

THE FINANCE BILL, 1963

(As introduced in Lok Sabha)

A Bill to give effect to the financial proposals of the Central Government for the financial year 1963-64.

BE it enacted by Parliament in the Fourteenth Year of the Republic of India as follows:—

1. *Short title and commencement.*—(1) This Act may be called the Finance Act, 1963.

(2) Save as otherwise provided in this Act, sections 3, 6, 7, 9, 11, 12, 13 and 21 shall be deemed to have come into force on the 1st day of April, 1963.

2. *Income-tax and Super-tax.*—(1) Subject to the provisions of sub-sections (2), (3), (4) and (5), for the assessment year commencing on the 1st day of April, 1963,—

(a) income-tax shall be charged at the rates specified in Part I of the First Schedule and,—

(i) in the cases to which Paragraphs A, B, C and E of that Part apply, shall be increased by a surcharge for purposes of the Union and, except in the cases to which the said Paragraph E applies, a special surcharge, calculated in either case in the manner provided therein; and

(ii) in the cases to which Paragraphs A and C of the aforesaid Part apply, shall further be increased by an additional surcharge for purposes of the Union (hereinafter referred to as additional surcharge) calculated in the manner provided in the said Schedule;

(b) super-tax shall, for the purposes of section 95 of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act), be charged at the rates specified in Part II of the First Schedule, and, in the cases to which Paragraphs A, B, and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge, calculated in either case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1963,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head “Salaries”, the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance (No. 2) Act, 1962 (20 of 1962), on his total income the same proportion as the amount of such inclusion bears to his total income;

(b) where the total income of an assessee, not being a company, includes any income chargeable under the head “Salaries” on which super-tax has been or might have been deducted under the provisions of sub-section (1) of section 192 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Finance (No. 2) Act, 1962 (20 of 1962), on his total income the same proportion as the amount of such inclusion bears to his total income.

(3) In making any assessment for the assessment year commencing on the 1st day of April, 1963, 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 super-tax payable by it shall be the aggregate of the tax calculated,—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable to the Life Insurance Corporation of India in accordance with Paragraph E of Part II of the First Schedule ; and

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

(4) (a) In cases to which Chapter XII of 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.

(b) In computing under section 209 of the Income-tax Act, the advance tax payable by an assessee, the additional surcharge shall be included.

(c) The amount of income-tax to be deducted at source under sub-section (1) of section 192 of the Income-tax Act from income chargeable under the head "Salaries" shall include an additional surcharge equal in amount to the additional surcharge which would have been leviable if the estimated income under that head had been the total income.

(5) In respect of any assessment for the assessment year commencing on the 1st day of April, 1963—

(i) an assessee being an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India or an assessee (other than a company) whose total income includes any profits and gains derived from the export of any goods or merchandise out of India, shall be entitled to a deduction, from the amount of income-tax and super-tax with which he is chargeable of an amount equal to the income-tax and super-tax calculated respectively at one-tenth of the average rate of income-tax and of the average rate of super-tax on the amount of such profits and gains included in the total income ;

(ii) where an assessee of the type referred to in clause (i) is engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951), exports after the 28th day of February, 1963, such articles out of India, he shall be entitled, in addition to the deduction of tax referred to in clause (i), to a further deduction of tax with which he is chargeable for the assessment year of an amount equal to the income-tax and super-tax calculated respectively at the average rate of such taxes on an amount equal to two per cent. of the sale proceeds received by him on such export ;

(iii) where an assessee of the type referred to in clause (i) engaged in the manufacture of any articles in an industry specified in the said First Schedule sells after the 28th day of February, 1963, such articles to any other person in India who himself exports them out of India during the previous year and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction from the amount of income-tax and super-tax with which he is chargeable for the assessment year of an amount equal to the income-tax and super-tax calculated respectively at the average rate of such taxes on a sum equal to two per cent. of the sale proceeds received in respect of such articles by the manufacturer from the exporter ;

(iv) the total of the deductions under this sub-section shall in no case exceed the amount of income-tax and super-tax otherwise payable by the assessee ;

(v) nothing contained in clauses (ii) and (iii) shall apply in relation to fuels, textiles (including those dyed, printed or otherwise processed), sugar, vegetable oils and vanaspathi, cement and gypsum products and cigarettes respectively specified in items 2, 23, 25, 28, 35 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951), and in relation to such other articles in any other industry specified in that Schedule which may be notified in the Official Gazette by the Central Government having regard to the progress achieved by the industry or any other relevant factors;

(vi) the amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax and super-tax is admissible under clause (i) shall be computed in accordance with the rules made by the Central Board of Revenue in this behalf.

(6) In cases in which tax has to be deducted under sub-section (2) of section 192 and sections 193 to 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part III of the First Schedule.

(7) For the purposes of this section, and of the rates of tax imposed thereby, and of section 3—

(i) the expressions “assessment year”, “average rate of income-tax”, “average rate of super-tax”, “partner”, “tax” and “total income” have the meanings respectively assigned to them under clauses (9), (10), (11), (23), (43) and (45) of section 2 of the Income-tax Act;

(ii) the expression “earned income” has the same meaning as in section 2 of the Finance (No. 2) Act, 1962 (20 of 1962).

(8) For the purposes of Paragraphs A and C of Part I of the First Schedule, the expression “residual income” means the amount of the total income as reduced by—

(a) the amount of the capital gains, if any, included therein; and

(b) the amount of tax (exclusive of additional surcharge) which would have been chargeable on such reduced total income if it had been the total income no part of which had been exempt from tax and on no portion of which deduction of tax had been admissible under any provisions of the Income-tax Act or this Act.

3. *Additional surcharge not to be taken into account for purposes of deduction, etc.*—Notwithstanding anything contained in the Income-tax Act or sub-section (5) of section 2 of this Act, in calculating any relief, rebate or deduction in respect of the tax payable on the total income of an assessee which contains any income on which no income-tax is payable or in respect of which a deduction is admissible, no account shall be taken of the additional surcharge.

4. *Amendment of section 2.*—In section 2 of the Income-tax Act, for clause (44), the following clause shall be, and shall be deemed always to have been, substituted, namely:—

“(44) ‘Tax Recovery Officer’ means—

(i) a Collector or an additional Collector;

(ii) any such officer empowered to effect recovery of arrears of land revenue or other public demand under any law relating to land revenue or other public demand for the time being in force in the State as may be authorised by the State Government, by general or special notification in the Official Gazette, to exercise the powers of a Tax Recovery Officer;

(iii) any Gazetted Officer of the Central or a State Government who may be authorised by the Central Government, by general or special notification in the Official Gazette, to exercise the powers of a Tax Recovery Officer ;”.

5. *Amendment of section 13.*—In section 13 of the Income-tax Act, in clause (b), for the words “ trust or charitable institution ”, the words “ trust for charitable purposes or a charitable institution ” shall be, and shall be deemed always to have been, substituted.

6. *Amendment of section 40.*—In section 40 of the Income-tax Act, in clause (c), before the *Explanation*, the following sub-clause shall be inserted, namely :—

“(iii) any expenditure which results directly or indirectly in the provision of any remuneration, benefit or amenity to an employee to the extent that it exceeds five thousand rupees per month for any period after the 28th day of February, 1963 :

Provided that in computing the aforesaid expenditure, any payments by way of gratuity or any sums comprised in the transferred balance of an employee participating in a recognised provident fund referred to in clause (vii) of sub-section (1) of section 17, or the amount of any compensation referred to in clause (i) or any payment referred to in clause (ii) of sub-section (3) of that section shall not be taken into account.”

7. *Amendment of section 58.*—In section 58 of the Income-tax Act, in clause (b), after the words, brackets and figure “referred to in sub-clause (i)”, the words, brackets and figures “ or in sub-clause (iii) ”, shall be inserted.

8. *Amendment of section 139.*—In section 139 of the Income-tax Act,—

(1) in sub-section (1), in clause (iii)(b) of the proviso, the words “ as finally assessed ” shall be, and shall be deemed always to have been, omitted ;

(2) after sub-section (1), the following sub-section shall be, and shall be deemed always to have been, inserted, namely :—

“(1A) Where as a result of an order under section 154 or section 155 or section 250 or section 254 or section 260 or section 262 or section 264, the amount of tax on which interest was payable under clause (iii) of the proviso to sub-section (1) has been reduced, the interest shall be reduced accordingly, and the excess interest paid, if any, shall be refunded.” ;

(3) after sub-section (7), the following sub-section shall be inserted, namely :—

“(8) Notwithstanding anything contained in clause (iii) of the proviso to sub-section (1), the Income-tax Officer may, in such cases and under such circumstances as may be prescribed, reduce or waive the interest payable by any person under any provision of this section.”

9. *Insertion of new section 141A.*—After section 141 of the Income-tax Act, the following section shall be inserted, namely :—

“141A. *Relief to be given to, and interest to be recovered from, assessee in certain cases.*—(1) If any assessee having furnished a return under section 139 before the 1st day of January of the assessment year, pays before that date the tax determined as payable by him in pursuance of a provisional assessment made under section 141 or a regular assessment made under section 143 or section 144, or where neither of such assessments has been made before that date, the tax payable by him on the basis of such return after taking into consideration the tax paid for the assessment year under the provisions of Chapter XVII-B or Chapter XVII-C, he shall be entitled to a deduction from

the amount of income-tax and super-tax with which he is chargeable of an amount equal to one per cent. of the amount of tax so paid by him before the said date.

(2) If any assessee does not furnish a return under section 139 before the 1st day of January of the assessment year and no regular assessment under section 144 is made before the said date, he shall, in addition to the amount of income-tax and super-tax with which he is chargeable, be liable to pay an amount calculated at two per cent. per annum from the said 1st day of January to—

(i) in the case where no return is furnished, the date on which a regular assessment is made under section 144 ;

(ii) in the case where a return is filed after the said 1st day of January, the date on which a provisional assessment under section 141 or a regular assessment under section 143 or section 144, whichever is earlier, is made,

the calculation in the case referred to in clause (i) being made with reference to the tax payable on regular assessment under section 144 and in the case referred to in clause (ii) being made with reference to the tax payable on the basis of the return, and in either case after taking into consideration the tax already paid under the provisions of Chapter XVII-B or Chapter XVII-C.

(3) If any assessee having furnished a return under section 139 before the 1st day of January of the assessment year does not pay before that date the tax payable on the basis of such return after taking into consideration the tax already paid for the assessment year under the provisions of Chapter XVII-B or Chapter XVII-C and no provisional assessment under section 141 or regular assessment under section 143 or section 144 is made before the said date, he shall, in addition to the amount of income-tax and super-tax with which he is chargeable, be liable to pay an amount calculated at two per cent. per annum from the said 1st day of January to the date on which a provisional assessment under section 141 or a regular assessment under section 143 or section 144, whichever is earlier, is made, the calculation being made with reference to the tax payable on the basis of the return after taking into consideration the tax already paid under the provisions of the aforesaid Chapters.

(4) Any sum paid by an assessee in accordance with the provisions of sub-section (1) otherwise than in pursuance of a provisional assessment made under section 141 or a regular assessment under section 143 or section 144, shall be treated as a payment of tax in respect of the relevant assessment year, and credit therefor shall be given to the assessee in the regular assessment."

10. *Amendment of section 146.*—In section 146 of the Income-tax Act, for the words and figures "in accordance with the provisions of section 143 or 144", the words and figures "in accordance with the provisions of section 143 or section 144" shall be substituted.

11. *Amendment of section 209.*—In section 209 of the Income-tax Act, after clause (c) and before the *Explanation*, the following clause shall be inserted, namely :—

"(d) in cases where the Income-tax Officer makes an amended order referred to in sub-section (3) of section 210 on the basis of a provisional assessment, the total income on the basis of which the relevant provisional assessment had been made shall be substituted for the total income referred to in clause (a)."

12. *Amendment of section 210.*—In section 210 of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted, namely :—

“(3) If, after the making of an order by the Income-tax Officer under this section and before the 15th day of February of the financial year, a regular assessment or a provisional assessment under section 141 of the assessee (or of the registered firm of which he is a partner) is made in respect of a previous year later than that referred to in the order of the Income-tax Officer, the Income-tax Officer may make an amended order requiring the assessee to pay in one instalment on the specified date, or in equal instalments on the specified dates, if more than one, falling after the date of the amended order, the advance tax computed on the basis of the total income determined for the purposes of the regular assessment or the provisional assessment aforesaid as reduced by the amount, if any, paid in accordance with the original order.”

13. *Amendment of section 215.*—In section 215 of the Income-tax Act, for sub-section (2), the following sub-section shall be substituted, namely :—

“(2) Where before the date of completion of a regular assessment, a provisional assessment is made under section 141 or tax is paid by the assessee otherwise than in pursuance of such a provisional assessment—

(i) interest shall be calculated in accordance with the foregoing provision up to the date on which the tax is paid either as provisionally assessed or otherwise ; and

(ii) thereafter interest shall be calculated at the rate aforesaid on the amount by which the tax as so paid (in so far as it relates to income subject to advance tax) falls short of the said seventy-five per cent.”

14. *Amendment of section 220.*—In section 220 of the Income-tax Act, to sub-section (2), the following proviso shall be, and shall be deemed always to have been, added, namely :—

“Provided that, where as a result of an order under section 154, or section 155, or section 250, or section 254, or section 260, or section 262, or section 264, the amount on which interest was payable under this section had been reduced, the interest shall be reduced accordingly and the excess interest paid, if any, shall be refunded.”

15. *Amendment of section 223.*—In section 223 of the Income-tax Act, in sub-section (2), the words “in a district” shall be, and shall be deemed always to have been, omitted.

16. *Amendment of section 233.*—In section 233 of the Income-tax Act, for the words and figures “assessment made under section 143 or 144”, the words and figures “assessment made under section 143 or section 144” shall be substituted.

17. *Amendment of section 271.*—In section 271 of the Income-tax Act in sub-section (1), in clause (a), the word “his” occurring before the words “total income” shall be omitted.

18. *Amendment of section 291.*—In section 291 of the Income-tax Act, in sub-section (1), after the words “the evasion of payment of tax on income”, the words “it is necessary or expedient so to do” shall be inserted.

19. *Amendment of section 297.*—In section 297 of the Income-tax Act, in sub-section (2), in clause (e), before the words, figures and letter “section 23A of the repealed Act”, the words, brackets and letters “subject to the

provisions of clause (g) and clause (j) of this sub-section " shall be, and shall be deemed always to have been, inserted.

20. Amendment of the Second Schedule.—In the Second Schedule to the Income-tax Act,—

(1) in Part I, after rule 19, the following rule shall be, and shall be deemed always to have been, inserted, namely:—

" 19A. *Entrustment of certain functions by Collector or additional Collector.*—A Tax Recovery Officer, being a Collector or an additional Collector, may, subject to the approval of the State Government, entrust any of his functions as Tax Recovery Officer to any other officer lower than him in rank who is empowered to effect recovery of arrears of land revenue or other public demand under any law relating to land revenue or other public demand for the time being in force in the State and such officer shall, in relation to functions so entrusted to him, be deemed to be a Tax Recovery Officer.";

(2) in rule 86, for sub-rule (1), the following sub-rule shall be, and shall be deemed always to have been, substituted, namely:—

"(1) An appeal from any original order passed by the Tax Recovery Officer under this Schedule, not being an order which is conclusive, shall lie—

(a) in the case of a Tax Recovery Officer, being a Collector or an additional Collector or an officer referred to in sub-clause (iii) of clause (44) of section 2, to the revenue authority to which appeals ordinarily lie against the orders of a Collector under the law relating to land revenue of the State concerned; and

(b) in any other case, to the revenue authority to which an appeal or an application for revision would ordinarily lie, if the order passed by him were the order under the law relating to land revenue or other public demand for the time being in force in the State concerned."

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

(1) in sub-section (1)—

(a) clause (xv) shall be omitted;

(b) in clause (xvi), for the words "twelve year national plan savings certificates held by the assessee", the words "twelve year national plan savings certificates, ten year defence deposit certificates, and twelve year national defence certificates held by the assessee, to the extent to which the amount of such certificates or deposits do not exceed in each case the maximum amount permitted to be invested or deposited therein" shall be substituted;

(2) to sub-section (3), the following proviso shall be added, namely:—

"Provided that for the purpose of making any assessment for the financial year commencing on the 1st day of April, 1963, the provisions of clause (b) shall not apply to ten year defence deposit certificates and twelve year national defence certificates held by the assessee on the relevant valuation date."

THE FIRST SCHEDULE

(See section 2)

PART I

Income-tax and surcharges on income-tax

Paragraph A

(i) In the case of every individual who is married and every Hindu undivided family whose total income does not exceed Rs. 20,000 in either case—

Rates of Income-tax

Where the individual has no child wholly or mainly dependent on him or where the Hindu undivided family has no minor coparcener.		Where the individual has one child wholly or mainly dependent on him or where the Hindu undivided family has one minor coparcener.		Where the individual has more than one child wholly or mainly dependent on him or where the Hindu undivided family has more than one minor coparcener.	
	Rs.		Rs.		Rs.
1. On the first 3,000 of total income		3,300 of total income.		3,600 of total income.	Nil.
2. On the next 2,000	"	1,700	"	1,400	" 3%
3. On the next 2,500	"	2,500	"	2,500	" 7%
4. On the next 2,500	"	2,500	"	2,500	" 10%
5. On the next 2,500	"	2,500	"	2,500	" 12%
6. On the next 2,500	"	2,500	"	2,500	" 15%
7. On the next 2,500	"	2,500	"	2,500	" 20%
8. On the next 2,500	"	2,500	"	2,500	" 23%

(ii) In the case of every individual who is not married and every individual or Hindu undivided family whose total income in either case exceeds Rs. 20,000 and in the case of every 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:—

	Rs.				
(1) On the first	...	1,000	of total income		Nil.
(2) On the next	...	4,000	" "		3%
(3) On the next	...	2,500	" "		7%
(4) On the next	...	2,500	" "		10%
(5) On the next	...	2,500	" "		12%
(6) On the next	...	2,500	" "		15%
(7) On the next	...	2,500	" "		20%
(8) On the next	...	2,500	" "		23%
(9) On the balance of total income					25%

Provided that for the purposes of this Paragraph—

(i) no income-tax shall be payable on a total income which does not exceed the limit specified below;

(ii) the income-tax payable shall in no case exceed half the amount by which the total income exceeds the said limit;

(iii) the income-tax payable by an individual who is married or a Hindu undivided family whose total income exceeds in either case Rs. 20,000 shall not exceed the aggregate of—

(a) the income-tax which would have been payable if the total income had been Rs. 20,000 ;

(b) half the amount by which the total income exceeds Rs. 20,000 ;

The limit aforesaid shall be—

(i) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following 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 ;

(ii) Rs. 3,000 in every other case.

Surcharges on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by the aggregate of the surcharges calculated as under :—

(a) a surcharge for purposes of the Union equal to the sum of—

(i) two and a half per cent. of the amount of income-tax calculated at the average rate of income-tax on the income under the head "Salaries" included in the total income ;

(ii) five per cent. of the amount of income-tax calculated at the average rate of income-tax on the total income as reduced by the income under the head "Salaries" included therein ; and

(iii) where the earned income included in the total income exceeds Rs. 1,00,000, ten per cent. of the difference between the amount of income-tax which would have been payable on the whole of the earned income included in the total income if such earned income had been the total income and the amount of income-tax payable on a total income of Rs. 1,00,000 ;

(b) a special surcharge at fifteen per cent. of the difference between the amount of income-tax on the total income and the amount of income-tax on the whole of the earned income, if any, included in the total income if such earned income had been the total income :

Provided that the surcharge for purposes of the Union and the special surcharge, both together, shall not exceed half the amount by which the total income as reduced by the amount of income-tax payable by the assessee exceeds the limit specified below :—

The limit aforesaid shall be—

(i) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following 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 ;

(ii) Rs. 3,000 in every other case ;

(c) an additional surcharge for purposes of the Union calculated on the amount of the residual income at the following rates, namely :—

(i) On the first Rs. 6,000 of the residual income	...	4%
(ii) On the next Rs. 9,000 of the residual income	...	6%
(iii) On the next Rs. 12,000 of the residual income	...	8%
(iv) On the next Rs. 15,000 of the residual income	...	9%
(v) On the balance of the residual income	...	10% :

Provided that—

(i) no additional surcharge shall be levied where the residual income does not exceed the limit specified below ;

(ii) the additional surcharge shall in no case exceed the aggregate of the following sums, namely :—

(a) an amount calculated at three per cent. on so much of the amount of residual income as does not exceed the limit specified below ;

(b) one-half of the amount by which the residual income exceeds the limit specified below.

The limit aforesaid shall be—

(i) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following 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 ;

(ii) Rs. 3,600 in the case of every individual who has more than one child wholly or mainly dependent on him or in the case of every Hindu undivided family having more than one minor coparcener ;

(iii) Rs. 3,300 in the case of every individual who has one child wholly or mainly dependent on him or in the case of every Hindu undivided family having one minor coparcener ;

(iv) Rs. 3,000 in every other case.

Explanation.—For the purposes of this Paragraph, in the case of every Hindu undivided family governed by the *Mitakshara* law, a son shall be deemed to be entitled to claim partition of the coparcenary property against his father or grandfather notwithstanding any custom to the contrary.

Paragraph B

In the case of every local authority,—

Rate of income-tax

On the whole of the total income ... 30%

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 of five per cent. of the amount of income-tax.

Paragraph C

In every case in which under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate,—

Rate of income-tax

On the whole of the total income ... 25%

Surcharges on income-tax

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

(a) a surcharge for purposes of the Union of five per cent. of the amount of income-tax ;

(b) a special surcharge of fifteen per cent. of the amount of income-tax ; and

(c) an additional surcharge for purposes of the Union calculated on the amount of the residual income at the rates as specified in Paragraph A of this Part.

Paragraph D

In the case of every company,—

Rate of income-tax

On the whole of the total income ... 25%

Paragraph E

In the case of every registered firm,—

Rates of income-tax

	Where the firm has four or less partners as on the last day of the previous year.	Where the firm has five or more partners
(1) On the first Rs. 25,000 of total income	<i>Nil</i>	<i>Nil</i>
(2) On the next Rs. 15,000 of total income	5%	7%
(3) On the next Rs. 20,000 of total income	6%	8%
(4) On the next Rs. 40,000 of total income	7%	9%
(5) On the next Rs. 50,000 of total income	8%	10%
(6) On the balance of total income	10%	12%

Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of twenty per cent. of the amount of income-tax.

PART II

Super-tax and surcharges on super-tax

Paragraph A

In the case of every individual, Hindu undivided family, 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 super-tax

(1) On the first Rs. 20,000 of total income	<i>Nil</i>
(2) On the next Rs. 5,000 of total income	... 8%
(3) On the next Rs. 5,000 of total income	... 18%
(4) On the next Rs. 10,000 of total income	... 22%
(5) On the next Rs. 10,000 of total income	... 32%
(6) On the next Rs. 10,000 of total income	... 40%
(7) On the next Rs. 10,000 of total income	... 45%
(8) On the balance of total income	... 47·5%

Surcharges on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by the aggregate of the surcharges calculated as under :—

(a) A surcharge for purposes of the Union equal to the sum of—

(i) two and a half per cent. of the amount of super-tax calculated at the average rate of super-tax on the income under the head "Salaries" included in the total income;

(ii) five per cent. of the amount of super-tax calculated at the average rate of super-tax on the total income as reduced by the income under the head "Salaries" included therein; and

(iii) where the earned income included in the total income exceeds Rs. 1,00,000, ten per cent. of the difference between the amount of super-tax which would have been payable on the whole of the earned income included in the total income, if such earned income had been the total income and the amount of super-tax payable on a total income of Rs. 1,00,000;

(b) A special surcharge at fifteen per cent. of the difference between the amount of super-tax on the total income and the amount of super-tax on the whole of the earned income, if any, included in the total income, if such earned income had been the total income.

Paragraph B

In the case of every local authority,—

Rate of super-tax

On the whole of the total income ... 16%

Surcharge on super-tax

The amount of super-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of 12½ per cent. of the amount of super-tax.

Paragraph C

In the case of every association of persons being a co-operative society as defined in clause (19) of section 2 of the Income-tax Act,—

Rates of super-tax

(1) On the first Rs. 25,000 of total income Nil

(2) On the balance of total income ... 16%

Surcharge on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of 12½ per cent. of the amount of super-tax.

Paragraph D

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

Rates of super-tax

On the whole of the total income ... 55% :

Provided that—

(i) a rebate at the rate of 50 per cent. on so much of the total income as consists of dividends from any Indian company; and at the rate of 35 per cent. on the balance of the total income shall be allowed in the case of any company which—

(a) in respect of its profits liable to tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1963, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such profits in accordance with the provisions of section 194 of that Act; and

(b) is such a company as is referred to in section 108 of the Income-tax Act with a total income not exceeding Rs. 25,000;

(ii) a rebate at the rate of 50 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company formed and registered before the 1st day of April, 1961; at the rate of 45 per cent. on so much of the total income as consists of dividends from any other Indian company; and at the rate of 30 per cent. on the balance of the total income shall be allowed in the case of any company which satisfies condition (a) but not condition (b) of the preceding clause;

(iii) a rebate at the rate of 50 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company formed and registered before the 1st day of April, 1961; at the rate of 30 per cent. on so much of the total income as consists of dividends from an Indian company, not being a subsidiary company, formed and registered before the 1st day of April, 1959; at the rate of 45 per cent. on so much of the total income as consists of dividends from any other Indian company formed and registered on or after the 1st day of April, 1959; at the rate of 30 per cent. on so much of the total income as consists of royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern on or after the 1st day of April, 1961, and which has been approved by the Central Government; and at the rate of 17 per cent. on the balance of the total income shall be allowed in the case of any company not entitled to a rebate under either of the preceding clauses:

Provided further that—

(i) the amount of the rebate under clause (i) or clause (ii) of the preceding proviso shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

(a) on the aggregate of the sums computed in the manner provided in clause (i) of the second proviso to Paragraph D of Part II of the First Schedule to the Finance (No. 2) Act, 1962 (20 of 1962), as reduced by the amount, if any, which is deemed to have been taken into account, in accordance with clause (ii) of the said proviso, for the purpose of reducing the rebate mentioned in clause (i) of the said proviso to nil; and	at the rate of 100%
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(b) on the amount representing the face value of any bonus shares or the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital;	at the rate of 12½%
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(ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with clause (i) or clause (ii), as the case may be, of the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (a) and (b) of clause (i) of this proviso as is sufficient, in that order, to reduce the rebate to nil shall be deemed to have been taken into account for the purpose:

Provided further that the super-tax payable by a company, the total income of which exceeds rupees twenty-five thousand, shall not exceed the aggregate of—

(a) the super-tax which would have been payable by the company if its total income had been rupees twenty-five thousand; and

(b) half the amount by which its total income exceeds rupees twenty-five thousand.

Explanation 1.—For the purposes of this Paragraph, where any portion of the profits and gains of a company is not included in its total income by reason of such portion being agricultural income, the amount representing

the face value of any bonus shares and the amount of any bonus issued to its shareholders shall each be deemed to be such proportion thereof as the average of the total income of the company in the five previous years in which the company has been in receipt of taxable income immediately preceding the relevant previous year bears to the average of its total profits and gains (excluding capital receipts) for the preceding five years aforesaid, reduced by such allowances as may be admissible under the Income-tax Act which have not been taken into account by the company in its profit and loss accounts for the preceding five years aforesaid.

Explanation II.—For the purposes of this Paragraph and Part III of the Schedule, a company shall be deemed to be a subsidiary of another company if that other company holds more than half in nominal value of the equity share capital of the first mentioned company.

Paragraph E

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

Rate of super-tax

On the whole of its profits and gains from life insurance business ... 22·5%

PART III

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sub-section (2) of section 192 and sections 193 to 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			Super-tax	
	Rate of income-tax	Rates of surcharges		Rate of super-tax	Rates of surcharges
		surcharge for purposes of the Union	Special surcharge		

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

(a) in every case, on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government), and

(b) in addition, where the person is non-resident in India, on the whole income.

25% 1·25% 3·75%

Super-tax and surcharges on super-tax in accordance with the provisions of clause (b) of sub-section (1) of section 113 of the Income-tax Act.

	Rate of income- tax	Rate of super- tax
2. In the case of a company—		
(a) in every case—		
(i) on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government); and	25%	
(ii) on the whole income (excluding dividends payable by an Indian company referred to in clause (iv) of sub-section (1) of section 99 of the Income-tax Act); and		5%
(b) in addition, where the company is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India,—		
(i) on the income from dividends (excluding dividends payable by an Indian company referred to in clause (iv) of sub-section (1) of section 99 of the Income-tax Act)—		
(1) on dividends payable by any of its subsidiary Indian companies formed and registered before the 1st day of April, 1961		Nil.
(2) on dividends payable by an Indian company, not being a subsidiary company, formed and registered before the 1st day of April, 1959		20%
(3) on dividends payable by any other Indian company formed and registered on or after the 1st day of April, 1959		5%
(ii) on the income from royalties payable by an Indian concern in pursuance of an agreement which is made by it with the Indian concern on or after the 1st day of April, 1961, and which has been approved by the Central Government		20%
(iii) on any other income		33%

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 1963-64 and to provide for certain connected matters. The Notes on Clauses explain the various provisions contained in the Bill.

NOTES ON CLAUSES

Clause 2 prescribes the rates of income-tax and super-tax for assessments for the assessment year 1963-64 and for deduction of tax at source from salaries, interest on securities, dividends, etc., during the said financial year. In the case of individuals, Hindu undivided families, unregistered firms, etc., the slab structure and the basic rates of income-tax and super-tax remain the same as for the assessment year 1962-63. In regard to surcharges on income-tax it is proposed to levy an additional surcharge for purposes of the Union calculated on the residual income of the assessee, viz., the total income as reduced by capital gains, if any, and the income-tax and super-tax chargeable on the reduced total income. In arriving at the residual income, the tax to be deducted therefrom will be calculated without reducing it by any relief, rebate or deduction of tax to which the assessee might be entitled. The rates fixed for the additional surcharge rise progressively from four per cent. to ten per cent. on successive slabs of residual income. The rates of the other existing surcharges of income-tax and super-tax, viz., the surcharge for purposes of the Union and the special surcharge remain the same as before, but in regard to these surcharges on income-tax, the existing exemption limits of Rs. 15,000 for certain Hindu undivided families and of Rs. 7,500 for individuals, unregistered firms, etc., have been removed,

In the case of registered firms the slab structure and rates of income-tax remain the same as before, but it is proposed to levy a surcharge for purposes of the Union at twenty per cent. of the income-tax payable by them.

In the case of companies, the rates of income-tax and the effective rates of super-tax remain the same as for the year 1962-63.

The existing rebate of one-tenth of the income-tax and super-tax attributable to income derived from exports out of India, admissible to all assesseees other than foreign companies which have not made the prescribed arrangement for the declaration and payment of dividends within India, is being continued. In addition to this, a provision has been made for allowing a further rebate of tax to a manufacturer who, after the 28th February, 1963, himself exports, or where the first purchaser from him exports any articles produced by him in any of the industries listed in the First Schedule to the Industries (Development and Regulation) Act, 1951, except for certain specified industries like textiles, sugar, cement, etc., and any other industry which might be excluded hereafter. The additional rebate of tax will be calculated on an amount equal to 2 per cent. of the sale proceeds received by manufacturers. These tax rebates will, cumulatively, be subject to the limit of the income-tax and super-tax otherwise payable by the assessee.

Clause 3 provides that the additional surcharge for purposes of the Union shall not be taken into account in calculating the amount of any relief, rebate or deduction of income-tax admissible to the assessee under any provision of the law.

Clause 4 substitutes the existing definition of the term "Tax Recovery Officer" by a revised definition. The revised definition brings under the category of "Tax Recovery Officer", any officer of the State Government empowered to recover arrears of land revenue or other public demand, who has been authorised by the State Government by a general or special notification in the Official Gazette to exercise the powers of a Tax Recovery Officer.

Clause 5 amends clause (b) of section 13 of the Income-tax Act. The amendment is of a clarificatory nature.

Clause 6 introduces a new sub-clause (iii) in clause (c) of section 40 of the Income-tax Act. The effect of this will be that with effect from the assessment year 1963-64, any expenditure incurred by a company for any period after the 28th February, 1963, on payment of remuneration including the value of perquisites, to the extent it is in excess of Rs. 5,000 per month for each employee, shall be disallowed in computing the company's total income. Any payment of gratuity, etc., will, however, not be taken into account in computing the aforesaid expenditure.

Clause 7 amends clause (b) of section 58 of the Income-tax Act. This amendment is consequential to the amendment in clause 6.

Clause 8 amends sub-clause (iii) (b) of the proviso to sub-section (1) of section 139 of the Income-tax Act and introduces two new sub-sections (1A) and (8) in the said section.

The effect of these amendments is to provide that the interest payable on account of delay in submission of returns will be calculated on the amount of the tax payable on the total income as assessed by the Income-tax Officer but if the income assessed is subsequently reduced as a result of any order of rectification or an order on appeal, reference or revision, the amount of the interest shall be consequentially reduced and the excess interest paid, if any, shall be refunded. Further, the Income-tax Officer will be enabled to reduce or waive the interest charged for delay in submission of returns in such circumstances as may be prescribed.

Clause 9 introduces a new section 141A in the Income-tax Act. The effect of this is to provide that (i) where an assessee pays the tax demanded from him on a regular or provisional assessment, or where no such assessment has been made but he pays the tax due from him on the basis of the total income declared in the return filed by him, before

the 1st day of January of the relevant assessment year, a sum equal to one per cent. of the tax so paid shall be credited to him; and (ii) if the assessee does not file his return of total income by the 31st December of the relevant assessment year, or having filed the return does not pay the tax due on the basis of such return by that date, he shall be liable to pay interest on the amount of the tax payable by him at two per cent. per annum calculated from the 1st day of January of the relevant assessment year to the date on which a provisional assessment or a regular assessment is made on him, whichever is earlier.

Clause 10 amends section 146 of the Income-tax Act. The amendment is of a drafting nature.

Clause 11 introduces a new sub-clause (d) in section 209 of the Income-tax Act. This amendment is consequential to the amendment made by clause 12.

Clause 12 substitutes sub-section (3) of section 210 of the Income-tax Act by a revised sub-section. This introduces a new provision enabling the Income-tax Officer to revise an earlier order for payment of advance tax based on the last completed regular assessment of the assessee on the basis of the total income determined in a provisional assessment of the assessee for a later year. The proviso to the existing sub-section (3) has been omitted.

Clause 13 substitutes sub-section (2) of section 215 of the Income-tax Act by a revised sub-section. The amendment made is consequential to the amendment made by clause 9.

Clause 14 adds a proviso to sub-section (2) of section 220 of the Income-tax Act. This provides that where the tax payable by an assessee has been reduced as a result of any order of rectification of the assessment or an order on appeal, reference or revision, the interest payable by the assessee for failure to pay the tax in due time shall be consequentially reduced and the excess amount paid, if any, shall be refunded.

Clause 15 amends sub-section (2) of section 223 of the Income-tax Act. The effect of this will be that a Tax Recovery Officer to whom the Income-tax Officer has sent a certificate for the recovery of arrear tax dues from a defaulter will be enabled to forward the certificate to any other Tax Recovery Officer in the same or any other district if the defaulter's property is situated within the jurisdiction of the latter.

Clause 16 amends section 233 of the Income-tax Act. This is an amendment of a drafting nature.

Clause 17 amends clause (a) of sub-section (1) of section 271 of the Income-tax Act. This is an amendment of a drafting nature.

Clause 18 amends sub-section (1) of section 291 of the Income-tax Act. This is an amendment of a drafting nature.

Clause 19 amends clause (e) of sub-section (2) of section 297 of the Income-tax Act. This is a clarificatory amendment.

Clause 20.—Sub-clause (1) of this clause introduces a new Rule 19A in the Second Schedule to the Income-tax Act. This enables a Tax Recovery Officer, being a Collector or an additional Collector, subject to the approval of the State Government, to entrust any of his functions as Tax Recovery Officer to any officer lower to him in rank who is empowered to effect recovery of land revenue or other public demand under the law for the time being in force in the State. The officer to whom any such functions have been entrusted shall be deemed to be a Tax Recovery Officer in relation to those functions.

Sub-clause (2) substitutes sub-rule (1) of rule 86 of the Second Schedule by a revised sub-rule. The new provision in it is that an appeal against an order passed by an official of the State Government who has been entrusted with any functions of a Tax Recovery Officer under the new Rule 19A of the Second Schedule aforesaid will lie to the revenue authority to which an appeal or an application for revision against his orders would lie

under the law of the State Government concerned relating to land revenue or recovery of public demand.

Clause 21.—Sub-clause (1)(a) omits clause (xv) of sub-section (1) of section 5 of the Wealth-tax Act. As a result of this the existing exemption from wealth-tax on the value of jewellery to the extent of Rs. 25,000 will cease to be operative with effect from the assessment year 1963-64.

Sub-clause (1)(b), amends clause (xvi) of sub-section (1) of section 5 of the Wealth-tax Act, to include amongst the Government securities in respect of which assesseees are exempted from wealth-tax, Ten Year Defence Deposit Certificates and Twelve Year National Defence Certificates which have been issued in November, 1962, in replacement of the Twelve Year National Plan Savings Certificates.

Sub-clause (2) adds a proviso to sub-section (3) of section 5 of the Wealth-tax Act. This provides that for the purposes of an assessment to wealth-tax for the assessment year 1963-64 an assessee will be entitled to exemption on the value of Ten Year Defence Deposit Certificates and Twelve Year National Defence Certificates even though such certificates might have been held by him for a period of less than six months prior to the relevant valuation date.

FINANCIAL MEMORANDUM

The Bill seeks to levy an additional surcharge of income-tax for purposes of the Union on individuals, Hindu undivided families, unregistered firms, etc., and provides for the grant of marginal relief to assesseees at certain lower levels of residual income. It also seeks to introduce a new provision in the Income-tax Act for giving credit to assesseees for a certain percentage of the tax paid by them if the payment is made within the prescribed period and for charging certain interest if they do not pay the tax due on the basis of their returns of income within the aforesaid period. The Bill also seeks to withdraw the exemption hitherto allowed to wealth-tax assesseees on the value of jewellery to the extent of Rs. 25,000, which is likely to result in an increase in the number of wealth-tax assesseees.

The aforesaid measures will involve extra work and necessitate employment of some additional staff. The expenditure on account of additional staff together with incidental expenses on administration is estimated at about Rs. 4 lakhs.

Requirement of personnel and finance

	No.	Annual emoluments	Cost
			Rs.
<i>I. Officers—</i>			
Commissioner of Income-tax	1	1 × Rs.	20,400
Assistant Commissioners	3	3 × Rs.	14,400
Income-tax Officers (Cl. I)	12	12 × Rs.	5,400
<i>II. Staff—</i>			
Inspectors	4	4 × Rs.	2,880
Supervisors	8	8 × Rs.	4,320
Headclerks	7	7 × Rs.	3,000
Stenographers	4	4 × Rs.	1,800
Upper division clerks	50	50 × Rs.	1,800
Stenotypists	12	12 × Rs.	1,680
Lower Division clerks	18	18 × Rs.	1,500
<i>III. Incidental expenses—</i>			
Incidental expenses including class IV Staff	—	—	50,000
Total			3,89,840
or, say			3,90,000

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2(5)(vi) provides for rules being made with respect to computation of amount of profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax and super-tax is admissible under clause 2(5)(i). The rule making power is of a normal character.

INCOME TAX AND SUPER TAX

I. RATES FOR THE ASSESSMENT YEAR 1963-64 ON INCOMES OTHER THAN CAPITAL GAINS.

1. Assesseees other than companies:

(a) *Individuals, Hindu undivided families, unregistered firms and associations of persons, etc.*

(i) *Income-tax and super-tax*: No change is proposed to be made in the existing rates of income-tax and super-tax.

(ii) *Surcharges on income-tax*: The existing surcharges for purposes of the Union and the special surcharge are proposed to be continued at the rates applicable for the assessment year 1962-63. However, the total income limits of Rs. 15,000 in the case of Hindu undivided families which satisfy certain conditions and of Rs. 7,500 in other cases up to which these surcharges were hitherto not leviable are proposed to be abolished.

It is proposed to levy an additional surcharge for purposes of the Union which will be calculated on the residual income, viz., assessee's total income (exclusive of capital gains, if any) reduced by the income-tax and super-tax thereon. For this purpose the gross income-tax and super-tax will be deducted from the total income and not the net tax leviable after allowing any rebates. The rates fixed for this additional surcharge rise progressively from four per cent. to ten per cent. on successive slabs of residual income. The additional surcharge shall not be taken into account in calculating any relief, rebate or deduction, e.g., rebate on provident fund contributions made out of total income.

(iii) *Surcharges on super-tax*: These surcharges, viz., surcharge for purposes of the Union and the special surcharge are proposed to be continued at the existing rates. The comparative table given below sets forth the total amount of tax (income-tax, super-tax and surcharges) payable by a married individual with more than one child at certain levels of income at the rates applicable for the assessment year 1962-63 and the rates proposed for the assessment year 1963-64:

Tax (income-tax, super-tax and surcharges,—including for the assessment year 1963-64, the additional surcharge) payable by a married individual with more than one child.

Income	Income from salaries only		Wholly earned income other than salaries		Wholly unearned income	
	1962-63	1963-64	1962-63	1963-64	1962-63	1963-64
1	2	3	4	5	6	7
5,000	42	241	42	242	42	248
10,000	479	930	490	940	560	1,006
15,000	1,171	1,881	1,199	1,907	1,370	2,068
20,000	2,272	3,270	2,328	3,322	2,660	3,627
25,000	4,044	5,300	4,142	5,390	4,734	5,935
40,000	11,065	12,979	11,334	13,224	12,954	14,698
70,000	30,745	33,588	31,495	34,270	35,994	38,364
1,00,000	53,039	56,625	54,332	57,789	62,094	64,815
2,00,000	1,34,601	1,40,031	1,37,707	1,42,826	1,49,094	1,53,075

(b) *Registered firms* : No change is proposed to be made in the rates of income-tax applicable to registered firms. It is, however, proposed to levy on them a surcharge for purposes of the Union at the rate of twenty per cent. of the income-tax payable by them.

2. *Companies* :

In the case of companies, the rate of income-tax chargeable on their total income, and the effective rates of super-tax on intercorporate dividends and other income are proposed to be fixed at the rates as were applicable for the assessment year 1962-63.

3. *Export Incentive* :

It is proposed to continue the existing rebate of one-tenth of the amount of income-tax and super-tax attributable to income derived from exports out of India in the case of all assesseees other than foreign companies which have not made the prescribed arrangements for declaration and payment of dividends within India. In addition to this rebate, it is proposed to allow a further rebate of tax to a manufacturer who after February 28, 1963, either himself exports, or where the first purchaser from him exports himself any articles manufactured by the former in any of the industries (other than certain specified industries, e.g., textiles, cement, sugar, etc.), listed in the First Schedule to the Industries (Development and Regulation) Act, 1951. The additional rebate of tax will be calculated on an amount equal to two per cent. of the turnover. The total amount of the rebate will of course not exceed the tax payable by the assessee. [Clause 2, Parts I and II of the First Schedule.]

II. RATES FOR DEDUCTION (INCLUDING SUPER-TAX) AT SOURCE FROM INTEREST ON SECURITIES, ETC.

The rates for deduction of tax at source from interest on securities, dividends, etc., remain the same as in the financial year 1962-63. These rates have been shown in Part III of the First Schedule. [Clause 2, Part III, of the First Schedule.]

III. AMENDMENTS TO THE INCOME-TAX ACT, 1961

(1) *Procedure for recovery of arrear tax dues* : It is proposed to include in the definition of "Tax Recovery Officer" any officer of a State Government who is empowered to recover arrears of land revenue or other public demand under the State law and who has been authorised by the State Government to exercise the powers of a Tax Recovery Officer.

A Tax Recovery Officer, being a Collector or an additional Collector under a State Government, is also proposed to be authorised to delegate his functions as a Tax Recovery Officer to an officer lower than him in rank, who is empowered to effect recovery of arrears of land revenue or other public demand under the State law.

It is also proposed to enable a Tax Recovery Officer to whom the Income-tax Officer has forwarded a certificate for the recovery of arrears to send the certificate to any other Tax Recovery Officer in the same or any other district in case the defaulter possesses any property within the jurisdiction of the latter Tax Recovery Officer. [Clauses 4, 20 and 15].

(2) *Restriction over excessive expenditure on remuneration and perquisites of employees of companies*.

It is proposed to provide that in the case of any company, the expenditure incurred by it on the remuneration and perquisites for an individual employee in excess of Rs. 5,000 per month for any period after the

28th February, 1963, shall not be allowed as a deduction in the computation of the company's total income. [Clauses 6 and 7].

(3) *Reduction or waiver of interest chargeable for delay in submission of returns in certain circumstances.*

It is proposed to provide that where an assessment has been modified as a result of any order of rectification or an order on appeal, reference or revision, the amount of interest payable by an assessee on account of the delay in submission of returns shall be reduced consequentially and that the excess amount of interest, if any, paid shall be refunded. It is also proposed to enable the Income-tax Officer to reduce or waive the interest chargeable for the delay in submission of returns in such circumstances as may be prescribed. [Clause 8].

(4) *Relief to be given to and interest to be recovered from assessee in certain cases :*

It is proposed to provide a discount of one per cent. on the tax, if paid before the 1st January of the assessment year. This discount will also be available on the amount paid on the basis of the income disclosed in the return though an assessment may not have been made before the said 1st of January. Further, it has been provided that if an assessee does not file a return of his total income by the 31st December of the relevant assessment year or having filed the return does not pay the tax due on the basis of such return by that date, he shall be liable to pay interest on the amount of tax payable by him at two per cent. per annum calculated from the first day of January of the relevant assessment year to the date on which an assessment—provisional or regular, whichever is earlier—is made. [Clauses 9 and 13].

(5) *Revision of the demand of advance tax :* It is proposed to make a provision enabling the Income-tax Officer to revise an earlier order for payment of advance tax, on the basis of the total income determined in a provisional assessment for a later year. The existing provision requiring a compulsory revision of the original demand of advance tax in the event of a regular assessment being made for a subsequent year on a smaller amount of total income is proposed to be omitted. [Clauses 11 and 12].

(6) *Reduction of interest chargeable for non-payment of tax in due time, in certain circumstances :*

It is proposed to provide that where the tax payable by an assessee has been reduced as a result of an order of rectification or an order on appeal, reference or revision, interest payable by the assessee for failure to pay the tax in due time shall be consequentially reduced and the excess amount paid, if any, shall be refunded. [Clause 14].

IV. AMENDMENTS TO THE WEALTH-TAX ACT, 1957.

It is proposed to withdraw with effect from the assessment year 1963-64, the exemption which was hitherto available to wealth-tax assessee on the value of jewellery to the extent of Rs. 25,000.

It is proposed to include amongst the Government securities in respect of which assessee are exempt from wealth-tax, Ten-year Defence Deposit Certificates and Twelve-year National Defence Certificates which have been issued recently in replacement of Twelve-year National Plan Savings Certificates. It is also being provided that for purposes of assessment to wealth-tax for the assessment year 1963-64, an assessee shall be entitled to exemption on the value of the aforesaid certificates even though they were held by him for a period of less than six months prior to the relevant valuation date. [Clause 21].


