

FINANCE ACT, 1968

19 of 1968

[11th May, 1968]

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FINANCE ACT, 1968

19 of 1968

[11th May, 1968]

An Act to give effect to the financial proposals of the Central Government for the financial year 1968-69. Be it enacted by Parliament in the nineteenth 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, 1968.

(2) Save as otherwise provided in this Act, section 2 to section 33 shall be deemed to have come into force on the 1st day of April, 1968.

CHAPTER 2
RATES OF INCOME-TAX AND ANNUITY DEPOSIT

2. Income-tax :-

(1) Subject to the provisions of sub-secs. (2) and (3), for the assessment year commencing on the 1st day of April, 1968, income-tax shall be charged at the rates specified in Part I of the First Schedule, and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge for purpose 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 1968, 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 life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated-

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

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

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

(4) In cases in which tax has to be deducted under sections 193, Section 194 of the Income Tax Act, 1961, Section 194A of the Income Tax Act, 1961 and 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.

(5) In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of Section 132 of the Income tax Act, 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.

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

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

(b) "domestic company" 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, 1968, 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) "earned income" and "unearned income" shall have the meanings respectively assigned to them in clause (c) and clause (f) of sub-section (7) of Section 2 of the Finance (No. 2) Act, 1967 .

(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 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 VI-A of the Income-tax Act) is not less than fifty-one per cent. of such total income.

(e) "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;

(f) 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 XXII-A of the Income- tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1968 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 INCOME-TAX

4. Amendment of Act 43 of 1961 :-

Note.- These sections amended various sections of the Income-tax Act, 1961, which amendments only were incorporated in that Act.]

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29. Amendment of Act 43 of 1961 :-

Note.- These sections amended various sections of the Income-tax Act, 1961, which amendments only were incorporated in that Act.]

30. Certain additional amendments to the Income-tax Act :-

The amendments directed in the Third Schedule shall be made in the Income-tax Act with effect from the 1st day of April, 1969, except the amendments in items 3 and 23 of the said Schedule relating, respectively, to sections 16 and Section 139 of the Income Tax Act, 1961 of the said act, which shall be deemed to have come into effect on the 1st day of April, 1968.

31. Special provisions in regard to certain assessments under the Income-tax Act :-

(1) Notwithstanding the omission of Section 85 of the Income tax Act, 1961 by Section 33 of the Finance (No. 2) Act, 1967 , the provisions of the said section 85 shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1962, and before the 1st day of April, 1968, effect subject to the modification that for the words "by a shareholder in respect of so much of any dividend paid or deemed to be paid to him", the words "by an owner of the share in respect of so much of any dividend paid or deemed to be paid" were substituted.

(2) Notwithstanding the omission of Section 85A of the Income tax Act, 1961 by Section 33 of the Finance (No. 2) Act, 1967 , the provisions of the said Section 85A of the Income tax Act, 1961 shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1965, and before the 1st day of April, 1968, effect subject to the modification the words "received by it", wherever they occur, were omitted.

(3) Notwithstanding the omission of Section 29 of the Income tax Act, 1961 by Section 29 of the Finance Act, 1965 , the provisions of clause (iv) of sub-section (1) of the said Section 99 of the Code of Civil Procedure, 1908 shall have, and be deemed always to have, in relation to any assessment for the assessment year commencing on or after the 1st day of April, 1962, and before the 1st day of April, 1965, effect subject to the modification that the

words "received by it" were omitted.

CHAPTER 4
OTHER DIRECT TAXES

32. Amendment of Act 27 of 1957 :-

Note.- This section amended the WEALTH TAX ACT, 1957 the amendments were incorporated in that Act then.]

33. Amendment of Act 7 of 1964 :-

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

CHAPTER 5
INDIRECT TAXES

34. Amendment of Act 32 of 1934 :-

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

35. Special duties of customs :-

This section related to levy of special duties of custom under the Indian Tariff, Act which has not been repealed and replaced by the Customs Tariff Act 1975 (51 of 1975).]

36. Regulatory duties of customs :-

This section provided for the levy of regulatory duties of custom under the Indian Tariff Act, which now stands repealed and replaced by the Customs Tariff Act 1975 (51 of 1975).]

37. Amendment of Act I of 1949 :-

This Act has been repealed and replaced by the Customs Tariff Act '1975 (51 of 1975).]

38. Amendment of Act I of 1944 :-

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

39. Special duties, of excuse on certain goods :-

(1) When goods of the description mentioned in this section chargeable with 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 I, II (2) and II (3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 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 comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33 1/3 per cent of the total amount so chargeable on such goods

(2) Sub-section (1) shall cease to have effect after the 31 st day of March, 1969, 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 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 duties of excise on such goods under that Act or those rules.

40. 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 Excise 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 May, 1969, 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 that Act or those rules.

(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.

41. Amendment of Act 27 of 1958 :-

Note.- this section amended the Mineral Products (Additional Duties of Excise and Customs) Act, 1958. These amendments were incorporated in that Act.]

42. Discontinuance of salt duty :-

For the year beginning on the 1st day of April, 1968, no duty under the Central Excises Act or the Tariff Act shall be levied in respect of the salt manufactured in, or imported into, India.

CHAPTER 6 CENTRAL SALES TAX ACT

43. Amendment of Act 74 of 1956 :-

In the Central Sales Tax Act, 1956, in section 14, Item (xi) shall be omitted.

CHAPTER 7 MISCELLANEOUS

44. Amendment of Act 6 of 1898 :-

Note. This section substituted existing First Schedule of Post Office Act, 1898 which was then incorporated in the Act.]

SCHEDULE 1 1

(See section 2) PART I Income-tax and surcharges on income-tax \ \ \ \ Paragraph A In the case of every individual or Hindu undivided firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person re sub-clause (vii) of clause (31) of S.2 of the Income tax Act, 1961, not being a case to which any other Paragraph of this Part applies. - \ income-tax (1) where the total income does not exceed Rs. 5,000 5 per cent. of the total income. (2) where the total income exceeds Rs. does not Rs. 250 plus 10 per cent. of the amount by which the total exceed Rupees 10,000 income exceeds Rupees 5,000: (3) where the exceeds Rs. 10,000 but does Rs. 750 plus 15 per cent. of the amount by which the total not exceed Rs. 15,000 income exceeds Rs. 10,000 the total income exceeds Rs. 15,000 but does Rs. 1,500 plus 20 per cent. of the amount by which the not exceed Rs. 20,000 total income 15,000; (5) where the total income exceeds Rs. 20,000 but does Rs. 2,500 plus 30 per cent. of the amount by which the not exceed Rs. 2 income exceeds Rs. 20,000; (6) where the total income exceeds Rs. 25,000 but does Rs. 4,000 plus 40 per cent. of the amount by which Rs. 30,000 total income exceeds Rs. 25,000; (7) where the total income exceeds Rs. 30,000 but does Rs. 6,000 plus 50 per cent. of the a which the not exceed Rs. 50,000 total income exceeds Rs. 30,000; (8) where the total income exceeds Rs. 50,000 but does Rs. 16,000 pl of the amount by which the not exceed Rs. 70,000 total income exceeds Rs. 50,000; (9) where the total income exceeds Rs. 70,000 Rs. 2 per cent. of the amount by which the total income exceeds Rs. 70,000; Provided that for the purposes of this Paragraph, in the case of a pe being a non-resident- (i) no income-tax shall be payable on a total income not exceeding the following limits, namely:- (a) Rs. 7,000 in t every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:- (1) that it two members entitled to claim partition who are not less than eighteen years of age; or (2) that it has at least two members entitled to cl who are not lineally descended one from the other and who are not lineally descended from any other living member of the family; (b) Rs every other case: (ii) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previou incurred any expenditure for the maintenance of any one or more of his parents or grand-parents mainly dependent on him, the income-ta the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income computed:- \ (a) Rs. 145 in the case of an unmarried individual: \ (b) Rs. 220 in the case of a married individual who has no child mainly him; \ (c) Rs. 240 in the case of a married individual who has one child mainly dependent on him; \ (d) Rs. 260 in the case of a married ir has more than one child mainly dependent on him; (iii) where such person is an individual not falling under clause (ii) or a Hindu undivc income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exce of income-tax so computed :- (a) Rs. 125 in the case of an unmarried individual; (b) Rs. 250 in the case of a married individual who has mainly dependent on him or a Hindu undivided family which has no minor co-parcener; (c) Rs. 220 in the case* of a married individual w child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such fa 240 in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has mor minor coparcener mainly supported from the income of such family; (iv) (A) where such person is an individual whose total income excee but does not exceed Rs 20,000 and who has, during the previous year, incurred any expenditure for the maintenance of any one or more or grand-parents mainly dependent on him, the income-tax payable by him in respect of such total income shall not exceed the aggregate income-tax which would have been payable by the individual if his total income had been Rs. 10,000. \ \ and (2) 40 per cent. of the amo the total income of the individual exceeds Rs. 10,000; (B) where such person is not an individual whose case falls under sub-clause (A) a income of such \ person does not exceed Rs. 20,000, the income-tax payable thereon .shall not exceed 40 per cent. of the \ amount by w income exceeds the limit specified in sub-clause (a) or, as the case may be, \ sub-clause (b) of clause (i) of the proviso. Explanation.- F purposes of clause (ii) and sub-clause (A) of clause (iv) of this proviso, a parent Or grand-parent of an individual shall not be treated as l dependent on such individual if the income of the parent or, as the case may be, the grand-parent from all sources in respect of the previu relevant to the assessment year exceeds one thousand rupees. \ \ Surcharges on income-tax The amount of income-tax computed in acci the preceding provisions of this Paragraph shall be increased by the aggregate of surcharges for purposes of the Union calculated as speci hereunder: (a) where- \ (i) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by interest on any security of the Central or State Government or income received in respect of units \ from the Unit Trust of India, establishe Unit Trust of India Act, 1963, included in the total \ income, or \ (ii) in any other case the amount of unearned income included in the total \ exceeds Rs. 30,000, \ a surcharge calculated on the difference between the amount of income-tax computed in respect of the income \ ref

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 50,000. (ii) in a case where the total income exceeds 55 per cent. of the total income; Rs. 50,000. (2) where the company is not a company the public are substantially interested.- (i) in the case of an industrial company- (a) on so much of the total income as does not exceed 55 per cent. Rs. 10,00,000. (b) on the balance, if any, of the total income. 60 per cent; (ii) in any other case 65 per cent of the total income: Provided income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds 50,000, shall not exceed the aggregate of- (a) the income-tax which would have been payable by the company if its total income had been (the income of Rs. 50,000 for this purpose being computed as if such income from various sources in the same proportion as the total income of the company); and (b) 80 per cent of the amount by which its total income exceeds Rs. 50,000. II. In the case of a company other than a domestic company - (i) on so much of the total income as consists of- (a) royalties received from an Indian concern in pursuance of an agreement with the Indian concern after the 31st day of March, 1961 or (b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and where such agreement has in either case, been approved by the Central Government. 50 per cent.; (ii) on the balance, if any, of the total income. 70 per cent.

SCHEDULE 2

2

(See section 3) Rates of annuity deposits for the assessment year 1968-69 (i) In the case of any depositor whose total income does not exceed Rs. 15,000 (ii) In the case of any depositor whose total income does not exceed 6 per cent. of the adjusted total income; exceeds 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 9 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 six 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 12 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 nine 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 15 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 twelve 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 the Income-tax Act without making any allowance under section 280-0 of that Act.

SCHEDULE 3

3

(See section 33) Amendments in the Income-tax Act [Note.- Under section 30, the amendments directed to be made by this Schedule came into effect on 1st April 1969. These amendments were incorporated in the Act.]

SCHEDULE 4

4

[Note.- The Schedule amended the Indian Tariff Act, 1934 which Act is now repealed and replaced by the Customs Tariff Act, 1975 (51 of 1975).]