

**FINANCE (NO. 2) ACT, 1977**  
**29 of 1977**

**[8th August, 1977]**

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**FINANCE (NO. 2) ACT, 1977**

**29 of 1977**

**[8th August, 1977]**

An Act to give effect to the financial proposals of the Central Government for the financial year 1977-78. Be it enacted by Parliament in the Twenty-eighth Year of the Republic of India as follows :-

CHAPTER 1  
PRELIMINARY

**1. Short title and commencement :-**

(1) This Act may be called The Finance No. 2. Act. 1977.

(2) Save as otherwise provided in this Act, section 2 to Section 3 and section 34 to Section 39 shall be deemed to have come into force on the 1st day of April, 1977.

CHAPTER 2  
RATES OF INCOME-TAX

**2. Income-tax :-**

(1) Subject to the provisions of sub-section (2) and (3), for the-assessment year commencing on the 1st day of April. 1977, Income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,-

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

(b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein: Provided that where an assessee, being a company, has made, during the financial year commencing on the 1st day of April, 1976; any deposit with the Industrial Development bank of India established under Industrial Development Bank of India Act, 1964 under Companies Deposits (Surcharge on Income-tax) Scheme, 1976, then, the surcharge on income- tax payable by the company,

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

(b) in a case where the amount of the deposit so made falls short of the amount of surcharge- on income-tax payable by it. shall be reduced by the amount of the deposit.

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

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-lax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows :-

(i) the total income and the net agricultural income shall be aggregated and the amount of income-lax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be. Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-lax shall be determined in respect of the net agricultural income .as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the Paragraph A, as if the net agricultural income as so increased were the total income.

(iii) the amount by which income-tax determined in accordance with sub-clause (i) exceeds the amount of income-tax determined in accordance with sub-clause (ii) shall be income-tax chargeable in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Section 164 of the Income tax Act, 1961 (hereinafter referred to as the Income-tax) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub- section (1) or the rates as specified in that Chapter or section, as the case may be.

(4) in cases in which tax has to be deducted under sections 193, Section 194 OF THE INCOME TAX ACT, 1961 . Section 194A OF THE INCOME TAX ACT, 1961 . Section 194B OF THE INCOME TAX ACT, 1961 . Section 194D OF THE INCOME TAX ACT, 1961 and 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 II of the First Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of Section 132 of the Income tax Act, 1961 or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated. charged, deducted or computed at the rate or rates specified in Part III of the First Schedule: Provided that in cases to which the provisions of Chapter XII or section 164 of the Income- tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the first Schedule applies, where the assessee has in the previous year or if by virtue of any provision of the Income-tax Act. income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income in addition to total income, and the total income exceeds ten thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of Section 132 of the Income tax Act, 1961 or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,-

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated charged or computed as follows:

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance-tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income: Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph I or as the case may be Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not Apply:

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph-II of the said Paragraph A, as if the net agricultural income as so increased were the total income: Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income- tax in the said Sub-Paragraphs shall not apply;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub- clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii); Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

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

(7) For the purposes of this section and the First Schedule,-

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in Section 108 of the Income tax Act, 1961 ;

(b) "domestic company" means an .Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April 1977, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

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

goods or in mining.

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

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule.

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government.

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

### CHAPTER 3 DIRECT TAXES

#### **3. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **4. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **5. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **6. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **7. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **8. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

#### **9. . :-**

(both inclusive) amended the following provisions of the Income-tax Act which have been incorporated in the principal Act printed in this Manual. Hence they are not printed here. Ss. 2, 9, to II, 13, 24, 35A, 35CCC, 36, 50, 54E, 55, 80G, 80HH, 104, -109, 115A, 155, 194.208 and 273; Schedule II inserted. Section 29 of the Act made





some consequential amendments to certain sections. Ss. 72A, 80HHA and 206B were inserted and 80RRA substituted.

**30. Amendment of Act 27 of 1957 :-**

Incorporated in the Act.

CHAPTER 4  
INDIRECT TAXES

**31. . :-**

Amended certain provisions of Customs Tariff Act, 1975 , Central Excises and Salt Act, 1944 and Addl. Duties of Excise (Goods of Special Importance) Act which have been incorporated in the Acts published in earlier volumes.

**32. . :-**

Amended certain provisions of Customs Tariff Act, 1975 , Central Excises and Salt Act, 1944 and Addl. Duties of Excise (Goods of Special Importance) Act which have been incorporated in the Acts published in earlier volumes.

**33. . :-**

Amended certain provisions of Customs Tariff Act, 1975 , Central Excises and Salt Act, 1944 and Addl. Duties of Excise (Goods of Special Importance) Act which have been incorporated in the Acts published in earlier volumes.

CHAPTER 5  
MISCELLANEOUS

**34. Amendment of Act 61 of 1956 :-**

Incorporated in the Act.]

**35. Amendment of Act 21 of 1973 :-**

Incorporated in the Act.]

**37. Amendment of Act 47 of 1974 :-**

Incorporated in the Act.]

**38. Amendment of Act 8 of 1976 :-**

Incorporated in the Act.]

**39. Amendment of Income-tax Act, etc., to provide for a new appellate authority there- under :-**

(1) The amendments directed in the Fifth Schedule, being amendments to provide for a new appellate authority under Income tax Act, 1961 , Wealth-tax Act, 1957, Gift-tax Act, 1958 Companies (Profits) Surtax Act, 1964 and Interest-tax Act, 1974 and for matters connected therewith, shall be made in the said Acts.

(2) For the removal of doubts it is hereby declared that any action required to be taken, after the commencement of this section, in relation to any appeal disposed of by an Appellate Assistant Commissioner or a Commissioner before such commencement under any. Act referred to in sub-sec. (1), may be taken as if the amendments directed to be made in that Act by sub-section (1) had not been made.

(3) This section shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

**40. Power to exempt feature films etc. from payment of excise duty :-**

(1) The Central Government may. by notification in the Official Gazette, exempt retrospectively from a date not earlier than the 18th day of June. 1977. subject to such conditions as may be specified in the notification, cinematograph films, exposed, falling under Item No. 37 in the First Schedule to the Central Excises Act, from the whole or any pan of the duty leviable thereon under that Act.

(2) The provisions of the Central Excises Act and the rules made thereunder shall apply in relation to any notification issued under sub-section (1) as they apply in relation to any notification issued under rule 8 of the said rules.

**41. Repeal :-**

Incorporated in the principal Act.

SCHEDULE 1  
INCOME-TAX AND SURCHARGE ON INCOME-TAX

Paragraph A Sub-Paragraph I In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not. or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act. not being a case to which Sub- Paragraph II of this Paragraph or any other Paragraph of this Part applies,- Rates of income-tax

(1) where the total income does not exceed Nil. Rs. 8,000 (2) where the total income exceeds Rs. 8,000 15 per cent. of the amount by which the total income but does not exceed Rs. 15,000 exceeds Rs. 8,000; (3) where the total income exceeds Rs. 15,000 Rs. 1,050 plus 18 per cent. of the amount by which but does not exceed Rs. 20,000 the total income exceeds Rupees 15,000; (4) where the total income exceeds Rs. 20,000 Rs. 1,950 plus 25 per cent. of the amount by which but does not exceed Rs 25,000 the total income exceeds Rupees 20,000; (5) where the total income exceeds Rs. 25,000 Rs. 3,200 plus 30 per cent. of the amount by which but does not exceed Rs. 30,000 the total income exceeds Rupees 25,000; (6) where the total income exceeds Rs. 30,000 Rs. 4,700 plus 40 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rupees -30,000; (7) where the

total income exceeds Rs. 50,000 Rs. 12,700 plus 50 per cent. of the amount by which but does not exceed Rs. 70,000 the total income exceeds Rupees 50,000; (8) where the total income exceeds Rs. 70,000 Rs. 22,700 plus 55 per cent. of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rupees 70,000; (9) where the total income exceeds Rs. 1,00,000 Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rupees 1,00,000.

Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Sub-Paragraph II In the case of every Hindu undivided, family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1977 exceeds Rs. 8,000.- Rates of income-tax

(1) where the total income does not exceed Nil. Rs. 8,000 (2) where the total income exceeds Rs. 8,000 18 per cent. of the amount by which the total income but does not exceed Rs. 15,000 exceeds Rs. 8,000: (3) where the total income exceeds Rs. 15,000 Rs. 1,260 plus 25 per cent. of the amount by which but does not exceed Rs. 20,000 the total income exceeds Rupees 15,000. (4) where the total income exceeds Rs. 20,000 Rs. 2,510 plus 30 per cent. of the amount by which but does not exceed Rs. 25,000 the total income exceeds Rupees 20,000. (5) where the total income exceeds Rs. 25,000 Rs. 4,010 plus 40 per cent. of the amount by which but does not exceed Rs. 30,000 the total income exceeds Rupees 25,000: (6) where the total income exceeds Rs. 30,000 Rs. 6,010 plus 50 per cent. of the amount by which but does not exceed Rs. 50,000 which the total income exceeds Rupees 30,000: (7) where the total income exceeds Rs. 50,000 Rs. 16,010 plus 55 per cent. of the amount by which but does not exceed Rs. 70,000 the total income exceeds Rupees 50,000; (8) where the total income exceeds Rs. 70,000 Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rupees 70,000.

Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Paragraph B In the case of every co-operative society.--- Rates of income-tax

(1) where the total income does not exceed 15 per cent of the total income. Rs. 10,000 (2) where the total income exceeds Rs. 10,000 Rs. 1,500 plus 25 per cent. of the amount by which but does not exceed Rs. 20,000 the total income exceeds Rupees 10,000. (3) where the total income exceeds Rs. 20,000 Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rupees 20,000.

Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Paragraph C Sub-Paragraph I In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,--- Rates of income-tax

(1) where the total income does not Nil. exceed Rs. 10,000 (2) where the total income exceeds Rs. 10,000 5 per cent of the amount by which the total income but does not exceeds Rs. 25,000 exceeds Rs. 10,000. (3) where the total income exceeds Rs. 25,000 Rs. 750 plus 7 per cent. of the amount by which Rs. 50,000 but does not exceed the total income exceeds Rs. 25,000; (4) where the total income exceeds Rs. 50,000 Rs. 2,500 plus 15 per cent. of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rs. 50,000; (5) where the total income exceeds Rs. 1,00,000 Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on Income-tax The amount of income-tax computed in accordance with the preceding provisions of this. Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Sub-Paragraph II In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,--- Rates of income-tax

(1) where the total income does not Nil; exceed Rs. 10,000 (2) where the total income exceeds Rs. 10,000 4 per cent. of the amount by which the total income but does not exceeds Rs. 25,000 exceeds Rs. 10,000; (3) where the total income exceeds Rs. 25,000 Rs. 600 plus 7 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rs. 25,000; (4) where the total income exceeds Rs. 50,000 Rs. 2,350 plus 13 per cent. of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rs. 50,000; (5) where the total income exceeds Rs. 1,00,000 Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Explanation.- For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of Section 183 of the Income-tax Act. Paragraph D In the case of every local authority -- \ \ \ \ Rate of income-tax On the whole of the total income 50 per cent. \ \ \ \ Surcharge on income-tax The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax. Paragraph E In the case of a company --- Rates of Income-tax 1. In the case of Domestic company,- (1) where the company is a company in which the public are substantially interested,- (i) in a case where the total income 45 per cent of the total income; does not exceed Rs. 10,00,000 (ii) in a case where the total income 55 per cent of the total income; exceeds Rs. 1,00,000 (2) where the company is not a company in which the public are substantially interested,- (i) in the case of an industrial company - (a) where the total income does 55 per cent of the total income; not exceed Rs. 2,00,000 (b) where the total income 60 per cent of the total income exceeds Rs. 2,00,000 (ii) in any other case 65 per cent of the total income; Provided that- (i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of - (a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and (b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000; (ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000 shall not exceed the aggregate of- (a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); (b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000. II. In the case of a company other than a domestic company (i) on so much of the total income as consists of (a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, but before the 1st day of April, 1976 or (b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, but before the 1st day of April 1976, and where such agreement has in either case 50 per cent. been approved by the Central Government (ii) on the balance, if any, of the total income 70 per cent. Surcharge on Income-tax The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax. PART II Rates for deduction of tax at source in certain cases In every case in which under the provisions of sections 193. Section 194, Section 195A, Section 194B, Section 194D and Section 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction, shall be made from the income subject to deduction at the following rates :--

Income-tax Rate of Rate of income-tax surcharge

1. In the case of a person other than a company --- (a) where the person is resident in India- (i) on income by way of interest 10 per cent. Nil: other

than "Interest on securities" (ii) on income by way of winnings 30 per cent. 4.5 per cent.; from lotteries and cross-word puzzles (iii) on income by way of insurance 10 per cent. Nil: commission (iv) on any other income (excluding 20 per cent. 3 per cent.; interest payable on a tax-free security) (b) where the person is not resident in India-- (i) on the whole income (excluding income-tax at 30 per cent. and surcharge at 4.5 interest payable on a taxfree 4.5 per cent. of the amount of the income security) or income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub- Paragraph. I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher; (ii) on income by way of interest 15 per-cent 2.25 per cent. payable on a tax-free security 2. In the case of a company - (a) where the company is a domestic company---- (i) on income by way of interest 20 per cent. 1 per cent.; other than "Interest on securities" (ii) on any other income (excluding interest payable 22 per cent. on a tax-free security) (b) where the company is not a domestic company - (i) on income by way of dividends payable by 25 per cent. any domestic company (ii) on income by way of royalty payable by an 40 per cent. Indian concern in pursuance of in agreement made by it with the Indian concern after the 31st day of March. 1976. where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act. to the Indian concern (iii) on income by way of royalty (not being royalty of the nature referred to in sub-item (b) (ii)] payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government,- (A) where the agreement is made after the 31st 50 per cent. day of March, 1961 but before the 1st day of April, 1976- (B) where the agreement is made after the 31st day of March, 1976-- (1) on so much of the amount of such income as consists of lump sum consideration 20 per cent. Nil; for the transfer outside India of. or the imparting of information outside India in respect of. any data, documentation. drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property (2) on the balance, if any, of such income (iv) 40 per cent. Nil; on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government-- (A) where the agreement is made after the 50 per cent. 2.5 per cent.. 29th day of Feb. 1964 but before the 1st day of April, 1976; (B) where the agreement is made after the 40 per cent Nil; 31 st day of March, 1976, (v) on income by way of interest payable 44 per cent. 2.2 per cent.; on a tax-free security (vi) on any other income 70 per cent. 3.5 per cent.;

PART III Rates for

calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of Section 80E of the Income tax Act, 1961 and computing "advance tax" In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of Income-tax Act, 1961 or charged under sub-sec. (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-sec. (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or Section 164 of the Income tax Act, 1961 at the rates as specified in that Chapter or section); shall he so calculated, charged, deducted or computed at the following rate or rates :- Paragraph A Sub-paragraph I In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of Section 2 of the Income tax Act, 1961 , not being a case to which sub- paragraph II of this Paragraph or any other Paragraph of this Part applies,- Rates of income-tax

(1) where the total income does not exceed Nil; Rs. 8,000 (2) where the total income exceeds Rs. 8,000 15 per cent. of the amount by which the total income but does not exceed Rs. 15,000 exceeds Rs. 8,000; (3) where the total income exceeds Rs. 15,000 Rs. 1,050 plus 18 per cent. of the amount by which but does not exceed Rs. 20,000 the total income exceeds Rupees 15,000; (4) where the total income exceeds Rs. 20,000 Rs. 1,950 plus 25 per cent. of the amount by which but does not exceed Rs. 25,000 the total income exceeds Rupees 20,000. (5) where the total income exceeds Rs. 25,000 Rs. 3,200 plus 30 per cent. of the amount by which but does not exceed Rs. 30,000 which the total income exceeds Rupees 25,000; (6) where the total income exceeds Rs. 30,000 Rs. 4,700 plus 40 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rupees 30,000; (7) where the total income exceeds Rs. 50,000 Rs. 12,700 plus 50 per cent. of the amount by which but does not exceed Rs. 70,000 the total income exceeds Rupees 50,000; (8) where the total income exceeds Rs. 70,000 Rs. 22,700 plus 55 per cent. of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rupees 70,000; (9) where the total income exceeds Rs. 1,00,000 Rs. 39,200 plus 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Provided that for the

purposes of this Sub-Paragraph,- (i) no income-tax shall be payable on a total income not exceeding Rs. 10,000, (ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000. Surcharge on Income-tax The amount of income-tax computed in accordance with the preceding provisions of this sub-paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax. Sub-Paragraph II In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1978 exceeds Rs. 10,000- Rates of income-tax

(1) where the total income does not exceed Nil; Rs. 8,000 (2) where the total income exceeds Rs. 8,000 18 per cent. of the amount by which the total income but does not exceed Rs. 15,000 exceeds Rs. 8,000; (3) where the total income exceeds Rs. 15,000 Rs. 1,260 plus 25 per cent. of the amount by which but does not exceed Rs. 20,000 the total income exceeds Rupees 15,000; (4) where the total income exceeds Rs. 20,000 Rs. 2,510 plus 30 per cent. of the amount by which but does not exceed Rs. 25,000 the total income exceeds Rupees 20,000; (5) where the total income exceeds Rs. 25,000 Rs. 4,010 plus 40 per cent. of the amount by which but does not exceed Rs. 30,000 the total income exceeds Rupees 25,000; (6) where the total income exceeds Rs. 30,000 Rs. 6,010 plus 50 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rupees 30,000; (7) where the total income exceeds Rs. 50,000 Rs. 16,010 plus 55 per cent. of the amount by which but does not exceed Rs. 70,000 the total income exceeds Rupees 50,000; (8) where the total income exceeds Rs. 70,000 Rs. 27,010 plus 60 per cent. of the amount by which the total income exceeds Rupees 70,000:

Provided that for the

purposes of this Sub-Paragraph,--- (i) no income-tax shall be payable on a total income not exceeding Rs. 10,000; (ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000. Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this sub-paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax, Paragraph B In the case of every co-operative society,- Rates of Income-tax

(1) where the total income does not exceed 15 per cent. of the total income; Rs. 10,000 (2) where the total income exceeds Rs. 10,000 Rs. 1,500 plus 25 per cent. of the amount by but does not exceed Rs. 20,000 which the total income exceeds Rs. 10,000. (3) where the total income exceeds Rs. 20,000 Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income - tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax. Paragraph C Sub-Paragraph I In the case of every registered firm. not being a case to which Sub-Paragraph II of this Paragraph applies, --- Rules of income - tax

(1) where the total income does not exceed Nil; Rs. 10,000 (2) where the total income exceeds Rs. 10,000 5 per cent. of the amount by which the total income but does not exceed Rs. 25,000 exceeds Rs. 10,000-, (3) where the total income exceeds Rs. 25,000 Rs. 750 plus 7 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rs. 25,000; (4) where the total income exceeds Rs. 50,000 Rs. 2,500 plus 15 per cent. of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rs. 50,000; (5) where the total income exceeds Rs. 1,00,000 Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. Surcharge on

income-tax The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax. Sub-Paragraph II In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,-- Rates of income-tax

(1) where the total income does not exceed Nil; Rs. 10,000 (2) where the total income exceeds Rs. 10,000 4 per cent of the amount by which the total income but does not exceed Rs. 25,000 exceeds Rs. 10,000: (3) where the total income exceeds Rs. 25,000 Rs. 600 plus 7 per cent. of the amount by which but does not exceed Rs. 50,000 the total income exceeds Rs. 25,000: (4) where the total income exceeds Rs. 50,000 Rs. 2,350 plus 13 per cent of the amount by which but does not exceed Rs. 1,00,000 the total income exceeds Rs. 50,000: (5) where the total income exceeds Rs. 1,00,000 Rs. 8,850 plus 22 per cent of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax The amount of the income tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax. Explanation.--- For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of Section 183 of the Income tax Act, 1961 . Paragraph D In the case of every local authority,- Rate of income-tax On the whole of the total income 50 per cent. Surcharge on Income-tax The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax. In the case of a company,- Paragraph E Rates of income-tax In the case of a domestic company,--

(1) where the company is a company in which the public are substantially interested,- (i) in a case where the total income does not exceed 45 per cent. of the total income; exceed Rs. 1,00,000 (ii) in a case where the total income exceeds 55 per cent. of the total income Rs. 1,00,000. (2) where the company is not a company in which the public are substantially interested.--- (i) in the case of an industrial company, --- (a) where the total income does not exceed 55 per cent. of the total income: Rs. 2,00,000 (b) where the total income exceeds Rs. 2,00,000 60 per cent of the total income; (ii) in any other case

Provided that--- (ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000. shall not exceed the aggregate of- (a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and (b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000. (ii) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of-- (a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company): and (b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000. II. In the case of company other than a domestic company,---

(i) on so much of the total income as consists of (a) royalties received from an Indian concern, in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976 (b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976 and where such agreement has, in either 50 per cent; case, been approved by the Central Government (ii) on the balance, if any of the total income 70 per cent;

Surcharge on income-tax The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax. PART IV [(See section 2 (7)(e) ] RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME Rule 1.-- Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income tax under that Act under the head "Income from other sources" and the provisions of section 57 to Section 59 of that Act shall, so far as may be, apply accordingly : Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A. Rule 2.- Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of Section 2 of the Income tax Act, 1961 [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of section 30, Section 31, Section 32, . Section 34, Section 36, Section 37, Section 38, Section 40, Section 40A (other than sub-sections (3) and (4) thereof), 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly. Rule 3.--- Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of section 23 to Section 27 of that Act shall, so far as may be, apply accordingly : Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted. Rule 4.- Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with R.8 of the income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee. Rule 5.- Where the assessee is a partner of a registered firm or an unregistered firm, assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous' year has either no income chargeable to tax under the income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of Section 67 of the Income tax Act, 1961 and the share so computed shall be regarded as the agricultural income or loss of the assessee. Rule 6.- Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under Income-tax Act, 1961 or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee. Rule 7.- Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income : Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of Section 183 of the Income tax Act, 1961 or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income. Rule 8.- Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income. Rule 9.- (1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1977, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976, is a loss, then for the purposes of sub-section (2) of section 2 of this Act.- (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the

previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April 1976. (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any. such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976. and (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976. shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1977. (2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1978. or, if by virtue of any provisions of the income-tax Act. income-tax is to be charged in respect of the income of a period other than that previous year. in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,- (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any. such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, or the 1st day of April, 1977, (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any. such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977; and (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or the period aforesaid. (3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profit's, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him. (4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be. sub-rule (2). (5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules, or the rules contained in Part IV of the First Schedule to Finance Act, 1974 or of the First Schedule to Finance Act, 1975, or of the First Schedule to Finance Act, 1976, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2). Rule 10-- Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil. Rule 11.-- The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income. . Rule 12.-- For the purposes of computing the net agricultural income of the assessee. the Income- tax officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

#### SCHEDULE 2

2

(See section 31 ) (Incorporated in the Act)

#### SCHEDULE 3

3

(See section 32 ) [Amendments to Central Excises Act incorporated in the Principal Act]

#### SCHEDULE 4

AMENDMENTS TO ADDITIONAL DUTIES OF EXCISE ACT

[Incorporated in the Act]

#### SCHEDULE 5

5

#### PART

AMENDMENTS IN INCOME-TAX ACT

#### PART

AMENDMENTS IN THE WEALTH-TAX ACT, 1957

#### PART

AMENDMENTS IN THE GIFT TAX ACT, 1953

#### PART

AMENDMENTS IN THE COMPANIES (PROFITS) SURTAX ACT, 1964

#### PART

AMENDMENTS IN THE INTEREST-TAX ACT, 1974