

THE FINANCE BILL, 1970

(No. 17 of 1970)

As introduced in Lok Sabha on 28th February, 1970.

A BILL to give effect to the financial proposals of the Central Government for the financial year 1970-71.

BE it enacted by Parliament in the Twenty-first 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, 1970.

(2) Save as otherwise provided in this Act, sections 2 to 27 (both inclusive) and sections 38 and 39 shall be deemed to have come into force on the 1st day of April, 1970.

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, 1970, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and in the cases to which Paragraph C applies, also by a special surcharge for purposes of the Union, calculated in each case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1970, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(ii) on the remaining part of its total income, at the rate applicable to the company on its total income.

(3) In cases to which Chapter XII of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A 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) 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.

(6) 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, 1970, 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) "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;

(e) all other words and expressions used in this section and 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

INCOME-TAX

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

(a) in clause (14), for sub-clause (iii), the following sub-clause shall be substituted, namely:—

(iii) agricultural land in India, not being land situate—

(a) in any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee, or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

(b) in any area within such distance, not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in item (a), as the Central Government may, having regard to the extent of, and scope for, urbanisation of that area and other relevant considerations, specify in this behalf by notification in the Official Gazette ;” ;

(b) for clause (16), the following clause shall be substituted, namely :—

“(16) “ Commissioner ” means a person appointed to be a Commissioner of Income-tax under sub-section (1) of section 117, and includes a person appointed to be an Additional Commissioner of Income-tax under that sub-section ;” ;

(c) in clause (37A), in sub-clause (i), for the words, figures and letter ‘ computation of the “ advance tax ” payable under Chapter XVII-C, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year’, the following shall be substituted with effect from the 1st day of April, 1971, namely :—

‘ computation of the “ advance tax ” payable under Chapter XVII-C in a case not falling under section 164, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year, and for the purposes of computation of the “ advance tax ” payable under Chapter XVII-C in a case falling under section 164, the rate specified in that section or the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year, whichever is applicable ’.

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

(a) after clause (20), the following clause shall be, and shall be deemed always to have been, inserted, namely :—

“(20A) any income of an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both ;” ;

(b) after clause (22), the following clause shall be inserted, namely :—

“(22A) any income of a hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit ;”.

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

(a) in sub-section (1),—

(i) in clause (a), the words “ and, where any such income is accumulated for application to such purposes in India, to the extent to which the income so accumulated is not in excess of twenty-five per cent. of the income from the property or rupees ten thousand, whichever is higher ;” shall be omitted with effect from the 1st day of April, 1971 ;

(ii) in clause (b), the words “ and where any such income is finally set apart for application to such purposes in India, to the extent to which the income so set apart is not in excess of twenty-five per cent. of the income from the property held under trust in part ;” shall be omitted with effect from the 1st day of April, 1971 ;

(iii) for the *Explanation*, the following *Explanation* shall be substituted with effect from the 1st day of April, 1971, namely :—

“ *Explanation.*—For the purposes of clauses (a) and (b), if in the previous year, the income applied to charitable or religious purposes in India falls

short of the income derived during that year from property held under trust, or, as the case may be, held under trust in part, by any amount, so much of the income applied to such purposes in India during the period of three months immediately following the previous year as does not exceed the said amount may, at the option of the person in receipt of the income [such option to be exercised in writing 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], be deemed to be income applied to such purposes during the previous year, and the income so deemed to have been applied shall not be taken into account in calculating the amount of income applied to such purposes during the immediately following previous year.”;

(b) for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :—

“(2) Where any income referred to in clause (a) or clause (b) of sub-section (1) read with the *Explanation* to that sub-section is not applied or is not deemed to have been applied to charitable or religious purposes in India during the previous year but is accumulated, or finally set apart, for application to such purposes in India, such income shall not be included in the total income of the previous year of the person in receipt of the income provided the following conditions are complied with, namely :—

(a) such person specifies, by notice in writing given to the Income-tax Officer in the prescribed manner, the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed ten years;

(b) the money so accumulated or set apart is invested in any Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944), or in any other security which may be approved by the Central Government in this behalf.”;

(c) in sub-section (3), for the words, brackets and figures “Any income referred to in sub-section (1) or sub-section (2) as is applied”, the words, brackets and figure “Any income referred to in sub-section (2) which is applied” shall be substituted with effect from the 1st day of April, 1971;

(d) in sub-section (4), the words, brackets and figure “and accordingly chargeable to tax within the meaning of sub-section (3)” shall be omitted with effect from the 1st day of April, 1971.

6. Substitution of new section for section 13.—For section 13 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely :—

‘13. *Section 11 not to apply in certain cases.*—(1) Nothing contained in section 11 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof—

(a) any part of the income from the property held under a trust for private religious purposes which does not enure for the benefit of the public;

(b) in the case of a trust for charitable purposes or a charitable institution created or established after the commencement of this Act, any income thereof if the trust or institution is created or established for the benefit of any particular religious community or caste;

(c) in the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof—

(i) if such trust or institution has been created or established after the commencement of this Act and under the terms of the trust or the rules governing the institution, any part of such income enures, or

(ii) if any part of such income or any property of the trust or institution (whenever created or established) is during the previous year used or applied,

directly or indirectly for the benefit of any person referred to in sub-section (3):

Provided that in the case of a trust or institution created or established before the commencement of this Act, the provisions of sub-clause (ii) shall not apply to any use or application, whether directly or indirectly, of any part of such income or any property of the trust or institution for the benefit of any person referred to in sub-section (3), if such use or application is by way of compliance with a mandatory term of the trust or a mandatory rule governing the institution.

(2) Without prejudice to the generality of the provisions of clause (c) of sub-section (1), the income or the property of the trust or institution or any part of such income or property shall, for the purposes of that clause, be deemed to have been used or applied for the benefit of a person referred to in sub-section (3),—

(a) if any part of the income or property of the trust or institution is, or continues to be, lent to any person referred to in sub-section (3) for any period during the previous year without either adequate security or adequate interest or both;

(b) if any land, building or other property of the trust or institution is, or continues to be, made available for the use of any person referred to in sub-section (3), for any period during the previous year without charging adequate rent or other compensation;

(c) if any amount is paid by way of salary, allowance or otherwise during the previous year to any person referred to in sub-section (3) out of the resources of the trust or institution for services rendered by that person to such trust or institution and the amount so paid is in excess of what may be reasonably paid for such services;

(d) if the services of the trust or institution are made available to any person referred to in sub-section (3) during the previous year without adequate remuneration or other compensation;

(e) if any share, security or other property is purchased by or on behalf of the trust or institution from any person referred to in sub-section (3) during the previous year for consideration which is more than adequate;

(f) if any share, security or other property is sold by or on behalf of the trust or institution to any person referred to in sub-section (3) during the previous year for consideration which is less than adequate;

(g) if a substantial portion of the income or property of the trust or institution is diverted during the previous year in favour of any person referred to in sub-section (3); or

(h) if any funds of the trust or institution are, or continue to remain, invested for any period during the previous year in any concern in which any person referred to in sub-section (3) has a substantial interest.

(3) The persons referred to in clause (c) of sub-section (1) and sub-section (2) are the following, namely:—

(a) the author of the trust or the founder of the institution;

(b) any person who has made a substantial contribution to the trust or institution;

(c) where such author, founder or person is a Hindu undivided family, a member of the family;

(d) any relative of any such author, founder, person or member as aforesaid ;

(e) any concern in which any of the persons referred to in clauses (a), (b), (c) and (d) has a substantial interest.

(4) Notwithstanding anything contained in clause (c) of sub-section (1), in a case where the aggregate of the funds of the trust or institution invested in a concern in which any person referred to in sub-section (3) has a substantial interest, does not exceed five per cent. of the capital of that concern, the exemption under section 11 shall not be denied in relation to any income other than the income arising to the trust or the institution from such investment, by reason only that the moneys of the trust or the institution have been invested in a concern in which such person has a substantial interest.

Explanation 1.—For the purposes of sections 11 and 12 and this section, “trust” includes any other legal obligation and for the purposes of this section “relative” also includes a lineal descendant of a brother or sister.

Explanation 2.—A trust or institution created or established for the benefit of Scheduled Castes, backward classes, Scheduled Tribes or women and children shall not be deemed to be a trust or institution created or established for the benefit of a religious community or caste within the meaning of clause (b) of sub-section (1).

Explanation 3.—For the purposes of this section, a person shall be deemed to have a substantial interest in a concern,—

(i) in a case where the concern is a company, if its shares (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than twenty per cent. of the voting power are, at any time during the previous year, owned beneficially by such person or partly by such person and partly by one or more of the other persons referred to in sub-section (3);

(ii) in the case of any other concern, if such person is entitled, or such person and one or more of the other persons referred to in sub-section (3) are entitled in the aggregate, at any time during the previous year, to not less than twenty per cent. of the profits of such concern.’

7. Amendment of section 16.—In section 16 of the Income-tax Act, for clause (iv), the following clause shall be substituted with effect from the 1st day of April, 1971, namely:—

“(iv) where the assessee is not in receipt of a conveyance allowance, whether as such or as part of his salary, in respect of expenditure on travelling for the purposes of his employment, a sum calculated in respect of each calendar month or part thereof comprised in the period of his employment during the previous year, on the basis provided hereunder, namely:—

(a) where the assessee owns a motor car which is used for the purposes of his employment Rs. 200;

(b) where the assessee owns a motor cycle, scooter or other moped which is used for the purposes of his employment Rs. 50;

(c) in any other case Rs. 20;”.

8. Amendment of section 35B.—In section 35B of the Income-tax Act, in sub-section (1), for sub-clause (iii) of clause (b), the following sub-clause shall be, and shall be deemed always to have been, substituted, namely:—

“(iii) distribution, supply or provision outside India of such goods, services or facilities, not being expenditure incurred in India in connection therewith or

expenditure (wherever incurred) on the carriage of such goods to their destination outside India or on the insurance of such goods while in transit ;”.

9. **Amendment of section 36.**—In section 36 of the Income-tax Act, in clause (viii) of sub-section (1), the following *Explanation* shall be deemed to have been inserted at the end with effect from the 1st day of April, 1966, namely :—

“ *Explanation.*—For the removal of doubts, it is hereby declared that in the case of a financial corporation to which sub-clause (a) applies, if the amount carried to the reserve account referred to in this clause in the accounts of the previous year relevant to the assessment year commencing on the 1st day of April, 1966, falls short of twenty-five per cent. of the total income and the amount transferred to such reserve account in the accounts of the immediately succeeding previous year exceeds the amount in respect of which the corporation is entitled to the deduction under this clause for the assessment year commencing on the 1st day of April, 1967, an amount equal to such excess shall, for the purpose of allowing the deduction under this clause, be deemed to have been transferred to the reserve account in the accounts of the first-mentioned previous year ;”.

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

(a) in the *Explanation* to sub-section (2A), for the words “ For the purposes of this sub-section”, the words, brackets, figure and letter “ For the purposes of this sub-section and sub-section (2B)” shall be substituted ;

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

“(2B) Notwithstanding anything contained in this section, no allowance shall be made in respect of expenditure in the nature of entertainment expenditure incurred within India by any assessee after the 28th day of February, 1970.” ;

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

“(4) Notwithstanding anything contained in sub-section (1) or sub-section (3),—

(i) no allowance shall be made in respect of any expenditure incurred by the assessee after the 28th day of February, 1970, on the maintenance of any residential accommodation in the nature of a guest house (such residential accommodation being hereafter in this sub-section referred to as “ guest house”);

(ii) in relation to the assessment year commencing on the 1st day of April, 1971, or any subsequent assessment year, no allowance shall be made in respect of depreciation of any building used as a guest house or depreciation of any assets in a guest house :

Provided that the aggregate of the expenditure referred to in clause (i) and the amount of any depreciation referred to in clause (ii) shall, for the purposes of this sub-section, be reduced by the amount, if any, received from persons using the guest house :

Provided further that nothing in this sub-section shall apply in relation to any guest house maintained as a holiday home if such guest house—

(a) is maintained by an assessee who has throughout the previous year employed not less than one hundred whole-time employees in a business or profession carried on by him ; and

(b) is intended for the exclusive use of such employees while on leave.

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

(i) residential accommodation in the nature of a guest house shall include accommodation hired or reserved by the assessee in a hotel for a period exceeding one hundred and eighty-two days during the previous year; and

(ii) the expenditure incurred on the maintenance of a guest house shall, in a case where the residential accommodation has been hired by the assessee, include also the rent paid in respect of such accommodation.’.

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

“(viii) any transfer of agricultural land in India effected before the 1st day of March, 1970.”.

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

(a) in sub-section (2), after clause (f), the following clause shall be inserted with effect from the 1st day of April, 1971, namely :—

“(g) where the assessee is an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu—

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

(1) to effect or to keep in force an insurance on the life of any member of such association or body or on the life of any child of any of the members of such association or body; or

(2) to effect or to keep in force a contract for a deferred annuity on the life of any member of such association or body or any child of any of the members of such association or body, notwithstanding that such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or

(3) as a contribution to any provident fund referred to in sub-clause (iv) of clause (a);

(ii) any sums deposited in the previous year by such association or body out of its income chargeable to tax in a 10-year account or a 15-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.”;

(b) in sub-section (3), for the words, brackets and letters “clauses (a) and (b)”, the words, brackets and letters “clauses (a), (b) and (g)” shall be substituted with effect from the 1st day of April, 1971;

(c) in sub-section (4), after clause (iii), the following clause shall be inserted with effect from the 1st day of April, 1971, namely :—

“(iv) in the case of an association of persons or a body of individuals referred to in clause (g) of sub-section (2), thirty per cent. of the gross total income of such association or body, or fifteen thousand rupees, whichever is less.”.

13. Amendment of section 80G.—In section 80G of the Income-tax Act, in clause (i) of sub-section (5), after the word, brackets and figures “clause (22)”, the words, brackets, figures and letter “or clause (22A)” shall be inserted.

14. Substitution of new section for section 80L.—For section 80L of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely :—

“80L. *Deductions in respect of interest on certain securities, dividends, etc.*—

(1) Where the gross total income of an assessee includes any income by way of—

(i) interest on any security of the Central Government or a State Government (not being interest payable under section 280D in respect of any annuity deposit made under Chapter XXIIA);

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

(iii) interest on deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette;

(iv) dividends from any Indian company;

(v) income received in respect of units from the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963); or

(vi) interest on deposits with a banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank),

there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction as specified hereunder, namely:—

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

(b) in any other case, three thousand rupees.

(2) In a case where the assessee is entitled also to the deduction under section 80K in relation to the whole or any part of the income by way of dividends referred to in clause (iv) of sub-section (1), only so much of such income by way of dividends as may remain after the deduction under section 80K shall be taken into account for the purpose of allowing the deduction under sub-section (1)."

15. Amendment of section 80M.—In section 80M of the Income-tax Act, for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely:—

"(2) Where a company to which this section applies is entitled also to the deduction in respect of income by way of dividends under section 80K or section 80L, the deduction under sub-section (1) shall be allowed in respect of income by way of dividends referred to therein as reduced by the aggregate of the deductions, if any, in respect of income by way of dividends under section 80K and section 80L.

Explanation.—For the purposes of this section, the deduction in respect of income by way of dividends under section 80L shall be taken to be so much of the amount of the deduction under that section as may be in excess of the aggregate of the items of income referred to in clauses (i), (ii), (iii), (v) and (vi) of sub-section (1) of that section."

16. Amendment of section 80MM.—Section 80MM which under section 9 of the Finance Act, 1969 (14 of 1969), shall be inserted in the Income-tax Act with effect from the 1st day of April, 1970, shall have effect subject to the modification that in sub-section (1) thereof, for the portion beginning with words "under an agreement" and ending with the words "total income of the assessee", the following shall be substituted, namely:—

"under an agreement entered into by the assessee with such person on or after the 1st day of April, 1969, and approved by the Central Government in this

behalf, there shall be allowed a deduction from such income of an amount equal to forty per cent. thereof, in computing the total income of the assessee:

Provided that the application for such approval is made to the Central Government before the 1st day of October of the relevant assessment year."

17. Amendment of section 116.—In section 116 of the Income-tax Act, for clause (c), the following clause shall be substituted, namely:—

"(c) Commissioners of Income-tax and Additional Commissioners of Income-tax,".

18. Amendment of section 117.—In section 117 of the Income-tax Act, in sub-section (1), after the words "Directors of Inspection, Commissioners of Income-tax," the words "Additional Commissioners of Income-tax." shall be inserted.

19. Substitution of new section for section 130.—For section 130 of the Income-tax Act, the following section shall be substituted, namely:—

"130. *Commissioner competent to perform any function or functions.*—(1) In respect of any function to be performed by a Commissioner under any provision of this Act in relation to an assessee, the Commissioner referred to therein shall,—

(a) in a case where only one Commissioner has jurisdiction over such assessee, be such Commissioner;

(b) in a case where two or more Commissioners have concurrent jurisdiction over such assessee, be the Commissioner empowered to perform such function by the Board.

(2) Subject to the provisions of sub-section (1), for the purposes of sections 253, 254, 256, 263 and 264, the Commissioner referred to therein shall, in relation to an assessee, be the Commissioner having for the time being jurisdiction over the assessee."

20. Amendment of section 139.—In section 139 of the Income-tax Act, after sub-section (4), the following sub-section shall be inserted with effect from the 1st day of April, 1971, namely:—

"(4A) Every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes, or in part only for such purposes, shall, if the total income in respect of which he is assessable as a representative assessee [the total income for this purpose being computed under this Act without giving effect to the provisions of sub-section (1) of section 11] exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of this Act shall, so far as may be, apply as if it were a return required to be furnished under sub-section (1)."

21. Substitution of new section for section 164.—For section 164 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely:—

"164. *Charge of tax where share of beneficiaries unknown.*—(1) Subject to the provisions of sub-sections (2) and (3), where any income in respect of which the persons mentioned in clauses (iii) and (iv) of sub-section (1) of section 160 are liable as representative assessee or any part thereof is not specifically receivable on behalf or for the benefit of any one person or where the individual shares of the persons on whose behalf or for whose benefit such income or such part thereof

is receivable are indeterminate or unknown (such income, such part of the income and such persons being hereafter in this section referred to as "relevant income", "part of relevant income" and "beneficiaries", respectively), tax shall be charged—

(i) as if the relevant income or part of relevant income were the total income of an association of persons, or

(ii) at the rate of sixty-five per cent.,

whichever course would be more beneficial to the revenue:

Provided that in a case where—

(i) none of the beneficiaries has any other income chargeable under this Act; or

(ii) the relevant income or part of relevant income is receivable under a trust declared by will; or

(iii) the relevant income or part of relevant income is receivable under a trust created before the 1st day of March, 1970, by a non-testamentary instrument and the Income-tax Officer is satisfied, having regard to all the circumstances existing at the relevant time, that the trust was created *bona fide* exclusively for the benefit of the relatives of the settlor, or where the settlor is a Hindu undivided family, exclusively for the benefit of the members of such family, in circumstances where such relatives or members were mainly dependent on the settlor for their support and maintenance,

tax shall be charged as if the relevant income or part of relevant income were the total income of an association of persons.

(2) In the case of relevant income which is derived from property held under trust wholly for charitable or religious purposes, tax shall be charged on so much of the relevant income as is not exempt under section 11, as if the relevant income not so exempt were the income of an association of persons.

(3) In a case where the relevant income is derived from property held under trust in part only for charitable or religious purposes and either the relevant income applicable to purposes other than charitable or religious purposes (or any part thereof) is not specifically receivable on behalf of any one person or the individual shares of the beneficiaries in the income so applicable are indeterminate or unknown, the tax chargeable on the relevant income shall be either—

(a) the tax which would be chargeable if the whole of the relevant income (as reduced by the income, if any, which is exempt under section 11) were the total income of an association of persons; or

(b) the aggregate of—

(i) the tax which would be chargeable on that part of the relevant income which is applicable to charitable or religious purposes (as reduced by the income, if any, which is exempt under section 11) as if such part (or such part as so reduced) were the total income of an association of persons; and

(ii) the tax on that part of the relevant income which is applicable to purposes other than charitable or religious purposes, and in respect of which the shares of the beneficiaries are indeterminate or unknown, at the rate of sixty-five per cent.,

whichever course would be more beneficial to the revenue:

Provided that in a case where—

(i) none of the beneficiaries in respect of the part of the relevant income which is not applicable to charitable or religious purposes has any other income chargeable under this Act; or

(ii) the relevant income is receivable under a trust declared by will; or

(iii) the relevant income is receivable under a trust created before the 1st day of March, 1970, by a non-testamentary instrument and the Income-tax Officer is satisfied, having regard to all the circumstances existing at the relevant time, that the trust, to the extent it is not for charitable or religious purposes, was created *bona fide* exclusively for the benefit of the relatives of the settlor, or where the settlor is a Hindu undivided family, exclusively for the benefit of the members of such family in circumstances where such relatives or members were mainly dependent on the settlor for their support and maintenance,

tax shall be charged as if the relevant income (as reduced by the income, if any, which is exempt under section 11) were the total income of an association of persons.’

22. Amendment of section 193.—In section 193 of the Income-tax Act, in the proviso, after clause (ii), the following clauses shall be inserted, namely:—

“(iia) any interest payable on 7-Year National Savings Certificates (IV Issue); or

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

23. Amendment of section 194A.—In section 194A of the Income-tax Act, in sub-section (3), after clause (v), the following clause shall be inserted, namely:—

“(vi) to such income credited or paid in respect of deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette.”.

24. Amendment of section 195.—In section 195 of the Income-tax Act, after sub-section (2), the following sub-sections shall be inserted, namely:—

“(3) Subject to rules made under sub-section (5), any person entitled to receive any interest or other sum on which income-tax has to be deducted under sub-section (1) may make an application in the prescribed form to the Income-tax Officer for the grant of a certificate authorising him to receive such interest or other sum without deduction of tax under that sub-section, and where any such certificate is granted, every person responsible for paying such interest or other sum to the person to whom such certificate is granted shall, so long as the certificate is in force, make payment of such interest or other sum without deducting tax thereon under sub-section (1).

(4) A certificate granted under sub-section (3) shall remain in force till the expiry of the period specified therein or, if it is cancelled by the Income-tax Officer before the expiry of such period, till such cancellation.

(5) The Board may, having regard to the convenience of assesseees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (3) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith.”.

25. Amendment of section 212.—In section 212 of the Income-tax Act, to sub-section (3A), the following proviso shall be added, namely:—

“Provided that in a case where the Commissioner is satisfied that, having regard to the nature of the business carried on by the assessee and the date of expiry of the previous year in respect of such business, it will be difficult for the assessee to furnish the estimate required to be furnished by him in accordance

with the provisions of this sub-section before the date on which the last instalment of advance tax is due in his case, he may, if the assessee pays the advance tax demanded from him under section 210 before such date, extend the date for furnishing such estimate up to a period of thirty days immediately following the last date of the previous year in respect of that business, and where the date is so extended, the assessee shall pay, on or before the date as so extended, the amount by which the amount of advance tax already paid by him falls short of the advance tax payable in accordance with his estimate.”.

CHAPTER IV

OTHER DIRECT TAXES

26. Amendment of Act 27 of 1957.—In the Wealth-tax Act, 1957,—

(a) in section 2, to sub-clause (2) of clause (e), the following proviso shall be added and shall be deemed to have been added with effect from the 1st day of April, 1969, namely:—

“ Provided that, in relation to the State of Jammu and Kashmir, this sub-clause shall have effect subject to the modification that for the assets specified in items (i) to (iii) of this sub-clause, the assets specified in items (i) to (v) of sub-clause (1) shall be substituted and the other provisions of this Act shall be construed accordingly ;” ;

(b) in section 5,—

(i) in sub-section (1),—

(1) for the words “ Wealth-tax shall not be payable by an assessee in respect of the following assets ”, the words, brackets, figure and letter “ Subject to the provisions of sub-section (1A), wealth-tax shall not be payable by an assessee in respect of the following assets ” shall be substituted with effect from the 1st day of April, 1971 ;

(2) for clause (iv), the following clause shall be substituted with effect from the 1st day of April, 1971, namely:—

“(iv) one house or part of a house belonging to the assessee and exclusively used by him for residential purposes :

Provided that, where the value of such house or part exceeds one hundred thousand rupees, the amount that shall not be included in the net wealth of the assessee under this clause shall be one hundred thousand rupees ;” ;

(3) in clause (xv), for the words “ fixed deposits ”, the word “ deposits ” shall be substituted with effect from the 1st day of April, 1971 ;

(4) after clause (xxi), the following clauses shall be inserted with effect from the 1st day of April, 1971, namely:—

“(xxii) any security of the Central Government or a State Government [not being a security referred to in clause (xvi) or clause (xvii)] ;

(xxiii) any shares [not being shares referred to in clause (xx)] held by the assessee in any Indian company where the assessee is an individual or a Hindu undivided family ;

(xxiv) such debentures, issued by any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank) or any other institution or authority, as the Central Government may, by notification in the Official Gazette, specify in this behalf ;

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

(xxvi) any deposits with a banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act), or with a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).”;

(ii) after sub-section (1), the following sub-section shall be inserted with effect from the 1st day of April, 1971, namely:—

“(1A) Nothing contained in sub-section (1) shall operate to exclude from the net wealth of the assessee any assets referred to in clauses (xv), (xvi), (xxii), (xxiii), (xxiv), (xxv) and (xxvi) [not being deposits under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959], to the extent the value thereof exceeds, in the aggregate, a sum of one hundred and fifty thousand rupees:

Provided that where the assets include any assets referred to in clause (xv) or clause (xvi) [not being deposits under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959] which have been held by the assessee continuously from a date prior to the 1st day of March, 1970, and the value of the assets so included exceeds the limit of one hundred and fifty thousand rupees by any amount, such limit shall be raised by the said amount.”;

(iii) in sub-section (3), for the words, brackets and figures “clause (xvi) and clause (xix)”, the words, brackets and figures “clauses (xv), (xvi), (xix), (xxii), (xxiii), (xxiv), (xxv) and (xxvi)” shall be substituted with effect from the 1st day of April, 1971;

(c) after section 11A, the following section shall be inserted, namely:—

“11AA. *Commissioner competent to perform any function or functions.*—In respect of any function to be performed by a Commissioner under any provision of this Act in relation to an assessee, the Commissioner referred to therein shall,—

(a) in a case where only one Commissioner has jurisdiction over such assessee, be such Commissioner;

(b) in a case where two or more Commissioners have concurrent jurisdiction over such assessee, be the Commissioner empowered to perform such function by the Board.”;

(d) in section 14, to sub-section (1), the following proviso shall be added, namely:—

“Provided that in the case of a person whose net wealth or the net wealth of any other person in respect of which he is assessable under this Act includes the value of any assets held in a business or profession and the time (whether fixed originally or on extension) for furnishing the return of his total income or, as the case may be, of the total income of the other person aforesaid for the said assessment year under sub-section (1) or sub-section (2) or sub-section (3) of section 139 of the Income-tax Act, expires on or after the 30th day of June aforesaid, the return in respect of such net wealth for the assessment year may be furnished before the expiry of the time for furnishing such return of income.”;

(e) in section 21, for sub-section (4), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely:—

“(4) Notwithstanding anything contained in this section, where the shares of the persons on whose behalf or for whose benefit any such assets are held are indeterminate or unknown, the wealth-tax shall be levied upon and recovered from the court of wards, administrator-general, official trustee, receiver, manager, or other person aforesaid as if the persons on whose behalf or for whose benefit the assets are held were 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 the Schedule in the case of an individual; or

(b) at the rate of one and one-half per cent.,
whichever course would be more beneficial to the revenue :
Provided that in a case where—

(i) such assets are held under a trust declared by will; or

(ii) such assets are held under a trust created before the 1st day of March, 1970, by a non-testamentary instrument and the Wealth-tax Officer is satisfied, having regard to all the circumstances existing at the relevant time, that the trust was created *bona fide* exclusively for the benefit of the relatives of the settlor or where the settlor is a Hindu undivided family, exclusively for the benefit of the members of such family, in circumstances where such relatives or members were mainly dependent on the settlor for their support and maintenance,

wealth-tax shall be charged at the rates specified in Part I of the Schedule in the case of an individual.”;

(f) in the Schedule,—

(i) for Part I, the following Part shall be substituted with effect from the 1st day of April, 1971, namely :—

‘PART I Paragraph A

(1) In the case of every individual :—

	Rate of tax
(a) where the net wealth does not exceed Rs. 1,00,000	Nil ;
(b) where the net wealth exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000	1 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000 ;
(c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 4,000 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;
(d) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000	Rs. 14,000 plus 3 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 ;
(e) where the net wealth exceeds Rs. 15,00,000 but does not exceed Rs. 20,00,000	Rs. 29,000 plus 4 per cent. of the amount by which the net wealth exceeds Rs. 15,00,000 ;
(f) where the net wealth exceeds Rs. 20,00,000	Rs. 49,000 plus 5 per cent. of the amount by which the net wealth exceeds Rs. 20,00,000.

(2) In the case of every Hindu undivided family :—

	Rate of tax
(a) where the net wealth does not exceed Rs. 2,00,000	Nil ;
(b) where the net wealth exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000	1 per cent. of the amount by which the net wealth exceeds Rs. 2,00,000 ;
(c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 3,000 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;

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| (d) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000 | Rs. 13,000 <i>plus</i> 3 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000; |
| (e) where the net wealth exceeds Rs. 15,00,000 but does not exceed Rs. 20,00,000 | Rs. 28,000 <i>plus</i> 4 per cent. of the amount by which the net wealth exceeds Rs. 15,00,000; |
| (f) where the net wealth exceeds Rs. 20,00,000 | Rs. 48,000 <i>plus</i> 5 per cent. of the amount by which the net wealth exceeds Rs. 20,00,000. |

(3) In addition, in the case of every individual and Hindu undivided family, where the net wealth of the individual or Hindu undivided family includes the value of any asset, being building or land (other than business premises) or any right in such building or land, situated in an urban area (such asset being hereafter in this Part referred to as urban asset):—

- | | |
|---|---|
| | <i>Rate of tax</i> |
| (a) where the total value of urban assets determined in accordance with the rules in Paragraph B does not exceed Rs. 5,00,000 | <i>Nil</i> ; |
| (b) where the total value of urban assets determined in accordance with the rules in Paragraph B exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 | 5 per cent. of the amount by which such total value exceeds Rs. 5,00,000; |
| (c) where the total value of urban assets determined in accordance with the rules in Paragraph B exceeds Rs. 10,00,000 | Rs. 25,000 <i>plus</i> 7 per cent. of the amount by which such total value exceeds Rs. 10,00,000. |

Paragraph B

Rule 1.—In this Part,—

(i) “business premises” means any building or land or part of such building or land, or any right in building or land or part thereof, owned by the assessee and used throughout the previous year for the purposes of his business or profession, and includes any building used for the purpose of residence of persons employed in the business or any building used for the welfare of such persons as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch-room, but does not include any premises in the nature of a guest house;

(ii) “previous year”, in relation to a business or profession, means the period which would be the previous year if an assessment of the profits and gains of such business or profession were to be made under the Income-tax Act for the assessment year;

(iii) “urban area” means,—

• (a) any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the valuation date; or

(b) any area within such distance, not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in sub-clause (a), as the Central Government may, having regard to the extent of, and scope for, urbanisation of that area and other relevant considerations, specify in this behalf by notification in the Official Gazette.

Rule 2.—In determining, for the purposes of item (3) of Paragraph A, the value of any urban asset,—

(a) any debt (whether secured or not) incurred for the purpose of acquiring, improving, constructing, repairing, renewing or reconstructing such asset shall be deducted from the gross value of such asset;

(b) other debts which are deductible in computing the net wealth shall be deducted from the gross value of such asset [as reduced by the debts, if any, under clause (a)] only if, and to the extent that, such debts exceed the aggregate gross value of assets other than urban assets.

Rule 3.—Where the net wealth of the assessee includes the value of his interest as a partner in a firm or as a member of an association of persons and the assets of such firm or association include any urban assets, then, notwithstanding anything contained in the Indian Partnership Act, 1932 (9 of 1932), or in any other law for the time being in force, the interest of the assessee in such firm or association, to the extent specified in the *Explanation* below, shall be deemed to be an urban asset and the provisions of item (3) of Paragraph A shall apply accordingly.

Explanation.—The extent of the interest of the assessee in a firm or association deemed to be an urban asset as aforesaid shall be a sum which bears to the value of the whole of the interest of the assessee in the firm or association the same proportion which the net value of the urban assets of the firm or association (determined under rule 2 as if they were urban assets belonging to an individual or a Hindu undivided family) bears to the net wealth of the firm or, as the case may be, the association, computed as if such firm or association were an individual.

Rule 4.—Where the net wealth of the assessee includes the value of any share (not being a share issued for full cash consideration where the holder of the share is not entitled, in the event of liquidation, to participate in the surplus assets) in a company which is not a company in which the public are substantially interested [within the meaning of clause (18) of section 2 of the Income-tax Act] and the assets of such company include any urban assets, then, notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), or in any other law for the time being in force, the value of such share, to the extent specified in the *Explanation* below, shall be deemed to be an urban asset and the provisions of item (3) of Paragraph A shall apply accordingly.

Explanation.—The extent to which the value of the share in a company is to be deemed to be an urban asset as aforesaid shall be a sum which bears to the value of such share the same proportion which the net value of the urban assets of the company (determined under rule 2 as if they were urban assets belonging to an individual or a Hindu undivided family) bears to the net wealth of the company; ;

(ii) Rule 2 appearing after PART II shall be omitted and shall be deemed to have been omitted with effect from the 1st day of April, 1969.

27. Amendment of Act 18 of 1958.—In the Gift-tax Act, 1958,—

(a) in sub-section (2) of section 5, for the words “ten thousand”, the words “five thousand” shall be substituted with effect from the 1st day of April, 1971 ;

(b) section 11A shall be re-numbered as section 11AA, and before the section as so re-numbered, the following section shall be inserted, namely:—

“11A. *Commissioner competent to perform any function or functions.*—In respect of any function to be performed by a Commissioner under any provision of this Act, in relation to an assessee, the Commissioner referred to therein shall,—

(a) in a case where only one Commissioner has jurisdiction over such assessee, be such Commissioner ;

(b) in a case where two or more Commissioners have concurrent jurisdiction over such assessee, be the Commissioner empowered to perform such function by the Board.” ;

(c) for the Schedule, the following Schedule shall be substituted with effect from the 1st day of April, 1971, namely :—

“ THE SCHEDULE

(See section 3)

Rates of Gift-tax

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|--|---|
| (1) Where the value of all taxable gifts does not exceed Rs. 20,000 | 5 per cent. of the value of such gifts ; |
| (2) where the value of all taxable gifts exceeds Rs. 20,000 but does not exceed Rs. 50,000 | Rs. 1,000 <i>plus</i> 10 per cent. of the amount by which the value of such gifts exceeds Rs. 20,000 ; |
| (3) where the value of all taxable gifts exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 4,000 <i>plus</i> 15 per cent. of the amount by which the value of such gifts exceeds Rs. 50,000 ; |
| (4) where the value of all taxable gifts exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000 | Rs. 11,500 <i>plus</i> 20 per cent. of the amount by which the value of such gifts exceeds Rs. 1,00,000 ; |
| (5) where the value of all taxable gifts exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000 | Rs. 31,500 <i>plus</i> 25 per cent. of the amount by which the value of such gifts exceeds Rs. 2,00,000 ; |
| (6) where the value of all taxable gifts exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 | Rs. 1,06,500 <i>plus</i> 30 per cent. of the amount by which the value of such gifts exceeds Rs. 5,00,000 ; |
| (7) where the value of all taxable gifts exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000 | Rs. 2,56,500 <i>plus</i> 40 per cent. of the amount by which the value of such gifts exceeds Rs. 10,00,000 ; |
| (8) where the value of all taxable gifts exceeds Rs. 15,00,000 but does not exceed Rs. 20,00,000 | Rs. 4,56,500 <i>plus</i> 50 per cent. of the amount by which the value of such gifts exceeds Rs. 15,00,000 ; |
| (9) where the value of all taxable gifts exceeds Rs. 20,00,000 | Rs. 7,06,500 <i>plus</i> 75 per cent. of the amount by which the value of such gifts exceeds Rs. 20,00,000.”. |

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 28, 29, 31, 32, 33 and 35 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 SURCHARGES ON INCOME-TAX

Paragraph A

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 any other Paragraph of this Part applies,—

Rates of income-tax

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|---|--|
| (1) where the total income does not exceed Rs. 5,000 | 5 per cent. of the total income ; |
| (2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 | Rs. 250 <i>plus</i> 10 per cent. of the amount by which the total income exceeds Rs. 5,000 ; |
| (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000 | Rs. 750 <i>plus</i> 17 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,600 <i>plus</i> 23 per cent. of the amount by which the total income exceeds Rs. 15,000 ; |
| (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,750 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ; |
| (6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,250 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ; |
| (7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,250 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ; |
| (8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 16,250 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 50,000 ; |
| (9) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 28,250 <i>plus</i> 65 per cent. of the amount by which the total income exceeds Rs. 70,000 ; |
| (10) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,50,000 | Rs. 47,750 <i>plus</i> 70 per cent. of the amount by which the total income exceeds Rs. 1,00,000 ; |
| (11) where the total income exceeds Rs. 2,50,000 | Rs. 1,52,750 <i>plus</i> 75 per cent. of the amount by which the total income exceeds Rs. 2,50,000 : |

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(i) no income-tax shall be payable on a total income not exceeding the following limit, namely :—

(a) Rs. 7,000 in the case of every Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely :—

(1) that it has at least two members entitled to claim partition who are not less than eighteen years of age ; or

(2) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family ;

(b) Rs. 4,000 in every other case ;

(ii) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed :—

- | | |
|-------------|--|
| (a) Rs. 145 | in the case of an unmarried individual ; |
| (b) Rs. 220 | in the case of a married individual who has no child mainly dependent on him ; |
| (c) Rs. 240 | in the case of a married individual who has one child mainly dependent on him ; |
| (d) Rs. 260 | in the case of a married individual who has more than one child mainly dependent on him, |

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000, this clause shall have effect as if for the amounts of Rs. 220, Rs. 240 and Rs. 260, the amounts of Rs. 145, Rs. 165, and Rs. 185 had, respectively, been substituted ;

(iii) where such person is an individual not falling under clause (ii) or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed :—

- | | |
|-------------|---|
| (a) Rs. 125 | in the case of an unmarried individual ; |
| (b) Rs. 200 | in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ; |
| (c) Rs. 220 | in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ; |
| (d) Rs. 240 | in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family, |

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000, this clause shall have effect as if for the amounts of Rs. 200, Rs. 220 and Rs. 240, the amounts of Rs. 125, Rs. 145 and Rs. 165 had, respectively, been substituted ;

(iv) (4) where such person is an individual whose total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 and who has, during the previous year, incurred any expenditure for the maintenance of any one or more of his parents or

grand-parents mainly dependent on him, the income-tax payable by him in respect of such total income shall not exceed the aggregate of—

(1) the income-tax which would have been payable by the individual if his total income had been Rs. 10,000, and

(2) forty per cent. of the amount by which the total income of the individual exceeds Rs. 10,000 ;

(B) where such person is not an individual whose case falls under sub-clause (A) and the total income of such person does not exceed Rs. 20,000, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (a) or, as the case may be, sub-clause (b) of clause (i) of this proviso.

• *Explanation.*—For the purposes of clause (ii) and sub-clause (A) of clause (iv) of this proviso, a parent or grand-parent of an individual shall not be treated as being mainly dependent on such individual if the income of the parent or, as the case may be, the grand-parent from all sources in respect of the previous year exceeds one thousand rupees.

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 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 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 C

In the case of every registered firm,—

Rates of income-tax

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|--|--|
| (1) where the total income does not exceed Rs. 10,000 | Nil ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 <i>plus</i> 6 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. 2,100 <i>plus</i> 12 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. 8,100 <i>plus</i> 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

• *Surcharges on income-tax*

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder :—

(a) in the case of a 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, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified ;

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified ; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely :—

(i) the amount of income-tax computed at the rate hereinbefore specified ; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b), of this sub-paragraph.

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 the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

- | | |
|---|--|
| (i) on that part of its total income which consists of profits and gains from life insurance business | 52·5 per cent.; |
| (ii) on the balance, if any, of the total income | the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested. |

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

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. 50,000 45 per cent. of the total income;

(ii) in a case where the total income exceeds Rs. 50,000 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) on so much of the total income as does not exceed Rs. 10,00,000 55 per cent.;

(b) on the balance, if any, of the total income 60 per cent.;

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

Provided that 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. 50,000, 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. 50,000 (the income of Rs. 50,000 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. 50,000.

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, 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,

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.

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 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—		
(i) on income by way of interest other than “Interest on securities”	10 per cent.	Nil
(ii) on any other income (excluding interest payable on a tax free security)	20 per cent.	2 per cent.
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax free security)	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 Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	
(ii) on the 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.	Nil
(ii) on any other income (excluding interest payable on a tax free security)	22 per cent.	Nil

		Income-tax	
		Rate of income-tax	Rate of surcharge
(b) where the company is not a domestic company—			
(i) on the income by way of dividends payable by an Indian company as is referred to in clause (a)(i) of sub-section (1) of section 80M of the Income-tax Act			
		14 per cent.	Nil
(ii) on the income by way of dividends payable by any domestic company other than a company referred to in (i) hereinabove			
		24.5 per cent.	Nil
(iii) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government			
		50 per cent.	Nil
(iv) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government			
		50 per cent.	Nil
(v) on the income by way of interest payable on a tax free security			
		44 per cent.	Nil
(vi) on any other income			
		70 per cent.	Nil

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" shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

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 any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|---|---|
| (1) where the total income does not exceed Rs. 5,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 | 10 per cent. of the amount by which the total income exceeds Rs. 5,000; |
| (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000 | Rs. 500 <i>plus</i> 17 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,350 <i>plus</i> 23 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,500 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000 | Rs. 6,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | Rs. 11,000 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 40,000; |
| (9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000 | Rs. 23,000 <i>plus</i> 70 per cent. of the amount by which the total income exceeds Rs. 60,000; |
| (10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000 | Rs. 37,000 <i>plus</i> 75 per cent. of the amount by which the total income exceeds Rs. 80,000; |
| (11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000 | Rs. 52,000 <i>plus</i> 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000; |
| (12) where the total income exceeds Rs. 2,00,000 | Rs. 1,32,000 <i>plus</i> 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000; |

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1971, satisfies either of the following two conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 7,000 ;

(ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

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 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 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 C

In the case of every registered firm,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | Nil ; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000 ; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 plus 6 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. 2,100 plus 12 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. 8,100 plus 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder ;—

(a) in the case of a 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, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified ;

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified ; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely :—

(i) the amount of income-tax computed at the rate hereinbefore specified ; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b), of this sub-paragraph.

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 the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

(i) on that part of its total income 52·5 per cent. ;
which consists of profits and
gains from life insurance business

(ii) on the balance, if any, of the the rate of income-tax applicable, in
total income accordance with Paragraph F of this
Part, to the total income of a
domestic company which is a com-
pany in which the public are sub-
stantially interested.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),—

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a com-
pany in which the public are
substantially interested,—

(i) in a case where the total 45 per cent. of the total income ;
income does not exceed
Rs. 50,000

(ii) in a case where the total income exceeds Rs. 50,000 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) on so much of the total income as does not exceed Rs. 10,00,000 55 per cent. ;

(b) on the balance, if any, of the total income 60 per cent. ;

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

Provided that 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. 50,000, 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. 50,000 (the income of Rs. 50,000 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. 50,000.

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, 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,

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.

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the financial year 1970-71 and to provide for certain connected matters. The Notes on Clauses explain the various provisions contained in the Bill.
