

# THE FINANCE BILL, 1986

(BILL NO. 15 OF 1986)

[As introduced in Lok Sabha on 28th February, 1986.]

*A Bill to give effect to the financial proposals of the Central Government for the financial year 1986-87.*

BE it enacted by Parliament in the Thirty-seventh 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, 1986.**

(2) Save as otherwise provided in this Act, sections 2 to 47 (except sections 27, 34, 35 and 36) shall be deemed to have come into force on the 1st day of April, 1986.

## 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, 1986, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein :

Provided that where an assessee, being a company, has made, during the financial year, commencing on the 1st day of April, 1985, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964), under the Companies Deposits (Surcharge on Income-tax) Scheme, 1985, then, the surcharge on income-tax payable by the company,—

(a) in a case where the amount of the deposit so made is equal to, or exceeds, the amount of surcharge on income-tax payable by it, shall be *nil*; and

(b) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(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 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 (14) 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 which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1986, 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 10.**—In section 10 of the Income-tax Act, with effect from the 1st day of April, 1987,

(a) in clause (3), for the words "not being winnings from lotteries, to the extent such receipts do not exceed one thousand rupees in the aggregate", the words "to the extent such receipts do not exceed five thousand rupees in the aggregate" shall be substituted ;

(b) in clause (13A), the brackets and words "(not exceeding four hundred rupees per month)" shall be omitted.

**4. Amendment of section 16.**—In section 16 of the Income-tax Act, in clause (i), for the portion beginning with the words "a sum equal to" and ending with the words "whichever is less", the following shall be substituted with effect from the 1st day of April, 1987, namely :—

"a sum equal to thirty per cent. of the salary or ten thousand rupees, whichever is less".

**5. Amendment of section 23.**—In section 23 of the Income-tax Act, with effect from the 1st day of April, 1987,—

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

"(2) where the property consists of—

(a) a house or part of a house in the occupation of the owner for the purposes of his own residence,—

(i) which is not actually let during any part of the previous year and no other benefit therefrom is derived by the owner, the annual value of such house or part of the house shall be taken to be *nil* ;

(ii) which is let during any part or parts of the previous year, that part of the annual value (annual value being determined in the same manner as if the property had been let) which is proportionate to the period during which the property is in the occupation of the owner for the purposes of his own residence, or, as the case may be, where such property is let out in parts, that portion of the annual value appropriate to any part which was occupied by the owner for his own residence, which is proportionate to the period during which such part is wholly occupied by him for his own residence shall be deducted in determining the annual value.

*Explanation.*—The deduction under this sub-clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was used for the residence of the owner precedes or follows the period during which it is let ;

(b) more than one house in the occupation of the owner for the purposes of his own residence, the provisions of clause (a) shall apply only in respect of one of such houses, which the assessee may, at his option, specify in this behalf ;

(c) more than one house and such houses are in the occupation of the owner for the purposes of his own residence, the annual value of the house or houses, other than the house in respect of which the assessee has exercised an option under clause (b), shall be determined under sub-section (1) as if such house or houses had been let.

*Explanation.*—Where any such residential unit as is referred to in the second proviso to sub-section (1) is in the occupation of the owner for the purposes of his own residence, nothing contained in that proviso shall apply in computing the annual value of that residential unit.” ;

(b) sub-section (2A) shall be omitted ;

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

“(3) Where the property referred to in sub-section (2) consists of one residential house only and it cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place, in a building not belonging to him, the annual value of such house shall be taken to be *nil* :

Provided that the following conditions are fulfilled, namely :—

(i) such house is not actually let, and

(ii) no other benefit therefrom is derived by the owner.”.

**6. Amendment of section 24.**—In section 24 of the Income-tax Act, for sub-section (2), the following sub-sections shall be substituted, with effect from the 1st day of April, 1987, namely :—

“(2) No deduction shall be allowed under sub-section (1) in respect of property of the nature referred to in sub-clause (i) of clause (a) of sub-section (2), or sub-section (3), of section 23.

(3) The total amount deductible under sub-section (1) in respect of property of the nature referred to in sub-clause (ii) of clause (a) of sub-section (2) of section 23 shall not exceed the annual value of the property as determined under that section."

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

(a) in sub-section (2),—

(i) in clause (c), for the figures, letters and words "1st day of April, 1988," the figures, letters and words "1st day of April, 1987," shall be substituted with effect from the 1st day of April, 1987;

(ii) in clause (2) of the *Explanation*, for sub-clauses (i) and (ii), the following sub-clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1985, namely:—

"(i) in a case where the previous year ends before the 1st day of August, 1980, ten lakh rupees;

(ii) in a case where the previous year ends after the 31st day of July, 1980, but before the 18th day of March, 1985, twenty lakh rupees; and

(iii) in a case where the previous year ends after the 17th day of March, 1985, thirty-five lakh rupees,";

(b) in sub-section (8), the words "not being earlier than three years from the date of such notification," shall be omitted;

(c) after sub-section (8A), the following sub-section shall be inserted with effect from the 1st day of April, 1987, namely:—

"(8B) No deduction shall be allowed under this section in the case of an assessee who has claimed the deduction allowable under section 32AB."

**8. Insertion of new section 32AB.**—After section 32A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1987, namely:—

**32AB. Investment deposit account.**—(1) Subject to the other provisions of this section, where an assessee, whose total income includes income chargeable to tax under the head "Profits and gains of business or profession", has, out of such income,—

(a) deposited any amount in an account (hereafter in this section referred to as deposit account) maintained by him with the Development Bank before the expiry of six months from the end of the previous year or before furnishing the return of his income, whichever is earlier; or

(b) utilised any amount during the previous year for the purchase of any ship, aircraft, machinery or plant, without depositing any amount in the deposit account under clause (a),

in accordance with, and for the purposes specified in, a scheme to be framed by the Central Government (hereafter in this section referred to as the scheme), the assessee shall be allowed a deduction of—

(i) a sum equal to the amount, or the aggregate of the amounts, so deposited and any amount so utilised; or

(ii) a sum equal to twenty per cent. of the profits of eligible business or profession as computed in the accounts of the assessee audited in accordance with sub-section (5),

whichever is less.

(2) For the purposes of this section, "eligible business or profession" shall mean business or profession, other than—

(a) the business of growing and manufacturing tea in India ;

(b) the business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule carried on by an industrial undertaking, which is not a small-scale industrial undertaking as defined in section 80HHA ;

(c) the business of leasing or hiring of machinery or plant to an industrial undertaking, other than a small-scale industrial undertaking as defined in section 80HHA, engaged in the business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

(3) Where separate accounts in respect of eligible business or profession of an assessee are not maintained or are not available, the profits of eligible business or profession shall, for the purposes of sub-section (1), be such amount which bears to the total profits of the business or profession of the assessee, the same proportion as the total sales, turnover or gross receipts of the eligible business or profession bear to the total sales, turnover or gross receipts of the business or profession carried on by the assessee.

(4) No deduction under sub-section (1) shall be allowed in respect of any amount utilised for the purchase of,—

(a) any machinery or plant to be installed in any office premises or residential accommodation, including any accommodation in the nature of a guest house ;

(b) any office appliances (not being computers) ;

(c) any road transport vehicles ;

(d) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head " Profits and gains of business or profession " of any one previous year.

(5) Where the assessee is a person, other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the business or profession of the assessee for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(6) Where any amount, standing to the credit of the assessee in the deposit account, released during any previous year by the Development Bank for being utilised by the assessee for the purposes specified in the



scheme or at the closure of the account, is not utilised in accordance with the scheme, either wholly or in part, within that previous year, the whole of such amount or, as the case may be, part thereof which is not so utilised shall be deemed to be the profits and gains of business or profession of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year.

(7) Where any asset acquired in accordance with the scheme is sold or otherwise transferred in any previous year by the assessee to any person at any time before the expiry of eight years from the end of the previous year in which it was acquired, such part of the cost of such asset as is relatable to the deductions allowed under sub-section (1) shall be deemed to be the profits and gains of business or profession of the previous year in which the asset is sold or otherwise transferred and shall accordingly be chargeable to income-tax as the income of that previous year :

Provided that nothing in this sub-section shall apply—

(i) where the asset is sold or otherwise transferred by the assessee to Government, a local authority, a corporation established by or under a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956); or

(ii) where the sale or transfer of the asset is made in connection with the succession of a firm by a company in the business or profession carried on by the firm as a result of which the firm sells or otherwise transfers to the company any asset and the scheme continues to apply to the company in the manner applicable to the firm.

*Explanation.*—The provisions of clause (ii) of the proviso shall apply only where—

(i) all the properties of the firm relating to the business or profession immediately before the succession become the properties of the company ;

(ii) all the liabilities of the firm relating to the business or profession immediately before the succession become the liabilities of the company ; and

(iii) all the shareholders of the company were partners of the firm immediately before the succession.

(8) The Central Government may, if it considers it necessary or expedient so to do, by notification in the Official Gazette, omit any article or thing from the list of articles or things specified in the Eleventh Schedule.

(9) The Central Government may, after making such inquiry as it may think fit, direct, by notification in the Official Gazette, that the provisions of this section shall not apply to any class of assessee, with effect from such date as it may specify in the notification.

*Explanation.*—In this section, “Development Bank” means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964), and includes such bank or institution as may be specified in the scheme in this behalf.’

**9. Amendment of section 43.**—In section 43 of the Income-tax Act, in clause (1), after *Explanation 7*, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely :—

*“Explanation 8.*—For the removal of doubts, it is hereby declared that where any amount is paid or is payable as interest in connection with the acquisition of an asset, so much of such amount as is relatable to any period after such asset is first put to use shall not be included, and shall be deemed never to have been included, in the actual cost of such asset.”.

**10. Amendment of section 50.**—In section 50 of the Income-tax Act, in clause (2), for the figures, letters and words “1st day of January, 1964”, the figures, letters and words “1st day of April, 1974” shall be substituted with effect from the 1st day of April, 1987.

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

(a) in sub-section (1), for the words “one year before or after the date on which the transfer took place purchased”, the words “one year before or two years after the date on which the transfer took place purchased” shall be substituted ;

(b) in sub-section (2), for the words “one year before or after the date of receipt of the additional compensation purchased”, the words “one year before or two years after the date of receipt of the additional compensation purchased” shall be substituted.

**12. Amendment of section 54E.**—In section 54E of the Income-tax Act, in sub-section (1), in *Explanation 1*, with effect from the 1st day of April, 1987,—

(a) in clause (c), after the words, figures and letters “after the 28th day of February, 1983”, the words, figures and letters “but before the 1st day of April, 1986” shall be inserted ;

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

“(d) in a case where the original asset is transferred after the 31st day of March, 1986, any of the assets specified in clause (c) and such bonds issued by any public sector company, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

*Explanation.*—For the purposes of this clause, “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).’.

**13. Amendment of section 55.**—In section 55 of the Income-tax Act, for the figures, letters and words “1st day of January, 1964”, wherever they occur, the figures, letters and words “1st day of April, 1974” shall be substituted with effect from the 1st day of April, 1987.

**14. Amendment of section 58.**—In section 58 of the Income-tax Act, after sub-section (3), the following sub-section shall be inserted with effect from the 1st day of April, 1987, namely :—

“(4) In the case of an assessee having income chargeable under the head “Income from other sources”, no deduction in respect of any expenditure or allowance in connection with such income shall be allowed under any provision of this Act in computing the income by way of any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, whatsoever :

Provided that nothing contained in this sub-section shall apply in computing the income of an assessee, being the owner of horses maintained by him for running in horse races, from the activity of owning and maintaining such horses.

*Explanation.*—For the purposes of this sub-section, “horse race” means a horse race upon which wagering or betting may be lawfully made.’

**15. Amendment of section 74.**—In section 74 of the Income-tax Act, in sub-section (1), in the proviso to clause (a), for the words “five thousand rupees”, the words “ten thousand rupees” shall be substituted with effect from the 1st day of April, 1987.

**16. Amendment of section 74A.**—In section 74A of the Income-tax Act, with effect from the 1st day of April, 1987,—

(a) sub-sections (1) and (2) shall be omitted ;

(b) in sub-section (3),—

(i) in the opening portion,—

(A) the words “Where for any assessment year,” shall be omitted ;

(B) for the portion beginning with the words “the net result of the computation” and ending with the words “owning and maintaining race horses”, the following shall be substituted, namely :—

“the amount of loss incurred by the assessee in the activity of owning and maintaining race horses in any assessment year shall not be set off against income, if any, from any source other than the activity of owning and maintaining race horses in that year and” ;

(ii) in clause (a), for the words, brackets, letter and figure “from the source specified in clause (c) of sub-section (2)”, the words “from the activity of owning and maintaining race horses,” shall be substituted.

**17. Amendment of section 80GG.**—In section 80GG of the Income-tax Act, with effect from the 1st day of April, 1987,—

(a) for the words “to the extent to which such excess expenditure does not exceed four hundred rupees per month or fifteen per cent. of his total income for the year, whichever is less”, the words “to the extent to which such excess expenditure does not exceed one thousand rupees per month or twenty-five per cent. of his total income for the year, whichever is less” shall be substituted ;

(b) in the *Explanation*, for the words “fifteen per cent.”, at both the places where they occur, the words “twenty-five per cent.” shall be substituted.

**18. Amendment of section 80HHA.**—In section 80HHA of the Income-tax Act, in clause (b) of the *Explanation* below sub-section (8), for sub-clauses (1) and (2), the following sub-clauses shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1985, namely :—

“(1) in a case where the previous year ends before the 1st day of August, 1980, ten lakh rupees ;

(2) in a case where the previous year ends after the 31st day of July, 1980, but before the 18th day of March, 1985, twenty lakh rupees ; and

(3) in a case where the previous year ends after the 17th day of March, 1985, thirty-five lakh rupees,”.

**19. Omission of section 80K.**—Section 80K of the Income-tax Act shall be omitted with effect from the 1st day of April, 1987.

**20. Amendment of section 80L.**—In section 80L of the Income-tax Act, with effect from the 1st day of April, 1987,—

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

“(ii) interest on such debentures, issued by any institution or authority, or any public sector company, or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf.

*Explanation.*—For the purposes of this clause, “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) ; ;

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

**21. Omission of section 80M.**—Section 80M of the Income-tax Act, shall be omitted with effect from the 1st day of April, 1987.

**22. Omission of section 80S.**—Section 80S of the Income-tax Act, shall be omitted with effect from the 1st day of April, 1987.

**23. Amendment of section 80T.**—In section 80T of the Income-tax Act, with effect from the 1st day of April, 1987,—

(i) for the words “five thousand rupees”, wherever they occur, the words “ten thousand rupees” shall be substituted ;

(ii) in clause (b), for the portion beginning with the words “in any other case, five thousand rupees” and ending with the words “capital assets exceed five thousand rupees”, the following shall be substituted, namely :—

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

(A) fifty per cent. of the amount by which the long-term capital gains relating to capital assets, being buildings or lands or any rights in buildings or lands, exceed ten thousand rupees ;

(B) sixty per cent. of the amount by which the long-term capital gains relating to any other capital assets exceed ten thousand rupees”.

**24. Omission of section 80TT.**—Section 80TT of the Income-tax Act, shall be omitted with effect from the 1st day of April, 1987.

**25. Amendment of section 115A.**—In section 115A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1987,—

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

“(ii) the amount of income-tax calculated on the income by way of royalty, if any, included in the total income, at the rate of thirty per cent. ;”;

(b) in clause (iii), for the words “forty per cent.”, the words “thirty per cent.” shall be substituted.

**26. Insertion of new section 115BB.**—In Chapter XII of the Income-tax Act, after section 115B, the following section shall be inserted with effect from the 1st day of April, 1987, namely :—

‘115BB. *Tax on winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever.*—Where the total income of an assessee includes any income by way of winnings from any lottery or crossword puzzle or race including horse race (not being income from the activity of owning and maintaining race horses) or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, the income-tax payable shall be the aggregate of—

(i) the amount of income-tax calculated on income by way of winnings from such lottery or crossword puzzle or race including horse race or card game and other game of any sort or from gambling or betting of any form or nature whatsoever, at the rate of forty per cent. ; and

(ii) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (i).

*Explanation.*—For the purposes of this section, “horse race” shall have the same meaning as in section 74A.’

**27. Insertion of new section 133B.**—In the Income-tax Act, after section 133A, the following section shall be inserted, namely :—

‘133B. *Power to collect certain information.*—(1) Notwithstanding anything contained in any other provision of this Act, an Income-tax authority may, for the purpose of collecting any information relating to any person which may be useful for, or relevant to, the purposes of this Act, enter—

(a) any building or place within the limits of the area assigned to such authority, or

(b) any building or place occupied by any person in respect of whom he exercises jurisdiction,

and require any person who is the occupant of the building or place to furnish such information as may be prescribed.

(2) An Income-tax authority may enter any building or place referred to in sub-section (1),—

(a) if a business or profession is carried on in such building or place, only during the hours at which such building or place is open for the conduct of such business or profession ; and

(b) in the case of any other building or place, only after sunrise and before sunset.

(3) For the removal of doubts, it is hereby declared that an Income-tax authority acting under this section shall, on no account, remove or cause to be removed from the building or place wherein he has entered, any books of account or other documents or any cash, stock or other valuable article or thing.

*Explanation.*—In this section, “Income-tax authority” means an Inspecting Assistant Commissioner, an Assistant Director of Inspection or an Income-tax Officer, and includes an Inspector of income-tax who has been authorised by the Income-tax Officer to exercise the powers conferred under this section in relation to the area in respect of which the Income-tax Officer exercises jurisdiction or part thereof.

**28. Amendment of section 155.**—In section 155 of the Income-tax Act, with effect from the 1st day of April, 1987,—

(a) in sub-section (8), for the words “within a period of one year after the date of the transfer”, the words “within a period of two years after the date of the transfer” shall be substituted ;

(b) in sub-section (8A), for the words “within a period of one year after the date of receipt”, the words “within a period of two years after the date of receipt” shall be substituted.

**29. Amendment of section 193.**—In section 193 of the Income-tax Act, in the proviso, for clause (iib), the following clause shall be substituted with effect from the 1st day of June, 1986, namely :—

“(iib) any interest payable on such debentures, issued by any institution or authority, or any public sector company, or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf.

*Explanation.*—For the purposes of this clause, “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) ; or’.

**30. Amendment of section 194B.**—In section 194B of the Income-tax Act, for the words “one thousand rupees”, the words “five thousand rupees” shall be substituted with effect from the 1st day of June, 1986.

**31. Amendment of section 194BB.**—In section 194BB of the Income-tax Act, for the words “two thousand five hundred rupees”, the words “five

thousand rupees " shall be substituted with effect from the 1st day of June, 1986.

**32. Amendment of section 204.**—In section 204 of the Income-tax Act, with effect from the 1st day of June, 1986,—

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

"(iia) in the case of any sum payable to a non-resident Indian, being any sum representing consideration for the transfer by him of any foreign exchange asset, which is not a short-term capital asset, the authorised dealer responsible for remitting such sum to the non-resident Indian or for crediting such sum to his Non-resident (External) Account maintained in accordance with the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made thereunder;" ;

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

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

(a) " non-resident Indian " and " foreign exchange asset " shall have the meanings assigned to them in Chapter XII-A ;

(b) " authorised dealer " shall have the meaning assigned to it in clause (b) of section 2 of the Foreign Exchange Regulation Act, 1973 (46 of 1973).'

**33. Amendment of section 269C.**—In section 269C of the Income-tax Act, in sub-section (1), after the second proviso, the following proviso shall be inserted with effect from the 1st day of October, 1986, namely:—

" Provided also that no such proceedings shall be initiated if such property has been transferred after the 30th day of September, 1986.' "

**34. Insertion of new Chapter XX-C.**—In the Income-tax Act, after Chapter XX-B, the following Chapter shall be inserted, namely:—

#### **' CHAPTER XX-C**

##### **PURCHASE BY CENTRAL GOVERNMENT OF IMMOVABLE PROPERTIES IN CERTAIN CASES OF TRANSFER**

**269U. Commencement of Chapter.**—The provisions of this Chapter shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different areas.

**269UA. Definitions.**—In this Chapter, unless the context otherwise requires,—

(a) " agreement for transfer " means an agreement, whether registered under the Registration Act, 1908 (16 of 1908), or not, for the transfer of any immovable property ;

(b) " apparent consideration ",—

(1) in relation to any immovable property in respect of which an agreement for transfer is made, being immovable property of the nature referred to in sub-clause (i) of clause (d), means,—

(i) if the immovable property is to be transferred by way of sale, the consideration for such transfer as specified in the agreement for transfer ;

(ii) if the immovable property is to be transferred by way of exchange,—

(A) in a case where the consideration for the transfer consists of a thing or things only, the price that such thing or things would ordinarily fetch on sale in the open market on the date on which the agreement for transfer is made ;

(B) in a case where the consideration for the transfer consists of a thing or things and a sum of money, the aggregate of the price that such thing or things would ordinarily fetch on sale in the open market on the date on which the agreement for transfer is made, and such sum ;

(iii) if the immovable property is to be transferred by way of lease,—

(A) in a case where the consideration for the transfer consists of premium only, the amount of premium as specified in the agreement for transfer ;

(B) in a case where the consideration for the transfer consists of rent only, the aggregate of the moneys (if any) payable by way of rent and the amounts for the service or things forming part of or constituting the rent, as specified in the agreement for transfer ;

(C) in a case where the consideration for the transfer consists of premium and rent, the aggregate of the amount of the premium, the moneys (if any) payable by way of rent and the amounts for the service or things forming part of or constituting the rent, as specified in the agreement for transfer,

and where the whole or any part of the consideration for such transfer is payable on any date or dates falling after the date of such agreement for transfer, the value of the consideration payable after such date shall be deemed to be the discounted value of such consideration, as on the date of such agreement for transfer, determined by adopting such rate of interest as may be prescribed in this behalf ;

(2) in relation to any immovable property in respect of which an agreement for transfer is made, being immovable property of the nature referred to in sub-clause (ii) of clause (d), means,—

(i) in a case where the consideration for the transfer consists of a sum of money only, such sum ;

(ii) in a case where the consideration for the transfer consists of a thing or things only, the price that such thing or things would ordinarily fetch on sale in the open market on the date on which the agreement for transfer is made ;

(iii) in a case where the consideration for the transfer consists of a thing or things and a sum of money, the aggregate of the price that such thing or things would ordinarily fetch on sale in the open market on the date on which the agreement for transfer is made, and such sum,



and where the whole or any part of the consideration for such transfer is payable on any date or dates falling after the date of such agreement for transfer, the value of the consideration payable after such date shall be deemed to be the discounted value of such consideration, as on the date of such agreement for transfer, determined by adopting such rate of interest as may be prescribed in this behalf ;

(c) “appropriate authority ” means an authority constituted under section 269UB to perform the functions of an appropriate authority under this Chapter ;

(d) “immovable property ” means—

(i) any land or any building or part of a building, and includes, where any land or any building or part of a building is to be transferred together with any machinery, plant, furniture, fittings or other things, such machinery, plant, furniture, fittings or other things also.

*Explanation.*—For the purposes of this sub-clause, “land, building, part of a building, machinery, plant, furniture, fittings and other things” include any rights therein ;

(ii) any rights in or with respect to any land or any building or a part of a building (whether or not including any machinery, plant, furniture, fittings or other things therein) which has been constructed or which is to be constructed, accruing or arising from 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 of whatever nature), not being a transaction by way of sale, exchange or lease of such land, building or part of a building ;

(e) “person interested”, in relation to any immovable property, includes all persons claiming, or entitled to claim, an interest in the consideration payable on account of the vesting of that property in the Central Government under this Chapter ;

(f) “transfer”,—

(i) in relation to any immovable property referred to in sub-clause (i) of clause (d), means transfer of such property by way of sale or exchange or lease for a term of not less than twelve years, and includes allowing the possession of such 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).

*Explanation.*—For the purposes of this sub-clause, a lease which provides for the extension of the term thereof by a further term or terms shall be deemed to be a lease for a term of not less than twelve years, if the aggregate of the term for which such lease is to be granted and the further term or terms for which it can be so extended is not less than twelve years ;

(ii) in relation to any immovable property of the nature referred to in sub-clause (ii) of clause (d), means the doing of anything (whether by way of admitting as a member of or by way of transfer of shares in a co-operative society or company or other association of persons or by way of

any agreement or arrangement or in any other manner whatsoever) which has the effect of transferring or enabling the enjoyment of, such property.

*269UB. Appropriate authority.*—(1) The Central Government may, by order, published in the Official Gazette,—

(a) constitute as many appropriate authorities, as it thinks fit, to perform the functions of an appropriate authority under this Chapter ; and

(b) define the local limits within which the appropriate authorities shall perform their functions under this Chapter.

(2) An appropriate authority shall consist of three persons, two of whom shall be members of the Indian Income-tax Service, Group A, holding the post of Commissioner of Income-tax or any equivalent or higher post, and one shall be a member of the Central Engineering Service, Group A, holding the post of Chief Engineer or any equivalent or higher post.

(3) In respect of any function to be performed by an appropriate authority under any provision of this Chapter in relation to any immovable property referred to in section 269UC, the appropriate authority referred to therein shall,—

(a) in a case where such property is situate within the local limits of the jurisdiction of only one appropriate authority, be such appropriate authority ;

(b) in a case where such property is situate within the local limits of the jurisdiction of two or more appropriate authorities, be the appropriate authority empowered to perform such functions in relation to such property in accordance with the rules made in this behalf by the Board under section 295.

*Explanation.*—For the purposes of this sub-section, immovable property being rights of the nature referred to in sub-clause (ii) of clause (d) of section 269UA in, or with respect to, any land or any building or part of a building which has been constructed or which is to be constructed shall be deemed to be situate at the place where the land is situate or, as the case may be, where the building has been constructed or is to be constructed.

*269UC. Restrictions on transfer of immovable property.*—(1) Notwithstanding anything contained in the Transfer of Property Act, 1882 (4 of 1882), or in any other law for the time being in force, no transfer of any immovable property of such value exceeding five lakh rupees as may be prescribed, shall be effected except after an agreement for transfer is entered into between the person who intends transferring the immovable property (hereinafter referred to as the transferor) and the person to whom it is proposed to be transferred (hereinafter referred to as the transferee) in accordance with the provisions of sub-section (2) at least three months before the intended date of transfer.

(2) The agreement referred to in sub-section (1) shall be reduced to writing in the form of a statement by each of the parties to such transfer

or by any of the parties to such transfer acting on behalf of himself and on behalf of the other parties.

(3) Every statement referred to in sub-section (2) shall,—

(i) be in the prescribed form ;

(ii) set forth such particulars as may be prescribed ; and

(iii) be verified in the prescribed manner,

and shall be furnished to the appropriate authority in such manner and within such time as may be prescribed, by each of the parties to such transaction or by any of the parties to such transaction acting on behalf of himself and on behalf of the other parties.

*269UD. Order by appropriate authority for purchase by Central Government of immovable property.*—(1) The appropriate authority, after the receipt of the statement under sub-section (3) of section 269UC in respect of any immovable property, may, notwithstanding anything contained in any other law or any instrument or any agreement for the time being in force, and for reasons to be recorded in writing, make an order for the purchase by the Central Government of such immovable property at an amount equal to the amount of apparent consideration :

Provided that no such order shall be made in respect of any immovable property after the expiration of a period of two months from the end of the month in which the statement referred to in section 269UC in respect of such property is received by the appropriate authority :

Provided further that in a case where the statement referred to in section 269UC in respect of the immovable property concerned is given to an appropriate authority, other than the appropriate authority having jurisdiction in accordance with the provisions of section 269UB to make the order referred to in this sub-section in relation to the immovable property concerned, the period of limitation referred to in the preceding proviso shall be reckoned with reference to the date of receipt of the statement by the appropriate authority having jurisdiction to make the order under this sub-section.

(2) The appropriate authority shall cause a copy of its order under sub-section (1) in respect of any immovable property to be served on the transferor, the person in occupation of the immovable property if the transferor is not in occupation thereof, the transferee, and on every other person whom the appropriate authority knows to be interested in the property.

*269UE. Vesting of property in Central Government.*—(1) Where an order under sub-section (1) of section 269UD is made by the appropriate authority in respect of an immovable property referred to in sub-clause (i) of clause (d) of section 269UA, such property shall, on the date of such order, vest in the Central Government free from all encumbrances.

(2) The transferor or any other person who may be in possession of the immovable property in respect of which an order under sub-section (1) of section 269UD is made, shall surrender or deliver possession thereof to the appropriate authority or any other person duly authorised by the appro-

priate authority in this behalf within fifteen days of the service of such order on him.

(3) If any person refuses or fails to comply with the provisions of sub-section (2), the appropriate authority or other person duly authorised by it under that sub-section may take possession of the immovable property and may, for that purpose, use such force as may be necessary.

(4) Notwithstanding anything contained in sub-section (2), the appropriate authority may, for the purpose of taking possession of any property referred to in sub-section (1), requisition the services of any police officer to assist him and it shall be the duty of such officer to comply with such requisition.

(5) For the removal of doubts, it is hereby declared that nothing in this section shall operate to discharge the transferor or any other person (not being the Central Government) from liability in respect of any encumbrances on the property and, notwithstanding anything contained in any other law for the time being in force, such liability may be enforced against the transferor or such other person.

(6) Where an order under sub-section (1) of section 269UD is made in respect of an immovable property, being rights of the nature referred to in sub-clause (ii) of clause (d) of section 269UA, such order shall have the effect of—

(a) vesting such right in the Central Government; and

(b) placing the Central Government in the same position in relation to such rights as the person in whom such a right would have continued to vest if such order had not been made.

(7) Where any rights in respect of any immovable property, being rights in, or with respect to, any land or any building or part of a building which has been constructed or which is to be constructed, have been vested in the Central Government under sub-section (6), the provisions of sub-sections (1), (2), (3) and (4) shall, so far as may be, have effect as if the references to immovable property therein were references to such land or building or part thereof, as the case may be.

*269UF. Consideration for purchase of immovable property by Central Government.*—(1) Where an order for the purchase of any immovable property by the Central Government is made under sub-section (1) of section 269UD, the Central Government shall pay, by way of consideration for such purchase, an amount equal to the amount of the apparent consideration.

(2) Notwithstanding anything contained in sub-section (1), where, after the agreement for the transfer of the immovable property referred to in that sub-section has been made but before the property vests in the Central Government under section 269UE, the property has been damaged (otherwise than as a result of normal wear and tear), the amount of the consideration payable under that sub-section shall be reduced by such sum as the appropriate authority, for reasons to be recorded in writing, may by order determine.

**269UG. Payment or deposit of consideration.**—(1) The amount of consideration payable in accordance with the provisions of section 269UF shall be tendered to the person or persons entitled thereto, within a period of one month from the end of the month in which the immovable property concerned becomes vested in the Central Government under sub-section (1), or, as the case may be, sub-section (6), of section 269UE :

Provided that if any liability for any tax or any other sum remaining payable under this Act, the Wealth-tax Act, 1957 (27 of 1957), the Gift-tax Act, 1958 (18 of 1958), the Estate Duty Act, 1953 (34 of 1953), or the Companies (Profits) Surtax Act, 1964 (7 of 1964), by any person entitled to the consideration payable under section 269UF, the appropriate authority may, in lieu of the payment of the amount of consideration, set off the amount of consideration or any part thereof against such liability or sum, after giving an intimation in this behalf to the person entitled to the consideration.

(2) Notwithstanding anything contained in sub-section (1), if any dispute arises as to the apportionment of the amount of consideration amongst persons claiming to be entitled thereto, the Central Government shall deposit with the appropriate authority the amount of consideration required to be tendered under sub-section (1) within the period specified therein.

(3) Notwithstanding anything contained in sub-section (1), if the person entitled to the amount of consideration does not consent to receive it, or if there is any dispute as to the title to receive the amount of consideration, the Central Government shall deposit with the appropriate authority the amount of consideration required to be tendered under sub-section (1) within the period specified therein :

Provided that nothing herein contained shall affect the liability of any person who may receive the whole or any part of the amount of consideration for any immovable property vested in the Central Government under this Chapter to pay the same to the person lawfully entitled thereto.

(4) Where any amount of consideration has been deposited with the appropriate authority under this section, the appropriate authority may, either of its own motion or on an application made by or on behalf of any person interested or claiming to be interested in such amount, order the same to be invested in such Government or other securities as it may think proper, and may direct the interest or other proceeds of any such investment to be accumulated and paid in such manner as will, in its opinion, give the parties interested therein the same benefits therefrom as they might have had from the immovable property in respect whereof such amount has been deposited or as near thereto as may be.

**269UH. Re-vesting of property in the transferor on failure of payment or deposit of consideration.**—(1) If the Central Government fails to tender under sub-section (1) of section 269UG or deposit under sub-section (2) or sub-section (3) of the said section, the whole or any part of the amount of consideration required to be tendered or deposited thereunder within the period specified therein in respect of any immovable property which has

vested in the Central Government under sub-section (1) or, as the case may be, sub-section (6) of section 269UE, the order to purchase the immovable property by the Central Government made under sub-section (1) of section 269UD shall stand abrogated and the immovable property shall stand re-vested in the transferor after the expiry of the aforesaid period :

Provided that where any dispute referred to in sub-section (2) or sub-section (3) of section 269UG is pending in any court for decision, the time taken by the court to pass a final order under the said sub-sections shall be excluded in computing the said period.

(2) Where an order made under sub-section (1) of section 269UD is abrogated and the immovable property re-vested in the transferor under sub-section (1), the appropriate authority shall make, as soon as may be, a declaration in writing to this effect and shall—

(a) deliver a copy of the declaration to the persons mentioned in sub-section (2) of section 269UD ; and

(b) shall deliver or cause to be delivered possession of the immovable property back to the transferor or, as the case may be, to such other person as was in possession of the property at the time of its vesting in the Central Government under section 269UE.

**269UI. Powers of the appropriate authority.**—The appropriate authority shall have, for the purposes of this Chapter, all the powers that a Commissioner of Income-tax has for the purposes of this Act under section 131.

**269UJ. Rectification of mistakes.**—With a view to rectifying any mistake apparent from the record, the appropriate authority may amend any order made by it under this Chapter, either on its own motion or on the mistake being brought to its notice by any person affected by the order :

Provided that if any such amendment is likely to affect any person prejudicially, it shall not be made without giving to such person a reasonable opportunity of being heard :

Provided further that no amendment shall be made under this section after the expiry of six months from the end of the month in which the order sought to be amended was made.

**269UK. Restriction on transfer of immovable property.**—(1) Notwithstanding anything contained in any other law for the time being in force, no person shall revoke or alter an agreement for the transfer of an immovable property or transfer such property in respect of which a statement has been furnished under section 269UC unless,—

(a) the appropriate authority has not made an order for the purchase of the immovable property by the Central Government under section 269UD or the period specified for the making of such order has expired ; or

(b) in a case where an order for the purchase of the immovable property by the Central Government has been made under sub-section (1) of section 269UD, the order stands abrogated under sub-section (1) of section 269UH.

(2) any transfer of any immovable property made in contravention of the provisions of sub-section (1) shall be void.

*269UL. Restrictions on registration, etc., of documents in respect of transfer of immovable property.*—(1) Notwithstanding anything contained in any other law for the time being in force, no registering officer appointed under the Registration Act, 1908 (16 of 1908), shall register any document which purports to transfer immovable property exceeding the value prescribed under section 269UC unless a certificate from the appropriate authority that it has no objection to the transfer of such property for an amount equal to the apparent consideration therefor as stated in the agreement for transfer of the immovable property in respect of which it has received a statement under sub-section (3) of section 269UC, is furnished, along with such document.

(2) Notwithstanding anything contained in any other law for the time being in force, no person shall do anything or omit to do anything which will have the effect of transfer of any immovable property unless the appropriate authority certifies that it has no objection to the transfer of such property for an amount equal to the apparent consideration therefor as stated in the agreement for transfer of the immovable property in respect of which it has received a statement under sub-section (3) of section 269UC.

(3) in a case where the appropriate authority does not make an order under sub-section (1) of section 269UD for the purchase by the Central Government of an immovable property, or where the order made under sub-section (1) of section 269UD stands abrogated under sub-section (1) of section 269UH, the appropriate authority shall issue a certificate of no objection referred to in sub-section (1) or, as the case may be, sub-section (2) and deliver copies thereof to the transferor and the transferee.

*269UM. Immunity to transferor against claims of transferee for transfer.*—Notwithstanding anything contained in any other law or in any instrument or any agreement for the time being in force, when an order for the purchase of any immovable property by the Central Government is made under this Chapter, no claim by the transferee shall lie against the transferor by reason of such transfer being not in accordance with the agreement for the transfer of the immovable property entered into between the transferor and transferee:

Provided that nothing contained in this section shall apply if the order for the purchase of the immovable property by the Central Government is abrogated under sub-section (1) of section 269UH.

*269UN. Order of appropriate authority to be final and conclusive.*—Save as otherwise provided in this Chapter, any order made under sub-section (1) of section 269UD or any order made under sub-section (2) of section 269UF shall be final and conclusive and shall not be called in question in any proceeding under this Act or under any other law for the time being in force.

*269UO. Chapter not to apply to certain transfers.*—The provisions of this Chapter shall not apply to or in relation to any immovable property

where the agreement for transfer of such property is made by a person to his relative on account of natural love and affection, if a recital to that effect is made in the agreement for transfer.’.

**35. Insertion of new section 272AA.**—In the Income-tax Act, after section 272A, the following section shall be inserted, namely :—

“ 272AA. *Penalty for failure to comply with the provisions of section 133B.*—(1) If a person, without reasonable cause, fails to comply with the provisions of section 133B, he shall, on an order passed by the Inspecting Assistant Commissioner, Assistant Director of Inspection or the Income-tax Officer, as the case may be, pay, by way of penalty, a sum which may extend to one 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.”.

**36. Insertion of new section 276AB.**—In the Income-tax Act, after section 276A, the following section shall be inserted, namely :—

“ 276AB. *Failure to comply with the provisions of sections 269UC, 269UE and 269UL.*—Whoever, without reasonable cause or excuse, fails to comply with the provisions of section 269UC or fails to surrender or deliver possession of the property under sub-section (2) of section 269UE or contravenes the provisions of sub-section (2) of section 269UL shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine :

Provided that in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for less than six months.”.

**37. Omission of section 276AA.**—Section 276AA of the Income-tax Act shall be omitted with effect from the 1st day of October, 1986.

**38. Omission of Twelfth Schedule.**—The Twelfth Schedule to the Income-tax Act shall be omitted with effect from the 1st day of April, 1987.

**39. Consequential amendments.**—The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1987, namely :—

(a) in section 80A, in sub-section (3),—

(i) the words, figures and letter “or section 80K ” shall be omitted ;

(ii) the words, figures and letter “or section 80S ” shall be omitted ;

(iii) the words, figures and letters “or section 80TT ” shall be omitted ;

(b) section 80AA shall be omitted ;

(c) in section 80AB, the brackets, words, figures and letter “(except section 80M) ” shall be omitted ;

(d) in section 80VVA, in sub-section (2),—



(i) clause (xiiia) shall be renumbered as clause (xiiib) and before clause (xiiib) as so renumbered, the following clause shall be inserted, namely :—

“(xiiia) section 32AB;”;

(ii) clauses (xxiv) and (xxv) shall be omitted ;

(e) in section 197, sub-section (3) shall be omitted ;

(f) in the Eleventh Schedule, after the words, figures and letter “See section 32A,” the word, figures and letters “section 32AB,” shall be inserted.

#### *Wealth-tax*

**40. Amendment of Act 27 of 1957.**—In section 5 of the Wealth-tax Act, 1957,—

(a) in sub-section (1),—

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

“(xvie) in the case of an individual or a Hindu undivided family, such debentures issued by a public sector company, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

*Explanation.*—For the purposes of this clause, “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) ;’ ;

(ii) in clause (xxxiii),—

(A) in the opening paragraph, after the words “out of such moneys”, the words “within one year immediately preceding the date of his return and at any time thereafter” shall be inserted with effect from the 1st day of April, 1987 ;

(B) the *Explanation* shall be numbered as *Explanation 1* and after *Explanation 1* as so numbered, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1977, namely :—

“*Explanation 2.*—For the removal of doubts, it is hereby declared that moneys standing to the credit of such person in a Non-resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder, on the date of his return to India, shall be deemed to be moneys brought by him into India on that date. ” ;

(b) in sub-section (3),—

(i) after the brackets, figures and letter “(xvid),” the brackets, figures and letter “(xvie),” shall be inserted ;

(ii) for clause (aa), the following clause shall be substituted, namely :—

“(aa) in the case of Capital Investment Bonds referred to in clause (xvid), or debentures referred to in clause (xvie), of sub-section (1),

from the date on which the Bonds or debentures, as the case may be, were subscribed to by the assessee, or for a period of at least six months ending with the relevant valuation date, whichever is shorter ; and ”.

### *Gift-tax*

**41. Amendment of section 3.**—In the Gift-tax Act, 1958 (hereinafter referred to as the Gift-tax Act), with effect from the 1st day of April, 1987, section 3 shall be renumbered as sub-section (1) thereof, and,—

(a) in sub-section (1) as so renumbered, after the words, figures and letters “ the 1st day of April, 1958,”, the words, figures and letters “ but before the 1st day April, 1987,” shall be inserted ;

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

“(2) Subject to the other provisions contained in this Act, there shall be charged for every assessment year commencing on and from the 1st day of April, 1987, gift-tax in respect of the gifts, if any, made by a person during the previous year, at the rate of thirty per cent. on the value of all taxable gifts.”.

**42. Amendment of section 5.**—In section 5 of the Gift-tax Act, with effect from the 1st day of April, 1987,—

(a) in sub-section (1), clauses (iiiia), (vi), (viii), (ix), (xiv) and (xvi) shall be omitted ;

(b) in sub-section (1A), the words, brackets and figures “ or clause (vi)” shall be omitted ;

(c) in sub-section (2), for the words “ five thousand”, the words “ twenty thousand ” shall be substituted ;

(d) sub-section (3) shall be omitted.

**43. Omission of section 6A.**—Section 6A of the Gift-tax Act shall be omitted with effect from the 1st day of April, 1987.

**44. Amendment of section 18.**—In section 18 of the Gift-tax Act, with effect from the 1st day of April, 1987,—

(a) in the opening portion, for the words, figure and letter “ or, in a case where the provisions of section 6A are applicable to a gift, in the manner specified in that section”, the words, brackets and figures “ or at the rate specified in sub-section (2) of section 3 ” shall be substituted ;

(b) in the *Explanation*, for the words, figure and letter “ in the manner specified in section 6A”, at both the places where they occur, the words, brackets and figures “ at the rate specified in sub-section (2) of section 3 ” shall be substituted.

**45. Amendment of section 19A.**—In section 19A of the Gift-tax Act, in sub-section (2), after the words “ or rates specified in the Schedule”, the words, brackets and figures “ or, as the case may be, at the rate specified in sub-section (2) of section 3 ” shall be inserted with effect from the 1st day of April, 1987.

**46. Amendment of the Schedule.**—In the Gift-tax Act, in the Schedule, for the brackets, words and figure “ (See section 3)”, the brackets, words

and figures “ [See section 3(1)] ” shall be substituted with effect from the 1st day of April, 1987.

### *Surtax*

**47. Amendment of Act 7 of 1964.**—In the Companies (Profits) Surtax Act, 1964, in section 4, after the words and figures “ the first day of April, 1964 ”, the words and figures “ but before the first day of April, 1988 ” shall be inserted with effect from the 1st day of April, 1988.

# THE FIRST SCHEDULE

(See section 2)

## PART I

### INCOME-TAX AND SURCHARGE ON INCOME-TAX

#### *Paragraph A*

#### *Sub-Paragraph I*

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

#### *Rates of income-tax*

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

### *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, 1986, 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

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

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

(5) where the total income exceeds Rs. 1,00,000

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

Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

Rs. 10,000 *plus* 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

*Nil* ;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000

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

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

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

Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

(5) where the total income exceeds Rs. 1,00,000

Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*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.

### *Surcharge on income-tax*

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

## PART II

### *Rates for deduction of tax at source in certain cases*

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

1. In the case of a person other than a company

(a) where the person is resident in India

(i) on income by way of interest other than "Interest on securities" 10 per cent. ;

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

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

(iv) on income by way of insurance commission 10 per cent. ;

(v) on income by way of interest payable on 10 per cent. ;

(A) any security, other than a tax-free security, of the Central or a State Government ;

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

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

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

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

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

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

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



## Rate of income-tax

(C) on the whole of the other income	<p>income-tax at 30 per cent. of the amount of the income,</p> <p style="text-align: center;">or</p> <p>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 ;</p>
(ii) in the case of any other person	
(A) on the whole of the income (excluding interest payable on a tax-free security)	<p>income-tax at 30 per cent. of the amount of the income,</p> <p style="text-align: center;">or</p> <p>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 ;</p>
(B) on income by way of interest payable on a tax-free security	15 per cent. ;
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 any other income (excluding interest payable on a 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. ;

---

Rate of income-tax

---

(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 *plus* 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

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

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

(5) where the total income exceeds Rs. 1,00,000

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

Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

Rs. 10,000 *plus* 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

*Nil* ;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000

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

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000

Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

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

Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

(5) where the total income exceeds Rs. 1,00,000

Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

*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, 1986, 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, 1978, or 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, 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, 1978, 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, 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,

(ii) 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,

(iii) 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,



(iv) 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,

(v) 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,

(vi) 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,

(vii) 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, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985,

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, 1986.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1987, 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, 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 (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, 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, 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 Schedule to the Finance Act, 1978 (19 of 1978), or 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), 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 1986-87. The notes on clauses explain the various provisions contained in the Bill.

VISHWANATH PRATAP SINGH.

NEW DELHI ;

*The 28th February, 1986.*

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