

# THE FINANCE BILL, 1983

(No. 16 of 1983)

[As introduced in Lok Sabha on 28th February, 1983.]

*A Bill to give effect to the financial proposals of the Central Government for the financial year 1983-84.*

BE it enacted by Parliament in the Thirty-fourth 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, 1983.

(2) Save as otherwise provided in this Act, sections 2 to 43 and section 59 shall be deemed to have come into force on the 1st day of April, 1983.

## 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, 1983, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

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

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

calculated in each case in the manner provided therein.

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

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

(ii) in a case to which the said Sub-Paragraph II applies, the first eight 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 :

Provided that in a case referred to in the said Sub-Paragraph II, for the purpose of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply ;

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

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

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eight 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 :

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply ;

(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) :

Provided that in a case referred to in the said Sub-Paragraph II, where the sum so arrived at exceeds sixty per cent. of the amount by which the total income exceeds twelve thousand rupees, the excess shall be disregarded ;

(iv) the amount of income-tax determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or 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 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 :

Provided further that an assessee, being a company, may, in lieu of payment of one-half of the amount of surcharge on income-tax at the rate specified in Paragraph E of Part III of the First Schedule, make a deposit under the scheme framed under sub-section (7), before the last instalment of "advance tax" is due in its case, and where it does so, the surcharge on income-tax payable by it shall be reduced,—

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

(ii) in a case where the amount of the deposit so made falls short of one-half of the amount of surcharge on income-tax payable by it, by the amount of the deposit.

(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, fifteen 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 fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first eight 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:

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

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

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

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eight 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:

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

(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):

Provided that in a case referred to in the said Sub-Paragraph II, where the sum so arrived at exceeds sixty per cent. of the amount by

which the total income exceeds twelve thousand rupees, the excess shall be disregarded ;

(iv) the amount of income-tax or " advance tax " determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and one-half per cent. of such income-tax or, as the case may be, " advance tax " and the sum so arrived at shall be the income-tax or, as the case may be, " advance tax " in respect of the total income.

(7) Where an assessee, being a company, makes, during the financial year commencing on the 1st day of April, 1983, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964), under any such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, then the surcharge on income-tax payable by the company for the assessment year commencing on the 1st day of April, 1984, shall be reduced—

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

(ii) in a case where the amount of the deposit so made falls short of one-half of the amount of surcharge on income-tax payable by it, by the amount of the deposit.

(8) 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, 1983, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act ;

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

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

Provided that this clause shall not apply for the purposes of Paragraph E of Part III of the First Schedule, and for the purposes of that

Paragraph, the expression "industrial company" shall have the meaning assigned to it in the *Explanation* at the end of that Paragraph ;

(d) "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) ;

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

### CHAPTER III

#### DIRECT TAXES

##### *Income-tax*

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

(a) in clause (15), the words "not involving the carrying on of any activity for profit" shall be omitted with effect from the 1st day of April, 1984 ;

(b) in clause (18), in sub-clause (b), for item (B), the following item shall be substituted with effect from the 2nd day of April, 1983, namely :—

'(B) shares in the company (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than fifty per cent. of the voting power have been allotted unconditionally to, or acquired unconditionally by, and were throughout the relevant previous year beneficially held by—

(a) the Government, or

(b) a corporation established by a Central, State or Provincial Act, or

(c) any company to which this clause applies or any subsidiary company of such company where such subsidiary company fulfils the conditions laid down in clause (b) of section 108.

*Explanation.*—In its application to an Indian company whose business consists mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, item (B) shall have effect as if for the words "not less than fifty per cent.", the words "not less than forty per cent." had been substituted ;'.

**4. Amendment of section 9.**—In section 9 of the Income-tax Act, in sub-section (1),—

(a) in clause (i), in the *Explanation*, after clause (b), the following clause shall be inserted and shall be deemed always to have been inserted, namely :—

“(c) in the case of a non-resident, being a person engaged in the business of running a news agency or of publishing newspapers, magazines or journals, no income shall be deemed to accrue or arise in India to him through or from activities which are confined to the collection of news and views in India for transmission out of India ;” ;

(b) to clause (ii), the following *Explanation* shall be added and shall be deemed to have been added with effect from the 1st day of April, 1979, namely :—

“*Explanation.*—For the removal of doubts, it is hereby declared that income of the nature referred to in this clause payable for service rendered in India shall be regarded as income earned in India.”.

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

(a) after clause (6), the following clause shall be inserted with effect from the 1st day of April, 1984, namely :—

“(6A) where in the case of a foreign company deriving income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and approved by the Central Government, the tax on such income is payable, under the terms of such agreement, by Government or the Indian concern to the Central Government, the tax so paid.

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

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

(b) “foreign company” shall have the same meaning as in section 80B ;

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

(b) in clause (10),—

(i) for the words “thirty thousand rupees”, at the three places where they occur, the words “thirty-six thousand rupees” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1982 ;

(ii) after the provisos and before the *Explanation*, the following provisos shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1982, namely :—

‘Provided also that the Central Government may, having regard to the maximum amount which may for the time being be exempt under sub-clause (i), increase, by notification in the Official Gazette, the limit of thirty-six thousand rupees, for all the three purposes for which it has

been mentioned in the foregoing provisions of this clause, up to such maximum amount :

Provided also that in relation to cases in which the event (that is to say, retirement of the employee or his becoming incapacitated or termination of his employment or his death, as the case may be) on which gratuity is received had taken place before the 31st day of January, 1982, the proviso immediately preceding this proviso shall not apply and the remaining provisions of this clause shall have effect as if for the words " thirty-six thousand rupees ", at the three places where they occur, the words " thirty thousand rupees " had been substituted. ' ;

(c) in clause (15),—

(i) in sub-clause (iib) [directed to be inserted by clause (d) of section 4 of the Finance Act, 1982 (14 of 1982)], for the words " interest on such Capital Investment Bonds ", the words " in the case of an individual or a Hindu undivided family, interest on such Capital Investment Bonds " shall be substituted ;

(ii) in sub-clause (iv),—

(1) in item (a), after the words " moneys borrowed ", the words " or debt incurred " shall be inserted ;

(2) in item (c),—

(A) after the words " raw materials ", the words " or components " shall be inserted ;

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

' *Explanation.*—For the purposes of this item, " purchase of capital plant and machinery " includes the purchase of such capital plant and machinery under a hire-purchase agreement or a lease agreement with an option to purchase such plant and machinery ; ' ;

(3) in item (d), after the words and figures " Industrial Development Bank of India Act, 1964 (18 of 1964) ", the words and figures " or the Export-Import Bank of India established under the Export-Import Bank of India Act, 1981 (28 of 1981) " shall be inserted ;

(4) after item (f) and before the *Explanation*, the following item shall be inserted, namely :—

"(g) by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes, being a company approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36 on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment." ;

(5) in the *Explanation*, for the words " this item ", the words, brackets and letters " items (f) and (g) " shall be substituted ;



(d) in clause (21), the following proviso shall be inserted at the end with effect from the 1st day of April, 1984, namely :—

“ Provided that nothing contained in this clause shall apply if for any period during the previous year—

(i) any sums by way of contributions received by the association are invested or deposited after the 28th day of February, 1983, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11; or

(ii) any funds of the association invested or deposited before the 1st day of March, 1983, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 continue to remain so invested or deposited after the 30th day of November, 1983; or

(iii) any shares in a company (not being a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or a corporation established by or under a Central, State or Provincial Act) are held by the association after the 30th day of November, 1983; ”;

(e) in clause (23C), after the proviso, the following proviso shall be inserted with effect from the 1st day of April, 1984, namely :—

“ Provided further that nothing in this clause shall apply in relation to the profits and gains of any business which is carried on, on behalf of, or by, any fund or institution referred to in sub-clause (iv) or any trust or institution referred to in sub-clause (v) or to the profits and gains of any business undertaking held under trust for the purposes of any fund or institution referred to in sub-clause (iv) or for the purposes of any trust or institution referred to in sub-clause (v); ”;

(f) in clause (26A),—

(i) for the figures, letters and words “ 1st day of April, 1983 ”, the figures, letters and words “ 1st day of April, 1986 ” shall be substituted;

(ii) the *Explanation* shall be numbered and shall be deemed to have been numbered with effect from the 1st day of April, 1980, 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, 1980, namely :—

“ *Explanation 2.*—In this clause, references to the district of Ladakh shall be construed as references to the areas comprised in the said district on the 30th day of June, 1979. ”.

**6. Amendment of section 11.**—In section 11 of the Income-tax Act,—

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

“ (b) the money so accumulated or set apart is invested or deposited in the forms or modes specified in sub-section (5); ”;

(b) for sub-section (4), the following sub-section shall be substituted with effect from the 1st day of April, 1984, namely :—

“ (4) Nothing contained in sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) shall apply in relation to any income being profits and gains of business. ”;

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

‘(5) The forms and modes of investing or depositing the money referred to in clause (b) of sub-section (2) shall be the following, namely :—

(i) investment in savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959), and any other securities or certificates issued by the Central Government under the Small Savings Schemes of that Government ;

(ii) deposit in any account with the Post Office Savings Bank ;

(iii) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

*Explanation.*—In this sub-clause, “ scheduled bank ” means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934) ;

(iv) investment in units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) ;

(v) investment in any security for money created and issued by the Central Government or a State Government ;

(vi) investment in debentures issued by, or on behalf of, any company or corporation both the principal whereof and the interest whereon are fully and unconditionally guaranteed by the Central Government or by a State Government ;

(vii) investment or deposit in any Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) ;

(viii) deposit in any account with a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36 ;

(ix) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36 ;

(x) investment in immovable property.

*Explanation.*—“ Immovable property ” does not include any machinery or plant even though attached to, or permanently fastened to, anything attached to the earth.’

**7. Amendment of section 13.**—In section 13 of the Income-tax Act,—  
(a) in sub-section (1),—

(i) clause (bb) shall be omitted with effect from the 1st day of April, 1984;

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

“(d) in the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof, if for any period during the previous year—

(i) any funds of the trust or institution are invested or deposited after the 28th day of February, 1983, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11; or

(ii) any funds of the trust or institution invested or deposited before the 1st day of March, 1983, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 continue to remain so invested or deposited after the 30th day of November, 1983; or

(iii) any shares in a company (not being a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or a corporation established by or under a Central, State or Provincial Act) are held by the trust or institution after the 30th day of November, 1983;

Provided that nothing in this clause shall apply in relation to—

(i) any assets held by the trust or institution where such assets constituted the original corpus of the trust or institution as on the 1st day of June, 1973, or where such assets being shares were allotted by way of bonus to the trust or institution on or before the said date with reference to the shares by way of original corpus held by it;

(ii) any trust or institution whose only source of income consists of profits and gains of business.”;

(b) in sub-section (2), in the opening portion, for the words, brackets and letter “provisions of clause (c)”, the words, brackets and letters “provisions of clause (c) and clause (d)” shall be substituted;

(c) in sub-section (4), in the opening portion, for the words “in a case where”, the words, brackets and letter “but without prejudice to the provisions contained in clause (d) of that sub-section, in a case where” shall be substituted;

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

**8. Amendment of section 16.**—In section 16 of the Income-tax Act, in clause (i), for the words “five thousand rupees”, the words “six thousand rupees” shall be substituted with effect from the 1st day of April, 1984.

**9. Amendment of section 24.**—In section 24 of the Income-tax Act, in sub-section (1), to clause (vi), the following *Explanation* shall be added with effect from the 1st day of April, 1984, namely :—

“*Explanation.*—Where the property has been acquired or constructed with borrowed capital, the interest, if any, payable on such capi-

tal for the period prior to the previous year in which the property has been acquired or constructed, as reduced by any part thereof allowed as a deduction under any other provision of this Act, shall be deducted under this clause in equal instalments for the said previous year and for each of the four immediately succeeding previous years.”.

**10. Amendment of section 32.**—In section 32 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1984,—

(a) in clause (ii), in the first proviso, for the words “seven hundred and fifty rupees”, the words “five thousand rupees” shall be substituted;

(b) in clause (iv), the words, brackets and figures “but any such sum shall not be deductible in determining the written down value for the purposes of clause (ii) of sub-section (1);” shall be omitted;

(c) in clause (v), the words, brackets and figures “but any such sum shall not be deductible in determining the written down value for the purposes of clause (ii); shall be omitted.

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

(a) in sub-section (2),—

(i) after clause (b) and before the *Explanation*, the following clause shall be inserted with effect from the 1st day of April, 1984, namely:—

“(c) any new machinery or plant installed after the 31st day of March, 1983, but before the 1st day of April, 1988, for the purposes of business of repairs to ocean-going vessels or other powered craft if the business is carried on by an Indian company and the business so carried on is for the time being approved for the purposes of this clause by the Central Government.”;

(ii) in the *Explanation*, for the words, brackets, figures and letter “this sub-section and sub-sections (2B) and (4)”, the words, brackets, figures and letters “this sub-section and sub-sections (2B), (2C) and (4)” shall be substituted with effect from the 1st day of June, 1983;

(b) after sub-section (2B), the following sub-section shall be inserted with effect from the 1st day of June, 1983, namely:—

“(2C) Where any new machinery or plant, being machinery or plant which would assist in control of pollution or protection of environment and which has been notified in this behalf by the Central Government in the Official Gazette, is installed after the 31st day of May, 1983, in any industrial undertaking referred to in sub-clause (i) or sub-clause (ii) or sub-clause (iii) of clause (b) of sub-section (2), the provisions of sub-section (1) shall have effect in relation to such machinery or plant as if for the words “twenty-five per cent.”, the words “thirty-five per cent.” had been substituted.”.

**12. Amendment of section 35.**—In section 35 of the Income-tax Act, in sub-section (2A), after the words “pays any sum”, the brackets and words “(being any sum paid with a specific direction that the sum shall not be used for the acquisition of any land or building or construction of

any building)" shall be inserted with effect from the 1st day of April, 1984.

**13. Amendment of section 35B.**—In section 35B of the Income-tax Act, in sub-section (1), in clause (a), after the words, figures and letters "after the 29th day of February, 1968", the words, figures and letters "but before the 1st day of March, 1983" shall be inserted.

**14. Amendment of section 35C.**—In section 35C of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1984,—

(a) in clause (a), the words "a sum equal to one and one-fifth times" shall be omitted;

(b) in the *Explanation*, for the words "expenditure with reference to which deduction under this section is to be allowed", the words "expenditure which is to be allowed as deduction under this section" shall be substituted.

**15. Amendment of section 35CC.**—In section 35CC of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted, namely:—

"(3) No deduction shall be allowed in respect of the expenditure on any programme referred to in sub-section (1) unless the following conditions are satisfied, namely:—

(a) the assessee has obtained the approval of the prescribed authority in respect of such programme under sub-section (1) before the 1st day of March, 1983;

(b) such programme involves work by way of construction of any building or other structure (whether for use as a dispensary, school, training or welfare centre, workshop or for any other purpose) or the laying of any road or the construction or boring of a well or tube-well or the installation of any plant or machinery, and such work has commenced before the 1st day of March, 1983;

(c) the expenditure on such programme is incurred, in a case where the approval of the prescribed authority in respect of such programme has been granted under sub-section (1) for a specified period, before the expiry of that period and, in any other case, before the 1st day of March, 1984;

(d) the assessee furnishes, along with the return of income for the assessment year for which the deduction is claimed, a statement of such expenditure in the prescribed form duly signed and verified by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and setting forth such particulars as may be prescribed."

**16. Amendment of section 35CCA.**—In section 35CCA of the Income-tax Act,—

(a) in sub-section (1),—

(i) in clause (b), the word "or" shall be added at the end;

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

"(c) to a rural development fund set up and notified by the Central Government in this behalf," ;

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

"(2) The deduction under clause (a) of sub-section (1) shall not be allowed in respect of expenditure by way of payment of any sum to any association or institution referred to in the said clause unless the assessee furnishes a certificate from such association or institution to the effect that—

(a) the programme of rural development had been approved by the prescribed authority before the 1st day of March, 1983; and

(b) such programme involves work of the nature referred to in clause (b) of sub-section (3) of section 35CC and such work has commenced before the 1st day of March, 1983.

(2A) The deduction under clause (b) of sub-section (1) shall not be allowed in respect of expenditure by way of payment of any sum to any association or institution unless the assessee furnishes a certificate from such association or institution to the effect that—

(a) the prescribed authority had approved the association or institution before the 1st day of March, 1983; and

(b) the training of persons for implementing any programme of rural development had been started by the association or institution before the 1st day of March, 1983.

(2B) No certificate of the nature referred to in sub-section (2) or sub-section (2A) shall be issued by any association or institution unless such association or institution has obtained from the prescribed authority authorisation in writing to issue certificates of such nature."

**17. Amendment of section 37.**—In section 37 of the Income-tax Act,—

(a) in sub-section (2A),—

(i) for clauses (iii) and (iv), the following shall be substituted with effect from the 1st day of April, 1984, namely :—

"(iii) on the balance of the profits and gains of the business or profession (computed in the manner aforesaid) at the rate of 1/8 per cent.,

so, however, that the allowance shall in no case exceed Rs. 50,000 ; "

(ii) the *Explanation* shall be numbered and shall be deemed to have been numbered with effect from the 1st day of April, 1976, 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, 1976, namely :—

'*Explanation 2.*—For the removal of doubts, it is hereby declared that for the purposes of this sub-section, "entertainment expenditure" includes expenditure on provision of hospitality of every kind by the assessee to any person, whether by way of provision of food or beverages or in any other manner whatsoever and whether or not such provision is made

by reason of any express or implied contract or custom or usage of trade, but does not include expenditure on food or beverages provided by the assessee to his employees in office, factory or other place of their work.' ;

(b) after sub-section (3), the following sub-sections shall be inserted with effect from the 1st day of April, 1984, namely :—

“(3A) Notwithstanding anything contained in sub-section (1), where the assessee incurs any expenditure on any one or more of the items specified in sub-section (3B), twenty per cent. of such expenditure or, as the case may be, aggregate expenditure shall not be allowed as deduction in computing the income chargeable under the head “ Profits and gains of business or profession. ”.

(3B) The expenditure referred to in sub-section (3A) is that incurred on—

- (i) advertisement, publicity and sales promotion ; or
- (ii) travel by rail, motor car, ship, powered craft or aircraft ; or
- (iii) running and maintenance of aircraft and motor cars ; or
- (iv) payments made to hotels.

*Explanation.*—For the purposes of sub-sections (3A) and (3B),—

(a) the expenditure specified in clause (i) to clause (iv) of sub-section (3B) shall be the aggregate amount of expenditure incurred by the assessee as reduced by so much of such expenditure as is not allowed under any other provision of this Act ;

(b) expenditure on advertisement, publicity and sales promotion shall not include remuneration paid to employees of the assessee engaged in one or more of the said activities ;

(c) expenditure on running and maintenance of aircraft and motor cars shall include,—

(i) expenditure incurred on chartering any aircraft and expenditure on hire charges for engaging cars plied for hire ;

(ii) conveyance allowance paid to employees and, where the assessee is a company, conveyance allowance paid to its directors also.

(3C) Nothing contained in sub-section (3A) shall apply in respect of expenditure incurred by an assessee, being a domestic company, or a person (other than a company), who is resident in India in respect of expenditure incurred wholly and exclusively on—

(i) advertisement, publicity and sales promotion outside India in respect of the goods, services or facilities which the assessee deals in or provides in the course of his business ;

(ii) travelling outside India for the promotion of the sale outside India of such goods, services or facilities, including travelling outward from, and return to, India ;

(iii) running and maintenance of motor cars in any branch, office or agency maintained outside India for the promotion of the sale outside India of such goods, services or facilities.

(3D) No disallowance under sub-section (3A) shall be made—

(i) in the case of an assessee engaged in the business of operation of aircraft, in respect of expenditure incurred on running and maintenance of such aircraft;

(ii) in the case of an assessee engaged in the business of running motor cars on hire, in respect of expenditure incurred in running and maintenance of such motor cars. ' ;

(c) after sub-section (4), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1979, namely :—

“(5) For the removal of doubts, it is hereby declared that any accommodation, by whatever name called, maintained, hired, reserved or otherwise arranged by the assessee for the purpose of providing lodging or boarding and lodging to any person (including any employee or, where the assessee is a company, any director of, or the holder of any other office in, the company), on tour or visit to the place at which such accommodation is situated, is accommodation in the nature of a guest house within the meaning of sub-section (4).”.

**18. Insertion of new section 43B.**—In the Income-tax Act, after section 43A, the following section shall be inserted with effect from the 1st day of April, 1984, namely :—

“43B. *Certain deductions to be only on actual payment.*—Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of—

(a) any sum payable by the assessee by way of tax or duty under any law for the time being in force, or

(b) any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees,

shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him.”.

**19. Amendment of section 44D.**—In section 44D of the Income-tax Act, with effect from the 1st day of June, 1983,—

(a) in clauses (a) and (b), for the portion beginning with the words “from an Indian concern” and ending with the words “with the Indian concern”, the following shall be substituted, namely :—

“from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or with the Indian concern” ;

(b) after clause (b) and before the *Explanation*, the following clause shall be inserted, namely :—

“(c) no deduction in respect of any expenditure or allowance shall be allowed under any of the said sections in computing income by way of



interest received from Government or an Indian concern on moneys borrowed or debt incurred by the Government or the Indian concern in foreign currency.”;

(c) in the *Explanation*, in clause (d), for the portion beginning with the words “from an Indian concern” and ending with the words “with the Indian concern”, the following shall be substituted, namely:—

“from Government or an Indian concern in pursuance of an agreement made by a foreign company with Government or the Indian concern.”.

**20. Amendment of section 54E.**—In section 54E of the Income-tax Act,—

(a) in sub-section (1),—

(i) after clause (b) and before *Explanation 1*, the following proviso shall be inserted, namely:—

“Provided that in a case where the original asset is transferred after the 28th day of February, 1983, the provisions of this sub-section shall not apply unless the assessee has invested or deposited the whole or, as the case may be, any part of the net consideration in the new asset by initially subscribing to such new asset.”;

(ii) in *Explanation 1*,—

(A) in clause (b), after the words, figures and letters “after the 28th day of February, 1979”, the words, figures and letters “but before the 1st day of March, 1983”, shall be inserted;

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

“(c) in a case where the original asset is transferred after the 28th day of February, 1983, any of the following assets, namely:—

(i) securities of the Central Government which that Government may, by notification in the Official Gazette, specify in this behalf;

(ii) special series of units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963), which the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iii) such National Rural Development Bonds as have been notified under clause (b) of *Explanation 1* or as may be notified in this behalf under this clause by the Central Government;

(iv) such debentures issued by the Housing and Urban Development Finance Corporation Limited (a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956)), as the Central Government may, by notification in the Official Gazette, specify in this behalf.”.

(b) in sub-section (2), the *Explanation* shall be numbered as *Explanation 1* and after *Explanation 1* as so numbered, the following *Explanation* shall be inserted, namely:—

“*Explanation 2.*—In a case where the original asset is transferred after the 28th day of February, 1983, and the assessee invests the whole

or any part of the net consideration in respect of the original asset in any new asset and such assessee takes any loan or advance on the security of such new asset, he shall be deemed to have converted (otherwise than by transfer) such new asset on the date on which such loan or advance is taken.”;

(c) in sub-section (3), in the *Explanation*, in clause (iiia), after sub-clause (b), the following sub-clause shall be inserted, namely :—

“(c) in relation to any additional compensation or additional consideration received after the 28th day of February, 1983, in any of the assets referred to in clause (c) of *Explanation 1* below sub-section (1) by way of initial subscription thereto;”.

**21. Amendment of section 80C.**—In section 80C of the Income-tax Act, with effect from the 1st day of April, 1984,—

(a) in sub-section (2),—

(i) for clause (b) (occurring before the *Explanation*), the following clause shall be substituted, namely :—

“(b) where the assessee is a Hindu undivided family,—

(i) any sums paid in the previous year by the assessee out of its income chargeable to tax—

(1) to effect or to keep in force an insurance on the life of any member of the family ; or

(2) as a contribution to any provident fund referred to in sub-clause (iv) of clause (a), where such contribution is to an account standing in the name of any member of the family ; or

(ii) any sums deposited in the previous year by the assessee out of its income chargeable to tax in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time, where such sums are deposited in an account standing in the name of any member of the family.” ;

(ii) in the *Explanation* below clause (b), for the word, brackets and letter “clause (b)”, the words, brackets, figure and letter “sub-clause (i) of clause (b)”, shall be substituted.

(b) in sub-section (4), for clauses (i) to (iv), the following clauses shall be substituted, namely :—

“(i) in the case of an individual, being an author, playwright, artist, musician, actor or sportsman (including an athlete), sixty thousand rupees ;

(ii) in the case of any other individual or a Hindu undivided family or any such association of persons or a body of individuals as is referred to in clause (g) of sub-section (2), forty thousand rupees.”.

**22. Amendment of section 80GG.**—In section 80GG of the Income-tax Act, for the proviso, the following proviso shall be substituted with effect from the 1st day of April, 1984, namely :—

“Provided that nothing in this section shall apply to an assessee in any case where any residential accommodation is,—

(i) owned by the assessee or by his spouse or minor child or, where such assessee is a member of a Hindu undivided family, by such family, at the place where he ordinarily resides or performs duties of his office or employment or carries on his business or profession ; or

(ii) owned by the assessee at any other place, being accommodation in the occupation of the assessee, the value of which is to be determined under clause (i) or, as the case may be, clause (ii) of sub-section (2) of section 23."

**23. Amendment of section 80GGA.**—In section 80GGA of the Income-tax Act, in sub-section (2),—

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

" Provided that the assessee furnishes the certificate referred to in sub-section (2) or, as the case may be, sub-section (2A) of section 35CCA from such association or institution. " ;

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

" (d) any sum paid by the assessee in the previous year to a rural development fund set up and notified by the Central Government for the purposes of clause (c) of sub-section (1) of section 35CCA. " .

**24. Insertion of new section 80HHC.**—In the Income-tax Act, after section 80HHB (directed to be inserted by section 18 of the Finance Act, 1982) (14 of 1982), the following section shall be inserted, namely :—

**' 80HHC. Deduction in respect of export turnover.**—(1) Where the assessee, being an Indian company or a person (other than a company), who is resident in India, exports out of India during the previous year relevant to an assessment year any goods or merchandise to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to five per cent. of the amount by which the export turnover of such goods or merchandise during the previous year exceeds the export turnover of the goods or merchandise during the immediately preceding previous year.

(2) (a) This section applies to all goods or merchandise [other than those specified in clause (b)] if the sale proceeds of such goods or merchandise exported out of India are receivable by the assessee in convertible foreign exchange.

(b) The goods or merchandise referred to in clause (a) are the following, namely :—

(i) agricultural primary commodities, not being produce of plantations ;

(ii) mineral oil ;

(iii) minerals and ores ; and

(iv) such other goods or merchandise as the Central Government may, by notification in the Official Gazette, specify in this behalf.

(3) No deduction under sub-section (1) shall be allowed unless the assessee had, during the immediately preceding previous year, exported out of India goods or merchandise to which this section applies.

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

(a) “convertible foreign exchange” means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made thereunder ;

(b) “export turnover” means the sale proceeds of any goods or merchandise exported out of India, but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962 (52 of 1962).’

**25. Amendment of section 80-I.**—In section 80-I of the Income-tax Act, with effect from the 1st day of April, 1984,—

(a) in sub-section (1),—

(i) in the opening portion, after the words “business of a hotel”, the words “or the business of repairs to ocean-going vessels or other powered craft” shall be inserted ;

(ii) in the proviso, for the words “shall have effect”, the words “shall have effect in relation to profits and gains derived from an industrial undertaking or a ship or the business of a hotel” shall be substituted ;

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

“(4A) This section applies to the business of repairs to ocean-going vessels or other powered craft which fulfils all the following conditions, namely :—

(i) the business is not formed by the splitting up, or the reconstruction, of a business already in existence ;

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

(iii) it is carried on by an Indian company and the work by way of repairs to ocean-going vessels or other powered craft has been commenced by such company after the 31st day of March, 1983, but before the 1st day of April, 1988 ; and

(iv) it is for the time being approved by the Central Government.” ;

(c) in sub-section (5),—

(i) in the opening portion, after the words “hotel starts functioning”, the words “or the company commences work by way of repairs to ocean-going vessels or other powered craft” shall be inserted ;

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

‘Provided further that in the case of an assessee carrying on the business of repairs to ocean-going vessels or other powered craft, the provisions of this sub-section shall have effect as if for the words “seven assessment years”, the words “four assessment years” had been substituted.’ ;

(d) in sub-section (6), after the word "hotel", at both the places where it occurs, the words "or the business of repairs to ocean-going vessels or other powered craft" shall be inserted;

(e) in sub-section (8), after the words "operation of the ship", wherever they occur, the words "or the business of repairs to ocean-going vessels or other powered craft" shall be inserted;

(f) in sub-section (9), after the word "ship", wherever it occurs, the words "or the business of repairs to ocean-going vessels or other powered craft" shall be inserted.

**26. Omission of section 80JJ.**—Section 80JJ of the Income-tax Act shall be omitted with effect from the 1st day of April, 1984.

**27. Omission of section 80JJA.**—Section 80JJA of the Income-tax Act shall be omitted with effect from the 1st day of April, 1984.

**28. Amendment of section 80L.**—In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1984,—

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

"(via) interest on deposits with any such bank, not being a banking company or a co-operative society referred to in clause (vi) but being a bank established by or under any law made by Parliament, as may be approved by the Central Government for the purposes of this clause;"

(b) for the portion beginning with the words "a deduction as specified hereunder" and ending with the words "shall not exceed two thousand rupees" (directed to be substituted by section 19 of the Finance Act, 1982 (14 of 1982)), the following shall be substituted, namely:—

"a deduction as specified hereunder, namely:—

(1) in a case where the amount of such income does not exceed in the aggregate seven thousand rupees, the whole of such amount; and

(2) in any other case, seven thousand rupees."

**29. Omission of section 80MM.**—Section 80MM of the Income-tax Act shall be omitted with effect from the 1st day of April, 1984.

**30. Amendment of section 80P.**—In section 80P of the Income-tax Act, in sub-section (2), for clause (b), the following clause shall be substituted with effect from the 1st day of April, 1984, namely:—

"(b) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to—

(i) a federal co-operative society, being a society engaged in the business of supplying milk, oilseeds, fruits or vegetables, as the case may be; or

(ii) the Government or a local authority; or

(iii) a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or a corporation established by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk, oilseeds, fruits or vegetables, as the case may be, to the public),

the whole of the amount of profits and gains of such business ; ”.

**31. Amendment of section 80R.**—In section 80R of the Income-tax Act, for the words “such other association or body established outside India as may be notified in this behalf by the Central Government in the Official Gazette”, the words “any other association or body established outside India” shall be substituted with effect from the 1st day of April, 1984.

**32. Insertion of new Chapter VI-B.**—In the Income-tax Act, after Chapter VI-A, the following Chapter shall be inserted with effect from the 1st day of April, 1984, namely :—

## “CHAPTER VI-B

### RESTRICTION ON CERTAIN DEDUCTIONS IN THE CASE OF COMPANIES

*80VVA. Restriction on certain deductions in the case of companies.*—

(1) Notwithstanding anything contained in any other provision of this Act, where in the case of an assessee being a company, the amount or, as the case may be, the aggregate amount which, but for the provisions of this section, would have been admissible as deduction for any assessment year under any one or more of the provisions of this Act specified in sub-section (2) exceeds seventy per cent. of the amount of total income as computed had no deduction been allowed under any of the said provisions (such total income being hereinafter referred to as the pre-incentive total income), the amount or, as the case may be, the aggregate amount to be allowed as deduction for that year in respect of any one or more of the said provisions shall be restricted, in the manner specified in sub-section (3) to seventy per cent. of the pre-incentive total income.

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

- (i) clause (iii) of sub-section (1) of section 35 ;
- (ii) clause (ia) of sub-section (2) of section 35 ;
- (iii) sub-section (2A) of section 35, to the extent to which the deduction under the said sub-section exceeds the sum paid by the assessee ;
- (iv) sub-section (2B) of section 35, to the extent to which the deduction under the said sub-section exceeds the expenditure incurred by the assessee ;
- (v) section 35C ;
- (vi) section 35CC ;
- (vii) section 35CCA ;
- (viii) section 35CCB ;
- (ix) clause (ii) of sub-section (2) of section 33 ;
- (x) clause (ii) of sub-section (2) of section 33A ;
- (xi) clause (i) of sub-section (2) of section 33A ;
- (xii) clause (ii) of sub-section (3) of section 32A ;
- (xiii) clause (i) of sub-section (3) of section 32A ;
- (xiv) section 80G ;
- (xv) clause (b) of sub-section (2) of section 80GGA ;

- (xvi) clause (c) of sub-section (2) of section 80GGA ;
- (xvii) section 80HH ;
- (xviii) section 80HHA ;
- (xix) section 80HHB ;
- (xx) section 80HHC ;
- (xxi) section 80-I ;
- (xxii) section 80J ;
- (xxiii) section 80K ;
- (xxiv) section 80M ;
- (xxv) section 80N ;
- (xxvi) section 80-O ; and
- (xxvii) section 80QQ.

(3) The deduction under the provisions specified in sub-section (2) shall, for the purposes of restricting under sub-section (1), the amount or, as the case may be, the aggregate amount of deduction, under those provisions, be allowed in the order in which the said provisions have been specified in sub-section (2), and accordingly—

(a) deduction shall first be allowed under the provision specified in clause (i) of sub-section (2); and

(b) if no deduction is allowable under the provision specified in the said clause (i) or the deduction allowable under that provision is less than seventy per cent. of the pre-incentive total income, deduction shall next be allowed under the provision specified in clause (ii) of sub-section (2); and

(c) if no deduction is allowable under the provision specified in the said clause (ii), or the deduction under that provision together with the deduction allowed under the provision referred to in the said clause (i), is less than seventy per cent. of the pre-incentive total income, deduction shall next be allowed under the provision specified in clause (iii) of sub-section (2) and so on until the aggregate deduction so allowed is equal to seventy per cent. of the pre-incentive total income.

(4) To the extent to which full deduction cannot be allowed in the assessment year in respect of any provision specified in sub-section (2), by virtue only of the restriction under sub-section (1) (and not by virtue of anything contained in any other section), the amount remaining unallowed shall be added to the amount, if any, to be allowed to the assessee under the said provision for the next following assessment year and be deemed to be part of the deduction admissible to the assessee under the said provision for that year or, if no such deduction is admissible to the assessee for that year, be deemed to be the deduction admissible to the assessee for that year, and so on for succeeding assessment years.”.

**33. Omission of section 89A.**—Section 89A of the Income-tax Act shall be omitted with effect from the 1st day of April, 1983.

**34. Amendment of section 109.**—In section 109 of the Income-tax Act, in clause (ib), for the *Explanation*, the following *Explanation* shall be substituted with effect from the 1st day of April, 1984, namely :—

' *Explanation*.—In this clause and in sub-clause (3) of clause (iii), the expression " provision of technical know-how " means,—

(i) the transfer of all or any rights (including the granting of a licence) in respect of a patent, invention, model, design, secret formula or process or similar property ;

(ii) the imparting of any information concerning the working of, or the use of, a patent, invention, model, design, secret formula or process or similar property ;

(iii) the use of any patent, invention, model, design, secret formula or process or similar property ;

(iv) the imparting of any information concerning industrial, commercial or scientific knowledge, experience or skill ; '.

**35. Amendment of section 115A.**—In section 115A of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 1983,—

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

" (aa) interest received from Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency ; or " ;

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

" (b) royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and where such agreement is with an Indian concern, such agreement is approved by the Central Government," ;

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

" (ia) the amount of income-tax calculated on the income by way of interest referred to in clause (aa), if any, included in the total income, at the rate of twenty-five per cent. ; " ;

(d) in clause (iv), for the words, brackets and letter " and clause (b) ", the words, brackets and letters " clause (aa) and clause (b) " shall be substituted ;

(e) in the *Explanation*, after clause (b), the following clause shall be inserted, namely :—

" (bb) " foreign currency " shall have the same meaning as in the *Explanation* below item (g) of sub-clause (iv) of clause (15) of section 10 ; '.

**36. Insertion of new Chapter XII-A.**—In the Income-tax Act, after Chapter XII, the following Chapter shall be inserted with effect from the 1st day of June, 1983, namely :—

## CHAPTER XII-A

### SPECIAL PROVISIONS RELATING TO CERTAIN INCOMES OF NON-RESIDENTS

**115C. Definitions.**—In this Chapter, unless the context otherwise requires,—

(a) " convertible foreign exchange " means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible



foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973 (46 of 1973), and any rules made thereunder ;

(b) "foreign exchange asset" means any specified asset which the assessee has acquired, purchased with, or subscribed to, in convertible foreign exchange ;

(c) "investment income" means any income derived from a foreign exchange asset ;

(d) "long-term capital gains" means income chargeable under the head "Capital gains" relating to a capital asset, being a foreign exchange asset which is not a short-term capital asset ;

(e) "non-resident Indian" means an individual, being a citizen of India or a person of Indian origin who is not a "resident".

*Explanation.*—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India ;

(f) "specified asset" means any of the following assets, namely :—

(i) shares in an Indian company ;

(ii) debentures issued by an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956) ;

(iii) deposits with an Indian company which is not a private company as defined in the Companies Act, 1956 (1 of 1956) ;

(iv) any security of the Central Government as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944) ;

(v) units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) ;

(vi) such other assets as the Central Government may specify in this behalf by notification in the Official Gazette.

*115D. Special provision for computation of investment income of non-residents.*—No deduction in respect of any expenditure or allowance shall be allowed under any provision of this Act in computing the investment income of a non-resident Indian.

*115E. Tax on investment income and long-term capital gains.*—(1) Where the total income of an assessee, being a non-resident Indian, consists only of investment income or income by way of long-term capital gains or both, the tax payable by him on his total income shall be the amount of income-tax calculated on such total income at the rate of twenty per cent. of such income as increased by a surcharge for purposes of the Union at the rate of twelve and a half per cent. of such income-tax.

(2) Where the total income of an assessee, being a non-resident Indian includes any income referred to in sub-section (1), the tax payable by him on his total income shall be—

(i) the aggregate of the income-tax and surcharge payable by him in accordance with the provisions of sub-section (1) on income of the nature referred to in that sub-section included in the total income ; plus

(ii) the amount of income-tax chargeable on the total income as reduced by the amount of income of the nature referred to in sub-section (1), had the total income so reduced been his total income.

**115F. Capital gains on transfer of foreign exchange assets not to be charged in certain cases.**—(1) Where, in the case of an assessee being a non-resident Indian, any long-term capital gains arise from the transfer of a foreign exchange asset (the asset so transferred being hereafter in this section referred to as the original asset), and the assessee has, within a period of six months after the date of such transfer, invested or deposited the whole or any part of the net consideration in any specified asset or in an Account referred to in clause (4A), or in any savings certificates referred to in clause (4B), of section 10 (such specified asset or such deposit in the Account aforesaid or such savings certificates being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(a) if the cost of the new asset is not less than the net consideration in respect of the original asset, the whole of such capital gain shall not be charged under section 45 ;

(b) if the cost of the new asset is less than the net consideration in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the new asset bears to the net consideration shall not be charged under section 45.

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

(i) “cost”, in relation to any new asset, being a deposit referred to in clause (4A) of section 10 or referred to in sub-clause (iii), or specified under sub-clause (vi), of clause (f) of section 115C, means the amount of such deposit ;

(ii) “net consideration”, in relation to the transfer of the original asset means the full value of the consideration received or accruing as a result of the transfer of such asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

(2) Where the new asset is transferred or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (a) or, as the case may be, clause (b) of sub-section (1) shall be deemed to be income chargeable under the head “Capital gains” relating to capital assets other than short-term capital assets of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.

**115G. Return of income not to be filed in certain cases.**—It shall not be necessary for a non-resident Indian to furnish under sub-section (1) of section 139 a return of his income if—

(a) his total income in respect of which he is assessable under this Act during the previous year consisted only of investment income or income by way of long-term capital gains or both ; and

(b) the tax deductible at source under the provisions of Chapter XVII-B has been deducted from such income.

**115H. Benefit under Chapter to be available in certain cases even after the assessee becomes resident.**—Where a person, who is a non-resident Indian in any previous year, becomes assessable as resident in India in respect of the total income of any subsequent year, he may furnish to the Income-tax Officer a declaration in writing along with his return of income under section 139 for the assessment year for which he is so assessable, to the effect that the provisions of this Chapter shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an asset of the nature referred to in sub-clause (ii) or sub-clause (iii) or sub-clause (iv) or sub-clause (vi) of clause (f) of section 115C; and if he does so, the provisions of this Chapter shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.

**115-I. Chapter not to apply if the assessee so chooses.**—A non-resident Indian may elect not to be governed by the provisions of this Chapter for any assessment year by furnishing to the Income-tax Officer his return of income for that assessment year under section 139 together with a declaration in writing to the effect that the provisions of this Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him for that assessment year and his total income for that assessment year shall be computed and tax on such total income shall be charged in accordance with the other provisions of this Act.

**37. Amendment of section 164.**—In section 164 of the Income-tax Act, with effect from the 1st day of April, 1984,—

(a) in sub-section (2), after the word and figure “section 2”, the words, brackets and figures “or which is of the nature referred to in sub-section (4) of section 11,” shall be inserted;

(b) in sub-section (3), in the opening portion, after the word and figure “section 2”, the words, brackets and figures “or is of the nature referred to in sub-section (4) of section 11,” shall be inserted.

**38. Amendment of section 280ZA.**—In section 280ZA of the Income-tax Act, with effect from the 1st day of April, 1984,—

(a) in sub-section (2), for the portion beginning with the words “arising from the transfer” and ending with the words “shifting its machinery”, the following shall be substituted, namely:—

“arising from the transfer of capital assets, being machinery or plant or buildings or lands or any rights in buildings or lands used for the purposes of the business of the said undertaking in the urban area, effected in the course of or in consequence of the shifting of such industrial undertaking, namely:—

(a) the amount of expenditure incurred by the company in—

(i) purchasing new machinery or plant for the purposes of the business of the company in the area to which the undertaking is shifted;

(ii) acquiring lands or constructing buildings for the purposes of its business in the said area ; and

(iii) shifting its machinery ”;

(b) in sub-section (4), for the portion beginning with the words “ Where a capital asset ” and ending with the words “ completion of construction ”, the following shall be substituted, namely :—

“ Where a capital asset, being machinery or plant purchased for the purposes of the business of the company in the area to which the undertaking is shifted or building or land, or any right in building or land, acquired, or as the case may be, constructed in the said area, is transferred by the company within a period of five years from the date of purchase, acquisition or, as the case may be, the date of completion of construction ”.

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

(a) in sub-section (3) of section 11, for clause (b), the following clause shall be substituted, namely :—

“ (b) ceases to remain invested or deposited in any of the forms or modes specified in sub-section (5), or ”;

(b) in sub-section (3) of section 80A—

(i) after the words, figures and letters “ or section 80HHB ”, the words, figures and letters “ or section 80HHC ” shall be inserted ;

(ii) the words, figures and letters “ or section 80JJ or section 80JJA ” shall be omitted with effect from the 1st day of April, 1984 ;

(c) in sub-section (3) of section 80P—

(i) after the words, figures and letters “ or section 80HHB ”, the words, figures and letters “ or section 80HHC ” shall be inserted ;

(ii) the words, figures and letters “ or section 80JJ or section 80JJA ” shall be omitted with effect from the 1st day of April, 1984 ;

(iii) for the words, figures and letters “ section 80HHB, section 80-I, ”, the words, figures and letters “ section 80HHB, section 80HHC, section 80-I ” shall be substituted ;

(iv) for the words, figures and letters “ section 80J, section 80JJ and section 80JJA ”, the words, figures and letter “ and section 80J ” shall be substituted with effect from the 1st day of April, 1984.

#### *Wealth-tax*

**40. Revival of levy of wealth-tax in the case of closely-held companies.**—

(1) Notwithstanding anything contained in section 13 of the Finance Act, 1960 (13 of 1960), relating to exemption of companies from levy of wealth-tax under the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), wealth-tax shall be charged under the Wealth-tax Act for every assessment year commencing on and from the 1st day of April, 1984, in respect of the net wealth on the corresponding valuation date of every company, not being a company in which the public are substantially interested, at the rate of two per cent. of such net wealth.

*Explanation.*—For the purposes of this sub-section, “ company in which the public are substantially interested ” shall have the meaning assigned to it in clause (18) of section 2 of the Income-tax Act.

(2) For the purposes of sub-section (1), the net wealth of a company shall be the amount by which the aggregate value of all the assets referred to in sub-section (3), wherever located, belonging to the company on the valuation date is in excess of the aggregate value of all the debts owed by the company on the valuation date which are secured on, or which have been incurred in relation to, the said assets :

Provided that where any debt secured on any asset belonging to the assessee is incurred for, or enures to, the benefit of any other person, or is not represented by any asset belonging to the assessee, the value of such debt shall not be taken into account in computing the net wealth of the assessee.

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

(i) gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals ;

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

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

(iv) utensils made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals ;

(v) land other than agricultural land ;

(vi) building or land appurtenant thereto, other than building or part thereof used by the assessee as factory, godown, warehouse, hotel or office for the purposes of its business or as residential accommodation for its employees whose income chargeable under the head “ Salaries ” is ten thousand rupees or less ;

(vii) motorcars ; and

(viii) any other asset which is acquired or represented by a debt secured on any one or more of the assets referred to in clause (i) to clause (vii).

(4) The value of any asset specified in sub-section (3) shall, subject to the provisions of sub-section (3) of section 7 of the Wealth-tax Act, be estimated to be the price which, in the opinion of the Wealth-tax Officer, it would fetch if sold in the open market on the valuation date.

(5) For the purposes of the levy of wealth-tax under the Wealth-tax Act, in pursuance of the provisions of this section,—

(a) section 5, clause (a) of sub-section (2) of section 7 and clause (d) of section 45 of that Act and Part II of Schedule I to that Act shall not apply and shall have no effect,

(b) the remaining provisions of that Act shall be construed so as to be in conformity with the provisions of this section.

(6) Nothing in this section shall apply to any institution, association or body, whether incorporated or not and whether Indian or non-Indian, which the Central Government may, having regard to the nature and object of such institution, association or body, specify by notification in the Official Gazette and every notification issued under this sub-section shall be laid, as soon as may be after it is issued, before each House of Parliament.

(7) Subject to the provisions of sub-section (5), this section shall be construed as one with the Wealth-tax Act.

**41. Amendment of section 5.**—In section 5 of the Wealth-tax Act, in sub-section (1),—

(a) for clause (xa), the following clause shall be substituted with effect from the 1st day of April, 1984, namely :—

“(xa) in the case of an assessee who is carrying on a profession (being legal, medical, engineering or architectural profession or the profession of accountancy or such other profession as is notified by the Central Government in this behalf) and who regularly maintains books of account on the cash system of accounting, the amount of any fee due to him in respect of the services rendered by him in such professional capacity ;” ;

(b) for clause (xvic) [directed to be inserted by sub-clause (v) of clause (a) of section 34 of the Finance Act, 1982 (14 of 1982)], the following clause shall be substituted with effect from the 1st day of April, 1984, namely :—

“(xvic) in the case of an individual, being a citizen of India or a person of Indian origin who is not resident in India, during the year ending on the valuation date, any foreign exchange asset.

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

(a) a person shall be deemed to be of Indian origin if he or either of his parents or any of his grand-parents was born in undivided India ;

(b) an individual shall be deemed to be not resident in India during the year ending on the valuation date if in respect of that year the individual is not resident in India within the meaning of the Income-tax Act ;

(c) “foreign exchange asset” shall have the meaning assigned to it in clause (b) of section 115C of the Income-tax Act ;” ;

(c) in clause (xvid) [directed to be inserted by sub-clause (v) of clause (a) of section 34 of the Finance Act, 1982 (14 of 1982)], for the words “such Capital Investment Bonds”, the words “in the case of an individual or a Hindu undivided family, such Capital Investment Bonds” shall be substituted ;

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

“(xviii) any property being a medal, trophy or an award in kind received by the assessee for any attainment, work or contribution in any field if such medal, trophy or award in kind is received by the assessee from Government or from a University established by law or an institution affiliated to such University or from any such institution, association or body as is approved for the purposes of this clause by the Central Government.

*Explanation.*—Any approval for the purposes of this clause may be given by the Central Government so as to have effect from a date not earlier than the 1st day of April, 1983 ; ”.

#### *Gift-tax*

**42. Amendment of section 5.**—In section 5 of the Gift-tax Act, 1958 (18 of 1958), in sub-section (1),—

(a) in clause (iid) [directed to be inserted by clause (a) of section 38 of the Finance Act, 1982 (14 of 1982)], for the portion beginning with the words “savings certificates” and ending with the words “rules made thereunder”, the following shall be substituted with effect from the 1st day of April, 1984, namely:—

“any foreign exchange asset as defined in clause (b) of section 115C of the Income-tax Act ; ” ;

(b) in clause (iiic) [directed to be inserted by clause (b) of section 38 of the Finance Act, 1982 (14 of 1982)], for the words “of property in the form of such Capital Investment Bonds”, the words “being an individual or a Hindu undivided family, of property in the form of such Capital Investment Bonds” shall be substituted.

#### *Interest-tax*

**43. Amendment of section 4.**—In section 4 of the Interest-tax Act, 1974 (45 of 1974), the following proviso shall be inserted at the end, namely:—

“Provided that the rate at which interest-tax shall be charged in respect of any chargeable interest accruing or arising after the 31st day of March, 1983, shall be three and a half per cent. of such chargeable interest.”.

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

It is hereby declared that it is expedient in the public interest that the provisions of clauses 44 and 45, clause 54 [except sub-clause (b) thereof] and clauses 55, 56 and 57 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931 (16 of 1931).



# THE FIRST SCHEDULE

(See section 2)

## PART I

### INCOME-TAX AND 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. 15,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 15,000 but does not exceed Rs. 25,000	30 per cent. of the amount by which the total income exceeds Rs. 15,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 3,000 <i>plus</i> 34 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(4) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 4,700 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 30,000
(5) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000	Rs. 12,700 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(6) where the total income exceeds Rs. 60,000 but does not exceed Rs. 70,000	Rs. 17,700 <i>plus</i> 52·5 per cent. of the amount by which the total income exceeds Rs. 60,000 ;
(7) where the total income exceeds Rs. 70,000 but does not exceed Rs. 85,000	Rs. 22,950 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 70,000 ;
(8) where the total income exceeds Rs. 85,000 but does not exceed Rs. 1,00,000	Rs. 31,200 <i>plus</i> 57·5 per cent. of the amount by which the total income exceeds Rs. 85,000 ;
(9) where the total income exceeds Rs. 1,00,000	Rs. 39,825 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

#### *Surcharge on income-tax*

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

### *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, 1983, exceeds Rs. 15,000,—

#### *Rates of income-tax*

- |  |  |
|--|--|
| (1) where the total income does not exceed Rs. 8,000                         | <i>Nil</i> ;   |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000  | 22 per cent. of the amount by which the total income exceeds Rs. 8,000 ;                         |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,540 <i>plus</i> 27 per cent. of the amount by which the total income exceeds Rs. 15,000 ;  |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,890 <i>plus</i> 35 per cent. of the amount by which the total income exceeds Rs. 20,000 ;  |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,640 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;  |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,640 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;  |
| (7) where the total income exceeds Rs. 50,000                                | Rs. 16,640 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 50,000 ; |

Provided that for the purposes of this Sub-Paragraph,—

- (i) no income-tax shall be payable on a total income not exceeding Rs. 12,000 ;
- (ii) where the total income exceeds Rs. 12,000 but does not exceed Rs. 17,610, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 12,000.

#### *Surcharge on income-tax*

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

### *Paragraph B*

In the case of every co-operative society,—

#### *Rates of income-tax*

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

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000

Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ;

(3) where the total income exceeds Rs. 20,000

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

#### *Surcharge on income-tax*

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

#### *Paragraph 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

*Nil* ;

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

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

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

Rs. 750 *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. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

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

Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

#### *Surcharge on income-tax*

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

##### *Sub-Paragraph II*

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

##### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000

*Nil* ;

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

(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

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

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

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

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

#### *Surcharge on income-tax*

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

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

#### *Paragraph D*

In the case of every local authority,—

##### *Rate of income-tax*

On the whole of the total income 50 per cent.

#### *Surcharge on income-tax*

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

#### *Paragraph E*

In the case of 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,—

(i) in a case where the total income does not exceed Rs. 1,00,000

45 per cent. of the total income ;

(ii) in a case where the total income exceeds Rs. 1,00,000

55 per cent. of the total income ;

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

(i) in the case of an industrial company,—

(a) where the total income does not exceed Rs. 2,00,000 55 per cent. of the total income ;

(b) where the total income exceeds Rs. 2,00,000 60 per cent. of the total income ;

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

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000 ;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

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

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

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, but before the 1st day of April, 1976, or

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

and where such agreement has, 50 per cent. ;  
in either case, been approved by  
the Central Government

(ii) on the balance, if any, of 70 per cent.  
the total income

### *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 two and a half 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 :—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(a) where the person is resi- dent in India—		
(i) on income by way of interest other than " Interest on securities "	10 per cent.	<i>Nil</i> ;
(ii) on income by way of winnings from lotteries and cross- word puzzles	30 per cent.	3·75 per cent. ;
(iii) on income by way of winnings from horse races	30 per cent.	3·75 per cent. ;
(iv) on income by way of insurance commission	10 per cent.	<i>Nil</i> ;
(v) on income by way of interest payable on	10 per cent.	<i>Nil</i> ;
(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 autho- rity or a corporation established by a Central, State or Provincial Act ;		

	Rate of income-tax	Rate of surcharge
(C) any debentures issued by a company where such debentures are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956), and any rules made thereunder		
(vi) on any other income (excluding interest payable on a tax-free security)	20 per cent.	2.5 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.	2.5 per cent. ;
(B) on income by way of interest payable on a tax-free security	15 per cent.	1.875 per cent. ;
(C) on the whole of the other income	income-tax at 30 per cent. and surcharge at 3.75 per cent. of the amount of the income,	
	or	
	income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,	
	whichever is higher ;	
(ii) in the case of any other person—		
(A) on the whole of income (excluding interest payable on a tax-free security)	income-tax at 30 per cent. and surcharge at 3.75 per cent. of the amount of income,	
	or	
	income-tax and surcharge on 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	

# Income-tax

	Rate of income-tax	Rate of surcharge
such income had been the total income, whichever is higher ;		
(B) on income by way of interest payable on a tax-free security	15 per cent.	1·875 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.	1 per cent. ;
(ii) on any other income (excluding interest payable on a tax-free security)	21·5 per cent.	1·075 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.	Nil ;
(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.	Nil ;
(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	40 per cent.	Nil ;
(iv) on income by way of royalty [not being royalty of the		



Income-tax

	Rate of income-tax	Rate of surcharge
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.	2·5 per cent. ;
(B) where the agreement is made after the 31st day of March, 1976—		
(1) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property	20 per cent.	<i>Nil</i> ;
(2) on the balance, if any, of such income	40 per cent.	<i>Nil</i> ;
(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.	2·5 per cent. ;
(B) where the agreement is made after the 31st day of March, 1976	40 per cent.	<i>Nil</i> ;

(vi) on income by way of interest payable on a tax-free security 44 per cent. 2·2 per cent.;

(vii) on any other income 70 per cent. 3·5 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 as directed to be inserted in the Income-tax Act by section 36 of this 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 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. 15,000                          | Nil ;  |
| (2) whether the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | 25 per cent. of the amount by which the total income exceeds Rs. 15,000 ;                |
| (3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000   | Rs. 1,250 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ; |

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

(5) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000

(6) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000

(7) where the total income exceeds Rs. 60,000 but does not exceed Rs. 70,000

(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 85,000

(9) where the total income exceeds Rs. 85,000 but does not exceed Rs. 1,00,000

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

Rs. 2,750 *plus* 35 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

Rs. 4,500 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 30,000 ;

Rs. 12,500 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

Rs. 17,500 *plus* 52·5 per cent of the amount by which the total income exceeds Rs. 60,000 ;

Rs. 22,750 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 70,000 ;

Rs. 31,000 *plus* 57·5 per cent. of the amount by which the total income exceeds Rs. 85,000 ;

Rs. 39,625 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

### *Surcharge on income-tax*

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

### *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, 1984, exceeds Rs. 15,000,—

### *Rates of income-tax*

(1) where the total income does not exceed Rs. 8,000

*Nil* ;

(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000

22 per cent. of the amount by which the total income exceeds Rs. 8,000 ;

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

Rs. 1,540 *plus* 27 per cent. of the amount by which the total income exceeds Rs. 15,000 ;

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

Rs. 2,890 *plus* 35 per cent. of the amount by which the total income exceeds Rs. 20,000 ;

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

Rs. 4,640 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;

(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000

Rs. 6,640 *plus* 50 per cent of the amount by which the total income exceeds Rs. 30,000 ;

(7) where the total income exceeds Rs. 50,000

Rs. 16,640 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000 :

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 12,000 ;

(ii) where the total income exceeds Rs. 12,000 but does not exceed Rs. 17,610 the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 12,000.

#### *Surcharge on income-tax*

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

#### *Paragraph B*

In the case of every co-operative society,—

##### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000

15 per cent. of the total income ;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000

Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ;

(3) where the total income exceeds Rs. 20,000

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

#### *Surcharge on income-tax*

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

#### *Paragraph C*

##### *Sub-Paragraph I*

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

##### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000

*Nil* ;

(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.

#### *Surcharge on income-tax*

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

#### *Sub-Paragraph II*

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

#### *Rates of income-tax*

(1) where the total income does not exceed Rs. 10,000

*Nil* ;

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

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

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

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

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

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

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

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

#### *Surcharge on income-tax*

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

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

*Paragraph D*

In the case of every local authority,—

*Rate of income-tax*

On the whole of the total income      50 per cent.

*Surcharge on income-tax*

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

*Paragraph E*

In the case of a company,—

*Rates of income-tax*

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested      55 per cent. of the total income ;

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

(i) in the case of an industrial company      60 per cent. of the total income ;

(ii) in any other case      65 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, 70 per cent.  
of the total income

### *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.

*Explanation.*—For the purposes of this Paragraph, “industrial company” means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or carriage, by road or inland waterways, of passengers or goods or in the construction of ships or in the execution of projects or in the manufacture or processing of goods or in mining.

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

(i) a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or carriage, by road or inland waterways, of passengers or goods or in the construction of ships or in the execution of projects or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VI-A of the Income-tax Act) is not less than fifty-one per cent. of such total income ;

(ii) “project” means a project for the construction of a building, road, dam, bridge or other structure or assembly or installation of any machinery or plant.

## 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, 1983, 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, 1975, or the 1st day of April, 1976, or the 1st day of April, 1977, or 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, 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, 1975, 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, 1976, or the 1st day of April, 1977, or 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,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, 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, 1977, or 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,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, 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, 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,

(iv) 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,

(v) 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,

(vi) 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,

(vii) 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, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982,

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, 1983.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1984, 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 1976, or the 1st day of April, 1977, or 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, 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, 1976, 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, 1977, or 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,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, 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, 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,

(iii) 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,

(iv) 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,

(v) 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,

(vi) 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,

(vii) 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,

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983,

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, 1984, or the period aforesaid.

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

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

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1975 (25 of 1975), or of the First Schedule to the Finance Act, 1976 (66 of 1976), or of the First Schedule to the Finance (No. 2) Act,

1977 (29 of 1977), or 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) 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 1983-84. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI :

PRANAB MUKHERJEE.

*The 28th February, 1983.*

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

[Copy of letter No. F. 3(1)-B(D)/83 dated the 28th February, 1983 from Shri Pranab Mukherjee, Minister of Finance, to the Secretary, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under clause (1) of article 117, read with clause (1) of article 274, of the Constitution of India, the introduction of the Finance Bill, 1983, to the Lok Sabha.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 28th February, 1983.

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2(7) of the Bill provides that if a company makes a deposit with the Industrial Development Bank of India in accordance with any scheme framed by the Central Government, the surcharge on income-tax payable by the company will be reduced to the extent mentioned in the said sub-clause. The scheme to be framed by the Central Government will contain details as to the manner of making such deposits, the period for which such deposits may be made and other connected matters of detail.

Clause 5(b) seeks to amend clause (10) of section 10 of the Income-tax Act relating to exemption from tax in respect of gratuity received by employees on retirement, etc. In the case of gratuity payable to employees in the private sector, the amount exempt from tax is subject to a monetary limit of Rs. 30,000. This clause seeks to increase this limit to Rs. 36,000. The Central Government has been empowered to increase this limit of Rs. 36,000 to a higher amount by notification in the Official Gazette, having regard to any increase in the maximum amount of gratuity payable to Central Government employees.

Clause 11(b) seeks to insert a new sub-section (2C) in section 32A of the Income-tax Act to provide for the grant of investment allowance at the higher rate of 35 per cent. (as against the general rate of 25 per cent.), of the actual cost of new machinery or plant which would assist in control of pollution or protection of environment if the machinery or plant is notified by the Central Government for the purposes of the proposed provision.

Clause 15 seeks to substitute sub-section (3) of section 35CC of the Income-tax Act by a new sub-section which relates to rural development allowance. The new sub-section provides that no deduction shall be allowed in respect of expenditure on any programme for rural development unless the assessee has obtained the approval of the prescribed authority in respect of such programme before the 1st of March, 1983, and furnishes, along with the return of income for the assessment year for which deduction is claimed, a statement of such expenditure in the prescribed form.

Clause 16 seeks to amend section 35CCA of the Income-tax Act relating to expenditure by way of payment to associations or institutions for

carrying out rural development programmes, etc. Item (ii) of sub-clause (a) of this clause seeks to insert a new clause (c) in sub-section (1) which provides that payment of any sum to a rural development fund set up and notified by the Central Government in this behalf will qualify for deduction under this section. Under new sub-sections (2) and (2A) of this section, the deduction in respect of expenditure by way of payment of any sum to any association or institution which has as its object the training of persons for implementing programmes of rural development will not be allowed unless the taxpayer furnishes a certificate from such association or institution to the effect that the prescribed authority had approved the association or institution before 1st March, 1983, and the training of persons for implementing any programme of rural development had been started by the association or institution before 1st March, 1983. The certificate required to be furnished will not be issued by any association or institution unless it has obtained from the prescribed authority, authorisation in writing to issue certificates of such nature.

Clause 20 which seeks to amend section 54E of the Income-tax Act provides that exemption relating to capital gains on transfer of capital assets under this section after the 28th February, 1983, will apply only in cases where the taxpayer has invested or deposited the whole or part of the net consideration in the new asset by initially subscribing to the new asset. The proposed new clause (c)(i) in *Explanation 1* to sub-section (1) of this section which specifies the new assets, empowers the Central Government to notify the securities of the Central Government, special series of the units of the Unit Trust of India, National Rural Development Bonds and debentures issued by the Housing and Urban Development Finance Corporation Limited.

Clause 24 seeks to insert a new section 80HHC in the Income-tax Act relating to deduction in respect of export turnover. Under sub-section (1) of this section, deduction of an amount equal to 5 per cent. of the amount by which the export turnover of any goods or merchandise to which this section applies during the previous year exceeds the export turnover of the goods or merchandise during the immediately preceding year is allowable. Sub-section (2) of this section, which specifies the goods or merchandise to which this section applies, empowers the Central Government to specify by notification any goods or merchandise to which the section does not apply.

Clause 41 seeks to insert a new clause (xa) in sub-section (1) of section 5 of the Wealth-tax Act which provides that fees due to the assessee in respect of professional services rendered by him in the legal, medical, engineering or architectural profession or the profession of accountancy or any profession notified by the Central Government in this behalf will not be included in his net wealth if he maintains his books of account on the cash system of accounting.

The delegation of legislative power under the afore-mentioned provisions relates to matters of procedure or administrative detail or to matters in respect of which it is not practicable to make detailed provisions. Hence the delegation of legislative power is of a normal character.