

FINANCE ACT, 1966

13 of 1966

[13th May, 1966]

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FINANCE ACT, 1966

13 of 1966

[13th May, 1966]

An Act to give effect to the financial proposals of the Central Government for the financial year 1966-67. Be it enacted by Parliament in the Seventeenth Year of the Republic of India as follows :-

CHAPTER 1
PRELIMINARY

1. Short title and commencement :-

(1) This Act may be called The Finance Act, 1966.

(2) Save as other wise provided in this Act, section 2 to section 43 , Section 52 and Section 53 shall be deemed to have come into force on the 1st day of April, 1966.

CHAPTER 2
INCOME-TAX AND ANNUITY DEPOSITS FOR THE FINANCIAL YEAR 1966-67

2. Income-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, 1966, income-tax shall be charged at the rates specified in Part I of the First schedule and, in the cases in which paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and a special' surcharge for purposes of the Union 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, 1966 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, 1965, 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, 1966; where the total income of a company, other than the Life Insurance Corporation of India established under Life Insurance Corporation Act, 1956 , includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated-

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

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

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

(5)

(a) In respect of any assessment for the assessment year commencing on the 1st day of April, 1966, in the case of an assessee being a domestic company or an assessee other than a company,-

(i) where his total income includes any profits and gains derived from the export of any goods or merchandise out of India, he shall be entitled to the deduction, from the amount of income-tax with which he is chargeable, of an amount equal to- the income-tax calculated at onetenth of the average rate of income-tax on the amount of such profits and gains included in his total income;

(ii) where he is engaged in the manufacture of any articles in an industry specified in the Industries (Development and Regulation) Act, 1951, and has, during the previous year, exported such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-cl, (i), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an amount equal to two per cent of the sale proceeds receivable by him in respect of such export.

Explanation.- In this sub-clause, the expression "sale proceeds" does not include freight or insurance attributable to the transport of the articles beyond the customs station as defined in Customs Act, 1962 .

(iii) where he is engaged in the manufacture of any articles in an industry specified in the said First Schedule and has, during the previous year, sold such articles to any other person in India who himself has exported them out of

India, 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 with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent of the sale proceeds receivable by him in respect of such articles from the exporter.

(b) The aggregate amount of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

(c) Nothing contained in sub-clause (ii) or sub-clause (iii) of clause (a) shall apply in relation to-

(1) fuels,

(2) fertilisers,

(3) photographic raw film and paper,

(4) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,

(5) newsprint,

(6) pulp-wood pulp, mechanical, chemical including dissolving pulp,

(7) sugar,

(8) vegetable oils and vanaspathi,

(10) arms and ammunition, and

(11) cigarettes,

Industries (Development and Regulation) Act, 1951.

(d) 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 is admissible under sub-clause (i) of clause (a) shall be computed in accordance with the rules made by the Board in this behalf.

(6) In cases in which tax has to be deducted under Section 193, Section 194 Section 195 of the Income tax Act, 1961 at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

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

(a) "company in which the public are substantially interested" includes a subsidiary company of such company referred to in clause (b) of 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, 1966 has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of Section 194 of that Act;

(c) "earned income" means any income of an assessee who is an individual, or a Hindu undivided family, or an unregistered firm [not being an unregistered firm assessed under clause (b) of Section 183 of the Income tax Act, 1961] or an association of persons or body of individuals, whether incorporated or not, not being,-

(A) a company, or

(B) a local authority, or

(C) a registered firm, or

(D) an unregistered firm assessed under clause (b) of the said Section 183-

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

(ii) 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

(iii) 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, or which is chargeable under that head under clause (ia) of sub-section (2) of Section 56 of the Income tax Act, 1961 , and includes any such income which, though it is the income of another person, is included in the assessee's total income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (iii) or clause (v) of Section 86 of that Act or which is exempted from tax under a notification issued under Section 60 or S.60A of the Income tax Act, 1922, as continued in force by clause (1) of sub-section (2) of Section 297 of the Income tax Act, 1961 ;

(d) "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 n ining.

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 of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent of such total Income:

(e) "unearned income" means income which is not "earned income":

(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 and the First Schedule but not defined in this sub-section and defined in the Income-tax Act, shall have the meanings respectively assigned to them in that Act.

3. Annuity deposit :-

(1) Save as otherwise provided in Chapter XXIIA of the Income- tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1966 and annuity deposit to be made during the financial year commencing on the 1st day of April, 1966, shall be made by every person to whom the provisions of that Chapter apply, at the rate or rates specified in the Second Schedule.

(2) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and "depositor" have the meanings respectively assigned to them under clauses (1), (5) and (6) of Section 280B of the Income tax Act, 1961 .

CHAPTER 3

AMENDMENTS TO THE INCOME-TAX ACT

4. . :-

Amendments of Act 43 of 1961 [Note.- These sections amend various sections of Income tax Act, 1961 , which were then incorporated in that Act.]

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37. . :-

Amendments of Act 43 of 1961 [Note.- These sections amend various sections of Income tax Act, 1961 , which were then incorporated in that Act.]

CHAPTER 4

OTHER DIRECT TAXES

38. Amendment of Act 34 of 1953 :-

Note.- This section amends Estate Duty Act, 1953. These amendments are incorporated in that Act.]

39. Transitional provisions :-

In the case of persons dying on or after the 1st day of April, 1966, but before the 1st day of April, 1967, section 9 , section 10 , section 11 , section 12 , section 22 , section 23 and Section 46 of the Estate Duty Act, 1953 , as amended, respectively, by clause (a), (b), (c), (d) and (e), sub-clause (i) of clause (f) and clause (h) of section 38 , shall have effect as if references therein to the two years before the death of the deceased were references therein to the two years before the death of the deceased were reference to the said two years less so much thereof as fell before the 1st day of April, 1965.

40. Repeal of Act 29 of 1957 :-

Expenditure tax Act, 1957, is hereby repealed

41. Amendment of Act 18 of 1958 :-

Note.- This section amended Gift tax Act, 1958 , which were then incorporated in that Act.]

42. Repeal of Act 14 of 1963 :-

Super Profits Tax Act, 1963 , is hereby repealed.

43. Amendment of Act 7 of 1964 :-

Note.- This section amended Companies (Profits) Surtax Act, 1964 , which were then incorporated in that Act.]

CHAPTER 5

INDIRECT TAXES

44. Special duties of customs :-

(1)" In the case of goods chargeable with a duty of customs which is specified in the Tariff Act, 1934 (hereinafter referred to as the Tariff Act), or in that Schedule as amended by a subsequent Central Act, if any, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount: Provided that in computing the total amount so chargeable, any duty chargeable under S.2A of the Tariff Act, 1934 or section 45 of this Act shall not be included.

(2) Sub-section (1) shall cease to have effect after the 31st day of May, 1967 except as respects things done or omite. to be done before such cesser; and Section 6 of the General Clauses Act, 1897 , shall apply upon such cesser as if the said sub-section had been repealed by a Central Act.

45. Regulatory duties of customs :-

(1) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act or in that Schedule as amended by a subsequent Central Act, if any, a regulatory duty of customs not exceeding -

(a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (1) of S.4 of the Tariff Act, 1934; or

(b) 10 per cent. of she value of the goods as determined in accordance with the provisions of Section 14 of the Customs Act, 1962 , whichever is higher: Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of July, 1967, except as respects things done or omitted to be done before such cesser, and Section 6 of the General Clauses Act, 1897 , shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under Customs Act, 1962 .

(4) The provisions-- of Customs Act, 1962 and the rules and regulations made thereunder, including those legating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the

regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament. '

46. Amendment of Act 1 of 1949 :-

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

47. Amendment of Act 1 of 1944 :-

Note.- This section amended Central Excises and Salt Act, 1944, which amendments were then incorporated in that Act.]

48. Special duties of excise on certain goods :-

(1) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Central Act) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected -

(a) as respects goods comprised in Items Nos. 6, 8,9, 14D, 22A, 23A, except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(b) as respects goods comprised in Items Nos. 2, 3(1), sub-items 1, 11(2) and 11(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(2), 21,22,23,23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(c) as respects goods comprised in Items Nos. 4 II (1), 18, 18A (1), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34 and Radiograms con., ised in item No. 37A of that Schedule, a special duty of excise equal to 33 1/3 percent, of the total amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of May, 1967, except as respects things done or omitted to be done before such cesser; and S.6 of the General Clauses Act. 1897, shall apply upon such cesser as if the said sub-section had been repealed by a Central Act.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

49. Regulatory duties of excise :-

(1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Central Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of S.4 of the Central Excises Act, 1944: Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of July, 1967, except as respects things done or omitted to be done before such cesser; and Section 6 of the General Clauses Act, 1897 , shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under the Act or those rules.

(5) Every notification issued under sub-ection (1) shall, as soon as may be after it is issued. be placed before each House of Parliament.

50. Discontinuance of salt duty :-

of ten per cent. on the aggregate of the following amounts, namely :- (i) the amount of income-tax computed at the rate hereinbefore (ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b) of this sub-paragraph. In the case of every local authority, Rate of income-tax Per cent. On the whole of the total income ...

45 Surcharges on Income-tax The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of the surcharges for purposes of the Union calculated as specified hereunder :- (a) a surcharge calculated at the rate of ten per cent. of the aggregate of the amounts, namely :- (i) the amount of income-tax computed at the rate hereinbefore specified; and (ii) the amount of the surcharge calculated in accordance with clause (a), of the sub-paragraph. Paragraph E In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956- Rates of income-tax (i) on that part of its total income which consists of 52.5 per cent; profits of life insurance business. (ii) on the balance, if any, of the total income, the rate of income-tax applicable in accordance with this Part to the total income of a domestic company which is a company in which public are substantially interested, stand Paragraph F In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956- Rates of income-tax 1. In the case of a domestic company - (A) (1) where the company is a company in which the public are substantially interested, (i) in a case where the total income does not exceed Rs. 25,000 (ii) in a case where the total income exceeds Rs. 25,000 2. In the case of a company in which the public are substantially interested, (i) in a case where the total income does not exceed Rs. 25,000 (ii) in a case where the total income exceeds Rs. 25,000 (iii) in a case where the total income exceeds Rs. 10,00,000 (iv) in a case where the total income exceeds Rs. 10,00,000 (v) in a case where the total income exceeds Rs. 10,00,000 (vi) in a case where the total income exceeds Rs. 10,00,000 (vii) in a case where the total income exceeds Rs. 10,00,000 (viii) in a case where the total income exceeds Rs. 10,00,000 (ix) in a case where the total income exceeds Rs. 10,00,000 (x) in a case where the total income exceeds Rs. 10,00,000 (xi) in a case where the total income exceeds Rs. 10,00,000 (xii) in a case where the total income exceeds Rs. 10,00,000 (xiii) in a case where the total income exceeds Rs. 10,00,000 (xiv) in a case where the total income exceeds Rs. 10,00,000 (xv) in a case where the total income exceeds Rs. 10,00,000 (xvi) in a case where the total income exceeds Rs. 10,00,000 (xvii) in a case where the total income exceeds Rs. 10,00,000 (xviii) in a case where the total income exceeds Rs. 10,00,000 (xix) in a case where the total income exceeds Rs. 10,00,000 (xx) in a case where the total income exceeds Rs. 10,00,000 (xxi) in a case where the total income exceeds Rs. 10,00,000 (xxii) in a case where the total income exceeds Rs. 10,00,000 (xxiii) in a case where the total income exceeds Rs. 10,00,000 (xxiv) in a case where the total income exceeds Rs. 10,00,000 (xxv) in a case where the total income exceeds Rs. 10,00,000 (xxvi) in a case where the total income exceeds Rs. 10,00,000 (xxvii) in a case where the total income exceeds Rs. 10,00,000 (xxviii) in a case where the total income exceeds Rs. 10,00,000 (xxix) in a case where the total income exceeds Rs. 10,00,000 (xxx) in a case where the total income exceeds Rs. 10,00,000

Income-tax Rates of Rate of Income-tax surcharge

1. In the case of a person other than a company- (a) where the person is resident, on the whole income (excluding interest payable on a tax free security) (b) where the person is not resident in India- (i) on the whole income (excluding interest payable on a tax free security) (ii) on the whole income (excluding interest payable on a tax free security) (iii) on the whole income (excluding interest payable on a tax free security) (iv) on the whole income (excluding interest payable on a tax free security) (v) on the whole income (excluding interest payable on a tax free security) (vi) on the whole income (excluding interest payable on a tax free security) (vii) on the whole income (excluding interest payable on a tax free security) (viii) on the whole income (excluding interest payable on a tax free security) (ix) on the whole income (excluding interest payable on a tax free security) (x) on the whole income (excluding interest payable on a tax free security) (xi) on the whole income (excluding interest payable on a tax free security) (xii) on the whole income (excluding interest payable on a tax free security) (xiii) on the whole income (excluding interest payable on a tax free security) (xiv) on the whole income (excluding interest payable on a tax free security) (xv) on the whole income (excluding interest payable on a tax free security) (xvi) on the whole income (excluding interest payable on a tax free security) (xvii) on the whole income (excluding interest payable on a tax free security) (xviii) on the whole income (excluding interest payable on a tax free security) (xix) on the whole income (excluding interest payable on a tax free security) (xx) on the whole income (excluding interest payable on a tax free security) (xxi) on the whole income (excluding interest payable on a tax free security) (xxii) on the whole income (excluding interest payable on a tax free security) (xxiii) on the whole income (excluding interest payable on a tax free security) (xxiv) on the whole income (excluding interest payable on a tax free security) (xxv) on the whole income (excluding interest payable on a tax free security) (xxvi) on the whole income (excluding interest payable on a tax free security) (xxvii) on the whole income (excluding interest payable on a tax free security) (xxviii) on the whole income (excluding interest payable on a tax free security) (xxix) on the whole income (excluding interest payable on a tax free security) (xxx) on the whole income (excluding interest payable on a tax free security) 2. In the case of a company- (a) where the company is a domestic company on the whole income 22 per cent Nil (excluding interest payable on a tax free security) (b) where the company is not a domestic company on the whole income 15 per cent Nil (excluding interest payable on a tax free security) (c) where the company is a domestic company on the whole income by way of dividends payable by an Indian company 15 per cent Nil any as is referred to in the proviso to S.85A of the Income Tax Act (d) where the company is a domestic company on the whole income by way of dividends payable by any domestic company other than a company referred to in (i) hereinabove (iii) where the company is a domestic company on the whole income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government (iv) on the income by way of fees payable by an Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government (v) on the income by way of interest payable on a tax free security 44 per cent Nil (vi) on any other income 44 per cent Nil

SCHEDULE 2 THE SECOND SCHEDULE

(See section 3) Rates of annuity deposits (i) In the case of any depositor whose total income does not exceed Rs. 15,000 (ii) In the case of any deposit whose total income exceeds 5 per cent of the adjusted total income (Rs. 15,000 but does not exceed Rs. 20,000) Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000. (iii) In the case of a depositor whose total income exceeds 7½ per cent of the adjusted total income (Rs. 20,000 but does not exceed Rs. 40,000) Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums namely:- (a) an amount calculated at five per cent on so much of the adjusted total income as does not exceed Rs. 20,000; (b) one-half of the amount by which the total income exceeds Rs. 20,000. (iv) In the case of a depositor whose total income exceeds 10 per cent of the adjusted total income (Rs. 40,000 but does not exceed Rs. 70,000) Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely (a) an amount calculated at seven and a half per cent on so much of the adjusted total income as does not exceed Rs. 40,000; (b) one-half of the amount by which the total income exceeds Rs. 40,000. (v) In the case of a depositor whose total income exceeds 12 1/2 per cent of the adjusted total income (Rs. 70,000) Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums namely:- (a) an amount calculated at ten per cent on so much of the adjusted total income as does not exceed Rs. 70,000 (b) one-half of the amount by which the total income exceeds Rs. 70,000. Explanation.- In this Schedule, "total income" means total income computed in the manner laid down in this Income-tax Act without making any allowance under section 280-O of that Act.

SCHEDULE 3 THE THIRD SCHEDULE

[Note.- The Third Schedule made, some consequential amendments relating to annuity deposit in Income tax Act, 1961 . These amendments were then incorporated in that Act.]

