer ;

(ii) the cost of acquisition of the asset and the cost of any improvement thereto ;

(b) where the capital gain arises from the transfer of a long-term capital asset (hereafter in this section referred to, respectively, as long-term capital gain and long-term capital asset) by making the further deductions specified in sub-section (2).

(2) The deductions referred to in clause (b) of sub-section (1) are the following, namely :—

(a) where the amount of long-term capital gain arrived at after making the deductions under clause (a) of sub-section (1) does not exceed ten thousand rupees, the whole of such amount ;

(b) in any other case, ten thousand rupees as increased by a sum equal to,—

(i) in respect of long-term capital gain so arrived at relating to capital assets, being buildings or lands or any rights in buildings or lands or gold, bullion or jewellery,—

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

(B) in the case of any other assessee, fifty per cent. of the amount of such gain in excess of ten thousand rupees ;

(ii) in respect of long-term capital gain so arrived at relating to other capital assets,—

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

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

Provided that where the long-term capital gain relates to both categories of capital assets referred to in sub-clauses (i) and (ii), the deduction of ten thousand rupees shall be allowed in the following order, namely :—

(1) the deduction shall first be allowed against long-term capital gain relating to the assets mentioned in sub-clause (i) ;

(2) thereafter, the balance, if any, of the said ten thousand rupees shall be allowed as deduction against long-term capital gain relating to the assets mentioned in sub-clause (ii),

and the provisions of sub-clause (ii) shall apply as if references to ten thousand rupees therein were references to the amount of deduction allowed in accordance with clauses (1) and (2) of this proviso :

Provided further that, in relation to the amount referred to in clause (b) of sub-section (5) of section 45, the initial deduction of ten thousand rupees under clause (a) of this sub-section shall be reduced by the deduction already allowed under clause (a) of section 80T in the assessment for the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year or, as the case may be, by the deduction allowed under clause (a) of this sub-section in relation to the amount of compensation or consideration referred to in clause (a) of sub-section (5) of section 45 and references to ten thousand rupees in clauses (a) and (b) of this sub-section shall be construed as references to such reduced amount, if any.

(3) The deductions specified in sub-section (2) shall be made also for the purposes of computing any loss under the head " Capital gains " in so far as it pertains to any long-term capital asset and, for this purpose, any reference in that sub-section to the amount of long-term capital gain arrived at after making the deductions under clause (a) of sub-section (1) shall be construed as reference to the amount of loss arrived at after making the said deductions.'

**16. Amendment of section 49.**—In section 49 of the Income-tax Act, in sub-section (1), in clause (iii), for sub-clause (b), the following sub-clause shall be substituted with effect from the 1st day of April, 1988, namely :—

“(b) on any distribution of assets on the dissolution of a firm, body of individuals, or other association of persons, where such dissolution had taken place at any time before the 1st day of April, 1987, or”.

**17. Omission of section 52.**—Section 52 of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**18. Amendment of section 53.**—In section 53 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in the opening paragraph,—

(i) after the words “assessee being an individual”, the words “or a Hindu undivided family” shall be inserted;

(ii) for the words and brackets “capital asset (other than a short-term capital asset)”, the words “long-term capital asset” shall be substituted;

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

“*Explanation.*—In this section and in sections 54, 54B, 54D, 54E, 54F, 54G and 54H, references to capital gain shall be construed as references to the amount of capital gain as computed under clause (a) of sub-section (1) of section 48.”.

**19. Amendment of section 54.**—In section 54 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1),—

(i) for the words “Where in the case of an assessee being an individual”, the words, brackets and figure “Subject to the provisions of sub-section (2), where, in the case of an assessee being an individual or a Hindu undivided family” shall be substituted;

(ii) the *Explanation* at the end shall be omitted;

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

“(2) The amount of the capital gain which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires ; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then,—

(a) for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible ; and

(b) nothing contained in section 53 shall apply in relation to such amount. ”.

**20. Amendment of section 54B.**—In section 54B of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), for the words “ Where the capital gain arises ”, the words, brackets and figure “ Subject to the provisions of sub-section (2), where the capital gain arises ” shall be substituted ;

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

“(2) The amount of the capital gain which is not utilised by the assessee for the purchase of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit ; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset :

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase of the new asset within the period specified in sub-section (1), then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of two years from the date of the transfer of the original asset expires ; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible. ”.

**21. Amendment of section 54D.**—In section 54D of the Income-tax Act, with effect from the 1st day of April, 1988, —

(a) in sub-section (1), for the words “ Where the capital gain arises ”, the words, brackets and figure “ Subject to the provisions of sub-section (2), where the capital gain arises ” shall be substituted ;

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

“(2) The amount of the capital gain which is not utilised by the assessee for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return, [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit ; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset :

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires ; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.”

**22. Amendment of section 54E.**—In section 54E of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), for the words “ capital asset, not being a short-term capital asset ”, the words “ long-term capital asset ” shall be substituted ;

(b) in sub-section (2), for the words “ capital assets other than short-term capital assets ”, the words “ long-term capital assets ” shall be substituted ;

(c) sub-sections (3), (4) and (5) shall be omitted ;

(d) sub-section (6) shall be renumbered as sub-section (3), and in that sub-section as so renumbered, the words, brackets, letters and figure “ or clause (a) or clause (b) of sub-section (3) ” shall be omitted.



**23. Amendment of section 54F.**—In section 54F of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1),—

(i) for the words “Where, in the case of an assessee being an individual”, the words, brackets and figure “Subject to the provisions of sub-section (4), where, in the case of an assessee being an individual or a Hindu undivided family” shall be substituted;

(ii) after the words “period of one year before or”, the words “two years” shall be inserted;

(iii) in the *Explanation*,—

(A) clause (i) shall be omitted;

(B) in clause (ii), the brackets and figures “(ii)” shall be omitted;

(b) in sub-section (2) for the words “one year”, the words “two years” shall be substituted;

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

“(4) The amount of the net consideration which is not appropriated by the assessee towards the purchase of the new asset made within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for the purchase or construction of the new asset before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for the purchase or construction of the new asset together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(i) the amount by which—

(a) the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of the new asset as provided in clause (a) or, as the case may be, clause (b) of sub-section (1),

exceeds

(b) the amount that would not have been so charged had the amount actually utilised by the assessee for the purchase or construction of the new asset within the period specified in sub-section (1) been the cost of the new asset.

shall be charged under section 45 as income of the previous year in which the period of three years from the date of the transfer of the original asset expires ; and

(ii) the assessee shall be entitled to withdraw the unutilised amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with sub-section (2) or sub-section (3) or the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible. ”.

**24. Insertion of new sections 54G and 54H.**—After section 54F of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of April, 1988, namely :—

‘ **54G. Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area.**—(1) Subject to the provisions of sub-section (2), where the capital gain arises from the transfer of a long-term capital asset, being machinery or plant or building or land or any rights in building or land used for the purposes of the business of an industrial undertaking situate in an urban area, effected in the course of, or in consequence of, the shifting of such industrial undertaking (hereafter in this section referred to as the original asset) to any area (other than an urban area) and the assessee has within a period of one year before or three years after the date on which the transfer took place,—

(a) purchased new machinery or plant for the purposes of business of the industrial undertaking in the area to which the said undertaking is shifted ;

(b) acquired building or land or constructed building for the purposes of his business in the said area ;

(c) shifted the original asset and transferred the establishment of such undertaking to such area ; and

(d) incurred expenses on such other purpose as may be specified in a scheme framed by the Central Government for the purposes of this section,

then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(i) if the amount of the capital gain is greater than the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) (such cost and expenses being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year ; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be *nil* ; or

(ii) if the amount of the capital gain is equal to, or less than, the cost of the new asset, the capital gain shall not be charged under section 45 ; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be reduced by the amount of the capital gain.

*Explanation.*—In this sub-section, “urban area” means any such area within the limits of a municipal corporation or municipality as the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this sub-section.

(2) The amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification in the Official Gazette, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for all or any of the purposes aforesaid together with the amount so deposited shall be deemed to be the cost of the new asset :

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within the period specified in that sub-section, then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires ; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.

*Explanation.*—Where any amount becomes chargeable under section 45 in accordance with the proviso to this sub-section, then, for the purposes of the deductions to be made under clause (b) of sub-section (1) of section 48, the initial deduction of ten thousand rupees under sub-section (2) of that section shall not be admissible.

54H. *Exemption of capital gains on transfer of shares to public sector companies.*—The capital gains arising from the transfer of a capital asset, being shares in a company, to any such public sector company, as the Central Government may, by notification in the Official Gazette, specify, shall be exempt from the tax chargeable under section 45.’.

**25. Amendment of section 55.**—In section 55 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1), in clause (b), for the words, ‘ “ cost of any improvement ”, in relation to a capital asset,—’, the following shall be substituted, namely :—

“ cost of any improvement ”,—

(1) in relation to a capital asset being goodwill of a business shall be taken to be *nil*; and

(2) in relation to any other capital asset,—’;

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

‘ For the purposes of sections 48 and 49, “ cost of acquisition ”,—

(a) in relation to a capital asset, being goodwill of a business,—

(i) in the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and

(ii) in any other case, shall be taken to be *nil*;

(b) in relation to any other capital asset,—’.

**26. Amendment of section 56.**—In section 56 of the Income-tax Act, in sub-section (2), after clause (ib), the following clause shall be inserted with effect from the 1st day of April, 1988, namely :—

‘ (ic) income referred to in sub-clause (x) of clause (24) of section 2, if such income is not chargeable to income-tax under the head “ Profits and gains of business or profession ”;’.

**27. Amendment of section 57.**—In section 57 of the Income-tax Act, after clause (i), the following clause shall be inserted, with effect from the 1st day of April, 1988, namely :—

‘ (ia) in the case of income of the nature referred to in sub-clause (x) of clause (24) of section 2 which is chargeable to income-tax under the head “ Income from other sources ”, deductions, so far as may be, in accordance with the provisions of clause (va) of sub-section (1) of section 36;’.

**28. Amendment of section 70.**—In section 70 of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (1),—

(i) the brackets and figure “ (1) ” shall be omitted;

(ii) the words ‘ other than “ Capital gains ” ’ shall be omitted;

(b) sub-section (2) shall be omitted.

**29. Substitution of new section for section 71.**—For section 71 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely :—

“ 71. *Set off of loss from one head against income from another.*—Where in respect of any assessment year, the net result of the computation under any head of income is a loss, the assessee shall, subject to the provisions of this Chapter, be entitled to have the amount of such loss set off against

his income, if any, assessable for that assessment year under any other head.”.

**30. Amendment of section 72.**—In section 72 of the Income-tax Act, in sub-section (1), the portion beginning with the words “ where the assessee ” and ending with the words “ of that section or ” shall be omitted with effect from the 1st day of April, 1988.

**31. Substitution of new section for section 74.**—For section 74 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1988, namely :—

‘ 74. *Losses under the head “ Capital gains ”.*—(1) Where in respect of any assessment year, the net result of the computation under the head “ Capital gains ” is a loss to the assessee and such loss cannot be or is not wholly set off against income under any other head of income in accordance with the provisions of section 71, so much of the loss as has not been so set off or, where he has no income under any other head, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year, and—

(a) it shall be set off against income, if any, under the head “ Capital gains ” assessable for that assessment year ; and

(b) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following assessment year, and so on.

(2) No loss shall be carried forward under this section for more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.

(3) Any loss computed under the head “ Capital gains ” in respect of the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year which is carried forward in accordance with the provisions of this section as it stood before the 1st day of April, 1988, shall be dealt with in the assessment year commencing on the 1st day of April, 1988, or any subsequent assessment year as follows :—

(a) in so far as such loss relates to short-term capital assets, it shall be carried forward and set off in accordance with the provisions of sub-sections (1) and (2) ;

(b) in so far as such loss relates to long-term capital assets, it shall be reduced by the deductions specified in sub-section (2) of section 48 and the reduced amount shall be carried forward and set off in accordance with the provisions of sub-section (1) but such carry forward shall not be allowed beyond the fourth assessment year immediately succeeding the assessment year for which the loss was first computed.’.

**32. Amendment of section 80C.**—In section 80C of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in sub-section (2), for clause (h), the following clause shall be substituted, namely :—

‘(h) where the assessee is an individual or a Hindu undivided family or where the assessee is 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 Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, any sums paid in the previous year by such assessee out of his or its income chargeable to tax,—

(i) as subscription to any such security of the Central Government as that Government may, by notification in the Official Gazette, specify in this behalf ; or

(ii) for the purposes of purchase or construction of a residential house property the construction of which is completed after the 31st day of March, 1987, and the income from which is chargeable to tax under the head “ Income from house property ” (or which would, if it had not been used for the assessee’s own residence, have been chargeable to tax under that head), where such payments are made towards or by way of—

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

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

(c) re-payment of the amount borrowed by the assessee from—

(1) the Central Government or any State Government, or

(2) any bank, including a co-operative bank, or

(3) the Life Insurance Corporation, or

(4) any public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes which is approved for the purposes of clause (viii) of sub-section (1) of section 36, or

(5) any company in which the public are substantially interested or any co-operative society, where such company or co-operative society is engaged in the business of financing the construction of houses, or

(6) the assessee’s employer where such employer is a public company ;

(d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee,

but shall not include any payment towards or by way of—

(A) the admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member ; or

(B) the cost of the land, except where the consideration for the purchase of the house property is a composite amount and the cost of the land alone cannot be separately ascertained ; or

(C) the cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out ; or

(D) any expenditure in respect of which deduction is allowable under the provisions of section 24 ; ;

(b) in sub-section (4), in clause (ii), for the words, brackets, letter and figure “ referred to in clause (g) of sub-section (2) ”, the words, brackets, letters and figure “ referred to in clause (g) or clause (h) of sub-section (2) ” shall be substituted ;

(c) after sub-section (6) and the *Explanations* below that sub-section, the following sub-sections shall be inserted, namely :—

‘ (7) In the case of an assessee referred to in clause (h) of sub-section (2),—

(a) where any sums specified in sub-clause (ii) of that clause, with reference to which the deduction under sub-section (1) has been allowed are refunded to or received back by the assessee in any previous year (hereinafter referred to as the relevant previous year), then,—

(i) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums specified in that sub-clause, paid in the relevant previous year ; and

(ii) the aggregate amount of the deductions so allowed in respect of the previous year or previous years preceding the relevant previous year shall be deemed to be the income of the assessee of the relevant previous year and shall be chargeable to tax under the head “ Income from other sources ” ;

(b) where the house property referred to in sub-clause (ii) of that clause is transferred by the assessee before the expiry of five years from the end of the financial year in which possession of such property is obtained by him, then,—

(i) no deduction shall be allowed to the assessee under sub-section (1) with reference to any of the sums specified in that sub-clause, paid in the previous year in which the transfer is so made ; and

(ii) the aggregate amount of the deductions allowed under sub-section (1) with reference to the sums specified in that sub-clause in respect of the previous year or previous years preceding the previous year referred to in sub-clause (i) of this clause shall be deemed to be the income of the assessee of the previous year in which the transfer is made and shall be chargeable to tax under the head “ Income from other sources ” ;

(c) where the aggregate of any sums specified in sub-clause (ii) of that clause exceeds an amount of ten thousand rupees, a deduction under

sub-section (1) shall be allowed with reference to so much of the aggregate as does not exceed an amount of ten thousand rupees.

(8) In this section,—

(a) “Life Insurance Corporation” means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956);

(b) “public company” shall have the same meaning as in section 3 of the Companies Act, 1956 (1 of 1956);

(c) “transfer” shall be deemed to include also the transactions referred to in clause (f) of section 269UA.’.

**33. Amendment of section 80CC.**—In section 80CC of the Income-tax Act,—

(a) in sub-section (3), in clause (c), for the words, figures and letters “the 1st day of April, 1987” the words, figures and letters “the 1st day of April, 1990” shall be substituted;

(b) in sub-section (5), for the words “five years”, the words “three years” shall be substituted.

**34. Insertion of new section 80CCA.**—In the Income-tax Act, after section 80CC, the following section shall be inserted with effect from the 1st day of April, 1988, namely:—

“80CCA. *Deduction in respect of deposits under National Savings Scheme.*—(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 Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu,

has in the previous year deposited out of his income chargeable to tax 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), 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 an amount equal to fifty per cent. of so much of the deposits (excluding interest accrued and credited to the assessee’s account) as do not exceed the amount of twenty thousand rupees in the previous year.

(2) Where any amount 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 in part in any previous year, an amount equal to fifty per cent. of the amount so withdrawn shall be deemed to be the income of the assessee of that previous year in which such withdrawal is made and shall, accordingly, be chargeable to tax as the income of that previous year.

*Explanation.*—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).”.

**35. Amendment of section 80G.**—In section 80G of the Income-tax Act, in sub-section (5), in clause (i), for the words, brackets, figures and letter “or clause (23C)”, the words, brackets, figures and letters “or clause (23A) or clause (23C)” shall be substituted with effect from the 1st day of April, 1988.

**36. Amendment of section 80-O.**—In section 80-O of the Income-tax Act, with effect from the 1st day of April, 1988,—

(a) in the opening paragraph,—

(i) the portion beginning with the words “or having been received in convertible foreign exchange outside India” and ending with the words “and dealings in foreign exchange,” shall be omitted;

(ii) for the words “so received in, or brought into, India”, the words “so received in India” shall be substituted;

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

“Provided also that such income is received in India within a period of six months from the end of the previous year, or where the Commissioner is satisfied (for reasons to be recorded in writing) that the assessee is, for reasons beyond his control, unable to do so within the said period of six months, within such further period as the Commissioner may allow in this behalf.”;

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

“(ii) “foreign enterprise” means a person who is a non-resident.”.

**37. Amendment of section 80RRA.**—In section 80RRA of the Income-tax Act, in sub-section (1), for the words “of an amount equal to fifty per cent. thereof”, the following shall be substituted with effect from the 1st day of April, 1988, namely:—

“of an amount equal to,—

(i) fifty per cent. of the remuneration; or

(ii) seventy-five per cent. of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made thereunder,

whichever is higher”.

**38. Omission of section 80T**—Section 80T of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**39. Amendment of section 80U.**—In section 80U of the Income-tax Act, in sub-section (1), for the words “ten thousand rupees”, the words “fifteen thousand rupees” shall be substituted with effect from the 1st day of April, 1988.

**40. Omission of Chapter VIB.**—Chapter VIB of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**41. Omission of Chapter XI.**—Chapter XI of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**42. Omission of section 115.**—Section 115 of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**43. Insertion of new Chapter XIIB.**—In the Income-tax Act, after Chapter XI A, the following Chapter shall be inserted with effect from the 1st day of April, 1988, namely:—

## ‘CHAPTER XIIB

### SPECIAL PROVISIONS RELATING TO CERTAIN COMPANIES

**115J. *Special provisions relating to certain companies.***—(1) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee being a company, the total income, as computed under this Act in respect of any previous year relevant to the assessment year commencing on or after the 1st day of April, 1988 (hereafter in this section referred to as the relevant previous year), is less than thirty per cent. of its book profit, the total income of such assessee chargeable to tax for the relevant previous year shall be deemed to be an amount equal to thirty per cent. of such book profit.

*Explanation.*—For the purposes of this section, “book profit” means the net profit as shown in the profit and loss account for the relevant previous year prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956 (1 of 1956), as increased by—

(a) the amount of income-tax paid or payable, and the provision therefor; or

(b) the amounts carried to any reserves, by whatever name called; or

(c) the amount or amounts set aside to provisions made for meeting liabilities, contingencies or commitments; or

(d) the amount by way of provision for loss of subsidiary companies; or

(e) the amount or amounts of dividends paid or proposed; or

(f) the amount or amounts of expenditure relatable to any income to which any of the provisions of Chapter III applies,

if any such amount is debited to the profit and loss account, and as reduced by,—

(i) the amount or amounts withdrawn from reserves or provisions; or

(ii) the amount or amounts of income to which any of the provisions of Chapter III applies,

if any such amount is credited to the profit and loss account.

(2) Nothing contained in sub-section (1) shall affect the determination of the amounts in relation to the relevant previous year to be carried forward to the subsequent year or years under the provisions of sub-sec-

tion (2) of section 32 or sub-section (3) of section 32A or clause (ii) of sub-section (1) of section 72 or section 73 or section 74 or sub-section (3) of section 74A or sub-section (3) of section 80J.'

**44. Amendment of section 155.**—In section 155 of the Income-tax Act, sub-section (12) shall be omitted with effect from the 1st day of April, 1988.

**45. Amendment of section 192.**—In section 192 of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

'(2) Where, during the financial year, an assessee is employed simultaneously under more than one employer, or where he has held successively employment under more than one employer, he may furnish to the person responsible for making the payment referred to in sub-section (1) (being one of the said employers as the assessee may, having regard to the circumstances of his case, choose), such details of the income under the head "Salaries" due or received by him from the other employer or employers, the tax deducted at source therefrom and such other particulars, in such form and verified in such manner as may be prescribed, and thereupon the person responsible for making the payment referred to above shall take into account the details so furnished for the purposes of making the deduction under sub-section (1).

(2A) Where the assessee, being a government servant or an employee in a public sector undertaking, is entitled to the relief under sub-section (1) of section 89, he may furnish to the person responsible for making the payment referred to in sub-section (1), such particulars, in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall compute the relief on the basis of such particulars and take it into account in making the deduction under sub-section (1).

(2B) Where an assessee who receives any income chargeable under the head "Salaries" has, in addition, any income chargeable under any other head of income (not being a loss under any such head) for the same financial year, he may send to the person responsible for making the payment referred to in sub-section (1) the particulars of such other income and of any tax deducted thereon under any other provision of this Chapter, in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall take such other income and the tax, if any, deducted thereon also into account for the purposes of making the deduction under sub-section (1) :

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible from the income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.'

(b) in sub-section (3), after the words, brackets and figure "in sub-section (1)", the words, brackets, figures and letters "or sub-section (2) or sub-section (2A) or sub-section (2B)" shall be inserted.

**46. Amendment of section 194.**—In section 194 of the Income-tax Act, in the first proviso, in clause (b), for the words “one thousand rupees”, the words “two thousand five hundred rupees” shall be substituted with effect from the 1st day of June, 1987.

**47. Amendment of section 194A.**—In section 194A of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

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

(b) in sub-section (3), in clause (i), for the words “one thousand rupees”, the words “two thousand five hundred rupees” shall be substituted.

**48. Amendment of section 194D.**—In section 194D of the Income-tax Act, after the proviso, the following proviso shall be inserted with effect from the 1st day of June, 1987, namely :—

“Provided further that no deduction shall be made under this section in a case where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, does not exceed five thousand rupees.”

**49. Insertion of new section 194E.**—After section 194D of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely :—

‘194E. *Other incomes.*—(1) Any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of—

(a) fees for professional services, or

(b) royalty, or

(c) fees for technical services, or

(d) rent, or

(e) commission (not being insurance commission referred to in section 194D) or brokerage, or

(f) payments for goods supplied to Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company,

shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force :

Provided that no deduction shall be made under this section—

(A) from any payments made as aforesaid before the 1st day of June, 1987 ; or

(B) where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person referred to in this sub-section to the account of, or to, the payee, does not exceed—

(i) five thousand rupees, in the case of fees for professional services referred to in clause (a) ; or

(ii) five thousand rupees, in the case of royalty or fees for technical services referred to, respectively, in clause (b) and clause (c) ; or

(iii) thirty-six thousand rupees, in the case of rent referred to in clause (d) ; or

(iv) five thousand rupees, in the case of commission or brokerage referred to in clause (e) ; or

(v) one hundred thousand rupees, in the case of payment for goods referred to in clause (f).

(2) In this section,—

(a) “ professional services ” means services rendered by a person in the course of carrying on a legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or such other profession as is notified by the Board for the purposes of section 44AA ;

(b) “ royalty ” shall have the same meaning as in *Explanation 2* below clause (vi) of sub-section (1) of section 9 ;

(c) “ fees for technical services ” shall have the same meaning as in *Explanation 2* below clause (vii) of sub-section (1) of section 9 ;

(d) “ rent ” means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or any building (including factory building), together with furniture, fittings and the land appurtenant thereto, whether or not such building is owned by the payee, and which is chargeable to income-tax as the income of the payee under the head “ Income from house property ” or “ Income from other sources ” ;

(e) “ commission or brokerage ” includes any payment received or receivable, directly or indirectly, by a person acting on behalf of another person for services rendered (not being professional services) or for any services in the course of buying or selling of goods or in the course of any transaction relating to any asset, valuable article or thing.

*Explanation.*—For the purposes of this section, where any income as aforesaid 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.’

**50. Amendment of section 195.**—In section 195 of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

‘(1) Any person responsible for paying to a non-resident, not being a company, or to a foreign company, any interest (not being interest on securities) or any other sum chargeable under the provisions of this Act (not being income chargeable under the head “Salaries” or dividends) shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force.

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

(b) in sub-section (2),—

(i) for the words “by general or special order”, the words “in the prescribed manner” shall be substituted ;

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

“Provided that this sub-section shall not apply to any payment to a foreign company by way of interest referred to in clause (v), or royalty referred to in clause (vi), or fees for technical services referred to in clause (vii), of sub-section (1) of section 9.”.

**51. Insertion of new section 195A.**—After section 195 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely :—

“195A. *Income payable ‘net of tax’.*—Where, under an agreement or other arrangement, the tax chargeable on any income referred to in the foregoing provisions of this Chapter is to be borne by the person by whom the income is payable, then, for the purposes of deduction of tax under those provisions, such income shall be increased to such amount as would, after deduction of tax thereon at the rates in force for the financial year in which such income is payable, be equal to the net amount payable under such agreement or arrangement.”.

**52. Amendment of section 197.**—In section 197 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) in sub-section (1),—

(i) for the words “Where, in the case of any income of any person other than a company”, the words, brackets, figure and letter “Subject to rules made under sub-section (2A), where, in the case of any income of any person other than a company” shall be substituted ;

(ii) in clause (a), for the figures and letter “194D”, the figures and letters “194D, 194E” shall be substituted ;

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

“(2A) The Board may, having regard to the convenience of assesseees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (1) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.”.

**53. Amendment of sections 198, 200, 203, 204 and 205.**—In sections 198, 200, 203, 204 and 205 of the Income-tax Act, after the figures and letter “194D”, the word, figures and letter “, section 194E” shall be inserted with effect from the 1st day of June, 1987.

**54. Amendment of section 199.**—In section 199 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) after the figures and letter “194D”, the word, figures and letter “, section 194E” shall be inserted;

(b) for the words “made for the immediately following assessment year under this Act”, the words “made under this Act for the assessment year for which such income is assessable” shall be substituted.

**55. Amendment of section 202.**—In section 202 of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) for the words “levy tax”, the words “recover tax” shall be substituted;

(b) after the figures and letter “194D”, the word, figures and letter “, section 194E” shall be inserted.

**56. Amendment of section 203.**—In section 203 of the Income-tax Act, for the portion beginning with the words “shall, at the time of credit” and ending with the words “dividend to a shareholder”, the following shall be substituted with effect from the 1st day of June, 1987, namely:—

“shall, within such period as may be prescribed from the time of credit or payment of the sum, or, as the case may be, from the time of issue of a cheque or warrant for payment of any dividend to a shareholder”.

**57. Insertion of new section 203A.**—In the Income-tax Act, after section 203, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

“203A. *Tax deduction account number.*—(1) Every person deducting tax in accordance with the provisions of sections 192 to 194, section 194A, section 194B, section 194BB, section 194C, section 194D, section 194E and section 195, if he has not been allotted any tax-deduction account number, shall within such time as may be prescribed, apply to the Income-tax Officer for the allotment of a tax-deduction account number.

(2) Where a tax deduction account number has been allotted to a person, such person shall quote such number,—

(a) in all challans for the payment of any sum in accordance with the provisions of section 200;

(b) in all certificates issued in accordance with the provisions of section 203 ;

(c) in all the returns delivered in accordance with the provisions of sections 206, 206A and 206B to any income-tax authority ; and

(d) in all other documents pertaining to such transactions as may be prescribed in the interests of revenue.”.

**58. Substitution of new section for section 206.**—For section 206 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely :—

“206. *Persons deducting tax to furnish prescribed returns.*—The prescribed person in the case of every office of Government, the principal officer in the case of every company, the prescribed person in the case of every local authority or other public body or association, every private employer and every other person responsible for deducting tax under the foregoing provisions of this Chapter shall prepare, within the prescribed time after the end of each financial year, and deliver or cause to be delivered to the prescribed income-tax authority, such returns in such form and verified in such manner and setting forth such particulars as may be prescribed.”.

**59. Substitution of new section for section 245A.**—For section 245A of the Income-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely :—

‘245A. *Definitions.*—In this Chapter, unless the context otherwise requires,—

(a) “Bench ” means a Bench of the Settlement Commission ;

(b) “case ” means any proceeding under this Act for the assessment or reassessment of any person in respect of any year or years, or by way of appeal or revision in connection with such assessment or reassessment, which may be pending before an income-tax authority on the date on which an application under sub-section (1) of section 245C is made :

Provided that where any appeal or application for revision has been preferred after the expiry of the period specified for the filing of such appeal or application for revision under this Act and which has not been admitted, such appeal or revision shall not be deemed to be a proceeding pending within the meaning of this clause ;

(c) “Chairman ” means the Chairman of the Settlement Commission ;

(d) “income-tax authority ”, means an income-tax authority specified in section 116 ;

(e) “Member ” means a Member of the Settlement Commission, and includes the Chairman and a Vice-Chairman ;

(f) “Settlement Commission ” means the Income-tax Settlement Commission constituted under section 245B ;

(g) “Vice-Chairman ” means a Vice-Chairman of the Settlement Commission.’.



**60. Amendment of section 245B.**—In section 245B of the Income-tax Act, in sub-section (1), the brackets and words ‘(hereafter in this Chapter referred to as “the Settlement Commission”)’ shall be omitted with effect from the 1st day of June, 1987.

**61. Insertion of new sections 245BA to 245BD.**—After section 245B of the Income-tax Act, the following sections shall be inserted with effect from the 1st day of June, 1987, namely :—

“245BA. *Jurisdiction and powers of Settlement Commission.*—(1) Subject to the other provisions of this Chapter, the jurisdiction, powers and authority of the Settlement Commission may be exercised by Benches thereof.

(2) Subject to the other provisions of this section, a Bench shall be presided over by the Chairman or a Vice-Chairman and shall consist of two other Members.

(3) The Bench for which the Chairman is the Presiding Officer shall be the principal Bench and the other Benches shall be known as additional Benches.

(4) Notwithstanding anything contained in sub-sections (1) and (2), the Chairman may authorise the Vice-Chairman or other Member appointed to one Bench to discharge also the functions of the Vice-Chairman or, as the case may be, other Member of another Bench.

(5) Notwithstanding anything contained in the foregoing provisions of this section and subject to any rules that may be made in this behalf, when one of the persons constituting a Bench (whether such person be the Presiding Officer or other Member of the Bench) is unable to discharge his functions owing to absence, illness or any other cause or in the event of the occurrence of any vacancy either in the office of the Presiding Officer or in the office of one or the other Members of the Bench, the remaining two persons may function as the Bench and if the Presiding Officer of the Bench is not one of the remaining two persons, the senior among the remaining persons shall act as the Presiding Officer of the Bench :

Provided that if at any stage of the hearing of any such case or matter, it appears to the Presiding Officer that the case or matter is of such a nature that it ought to be heard by a Bench consisting of three Members, the case or matter may be referred by the Presiding Officer of such Bench to the Chairman for transfer to such Bench as the Chairman may deem fit.

(6) Subject to the other provisions of this Chapter, the places at which the principal Bench and the additional Benches shall ordinarily sit shall be such as the Central Government may, by notification in the Official Gazette, specify.

**245BB. Vice-Chairman to act as Chairman or to discharge his functions in certain circumstances.**—(1) In the event of the occurrence of any vacancy in the office of the Chairman by reason of his death, resignation or otherwise, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall act as the Chairman until the date on which a new

Chairman, appointed in accordance with the provisions of this Chapter to fill such vacancy, enters upon his office.

(2) When the Chairman is unable to discharge his functions owing to absence, illness or any other cause, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall discharge the functions of the Chairman until the date on which the Chairman resumes his duties.

**245BC. Power of Chairman to transfer cases from one Bench to another.**—On the application of the assessee or the Commissioner and after notice to them, and after hearing such of them as he may desire to be heard, or on his own motion without such notice, the Chairman may transfer any case pending before one Bench, for disposal, to another Bench.

**245BD. Decision to be by majority.**—If the Members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other Members of the Settlement Commission and such point or points shall be decided according to the opinion of the majority of the Members of the Settlement Commission who have heard the case, including those who first heard it. ”.

**62. Amendment of section 245C.**—In section 245C of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

“ Provided that no such application shall be made unless,—

(a) the assessee has furnished the return of income which he is or was required to furnish under any of the provisions of this Act ; and

(b) the additional amount of income-tax payable on the income disclosed in the application exceeds fifty thousand rupees. ” ;

(ii) for sub-sections (1B) and (1C), the following sub-sections shall be substituted, namely :—

“(1B) Where the income disclosed in the application relates to only one previous year,—

(i) if the applicant has not furnished a return in respect of the total income of that year (whether or not an assessment has been made in respect of the total income of that year), then, except in a case covered by clause (iii), tax shall be calculated on the income disclosed in the application as if such income were the total income ;

(ii) if the applicant has furnished a return in respect of the total income of that year (whether or not an assessment has been made in pursuance of such return), tax shall be calculated on the aggregate of the total income returned and the income disclosed in the application as if such aggregate were the total income ;

(iii) if the proceeding pending before the income-tax authority is in the nature of a proceeding for reassessment of the applicant under section 147 or by way of appeal or revision in connection with such reassessment, and the applicant has not furnished a return in respect of the total income of that year in the course of such proceeding for reassessment, tax shall be calculated on the aggregate of the total income as assessed in the earlier proceeding for assessment under section 143 or section 144 or section 147 and the income disclosed in the application as if such aggregate were the total income.

(1C) The additional amount of income-tax payable in respect of the income disclosed in the application relating to the previous year referred to in sub-section (1B) shall be,—

(a) in a case referred to in clause (i) of that sub-section, the amount of tax calculated under that clause ;

(b) in a case referred to in clause (ii) of that sub-section, the amount of tax calculated under that clause as reduced by the amount of tax calculated on the total income returned for that year ;

(c) in a case referred to in clause (iii) of that sub-section, the amount of tax calculated under that clause as reduced by the amount of tax calculated on the total income assessed in the earlier proceeding for assessment under section 143 or section 144 or section 147.”.

**63. Amendment of section 245D.**—In section 245D of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

“(5) Subject to the provisions of section 245BA, the materials brought on record before the Settlement Commission shall be considered by the Members of the concerned Bench before passing any order under sub-section (4) and, in relation to the passing of such order, the provisions of section 245BD shall apply.” ;

(b) in sub-section (6), for the words “tax or penalty”, the words “tax, penalty or interest” shall be substituted ;

(c) in sub-section (8), after the words “passed by the Settlement Commission”, the words, brackets and figures “and nothing contained in the proviso to sub-section (1) of section 186 shall apply to the cancellation of the registration of a firm required to be made in pursuance of any such directions as aforesaid” shall be inserted.

**64. Amendment of section 245E.**—In section 245E of the Income-tax Act, for the proviso, the following proviso shall be substituted with effect from the 1st day of June, 1987, namely :—

“Provided that no proceeding shall be reopened by the Settlement Commission under this section if the period between the end of the assessment year to which such a proceeding relates and the date of application for settlement under section 245C exceeds nine years.”

**65. Amendment of section 245F.**—In section 245F of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) in sub-section (3), the words "or by way of advance tax" shall be omitted;

(b) sub-sections (5) and (6) shall be omitted.

**66. Amendment of section 245H.**—In section 245H of the Income-tax Act, with effect from the 1st day of June, 1987,—

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

"Provided that no such immunity shall be granted by the Settlement Commission in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of the application under section 245C.";

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

"(1A) An immunity granted to a person under sub-section (1) shall stand withdrawn if such person fails to pay any sum specified in the order of settlement passed under sub-section (4) of section 245D within the time specified in such order or within such further time as may be allowed by the Settlement Commission, or fails to comply with any other condition subject to which the immunity was granted and thereupon the provisions of this Act shall apply as if such immunity had not been granted.";

(c) in sub-section (2), the words "has not complied with the conditions subject to which the immunity was granted or that such person" shall be omitted.

**67. Insertion of new section 245HA.**—After section 245H of the Income-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely:—

*"245HA. Power of Settlement Commission to send a case back to the Income-tax Officer if the assessee does not co-operate.*—(1) The Settlement Commission may, if it is of opinion that any person who made an application for settlement under section 245C has not co-operated with the Settlement Commission in the proceedings before it, send the case back to the Income-tax Officer who shall thereupon dispose of the case in accordance with the provisions of this Act as if no application under section 245C had been made.

(2) For the purposes of sub-section (1), the Income-tax Officer shall be entitled to use all the materials and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it as if such materials, information, inquiry and evidence had been produced before the Income-tax Officer or held or recorded by him in the course of the proceedings before him.

(3) For the purposes of the time-limit under sections 149, 153, 154, 155 and 231 and for the purposes of payment of interest under sections 243 and 244, in a case referred to in sub-section (1), the period commencing on and from the date of the application to the Settlement Commission under section 245C and ending with the date of receipt by the Income-tax Officer of the order of the Settlement Commission sending the case back to

the Income-tax Officer shall be excluded; and where the assessee is a firm, for the purposes of the time-limit for cancellation of registration of the firm under sub-section (1) of section 186, the period aforesaid shall, likewise, be excluded."

**68. Amendment of section 245K.**—In section 245K of the Income-tax Act, with effect from the 1st day of June, 1987,—

(a) in clause (ii), the word "or" shall be added at the end;

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

"(iii) the case of such person is sent back to the Income-tax Officer by the Settlement Commission under section 245HA,".

**69. Omission of section 245M.**—Section 245M of the Income-tax Act shall be omitted with effect from the 1st day of June, 1987.

**70. Insertion of new section 272BB.**—In the Income-tax Act, after section 272B, the following section shall be inserted with effect from the 1st day of June, 1987, namely :—

"272BB. *Penalty for failure to comply with the provisions of section 203A.*—(1) If a person fails to comply with the provisions of section 203A, he shall, on an order passed by the Income-tax Officer, pay, by way of penalty, a sum which may extend to five thousand rupees.

(2) No order under sub-section (1) shall be passed unless the person on whom the penalty is proposed to be imposed is given an opportunity of being heard in the matter."

**71. Amendment of section 273B.**—In section 273B of the Income-tax Act, for the words, figures and letter "section 272B or", the words, figures, letters and brackets "section 272B or sub-section (1) of section 272BB or" shall be substituted with effect from the 1st day of June, 1987.

**72. Omission of section 280ZA.**—Section 280ZA of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

**73. Omission of sections 285 and 286.**—Sections 285 and 286 of the Income-tax Act shall be omitted with effect from the 1st day of June, 1987.

**74. Amendment of section 293.**—In section 293 of the Income-tax Act the word "assessment" shall be omitted and shall be deemed to have been omitted with effect from the 1st day of March, 1987.

**75. Amendment of Eleventh Schedule.**—In the Eleventh Schedule to the Income-tax Act, with effect from the 1st day April, 1988,—

(a) in item 5, the following *Explanation* shall be inserted at the end, namely :—

'*Explanation.*—"Blended flavouring concentrates" shall include, and shall be deemed always to have included, synthetic essences in any form.;

(b) in item 22, in the *Explanation*, for the words "for data processing and for transmission and reception of messages", the words, brackets,

figures and letters " and for data processing (not being computers within the meaning of section 32AB) " shall be substituted.

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

(a)(i) in section 32A, in the *Explanation* below sub-section (2B), clause (b), shall be omitted ;

(ii) in section 54E, in *Explanation 1* below sub-section (1), in clause (d), the *Explanation* shall be omitted ;

(iii) in section 80L, in sub-section (1), in clause (ii), the *Explanation* shall be omitted ;

(iv) in section 193, in the proviso, in clause (iib), the *Explanation* shall be omitted ;

(b) with effect from the 1st day of June, 1987,—

(i) in section 272A, in sub-section (2), in clause (a), for the words, figures and letter " , section 285, section 285B or section 286 " , the words, figures and letter " or section 285B " shall be substituted ;

(ii) in the Fourth Schedule, in Part B,—

(1) for the figures and brackets " 206(2) " , in the heading at the beginning, the figures " 206 " shall be substituted ;

(2) in rule 7, the words, brackets and figure " sub-section (1) of " shall be omitted ;

(c) with effect from the 1st day of April, 1988,

(i) in section 2, in clause (18), in sub-clause (b), in item (B), in sub-item (c), for the words, brackets, letter and figures " where such subsidiary company fulfils the conditions laid down in clause (b) of section 108 " , the words " 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 " shall be substituted ;

(ii) in clause (ii) of sub-section (4) of section 10A, in clause (i) of the *Explanation* below section 44C, in sub-section (2) of section 75, in clause (b) of sub-section (2) of section 77, in section 80, in sub-section (3) of section 139, in clause (iv) of sub-section (2) of section 141A, in sub-clause (iv) of clause (b) of sub-section (1) of section 143, in sub-section (4) of section 155, and in section 157, for the words, brackets and figures " sub-section (1) of section 74 " , the words, brackets and figures " sub-section (1) or sub-section (3) of section 74 " shall be substituted ;

(iii) in section 41, in sub-section (5), the words ' or under the head " Capital gains " ' shall be omitted ;

(iv) in section 73, in the *Explanation* occurring at the end, for the words, brackets and figures " other than an investment company, as defined in clause (ii) of section 109 " , the words ' other than a company whose gross total income consists mainly of income which is chargeable under the heads " Interest on securities " , " Income from house property " , " Capital gains " and " Income from other sources " ' shall be substituted ;

(v) in section 155, in sub-section (10A), for the words "capital asset, not being a short-term capital asset", the words "long-term capital asset" shall be substituted;

(vi) in section 236A,—

(1) for the words, brackets and figures "In the case of an institution or fund referred to in clause (iii) of sub-section (2) of section 104", the words "Where seventy-five per cent. of the share capital of any company is throughout the previous year beneficially held by an institution or fund established in India for a charitable purpose the income from dividend whereof is exempt under section 11" shall be substituted;

(2) for the words "by such a company as is referred to in the said clause", the words "by such company" shall be substituted;

(vii) in section 246, in sub-section (2), in clause (a), the words and figures "or an order under section 104, made against the assessee, being a company" shall be omitted.

(viii) in section 280ZB, in *Explanation* 2, clause (a) shall be omitted.

### *Wealth-tax*

**77. Amendment of section 2.**—In section 2 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), in clause (m), the following *Explanation* shall be inserted at the end, with effect from the 1st day of April, 1988, namely:—

"*Explanation.*—A building or part thereof referred to in clause (iii), clause (iiia) or clause (iiib) of section 27 of the Income-tax Act shall be includible in the net wealth of the person who is deemed under the said clause to be the owner of that building or part thereof;".

**78. Amendment of section 5.**—In section 5 of the Wealth-tax Act, in sub-section (1), after clause (xxva), the following clause shall be inserted with effect from the 1st day of April, 1988, namely:—

"(xxvb) any deposits made under the National Savings Scheme referred to in section 80CCA of the Income-tax Act;".

**79. Substitution of new section for section 22A.**—For section 22A of the Wealth-tax Act, the following section shall be substituted with effect from the 1st day of June, 1987, namely:—

**22A. Definitions.**—In this Chapter, unless the context otherwise requires,—

(a) "Bench" means a Bench of the Settlement Commission;

(b) "case" means any proceeding under this Act for the assessment or reassessment of any person in respect of any year or years, or by way of appeal or revision in connection with such assessment or reassessment, which may be pending before any Wealth-tax authority on the date on which an application under sub-section (1) of section 22C is made:

Provided that where any appeal or application for revision has been preferred after the expiry of the period specified for the filing of such appeal or application for revision under this Act and which has not been

admitted, such appeal or revision shall not be deemed to be a proceeding pending within the meaning of this clause ;

(c) "Chairman" means the Chairman of the Settlement Commission ;

(d) "Member" means a Member of the Settlement Commission, and includes the Chairman and a Vice-Chairman ;

(e) "Settlement Commission" means the Income-tax Settlement Commission constituted under section 245B of the Income-tax Act ;

(f) "Vice-Chairman" means a Vice-Chairman of the Settlement Commission ;

(g) "Wealth-tax authority" means an income-tax authority specified in section 116 of the Income-tax Act who is treated as a Wealth-tax authority under section 8. '.

**80. Amendment of section 22B.**—In section 22B of the Wealth-tax Act, in sub-section (1), the brackets and words ' (hereafter in this Chapter referred to as "the Settlement Commission" ) ' shall be omitted with effect from the 1st day of June, 1987.

**81. Insertion of new sections 22BA to 22BD.**—After section 22B of the Wealth-tax Act, the following sections shall be inserted, with effect from the 1st day of June, 1987, namely :—

"22BA. *Jurisdiction and powers of Settlement Commission.*—(1) Subject to the other provisions of this Chapter, the jurisdiction, powers and authority of the Settlement Commission may be exercised by Benches thereof.

(2) Subject to the other provisions of this section, a Bench shall be presided over by the Chairman or a Vice-Chairman and shall consist of two other Members.

(3) The Bench for which the Chairman is the Presiding Officer shall be the principal Bench and the other Benches shall be known as additional Benches.

(4) Notwithstanding anything contained in sub-sections (1) and (2), the Chairman may authorise the Vice-Chairman or other Member appointed to one Bench to discharge also the functions of the Vice-Chairman or, as the case may be, other Member of another Bench.

(5) Notwithstanding anything contained in the foregoing provisions of this section, and subject to any rules that may be made in this behalf, when one of the persons constituting a Bench (whether such person be the Presiding Officer or other Member of the Bench) is unable to discharge his functions owing to absence, illness or any other cause or in the event of the occurrence of any vacancy either in the office of the Presiding Officer or in the office of one or the other Members of the Bench, the remaining two persons may function as the Bench and if the Presiding Officer of the Bench is not one of the remaining two persons, the senior among the remaining persons shall act as the Presiding Officer of the Bench :

Provided that if at any stage of the hearing of any case or matter, it appears to the Presiding Officer that the case or matter is of such a nature



that it ought to be heard by a Bench consisting of three Members, the case or matter may be referred by the Presiding Officer of such Bench to the Chairman for transfer to such Bench as the Chairman may deem fit.

(6) Subject to the other provisions of this Chapter, the places at which the principal Bench and the additional Benches shall ordinarily sit, shall be such as the Central Government may, by notification in the Official Gazette, specify.

22BB. *Vice-Chairman to act as Chairman or to discharge his functions in certain circumstances.*—(1) In the event of the occurrence of any vacancy in the office of the Chairman by reason of his death, resignation or otherwise, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall act as the Chairman until the date on which a new Chairman, appointed in accordance with the provisions of this Chapter to fill such vacancy, enters upon his office.

(2) When the Chairman is unable to discharge his functions owing to absence, illness or any other cause, the Vice-Chairman or, as the case may be, such one of the Vice-Chairmen as the Central Government may, by notification in the Official Gazette, authorise in this behalf, shall discharge the functions of the Chairman until the date on which the Chairman resumes his duties.

22BC. *Power of Chairman to transfer cases from one Bench to another.*—On the application of the assessee or the Commissioner and after notice to them, and after hearing such of them as may desire to be heard, or on his own motion without such notice, the Chairman may transfer any case pending before one Bench, for disposal, to another Bench.

22BD. *Decision to be by majority.*—If the Members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and make a reference to the Chairman who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other Members of the Settlement Commission and such point or points shall be decided according to the opinion of the majority of the Members of the Settlement Commission who have heard the case, including those who first heard it.”.

**82. Amendment of section 22C.**—In section 22C of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

(i) in sub-section (1), the following proviso shall be inserted at the end, namely :—

“ Provided that no such application shall be made unless the assessee has furnished the return of wealth which he is or was required to furnish under any of the provisions of this Act. ” ;

(ii) for sub-sections (1B) and (1C), the following sub-sections shall be substituted, namely :—

“(1B) where the wealth disclosed in the application relates to only one previous year,—

(i) if the applicant has not furnished a return in respect of the net wealth of that year (whether or not an assessment has been made in respect of the net wealth of that year), then, except in a case covered by clause (iii), wealth-tax shall be calculated on the wealth disclosed in the application as if such wealth were the net wealth ;

(ii) if the applicant has furnished a return in respect of the net wealth of that year (whether or not an assessment has been made in pursuance of such return), wealth-tax shall be calculated on the aggregate of the net wealth returned and the wealth disclosed in the application as if such aggregate were the net wealth ;

(iii) if the proceeding pending before the wealth-tax authority is in the nature of a proceeding for reassessment of the applicant under section 17 or by way of appeal or revision in connection with such reassessment, and the applicant has not furnished a return in respect of the net wealth of that year in the course of such proceeding for reassessment, wealth-tax shall be calculated on the aggregate of the net wealth as assessed in the earlier proceeding for assessment under section 16 or section 17 and the wealth disclosed in the application as if such aggregate were the net wealth.

(1C) The additional amount of wealth-tax payable in respect of the wealth disclosed in the application relating to the previous year referred to in sub-section (1B) shall be,—

(a) in a case referred to in clause (i) of that sub-section, the amount of wealth-tax calculated under that clause ;

(b) in a case referred to in clause (ii) of that sub-section, the amount of wealth-tax calculated under that clause as reduced by the amount of wealth-tax calculated on the net wealth returned for that year ;

(c) in a case referred to in clause (iii) of that sub-section, the amount of wealth-tax calculated under that clause as reduced by the amount of wealth-tax calculated on the net wealth assessed in the earlier proceeding for assessment under section 16 or section 17.”.

**83. Amendment of section 22D.**—In section 22D of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

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

“(5) Subject to the provisions of section 22BA, the materials brought on record before the Settlement Commission shall be considered by the Members of the concerned Bench before passing any order under sub-section (4), and, in relation to the passing of such order, the provisions of section 22BD shall apply.” ;

(b) in sub-section (6), for the words “ tax or penalty ”, the words “ tax, penalty or interest ” shall be substituted.

**84. Amendment of section 22E.**—In section 22E of the Wealth-tax Act, for the proviso, the following proviso shall be substituted with effect from the 1st day of June, 1987, namely :—

“ Provided that no proceeding shall be reopened by the Settlement Commission under this section if the period between the end of the assess-

ment year to which such a proceeding relates and the date of application for settlement under section 22C exceeds nine years.”.

**85. Amendment of section 22F.**—In section 22F of the Wealth-tax Act, sub-sections (5) and (6) shall be omitted with effect from the 1st day of June, 1987.

**86. Amendment of section 22H.**—In section 22H of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

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

“ Provided that no such immunity shall be granted by the Settlement Commission in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of the application under section 22C. ” ;

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

“(1A) An immunity granted to a person under sub-section (1) shall stand withdrawn if such person fails to pay any sum specified in the order of settlement passed under sub-section (4) of section 22D within the time specified in such order or within such further time as may be allowed by the Settlement Commission, or fails to comply with any other condition subject to which the immunity was granted and thereupon the provisions of this Act shall apply as if such immunity had not been granted. ” ;

(c) in sub-section (2), the words “ has not complied with the conditions subject to which the immunity was granted or that such person ” shall be omitted.

**87. Insertion of new section 22HA.**—After section 22H of the Wealth-tax Act, the following section shall be inserted with effect from the 1st day of June, 1987, namely :—

“ 22HA. *Power of Settlement Commission to send a case back to the Wealth-tax Officer if the assessee does not co-operate.*—(1) The Settlement Commission may, if it is of opinion that any person who made the application for settlement under section 22C has not co-operated with the Settlement Commission in the proceedings before it, send the case back to the Wealth-tax Officer who shall, thereupon, dispose of the case in accordance with the provisions of this Act as if no application under section 22C had been made.

(2) For the purposes of sub-section (1), the Wealth-tax Officer shall be entitled to use all the materials and other information produced by the assessee before the Settlement Commission or the results of the inquiry held or evidence recorded by the Settlement Commission in the course of the proceedings before it as if such materials, information, inquiry and evidence had been produced before the Wealth-tax Officer or held or recorded by him in the course of the proceedings before him.

(3) For the purposes of the time-limit under sections 17A, 32 and 35 and for the purposes of payment of interest under section 34A, in a case

referred to in sub-section (1), the period commencing on and from the date of the application to the Settlement Commission under section 22C and ending with the date of receipt by the Wealth-tax Officer of the order of the Settlement Commission sending the case back to the Wealth-tax Officer, shall be excluded."

**88. Amendment of section 22K.**—In section 22K of the Wealth-tax Act, with effect from the 1st day of June, 1987,—

(a) at the end of clause (ii), the word "or" shall be inserted;

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

"(iii) the case of any such person is sent back to the Wealth-tax Officer by the Settlement Commission under section 22HA,".

**89. Omission of section 22M.**—Section 22M of the Wealth-tax Act shall be omitted with effect from the 1st day of June, 1987.

**90. Amendment of section 31.**—In section 31 of the Wealth-tax Act, in sub-section (2A),—

(a) in the opening portion,—

(i) for the words "the Board may", the words "the Commissioner may" shall be substituted;

(ii) for the words "interest payable by an assessee", the words "interest paid or payable by an assessee" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of October, 1984;

(iii) for the words "on the recommendation made by the Commissioner in this behalf, it is satisfied that", the words "he is satisfied that" shall be substituted;

(b) for clauses (i) and (ii), the following clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of October, 1984, namely:—

"(i) payment of such amount has caused or would cause genuine hardship to the assessee;

(ii) default in the payment of the amount on which interest has been paid or was payable under the said sub-section was due to circumstances beyond the control of the assessee; and".

**91. Amendment of section 43.**—In section 43 of the Wealth-tax Act, for the words "any assessment made", the words "any order made" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1987.

### *Gift-tax*

**92. Amendment of section 2.**—In section 2 of the Gift-tax Act, 1958 (18 of 1958) (hereinafter referred to as the Gift-tax Act), in clause (xii), the following *Explanation* shall be inserted at the end, with effect from the 1st day of April, 1988, namely:—

"*Explanation.*—A transfer of any building or part thereof referred to in clause (iii), clause (iiia) or clause (iib) of section 27 of the Income-tax Act by the person who is deemed under the said clause to be the owner

thereof made voluntarily and without consideration in money or money's worth, shall be deemed to be a gift made by such person ; ”.

**93. Amendment of section 42.**—In section 42 of the Gift-tax Act, for the words “ any assessment made ”, the words “ any order made ” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 1987.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 94, 95, 97, 98, 99 and 108 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 un-registered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

#### *Rates of income-tax*

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

#### *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, 1987, 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.

*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.

*Paragraph C*

*Sub-Paragraph I*

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

### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

### *Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*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.



*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.

## 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, 194E and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates :—

	Rate of income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
(i) on income by way of interest other than “Interest on securities”	10 per cent. ;
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent. ;
(iii) on income by way of winnings from horse races	40 per cent. ;
(iv) on income by way of insurance commission	10 per cent. ;
(v) on income by way of interest payable on	10 per cent. ;
(A) any security, other than a tax-free security, of the Central or a State Government ;	
(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 income by way of rent	
(A) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent. ;
(B) on the balance, if any	20 per cent. ;

## Rate of income-tax

(vii) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company, for supply of goods	5 per cent. ;
(viii) 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 rent	
(1) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent., 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) on the balance, if any	20 per cent., 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 ;
(D) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or	5 per cent., 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

## Rate of income-tax

Provincial Act or any company, for supply of goods

such income had been the total income,  
whichever is higher ;

(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 ;

(ii) in the case of any other person—

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

15 per cent. ;

(B) on income by way of rent—

(I) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000

10 per cent.,

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) on the balance, if any

20 per cent.,

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 ;

5 per cent.,

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 ;

(C) on income by way of payments received from the Central Government or State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company, for supply of goods

	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 fees for professional services	25 per cent. ;
(iii) on income by way of royalty	25 per cent. ;
(iv) on income by way of fees for technical services	25 per cent. ;
(v) on income by way of commission or brokerage (excluding insurance commission)	25 per cent. ;
(vi) on income by way of rent—	
(A) where the rent payable exceeds Rs. 36,000 but does not exceed Rs. 48,000	10 per cent. ;
(B) on the balance, if any	20 per cent. ;
(vii) on income by way of payments received from the Central Government or a State Government or any local authority or any corporation or body established by or under a Central, State or Provincial Act or any company for supply of goods	5 per cent. ;
(viii) 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 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. ;

(iii) 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. ;

(iv) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (iii)] 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. ;

(v) 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.;

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

(vii) 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.

### PART III

#### RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES” OR ANY PAYMENT REFERRED TO IN SUB- SECTION (9) OF SECTION 80E AND COMPUTING “ADVANCE TAX”

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

#### *Paragraph A*

##### *Sub-Paragraph I*

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

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

*Rates of income-tax*

- |  |   |
|--|---|
| (1) where the total income does not exceed Rs. 18,000                          | <i>Nil</i> ;  |
| (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000   | 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. |

*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                          | <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. |



### *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.  |

### *Paragraph C*

#### *Sub-Paragraph I*

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

#### *Rates of income-tax*

- |  |   |
|--|---|
| (1) where the total income does not exceed Rs. 10,000                          | <i>Nil</i> ;  |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000   | 5 per cent. of the amount by which the total income exceeds Rs. 10,000 ;                          |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000   | Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;      |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;   |
| (5) where the total income exceeds Rs. 1,00,000                                | Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

#### *Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

#### *Rates of income-tax*

- |  |  |
|--|--|
| (1) where the total income does not exceed Rs. 10,000                        | <i>Nil</i> ;   |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ;                     |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ; |

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000

Rs. 2,350 *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.

*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.

#### *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.

#### PART IV

[See section 2(7)(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, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A 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 :

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to “total income” therein shall be construed as references to net agricultural income and that the words,

figures and letter " and before making any deduction under Chapter VI-A " shall be omitted.

*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, 1987, 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, 1979, or 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, 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, 1979, 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, 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,

(ii) 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,

(iii) 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,

(iv) 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,

(v) 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,

(vi) 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,

(vii) 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, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986,

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, 1987.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1988, 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, 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 (6) 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, or the period aforesaid.

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

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

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1979 (21 of 1979), or 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), 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 Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.



## STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1987-88. The Notes on Clauses explain the various provisions contained in the Bill.

NEW DELHI :

RAJIV GANDHI.

*The 28th February, 1987.*

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