

# THE FINANCE BILL, 1981

(No. 25 of 1981)

[As introduced in Lok Sabha on 28th February, 1981.]

*A Bill to give effect to the financial proposals of the Central Government for the financial year 1981-82.*

BE it enacted by Parliament in the Thirty-second 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, 1981.

(2) Save as otherwise provided in this Act, sections 2 to 45 and section 53 shall be deemed to have come into force on the 1st day of April, 1981.

## 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, 1981, 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 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 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 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 Sub-Paragraph I or, as the case may be, Sub-Para-

graph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply ;

(ii) the net agricultural income shall be increased 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 for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs 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 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 section 164 or section 164A or section 167A of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by

this sub-section or the rates as specified in that Chapter or section, as the case may be.

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

(i) in a case to which the said Sub-Paragraph I applies, 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 ten 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) 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, 1981, 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 VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income ;

(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. Insertion of new section 10A.**—After section 10 of the Income-tax Act, the following section shall be inserted, namely :—

'10A. *Special provision in respect of newly established industrial undertakings in free trade zones.*—(1) Subject to the provisions of this section, any profits and gains derived by an assessee from an industrial undertaking to which this section applies shall not be included in the total income of the assessee.

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

(i) it has begun or begins to manufacture or produce articles or things during the previous year relevant to the assessment year commencing on or after the 1st day of April, 1981, in any free trade zone ;

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

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

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

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

(3) The profits and gains referred to in sub-section (1) shall not be included in the total income of the assessee in respect of the assessment year relevant to the previous year in which the industrial undertaking begins to manufacture or produce articles or things (such assessment year

being hereafter in this section referred to as the initial assessment year) and each of the four assessment years immediately succeeding the initial assessment year.

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

(i) section 32, section 32A, section 33, section 35 and clause (ix) of sub-section (1) of section 36 shall apply as if every allowance or deduction referred to therein and relating to or allowable for any of the relevant assessment years, in relation to any building, machinery, plant or furniture used for the purposes of the business of the undertaking in the previous year relevant to such assessment year or any expenditure incurred in such previous year had been given full effect to for that assessment year itself and accordingly sub-section (2) of section 32, clause (ii) of sub-section (3) of section 32A, clause (ii) of sub-section (2) of section 33, sub-section (4) of section 35 or the second proviso to clause (ix) of sub-section (1) of section 36, as the case may be, shall not apply in relation to any such allowance or deduction ;

(ii) no loss referred to in sub-section (1) of section 72 or sub-section (1) of section 74 and no deficiency referred to in sub-section (3) of section 80J shall be carried forward or set off where such loss, or, as the case may be, deficiency relates to any of the relevant assessment years ;

(iii) no deduction shall be allowed under section 80HH or section 80HHA or section 80-I or section 80J where the industrial undertaking has begun to manufacture or produce articles or things during any previous year relevant to any of the relevant assessment years ; and

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

(5) Where an industrial undertaking in any free trade zone has begun to manufacture or produce articles or things in any previous year relevant to the assessment year commencing on or after the 1st day of April, 1977, but before the 1st day of April, 1981, the assessee may, at his option, before the expiry of the time allowed under sub-section (1) or sub-section (2) of section 139, whether fixed originally or on extension, for furnishing the return of income for the assessment year commencing on the 1st day of April, 1981, furnish to the Income-tax Officer a declaration in writing that the provisions of sub-section (1) may be made applicable to him for each of the relevant assessment years as reduced by the number of assessment years which expired before the 1st day of April, 1981, and if he does so, then, the provisions of sub-section (1) shall apply to him for each of such relevant assessment years and the provisions of sub-section (4) shall also apply in computing the total income of the assessee for the assessment year immediately succeeding the last of the relevant assessment years and any subsequent assessment year.

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

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

(i) “ free trade zone ” means the Kandla Free Trade Zone and the Santa Cruz Electronics Export Processing Zone and includes any other free trade zone which the Central Government may, by notification in the Official Gazette, specify for the purposes of this section ;

(ii) “ relevant assessment years ” means the initial assessment year and four assessment years immediately succeeding the initial assessment year.’

**4. Amendment of section 16.**—In section 16 of the Income-tax Act, in clause (i), with effect from the 1st day of April, 1982,—

(a) for the portion beginning with the words “ a sum calculated ” and ending with the words “ whichever is less ”, the following shall be substituted, namely :—

“ a sum equal to twenty per cent. of the salary or five thousand rupees, whichever is less ” ;

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

**5. Amendment of section 32A.**—In section 32A of the Income-tax Act, in clause (2) of the *Explanation* below sub-section (2), for the words “ the business of the undertaking does not exceed ten lakh rupees ; and for this purpose the value of any machinery or plant shall be,—”, the following shall be substituted, namely :—

“ the business of the undertaking does not exceed,—

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

(ii) in a case where the previous year ends after the 31st day of July, 1980, twenty lakh rupees,

and for this purpose the value of any machinery or plant shall be,—” .

**6. Amendment of section 33A.**—In section 33A of the Income-tax Act, in sub-section (7), for the proviso, the following proviso and *Explanation* shall be substituted with effect from the 1st day of April, 1982, namely :—

‘ Provided that where such cost exceeds—

(i) forty thousand rupees per hectare in respect of land situate in a hilly area comprised in the district of Darjeeling ; or

(ii) thirty-five thousand rupees per hectare in respect of land situate in a hilly area comprised in an area other than the district of Darjeeling ; or

(iii) thirty thousand rupees per hectare in any other area, then, the excess shall be ignored.

*Explanation.*—For the purposes of this proviso, “ district of Darjeeling ” means the district of Darjeeling as on the 28th day of February,

1981, being the date of introduction of the Finance Bill, 1981, in the House of the People. ' .

**7. Amendment of section 36.**—In section 36 of the Income-tax Act, in sub-section (1), in clause (viii), in the second proviso, after the words "time to time exceeds", the words "twice the amount of" shall be inserted with effect from the 1st day of April, 1982.

**8. Amendment of section 42.**—In section 42 of the Income-tax Act,—

(a) in the opening portion, for the words "the association or participation in such business of the Central Government", the words "the association or participation of the Central Government or any person authorised by it in such business" shall be substituted;

(b) in clause (b),—

(i) the word "and" occurring at the end shall be omitted;

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

' Provided that in relation to any agreement entered into after the 31st day of March, 1981, this clause shall have effect subject to the modification that the words and figures "except assets on which allowance for depreciation is admissible under section 32" had been omitted; and ';

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

' *Explanation.*—For the purposes of this section, "mineral oil" includes petroleum and natural gas. ' .

**9. Amendment of section 80D.**—In section 80D of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 1982,—

(a) in clause (i), for the words "two thousand four hundred rupees", the words "four thousand eight hundred rupees" shall be substituted;

(b) in clause (ii), for the words "six hundred rupees", the words "one thousand two hundred rupees" shall be substituted.

**10. Amendment of section 80HHA.**—In section 80HHA of the Income-tax Act,—

(a) in sub-section (3),—

(i) for the words "in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking", the words "of each of the ten previous years beginning with the previous year in which the industrial undertaking" shall be substituted;

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

" Provided that such deduction shall not be allowed in computing the total income of any of the ten previous years aforesaid in respect of which the industrial undertaking is not a small-scale industrial undertaking within the meaning of clause (b) of the *Explanation* below sub-section (8). " ;

(b) in sub-section (8), in clause (b) of the *Explanation*, for the words "the business of the undertaking does not exceed ten lakh rupees; and for this purpose the value of any machinery or plant shall be,—" the following shall be substituted namely:—



“ the business of the undertaking does not exceed,—

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

(2) in a case where the previous year ends after the 31st day of July, 1980, twenty lakh rupees,

and for this purpose the value of any machinery or plant shall be,—”.

**11. Amendment of section 80M.**—In section 80M of the Income-tax Act, in sub-section (1), in clause (a), for the figures and word “ 27 and 29 ”, the figures and word “ 27, 29 and 33 ” shall be substituted with effect from the 1st day of April, 1982.

**12. Amendment of section 80QQ.**—In section 80QQ of the Income-tax Act,—

(a) in sub-section (1), for the words “ nine assessment years ”, the words “ fourteen assessment years ” shall be substituted ;

(b) in sub-section (2),—

(i) for the words, figures and letters “ section 80HHA or ”, the words, figures and letters “ section 80HHA or section 80-I or ” shall be substituted ;

(ii) for the words, figures and letter “ section 80J and ”, the words, figures and letters “ section 80-I, section 80J and ” shall be substituted.

**13. Amendment of section 86.**—In section 86 of the Income-tax Act, in clause (v), the following *Explanation* shall be inserted, namely :—

“ *Explanation.*—For the purposes of this clause, in the case of an association of persons which is assessable under section 167A, each of the members of the association whose shares in the income or, as the case may be, part of the income of such association are indeterminate or unknown, shall be deemed to be entitled to receive an equal share in the total income or, as the case may be, such part of the total income of the association and the individual share of such member in such total income or, as the case may be, part of the total income shall be determined accordingly. ”.

**14. Amendment of section 160.**—In section 160 of the Income-tax Act, in sub-section (1), after clause (iv), the following clause and *Explanations* shall be inserted, namely :—

‘ (v) in respect of income which a trustee appointed under an oral trust receives or is entitled to receive on behalf or for the benefit of any person, such trustee or trustees.

*Explanation 1.*—A trust which is not declared by a duly executed instrument in writing (including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913), shall be deemed, for the purposes of clause (iv), to be a trust declared by a duly executed instrument in writing if a statement in writing, signed by the trustee or trustees, setting out the purpose or purposes of the trust, particulars as to the trustee or

trustees, the beneficiary or beneficiaries and the trust property, is forwarded to the Income-tax Officer,—

(i) where the trust has been declared before the 1st day of June, 1981, within a period of three months from that day ; and

(ii) in any other case, within three months from the date of declaration of the trust.

*Explanation 2.*—For the purposes of clause (v), “oral trust” means a trust which is not declared by a duly executed instrument in writing (including any wakf deed which is valid under the Mussalman Wakf Validating Act, 1913 (6 of 1913), and which is not deemed under *Explanation 1* to be a trust declared by a duly executed instrument in writing. ’.

**15. Insertion of new section 164A.**—After section 164 of the Income-tax Act, the following section shall be inserted, namely :—

‘ 164A. *Charge of tax in case of oral trust.*—Where a trustee receives or is entitled to receive any income on behalf or for the benefit of any person under an oral trust, then, notwithstanding anything contained in any other provision of this Act, tax shall be charged on such income at the maximum marginal rate. .

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

(i) “maximum marginal rate” shall have the meaning assigned to it in *Explanation 2* below sub-section (3) of section 164 ;

(ii) “oral trust” shall have the meaning assigned to it in *Explanation 2* below sub-section (1) of section 160. ’.

**16. Insertion of new section 167A.**—In Chapter XV of the Income-tax Act, after section 167, and before the sub-heading “E.—Executors”, the following sub-heading and section shall be inserted, namely :—

‘ DD.—Associations of persons — special cases

167A. *Charge of tax where shares of members unknown.*—(1) Where the individual shares of the members of an association of persons (other than a company or co-operative society) in the income of such association are indeterminate or unknown, tax shall be charged on the total income of the association at the maximum marginal rate.

(2) Where the individual shares of the members of an association of persons (other than a company or co-operative society) in any part of the income of such association are indeterminate or unknown, the income-tax payable by the association shall be the aggregate of—

(i) the amount of income-tax calculated on the aforesaid part of the total income, at the maximum marginal rate ; and

(ii) the amount of income-tax with which it would have been chargeable had the remaining part of the total income been its total income.

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

(a) “maximum marginal rate” shall have the meaning assigned to it in *Explanation 2* below sub-section (3) of section 164 ;

(b) the individual shares of the members of an association of persons in the income of such association shall be deemed to be indeterminate or unknown if such shares are indeterminate or unknown on the date of formation of such association or at any time thereafter.'.

**17. Amendment of section 208.**—In section 208 of the Income-tax Act, in sub-section (2), for clause (c), the following clauses shall be substituted with effect from the 1st day of June, 1981, namely:—

“(c) in the case of a Hindu undivided family                      Rs. 12,000 ;  
which at any time during the previous year has at  
least one member whose total income of the previous  
year exceeds Rs. 15,000

(d) in any other case    Rs. 15,000.”.

**18. Amendment of section 252.**—In section 252 of the Income-tax Act, for sub-section (2), the following sub-sections shall be substituted, namely:—

“(2) A judicial member shall be a person who has for at least ten years held a judicial office in the territory of India or who has been a member of the Central Legal Service and has held a post in Grade I of that Service or any equivalent or higher post for at least three years or who has been an advocate for at least ten years.

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

(i) in computing the period during which a person has held judicial office in the territory of India, there shall be included any period, after he has held any judicial office, during which the person has been an advocate or has held the office of a member of a tribunal or any post, under the Union or a State, requiring special knowledge of law ;

(ii) in computing the period during which a person has been an advocate, there shall be included any period during which the person has held judicial office or the office of a member of a tribunal or any post, under the Union or a State, requiring special knowledge of law after he became an advocate.

(2A) An accountant member shall be a person who has for at least ten years been in the practice of accountancy as a chartered accountant under the Chartered Accountants Act, 1949 (38 of 1949), or as a registered accountant under any law formerly in force or partly as a registered accountant and partly as a chartered accountant, or who has been a member of the Indian Income-tax Service, Group A and has held the post of Commissioner of Income-tax or any equivalent or higher post for at least three years.”.

**19. Amendment of section 253.**—In section 253 of the Income-tax Act, in sub-section (6), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**20. Amendment of section 256.**—In section 256 of the Income-tax Act, in sub-section (1), for the words “one hundred and twenty-five rupees”,

the words "two hundred rupees" shall be substituted with effect from the 1st day of June, 1981.

**21. Amendment of section 269G.**—In section 269G of the Income-tax Act, in sub-section (2), for the words "one hundred and twenty-five rupees", the words "two hundred rupees" shall be substituted with effect from the 1st day of June, 1981.

**22. Insertion of new section 293A.**—After section 293 of the Income-tax Act, the following section shall be inserted, namely:—

*'293A. Power to make exemption, etc., in relation to participation in the business of prospecting for, extraction, etc., of mineral oils.*—(1) If the Central Government is satisfied that it is necessary or expedient so to do in the public interest, it may, by notification in the Official Gazette, make an exemption, reduction in rate or other modification in respect of income-tax in favour of any class of persons specified in sub-section (2) or in regard to the whole or any part of the income of such class of persons.

(2) The persons referred to in sub-section (1) are the following, namely:—

(a) persons with whom the Central Government has entered into agreements for the association or participation of that Government or any person authorised by that Government in any business consisting of the prospecting for or extraction or production of mineral oils;

(b) persons rendering technical services in connection with any business consisting of the prospecting for or extraction or production of mineral oils carried on by that Government or any person specified by that Government in this behalf by notification in the Official Gazette; and

(c) employees of the persons referred to in clause (a) or clause (b).

(3) Every notification issued under this section shall be laid before each House of Parliament.

*Explanation.*—For the purposes of this section, "mineral oil" includes petroleum and natural gas.'

**23. Amendment of Ninth Schedule.**—In the Ninth Schedule to the Income-tax Act, after item 32, the following item shall be inserted with effect from the 1st day of April, 1982, namely:—

"33. Electronic components and raw materials; computers and peripherals; communication equipment; process control, instrumentation, industrial and professional grade electronic equipment."

**24. Amendment of Eleventh Schedule.**—In the Eleventh Schedule to the Income-tax Act,—

(a) for the brackets, words, figures and letters "[See section 32A and section 80J(4)]", the brackets, words, figures and letters "[See section 32A, section 80CC(3)(a)(i), section 80-I(2) and section 80J(4)]" shall be substituted;

(b) item 8, items 11 to 21 (both inclusive) and items 26 and 29 shall be omitted with effect from the 1st day of April, 1982.

**25. Consequential amendments.**—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 80P, for the words, figures and letters “section 80HHA, section 80J”, the words, figures and letters “section 80HHA, section 80-I, section 80J” shall be substituted;

(b) in the *Explanation* below sub-section (2) of section 273, for the word “proviso”, at both the places where it occurs, the words “first proviso” shall be substituted.

*Wealth-tax*

**26. Amendment of section 21.**—In section 21 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act),—

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

“*Explanation.*—A trust which is not declared by a duly executed instrument in writing (including a valid deed of wakf) shall be deemed, for the purposes of this sub-section, to be a trust declared by a duly executed instrument in writing if a statement in writing, signed by the trustee or trustees, setting out the purpose or purposes of the trust, particulars as to the trustee or trustees, the beneficiary or beneficiaries and the trust property, is forwarded to the Wealth-tax Officer,—

(i) where the trust has been declared before the 1st day of June, 1981, within a period of three months from that day; and

(ii) in any other case, within three months from the date of declaration of the trust.”;

(b) in sub-section (4),—

(i) for the words “Notwithstanding anything contained in this section”, the words “Notwithstanding anything contained in the foregoing provisions of this section” shall be substituted;

(ii) in *Explanation 2*, for the words “for the purposes of this sub-section in any case, not being a case referred to in the proviso”, the words, brackets, figure and letter “for the purposes of this sub-section or sub-section (4A) in any case, not being a case referred to in the proviso to this sub-section” shall be substituted;

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

“(4A) Notwithstanding anything contained in this section, where the assets chargeable to tax under this Act are held by a trustee under an oral trust, the wealth-tax shall be levied upon and recovered from such trustee in the like manner and to the same extent as it would be leviable upon and recoverable from an individual who is a citizen of India and resident in India for the purposes of this Act, and—

(a) at the rates specified in Part I of Schedule I; or

(b) at the rate of three per cent.,

whichever course would be more beneficial to the revenue.

*Explanation.*—For the purposes of this sub-section, “oral trust” means a trust which is not declared by a duly executed instrument in writing (including a valid deed of wakf) and which is not deemed under the *Explanation* to sub-section (1) to be a trust declared by a duly executed instrument in writing.’

**27. Insertion of new section 21AA.**—After section 21A of the Wealth-tax Act, the following section shall be inserted, namely :—

“21AA. *Assessment when assets are held by certain associations of persons.*—(1) Where assets chargeable to tax under this Act are held by an association of persons, other than a company or co-operative society, and the individual shares of the members of the said association in the income or assets or both of the said association on the date of its formation or at any time thereafter are indeterminate or unknown, the wealth-tax shall be levied upon and recovered from such association in the like manner and to the same extent as it would be leviable upon and recoverable from an individual who is a citizen of India and resident in India for the purposes of this Act, and—

(a) at the rates specified in Part I of Schedule I ; or

(b) at the rate of three per cent.,

whichever course would be more beneficial to the revenue.

(2) Where any business or profession carried on by an association of persons referred to in sub-section (1) has been discontinued or where such association of persons is dissolved, the Wealth-tax Officer shall make an assessment of the net wealth of the association of persons as if no such discontinuance or dissolution had taken place and all the provisions of this Act, including the provisions relating to the levy of penalty or any other sum chargeable under any provision of this Act, so far as may be, shall apply to such assessment.

(3) Without prejudice to the generality of the provisions of sub-section (2), if the Wealth-tax Officer or the Appellate Assistant Commissioner or the Commissioner (Appeals) in the course of any proceedings under this Act in respect of any such association of persons as is referred to in sub-section (1) is satisfied that the association of persons was guilty of any of the acts specified in section 18 or section 18A, he may impose or direct the imposition of a penalty in accordance with the provisions of the said sections.

(4) Every person who was at the time of such discontinuance or dissolution a member of the association of persons, and the legal representative of any such person who is deceased, shall be jointly and severally liable for the amount of tax, penalty or other sum payable, and all the provisions of this Act, so far as may be, shall apply to any such assessment or imposition of penalty or other sum.

(5) Where such discontinuance or dissolution takes place after any proceedings in respect of an assessment year have commenced, the proceedings may be continued against the persons referred to in sub-section (4) from the stage at which the proceedings stood at the time of such discon-

tinuance or dissolution, and all the provisions of this Act shall, so far as may be, apply accordingly.

*Explanation.*—Notwithstanding anything contained in section 5, in computing the net wealth for the purposes of this section in any case, any assets referred to in clauses (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv), (xxvi), (xxvii), (xxviii) and (xxix) of sub-section (1) of that section shall not be excluded.”.

**28. Amendment of section 24.**—In section 24 of the Wealth-tax Act, in sub-section (4), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**29. Amendment of section 26.**—In section 26 of the Wealth-tax Act, in sub-section (2), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**30. Amendment of section 27.**—In section 27 of the Wealth-tax Act, in sub-section (1), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**31. Amendment of section 41.**—In section 41 of the Wealth-tax Act, after sub-section (3), the following sub-section shall be inserted, namely :—

“(4) Where an association of persons referred to in section 21AA is dissolved, notices under this Act in respect of any matter relating to the association may be served on any person who was a member of the association immediately before its dissolution.”.

#### *Gift-tax*

**32. Amendment of section 23.**—In section 23 of the Gift-tax Act, 1958<sup>1</sup> (18 of 1958) (hereinafter referred to as the Gift-tax Act), in sub-section (4), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**33. Amendment of section 25.**—In section 25 of the Gift-tax Act, in sub-section (2), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

**34. Amendment of section 26.**—In section 26 of the Gift-tax Act, in sub-section (1), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

#### *Surtax*

**35. Amendment of section 2.**—In the Companies (Profits) Surtax Act, 1964 (7 of 1964) [hereinafter referred to as the Companies (Profits) Surtax Act], in section 2,—

(a) clause (1) shall be re-numbered as clause (1A) and before the clause as so re-numbered, the following clause shall be inserted, namely :—

'(1) "advance surtax" means the surtax payable under section 7A;';

(b) after clause (7), the following clause shall be inserted, namely :—

'(7A) "regular assessment" means an assessment made under section 6;';

**36. Insertion of new sections 7A to 7D.**—In the Companies (Profits) Surtax Act, after section 7, the following sections shall be inserted, namely :—

'7A. *Advance payment of surtax.*—(1) In this section,—

(a) "chargeable amount", in relation to any previous year means so much of the chargeable profits of the previous year as exceed the statutory deduction;

(b) "current chargeable amount", in relation to the advance surtax payable by a company during any financial year, means the chargeable amount of the company of the period which would be the previous year for the assessment year immediately following that financial year.

(2) Surtax shall be payable, in accordance with the provisions of this section, in advance during the financial year in respect of the chargeable amount of the period which would be the previous year for the immediately following assessment year.

(3) The amount of advance surtax payable by an assessee in the financial year shall be computed as follows :—

(a) the chargeable amount of the latest previous year in respect of which the assessee has been assessed by way of regular assessment shall first be ascertained;

(b) in a case where the chargeable amount of the latest previous year [being a year later than the previous year referred to in clause (a)] on the basis of which a provisional assessment has been made under section 7 exceeds the chargeable amount referred to in clause (a), the chargeable amount referred to in clause (a) shall be substituted by the chargeable amount on the basis of which such provisional assessment has been made;

(c) surtax shall be calculated on the chargeable amount referred to in clause (a) or, as the case may be, in clause (b), at the rates specified in the Third Schedule.

(4) Subject to the provisions of this section, advance surtax shall be payable in three equal instalments on the following dates during the financial year, namely :—

(a) the 15th day of June, the 15th day of September and the 15th day of December, in the case of an assessee whose chargeable amount to the extent of 75 per cent. thereof or more is derived from a source or sources for which the previous year (relevant to the assessment year next following the financial year aforesaid) ends on or before the 31st day of December;

(b) the 15th day of September, the 15th day of December and the 15th day of March, in any other case :



Provided that where, in respect of any class of assessee, the Board has, in exercise of the powers conferred by the proviso to sub-section (1) of section 211 of the Income-tax Act, authorised the payment of the last instalment of advance tax on the 15th day of March during the financial year instead of on the 15th day of December, the last instalment of advance surtax in the case of such assessee shall also be payable on the 15th day of March during the financial year.

(5) Every company shall, in each financial year, on or before the date on which the first instalment, or where it has not previously been assessed by way of regular assessment under this Act, on or before the date on which the last instalment, of advance surtax is due in its case under sub-section (4), if it is likely to have any current chargeable amount, send to the Income-tax Officer,—

(a) where it has been previously assessed by way of regular assessment under this Act, a statement of advance surtax payable by it computed in the manner laid down in sub-section (3), or

(b) where it has not previously been assessed by way of regular assessment under this Act, an estimate of—

(i) the current chargeable amount, and

(ii) the advance surtax payable by it on the amount specified in (i) above calculated in the manner laid down in sub-section (3),

and shall pay such amount of advance surtax,—

(I) in a case falling under clause (a), as accords with the statement in equal instalments on the dates applicable in its case under sub-section (4); and

(II) in a case falling under clause (b), as accords with the estimate in equal instalments on such of the dates applicable in its case as have not expired, or in one sum if only the last of such dates has not expired.

(6) Where a company which is required to send a statement under clause (a) of sub-section (5) estimates on or before the date on which the first instalment of advance surtax is due in its case under sub-section (4) that, by reason of its current chargeable amount being likely to be less than the chargeable amount on which advance surtax is payable by it under sub-section (5) or for any other reason, the amount of advance surtax computed in the manner laid down in sub-section (3) on the current chargeable amount would be less than the amount of advance surtax payable by it under sub-section (5), it may send to the Income-tax Officer, in lieu of such statement, an estimate of—

(i) the current chargeable amount, and

(ii) the advance surtax payable by it on the current chargeable amount calculated in the manner laid down in sub-section (3),

and shall pay such amount of advance surtax as accords with its estimate in equal instalments on the dates applicable in its case under sub-section (4).

(7) Where a company which has sent a statement under clause (a) of sub-section (5) estimates on or before the date on which the last instalment of advance surtax is due in its case that, by reason of its current

chargeable amount being likely to be less than the chargeable amount on which advance surtax is payable by it under sub-section (5) or for any other reason, the amount of advance surtax computed in the manner laid down in sub-section (3) on the current chargeable amount would be less than the amount of advance surtax payable by it under sub-section (5), it may, at its option, send to the Income-tax Officer an estimate of—

(i) the current chargeable amount, and

(ii) the advance surtax payable by it on the current chargeable amount calculated in the manner laid down in sub-section (3),

and shall pay such amount of advance surtax as accords with its estimate in equal instalments on such of the dates applicable in its case under sub-section (4) as have not expired, or in one sum if only the last of such dates has not expired.

(8) In the case of any company which is liable to pay advance surtax under sub-section (5) or sub-section (6) or, as the case may be, sub-section (7), if, by reason of the current chargeable amount being likely to be greater than the chargeable amount on which the advance surtax so payable by it has been computed or for any other reason, the amount of advance surtax computed in the manner laid down in sub-section (3) on the current chargeable amount (which shall be estimated by the company) exceeds the amount of advance surtax so payable by it by more than twenty per cent. of the latter amount, it shall, on or before the date on which the last instalment of advance surtax is payable by it, send to the Income-tax Officer an estimate of—

(i) the current chargeable amount, and

(ii) the advance surtax payable by it on the current chargeable amount calculated in the manner laid down in sub-section (3),

and shall pay such amount of advance surtax as accords with its estimate on such of the dates applicable in its case under sub-section (4) as have not expired, by instalments, which may be revised according to sub-section (9):

Provided that where in respect of any company the Commissioner has, in exercise of the powers conferred by the first proviso to sub-section (4) of section 209A, or the first proviso to sub-section (3A) of section 212, of the Income-tax Act, extended the date for furnishing the estimate referred to in the said sub-section (4) or, as the case may be, the said sub-section (3A) and the company has paid the advance surtax which it is liable to pay under sub-section (5) or sub-section (6) or, as the case may be, sub-section (7) on or before the date on which the last instalment of advance surtax is due in its case, the company shall pay, on or before the date as so extended, the amount by which the advance surtax already paid by it falls short of the advance surtax payable in accordance with its estimate.

(9) The company may send a revised estimate of the advance surtax payable by it on or before any one of the dates specified in sub-section (4) and adjust any excess or deficiency in respect of any instalment already paid in a subsequent instalment or in subsequent instalments.

(10) Every statement or estimate under this section shall be sent in the prescribed form and verified in the prescribed manner.

7B. *Interest payable by Government.*—The Central Government shall pay simple interest at twelve per cent. per annum on the amount by which the aggregate sum of any instalments of advance tax paid during any financial year in which they are payable under section 7A exceeds the amount of the tax determined on regular assessment, from the 1st day of April next following the said financial year to the date of the regular assessment for the assessment year immediately following the said financial year.

7C. *Interest payable by assessee.*—(1) Where, in any financial year, a company has paid advance surtax under section 7A on the basis of its own estimate (including revised estimate), and the advance surtax so paid is less than eighty-three and one-third per cent. of the assessed surtax, simple interest at the rate of twelve per cent. per annum from the 1st day of April next following the said financial year up to the date of the regular assessment shall be payable by the company upon the amount by which the advance surtax so paid falls short of the assessed surtax.

(2) Where, on making the regular assessment, the Income-tax Officer finds—

(a) that any such company as is referred to in clause (a) of sub-section (5) of section 7A has not sent the statement referred to in that clause or the estimate in lieu of such statement referred to in sub-section (6) of that section ; or

(b) that any such company as is referred to in clause (b) of sub-section (5) of section 7A has not sent the estimate referred to in that clause,

simple interest at the rate of twelve per cent. per annum from the 1st day of April next following the financial year in which the advance surtax was payable in accordance with the said sub-section (5) or sub-section (6) up to the date of the regular assessment shall be payable by the company upon the amount equal to the assessed surtax.

(3) Where, on making the regular assessment, the Income-tax Officer finds that any company which is required to send an estimate under sub-section (8) of section 7A has not sent the estimate referred to therein, simple interest at the rate of twelve per cent. per annum from the 1st day of April next following the financial year in which the advance surtax was payable in accordance with the said sub-section (8) up to the date of the regular assessment shall be payable by the company upon the amount by which the advance surtax paid by it falls short of the assessed surtax.

(4) Notwithstanding anything contained in the foregoing sub-sections, where provisional assessment is made under section 7—

(i) interest shall be calculated in accordance with the provisions of sub-section (1) or sub-section (2) or, as the case may be, sub-section (3) up to the date on which the surtax provisionally assessed is paid ; and

(ii) thereafter interest shall be calculated at the rate of twelve per cent. per annum on the amount by which the surtax provisionally assessed falls short of the assessed surtax.

(5) In such cases and under such circumstances as may be prescribed, the Income-tax Officer may reduce or waive the interest payable by the company under this section.

(6) Where, as a result of an order under section 11, or section 12, or section 13, or section 17, or section 18 read with section 260 or section 262 of the Income-tax Act, the amount on which interest was payable under this section has been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.

(7) In this section and section 9A, "assessed surtax" means the surtax determined on the basis of the regular assessment without making any deduction therefrom.

7D. *Interest payable by assessee in case of underestimate, etc.*—Where, on making the regular assessment, the Income-tax Officer finds that any company has under section 7A underestimated the advance surtax payable by it and thereby reduced the amount payable in either of the first two instalments, he may direct that the company shall pay simple interest at twelve per cent. per annum for the period during which the payment was deficient, on the difference between the amount paid in each such instalment and the amount which should have been paid, having regard to the aggregate advance surtax actually paid during the year.

*Explanation.*—For the purposes of this section, any instalment due before the expiry of six months from the commencement of the previous year in respect of which it is to be paid shall be deemed to have become due fifteen days after the expiry of the said six months. '.

**37. Insertion of new section 9A.**—In the Companies (Profits) Surtax Act, after section 9, the following section shall be inserted, namely:—

"9A. *False estimate of, or failure to pay, advance surtax.*—(1) If the Income-tax Officer, in the course of any proceedings in connection with the regular assessment for any assessment year, is satisfied that any assessee—

(a) has furnished under clause (a) of sub-section (5) of section 7A a statement of advance surtax payable by him which he knew or had reason to believe to be untrue, or

(b) has without reasonable cause failed to furnish a statement of the advance surtax payable by him in accordance with the provisions of clause (a) of sub-section (5) of section 7A,

he may direct that such assessee shall, in addition to the amount of surtax, if any, payable by him, pay by way of penalty a sum—

(i) which, in the case referred to in clause (a), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the surtax actually paid during the financial year immediately preceding the assessment year under the provisions of section 7A falls short of—

(1) eighty-three and one-third per cent. of the assessed surtax,  
or

(2) the amount which would have been payable by way of advance surtax if the assessee had furnished a correct and complete statement in accordance with the provisions of clause (a) of sub-section (5) of section 7A,

whichever is less ;

(ii) which, in the case referred to in clause (b), shall not be less than ten per cent. but shall not exceed one and a half times of eighty-three and one-third per cent. of the assessed surtax.

(2) If the Income-tax Officer, in the course of any proceedings in connection with the regular assessment for any assessment year, is satisfied that any assessee—

(a) has furnished under clause (b) of sub-section (5) or sub-section (6) or sub-section (7) or sub-section (9) of section 7A, an estimate of the advance surtax payable by him which he knew or had reason to believe to be untrue, or

(b) has furnished under sub-section (8) of section 7A, an estimate of the advance surtax payable by him which he knew or had reason to believe to be untrue, or

(c) has without reasonable cause failed to furnish an estimate of the advance surtax payable by him in accordance with the provisions of clause (b) of sub-section (5) of section 7A, or

(d) has without reasonable cause failed to furnish an estimate of advance surtax payable by him in accordance with the provisions of sub-section (8) of section 7A,

he may direct that such assessee shall, in addition to the amount of surtax, if any, payable by him, pay by way of penalty a sum—

(i) which, in the case referred to in clause (a), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the surtax actually paid during the financial year immediately preceding the assessment year under the provisions of section 7A falls short of—

(1) eighty-three and one-third per cent. of the assessed surtax, or

(2) where a statement under clause (a) of sub-section (5) of section 7A was furnished by the assessee, the amount payable under such statement,

whichever is less ;

(ii) which, in the case referred to in clause (b), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the surtax actually paid during the financial year immediately preceding the assessment year under the provisions of section 7A falls short of eighty-three and one-third per cent. of the assessed surtax ;

(iii) which, in the case referred to in clause (c), shall not be less than ten per cent. but shall not exceed one and a half times of eighty-three and one-third per cent. of the assessed surtax ; and

(iv) which, in the case referred to in clause (d), shall not be less than ten per cent. but shall not exceed one and a half times the amount of surtax payable in accordance with a statement under clause (a) or an

estimate under clause (b) of sub-section (5) of section 7A or an estimate in lieu of a statement under sub-section (6) of that section falls short of eighty-three and one-third per cent. of the assessed surtax.

*Explanation.*—Where the Commissioner has, in exercise of the powers conferred by the first proviso to sub-section (4) of section 209A, or the first proviso to sub-section (3A) of section 212, of the Income-tax Act, extended the date for furnishing the estimate referred to in the said sub-section (4) or, as the case may be, the said sub-section (3A) and the date so extended falls beyond the financial year immediately preceding the assessment year, then, the amount of surtax paid by the assessee on or before the date so extended shall, for the purposes of clause (ii) of sub-section (2) also be regarded as surtax actually paid during that financial year."

**38. Amendment of section 10.**—In section 10 of the Companies (Profits) Surtax Act, after the words and figure "under section 9", the words, figure and letter "or section 9A" shall be inserted.

**39. Amendment of section 11.**—In section 11 of the Companies (Profits) Surtax Act, in sub-section (1), after the words "fine imposed by the Income-tax Officer," the words, figure and letter "or objecting to the interest levied by the Income-tax Officer under section 7D," shall be inserted.

**40. Amendment of section 12.**—In section 12 of the Companies (Profits) Surtax Act, in sub-section (6), for the words "one hundred and twenty-five rupees", the words "two hundred rupees" shall be substituted with effect from the 1st day of June, 1981.

**41. Amendment of section 18.**—In section 18 of the Companies (Profits) Surtax Act, for the figures and word "220 to 229", the figures and word "218 to 229" shall be substituted.

**42. Insertion of new section 24AA.**—In the Companies (Profits) Surtax Act, after section 24A, the following section shall be inserted, namely:—

*'24AA. Power to make exemption, etc., in relation to participation in the business of prospecting for, extraction, etc., of mineral oils.*—(1) If the Central Government is satisfied that it is necessary or expedient so to do in the public interest, it may, by notification in the Official Gazette, make an exemption, reduction in rate or other modification in respect of surtax in favour of any class of foreign companies specified in sub-section (2) or in regard to the whole or any part of the chargeable profits of such class of companies.

*Explanation.*—For the purposes of this sub-section, "foreign company" shall have the meaning assigned to it in clause (4) of section 80B of the Income-tax Act.

(2) The foreign companies referred to in sub-section (1) are the following, namely:—

(a) foreign companies with whom the Central Government has entered into agreements for the association or participation of that Government or any person authorised by that Government in any business consisting of the prospecting for or extraction or production of mineral oils; and

(b) foreign companies rendering technical services in connection with any business consisting of the prospecting for or extraction or production of mineral oils carried on by that Government or any person specified by that Government in this behalf by notification in the Official Gazette.

(3) Every notification issued under this section shall be laid before each House of Parliament.

*Explanation.*—For the purposes of this section, “mineral oil” includes petroleum and natural gas.’

**43. Amendment of First Schedule.**—In the First Schedule to the Companies (Profits) Surtax Act, in rule 1, the following *Explanation* shall be added at the end, namely :—

*Explanation.*—Notwithstanding anything contained in any clause of this rule, the amount of any income or profits and gains which is required to be excluded from the total income under that clause shall be only the amount of such income or profits and gains as computed in accordance with the provisions of the Income-tax Act (except Chapter VIA thereof), and in a case where any deduction is required to be allowed in respect of any such income or profits and gains under the said Chapter VIA, the amount of such income or profits and gains computed as aforesaid as reduced by the amount of such deduction.”.

#### *Interest-tax*

**44. Amendment of Act 45 of 1974.**—In section 16 of the Interest-tax Act, 1974, in sub-section (6), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

#### *Hotel-receipts tax*

**45. Amendment of Act 54 of 1980.**—In section 19 of the Hotel-Receipts Tax Act, 1980, in sub-section (6), for the words “one hundred and twenty-five rupees”, the words “two hundred rupees” shall be substituted with effect from the 1st day of June, 1981.

## CHAPTER V

### MISCELLANEOUS

**53. Amendment of Act 38 of 1974.**—In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974,—

(a) in section 3, in sub-section (1), for the figures, letters and words “ 1st day of April, 1982 ”, the figures, letters and words “ 1st day of April, 1984 ” shall be substituted ;

(b) in section 4, in sub-section (1), in clause (iii), for the figures, letters and words “ 1st day of April, 1982 ”, the figures, letters and words “ 1st day of April, 1984 ” shall be substituted ;

(c) in section 8, with effect from the 1st day of June, 1981,—

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

“ (1A) Notwithstanding anything contained in sub-section (1),—

(a) the amount of compulsory deposit made by or recovered from an individual ; or

(b) the amount of compulsory deposit made by or recovered from any person who is assessable under the Income-tax Act in respect of the total income of an individual, on behalf of such individual,

shall, to the extent it has remained unpaid, be repayable, together with interest thereon,—

(i) where such individual has attained the age of seventy years before the 1st day of April, 1981, on the 1st day of June, 1981 ; and

(ii) in any other case, on the 1st day of the financial year immediately succeeding the financial year in which such individual attained seventy years of age.” ;

(ii) in sub-section (2), after the words, brackets and figure “ under sub-section (1),”, the words, brackets, figure and letter “ or sub-section (1A),” shall be inserted.

---

#### *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 46, 47, 48, 49, 50, 51 and 52 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. 8,000

*Nil* ;

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

15 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. 1,050 *plus* 18 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. 1,950 *plus* 25 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. 3,200 *plus* 30 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. 4,700 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 30,000 ;

(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000

Rs. 12,700 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 50,000 ;

(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000

Rs. 22,700 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 70,000

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

Rs. 39,200 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000 :

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. 16,250, the income-tax payable thereon shall not exceed thirty 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.

### *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, 1981, exceeds Rs. 12,000,—

### *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 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 20,000                                | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 20,000.  |

#### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall 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 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;      |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000 ;   |
| (5) where the total income exceeds Rs. 1,00,000                                | Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

#### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall 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	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall 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, in either case, been approved by the Central Government

50 per cent.;

(ii) on the balance, if any, of the total income

70 per cent.

### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of seven 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 resident in India—		
(i) on income by way of interest other than “Interest on securities”	10 per cent.	Nil;
(ii) on income by way of winnings from lotteries and crossword puzzles	30 per cent.	3 per cent.;
(iii) on income by way of winnings from horse races	30 per cent.	3 per cent.;
(iv) on income by way of insurance commission	10 per cent.	Nil;
(v) on income by way of interest payable on—	10 per cent.	Nil;

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

Income-tax

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

(C) any debentures issued by a company where such debentures are listed 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)

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

(i) on the whole income (excluding interest payable on a tax-free security)

20 per cent.                      2 per cent. ;

income-tax at 30 per cent. and surcharge at 3 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) on income by way of interest payable on a tax-free security

15 per cent.                      1·5 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.                      0·5 per cent. ;

(ii) on any other income (excluding interest payable on a tax-free security)

21·5 per cent.                      0·5 per cent. ;

# Income-tax

	Rate of income-tax	Rate of surcharge
(b) where the company is not a domestic company—		
(i) on income by way of dividends payable by any domestic company	25 per cent.	<i>Nil</i> ;
(ii) on income by way of royalty payable by an Indian concern in pursuance of an agreement made by it with 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.	<i>Nil</i> ;
(iii) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(ii)] payable by an Indian concern in pursuance of an agreement made by it with 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.	1·25 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> ;



	Income-tax	
	Rate of income-tax	Rate of surcharge
(2) on the balance, if any, of such income	40 per cent.	<i>Nil</i> ;
(iv) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with 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.	1.25 per cent. ;
(B) where the agreement is made after the 31st day of March, 1976	40 per cent.	<i>Nil</i> ;
(v) on income by way of interest payable on a tax-free security	44 per cent.	1.1 per cent. ;
(vi) on any other income	70 per cent.	1.75 per cent.

### 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 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	<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. 70,000	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. 70,000 but does not exceed Rs. 1,00,000	Rs. 22,700 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 70,000 ;
(7) where the total income exceeds Rs. 1,00,000	Rs. 39,200 <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, 1982, 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 *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 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	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall 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	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

### *Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall 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 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 VIA" 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, 1981, 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, 1974, or 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, 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, 1974, 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, 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,



(ii) 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,

(iii) 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,

(iv) 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,

(v) 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,

(vi) 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, and

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1980,

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, 1981.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1982, 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, 1974, or 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, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,—

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, 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, 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,

(ii) 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,

(iii) 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,

(iv) 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,

(v) 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,

(vi) 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,

(vii) 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, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981,

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, 1982, 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, 1974 (20 of 1974), or 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), 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 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 1981-82. The Notes on Clauses explain the various provisions contained in the Bill.

NEW DELHI,

R. VENKATARAMAN.

*The 28th February, 1981.*

---

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 3 of the Bill seeks to insert a new section 10A in the Income-tax Act, 1961, relating to special provision in respect of income from newly established industrial undertakings in free trade zones. The *Explanation* below this new section defines the expression "free trade zone" occurring in the section to mean the Kandla Free Trade Zone and the Santa Cruz Electronics Export Processing Zone, and to include any other free trade zone which the Central Government may, by notification in the Official Gazette, specify for the purposes of this section. This power is necessary to cover free trade zones which may be established in future.

Clause 22 of the Bill proposes to insert a new section 293A in the Income-tax Act which empowers the Central Government, by notification in the Official Gazette, to make exemption, reduction in rate or other modification in respect of income-tax in favour of any person with whom the Central Government has entered into agreement for the association or participation of that Government or any person authorised by it in the business consisting of the prospecting for or extraction or production of

mineral oils, and in favour of persons rendering technical services in connection with such business carried on by that Government or by any person specified by that Government in this behalf by notification. The new section also empowers the Central Government to make a similar exemption in favour of the employees of such persons. Sub-section (3) of the proposed new section requires all the notifications issued under this section to be laid before each House of Parliament. Clause 42 of the Bill proposes to insert a new section 24AA in the Companies (Profits) Surtax Act, 1964, to give a similar power to the Central Government to make an exemption, etc., in respect of surtax in favour of foreign companies with whom the Central Government has entered into agreements for the association or participation of that Government or any person authorised by that Government in the business consisting of the prospecting for or extraction or production of mineral oils and in favour of foreign companies rendering technical services in connection with such business carried on by that Government or any person specified by that Government in this behalf by notification in the Official Gazette. Notifications issued under this section are also required to be laid on the Table of each House of Parliament. This power is required to facilitate participation of foreign companies and technicians in the off-shore drilling operations which are being undertaken by the Central Government and the Oil and Natural Gas Commission.

Clause 36 of the Bill seeks to insert new sections 7A to 7D in the Companies (Profits) Surtax Act, 1974, so as to provide for payment of advance surtax. New section 7C relates to charging of interest for non-payment of advance surtax. Sub-section (5) of this new section empowers the Income-tax Officer to reduce or waive the interest payable by the company under this section in the cases and circumstances to be prescribed by rules made under the Act.

The delegation of legislative power under the aforesaid 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.

---