

FINANCE (NO. 2) ACT, 1962

20 of 1962

[22nd June, 1962]

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FINANCE (NO. 2) ACT, 1962

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An Act to give effect to the financial proposals of the Central Government for the financial year 1962-63. Be it enacted by Parliament in the Thirteenth Year of the Republic of India as follows:-

1. Short title and commencement :-

- (1) This Act may be called The Finance Act (No. 2), 1962.

(2) Save as otherwise provided in this Act, section 3 to section 14 inclusive shall be deemed to have come into force on the 1st day of April, 1962 and sub-section (1) of section 16 and section 18 shall be deemed to have come into force on the 23rd day of April, 1962.

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, 1962,-

(a) 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 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; and

(b) super-tax shall, for the purposes of Section 95 of the Income tax Act, 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, 1962,-

(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 Act, 1961 , 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 (2) of Section 18 of the Income tax Act, 1922 , 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 Act, 1961 , 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, 1962, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from the 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) In cases to which Chap. 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 rate specified in that Chapter, as the case may be.

(5)

(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 for the assessment year commencing on the 1st day of April, 1962, 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) The Central Board of Revenue may make rules for computing the amount of such profits and gains.

(6) In cases in which tax has to be deducted under sub-section (2) of section 192 and sections 193 Section 194 OF THE INCOME TAX ACT, 1961 Section 195 OF THE INCOME TAX ACT, 1961 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-

(i) the expressions "assessment year", "average rate of income-tax", "average rate of super-tax" and "partner" have the meanings respectively assigned to them in clauses (9), (10), (11) and (23) of Section 2 of the Income-tax Act;

(ii) the expression 'total income' means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the said Act; and

(iii) the expression "earned income" means any income of an assessee who is an individual, Hindu undivided family, unregistered firm or other association of persons or body of individuals, whether incorporated or not, not being a company, a local authority, a registered firm or a firm assessed under clause (b) of section 183 of the said Act-

(a) which is chargeable under the head "Salaries"; or

(b) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(c) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person; and includes any such income which, though it is the income of another person, is included in the assessee's income under the provisions of the Income tax Act, 1961, but does not include any such income on which tax is not payable under clause (iii) or clause (iv) of section 86 or clause (i) or clause (ii) of sub-section (1) of Section 99 of the Code of Civil Procedure, 1908 of that Act or which is exempted from tax under a notification issued under S.60 of the Indian Income-tax Act, 1922, as continued in force by clause (1) of sub-section (2) of S.297 of the Income-tax Act, 1961.

3. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

4. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

5. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

6. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

7. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

8. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

9. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

10. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

11. Amendments of Act 43 of 1961 :-

Note.- section 3 to section 11 of Finance (No. 2) Act, 1962 (20 of 1962), amended sections Section 2 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAX ACT, 1961 , Section 70 OF THE INCOME TAX ACT, 1961 ,Section 71 OF THE INCOME TAX ACT, 1961 , Section 72 OF THE INCOME TAXACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 ,87,88, Section 109OF THE INCOME TAX ACT, 1961 , Section 114 OF THE INCOME TAX ACT, 1961 and S.115 of Income Tax Act, 1961, which were then incorporated in the said Acts.]

12. Amendment of Act 27 of 1957 :-

Note.- This section amended section 5(1) and substitutes Part I of Schedule of Wealth-tax Act, 1957, which were incorporated in that Act.]

13. Expenditure-tax not to be levied from 1st April, 1962 :-

Notwithstanding anything contained in the Expenditure-tax Act, 1957, expenditure-tax shall not be charged for any financial year commencing on or after the first day of April, 1962, in respect of the expenditure incurred by any individual or Hindu undivided family.

14. Amendment of the First Schedule to Act 14 of 1961 :-

Note.- This section amended First Schedule to Finance Act, 1961 .]

15. Amendment of Act 32 of 1934 :-

This Tariff Act is now repealed and replaced by the Customs Tariff Act, 1975 .

16. Amendment of Act 1 of 1944 :-

These amendments were incorporated in the said Act then.]

17. Amendment of Act 58 of 1957 :-

Note.- Amendments to Additional Duties of Excise (Goods of Special Importance) Act, 1957, were then incorporated in that Act.]

18. Amendment of Act 16 of 1975 :-

Note.- Amendments made to the Schedule to Medicinal and Toilet Preparations (Excise Duties) Act, 1955 , were then incorporated in that Act.]

19. Repeal :-

Section 2 of the Finance Act, 1962, is hereby repealed and shall be deemed never to have been enacted.

SCHEDULE 1

THE FIRST SCHEDULE

(See Section 2) PART I Income-tax and surcharge 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 Where the individual has one child Where the individual has more wholly or mainly depended on him or wholly or mainly dependend on than one child wholly or mainly where the Hindu undivided family has him or where the Hindu undivid- dependent on him or where the no minor coparcener, ed family has no minor co- Hindu undivided family has parcener, 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) or clause (31) of section 2 of the Income-lax 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 ... 2,500 " 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) Rupees 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: (i) Rupees 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 cet 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 incom 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- (i) no surcharge for purposes of the Union shall be payable where the total income does not exceed the limit specified below: (ii) no special surcharge shall be payable in the case of an assessee whose total income does not include any income from dividend on ordinary shares if his total income does not exceed the limit specified below, and where the total income includes any dividends on ordinary shares, such limit shall be increased by Rs. 1,500 or the amount of the said dividends, whichever is less : Provided further that- (a) where the total income includes any dividends on ordinary shares, the surcharge for purposes of the Union and the special surcharge shall not in each case exceed half the amount by which the total income exceeds the respective limits applicable in either case; (b) the surcharge for purposes of the Union and the special surcharge, both together, shall not exceed half the amount by which the total income exceeds the limit specified below : The limit aforesaid shall be-

(i) Rupees 15,000 in the case of every Hindu undivided family which satisfies as at the end of the previous year 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) Rupees 7,500 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 Per cent On the whole of the total income 30

Surcharges 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 5 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 Per cent 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; and (b) a special surcharge of fifteen per cent of the amount of income-tax.

Paragraph D In the case of every company,- Rates of Income-tax Per cent On the whole of the total income 25

Paragraph E In the case of every registered firm, - \ Rate of Income-tax \ \

Where the firm has four \ Where the firm has five \ \ or less partners \ or more partners (1) On the first Rs. 25,000 of total income \ Nil \ Nil (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%

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 Pan applies,- Rates of super-tax (1) On the first Rs. 20,000 of total income

... Nil (2) On the next Rs. 5,000 of total income ...
 ... 8% (3) On the next of 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 Per cent 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 12 1/2 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 to clause (19) of section 2 of the Income-tax Act, -
Rates of super-tax Per cent. (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 12 1/2 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 -
Rates of super-tax Per cent. 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, 1962, 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 sub-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 percent, 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 percent, 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 at the rate of 100% the second proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1961 , 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 (b) on the amount representing the face value of any bonus shares or the amount of at the rate of 12% any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital : (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 this 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 , - Rate of super-tax Per cent. 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 Section 195 OF THE INCOME TAX ACT, 1961 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 Rates of Surcharge income-tax \ Surcharge for Special Rate of Rates of purposes of surcharge super-tax \ surcharges the Union \ 1. in the case of a person other than a company - (a) in every case, on the whole income 25% 1.25% 3.75% (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- Super-tax and surcharges resident in India, on the whole on super-tax in accordance income, with the provisions of cl.(b) of sub-s. (1) of section 113, Income-tax Act. Rate of Rate of Income-tax 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 25% 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 (ii) on the whole income (excluding dividends payable by an Indian company 5% referred to in clause (iv) of sub-section (1) of S.99 of the Code of Civil Procedure, 1908 of the Income- tax Act); and (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 S.99 of the Code of Civil Procedure, 1908 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 register- ed 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,1981 and which has been approved by the Central Govern- ment..... 20% (iii) on any other income, not being income from dividends..... 33%

SCHEDULE 2

THE SECOND SCHEDULE

(See section 15) [Note.- Indian Tariff Act, 1934 is now repealed and replaced by the Customs Tariff Act, 1975 (51 of 1975).]