

FINANCE ACT, 1973

21 of 1973

[]

CONTENTS

CHAPTER 1 :- PRELIMINARY

1. Short title and commencement

CHAPTER 2 :- RATES OF INCOME-TAX

2. Income-tax

CHAPTER 3 :- DIRECT TAXES

- 3-19. 3-19

20. 20

21. 21

22. Amendment of Act 7 of 1964

23. Credit Guarantee Corporation of India Limited to be exempt for a certain period from liability to pay income-tax and sur-tax

CHAPTER 4 :- INDIRECT - TAXES

24. Amendment of Act 32 of 1934

25. Auxiliary duties of customs

26. . Amendment of Act I of 1949

27. Amendment of Act 1 of 1944

28. Auxiliary duties of excise.

29. Amendment of Act 58 of 1957

30. Discontinuance of salt duty

SCHEDULE 1 :- 1

1. Rule 1

2. Rule 2

3. Rule 3

4. Rule 4

5. Rule 5

6. Rule 6

7. Rule 7

8. Rule 8

9. Rule 9

10. Rule 10

11. Rule 11

SCHEDULE 2 :- 2

SCHEDULE 3 :- 3

SCHEDULE 4 :- 4

FINANCE ACT, 1973

21 of 1973

[]

An Act to give effect to the financial proposals of the Central Government for the financial year 1973-74. Be it enacted by Parliament in the Twenty-fourth 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, 1973.

(2) Save as otherwise provided in this Act, section 2 to section 23 shall be deemed to have come into force on the 1st day of April, 1973.

CHAPTER 2

RATES OF INCOME-TAX

2. Income-tax :-

(1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1973, 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 and D of that Part apply, by a surcharge for purposes of the Union;

(b) in the cases to which Paragraph C of that part applies, by a surcharge for purposes of the Union and a special surcharge for purposes of the Union; and

(c) in the cases to which Paragraphs E and F of that Part apply, by a surcharge, calculated in each case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day Of April, 1973, 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 Chapter XII or Section 164 of the Income tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, 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 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-sec. (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 respect of any income chargeable to tax under Section 164 of the Income tax Act, 1961 at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

(6) In the cases to which Sub-paragraph 1 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 five thousand rupees, then, in calculating income-tax under the first proviso to sub-sec. (5) of section 132 of the Income- tax Act or in charging income-tax under sub-s. (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 cl. (b) (that is to say, as if the net agricultural income were comprised in the total income after the first five 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;

(ii) the net agricultural income shall be increased by a sum of five 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;

(iii) the amount by which income-tax or, as the case may be, "advance tax", determined in accordance with sub-clause (i)

exceeds the amount of income-tax or "advance tax" determined in accordance with sub-clause (ii) shall be the income-tax or "advance tax" in respect of the total income: Provided that in case where Sub-Paragraph I of the said Paragraph A applies,--

(A) where the aggregate income referred to in sub-clause (i) exceeds fifteen thousand rupees but does not exceed fifteen thousand one hundred and eighty rupees, the provisions of that Sub-Paragraph relating to surcharge on income-tax shall, for the purposes of determining the amount of income-tax or "advance tax" under sub-clause (ii), apply subject to the modifications that such surcharge shall be calculated at the rate arrived at by dividing the amount of surcharge on income-tax calculated in respect of the aggregate income by the amount of income-tax (excluding surcharge) calculated in respect of the aggregate income and that the provisions of the proviso at the end of that Sub-Paragraph shall not apply;

(B) where the aggregate income referred to in sub-clause (i) exceeds fifteen thousand one hundred and eighty rupees, the provisions of that Sub-Paragraph relating to surcharge on income-tax shall, for the purposes of determining the amount of income-tax or "advance tax" under sub clause (ii), apply subject to the modifications that such surcharge shall be calculated at the rate of fifteen per cent. and that the provisions of the proviso at the end of that Sub-Paragraph shall not apply.

(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 1973, 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.

(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 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.

CHAPTER 3

DIRECT TAXES

3-19. 3-19 :-

Ss. These sections amend Ss. Section 2 OF THE INCOME TAX ACT, 1961 , Section 28 OF THE INCOME TAX ACT, 1961 , Section 35B OF THE INCOME TAX ACT, 1961 , Section 45 OF THE INCOME TAX ACT, 1961 , Section 80C OF THE INCOME TAX ACT, 1961 , Section 80G OF THE INCOME TAX ACT, 1961 , Section 80J OF THE INCOME TAX ACT, 1961 , Section 80S OF THE INCOME TAX ACT, 1961 , Section 104 OF THE INCOME TAX ACT, 1961 , Section 105 OF THE INCOME TAX ACT, 1961 , Section 112 OF THE INCOME TAX ACT, 1961 , Section 155 OF THE INCOME TAX ACT, 1961 , Section 194C OF THE INCOME TAX ACT, 1961 , Section 197 OF THE INCOME TAX ACT, 1961 , Section 198 OF THE INCOME TAX ACT, 1961 , Section 199 OF THE INCOME TAX ACT, 1961 , Section 200 OF THE INCOME TAX ACT, 1961 , Section 202 OF THE INCOME TAX ACT, 1961 , Section 203 OF THE INCOME TAX ACT, 1961 , Section 204 OF THE INCOME TAX ACT, 1961 , Section 205 OF THE INCOME TAX ACT, 1961 and S.2154 OF THE INCOME TAX ACT, 1961 and insert two new sections 54D (capital gain on compulsory acquisition of land etc.) and 194D (Insurance Commission-Deduction at source from.).

20. 20 :-

Amendments incorporated in Wealth-tax Act, 1957.

21. 21 :-

Amendment incorporated in Gift-tax Act, 1958..

22. Amendment of Act 7 of 1964 :-

Amendments incorporated in the principal Act Printed in Vol. 7

23. Credit Guarantee Corporation of India Limited to be exempt for a certain period from liability to pay income-tax and sur-tax :-

Notwithstanding anything contained in the Income-tax Act or the Companies (Profits) Sur-tax Act, 1964, the Credit Guarantee Corporation of India Limited (a company formed and registered under the Companies Act, 1956), shall not be liable to pay any tax, under either of the two Acts first-mentioned, on its income, profits or gains for the previous year relevant to the assessment year commencing on the 1st day of April, 1972, and for the ¹ [Seven previous years] next following that previous year.

1. Substituted for the words "six previous years" by the Finance Act (21 of 1979) S 45 (w.r.c.f. 1-4-1979)

CHAPTER 4

INDIRECT - TAXES

24. Amendment of Act 32 of 1934 :-

This Act has been repealed and replaced by the Customs Tariff Act, 1975 .

25. Auxiliary duties of customs :-

(1) In the case of goods mentioned in the First Schedule to the Tariff Act. or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of Section 14 of the Customs Act, 1962 .

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1974, 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 then been repealed by a Central Act.

(3) The auxiliary duties of customs referred to in sub-section (1)

shall be in addition to any duties of customs chargeable on such goods under the Customs Act, 1962 . or any other law for the time being in force.

(4) The provisions of the Customs Act, 1962 , and the rules and regulations 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 auxiliary duties 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, as the case may be.

26. . Amendment of Act I of 1949 :-

This Act is repealed by Act 51 of 1975.

27. Amendment of Act 1 of 1944 :-

The Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act) shall be amended in the manner specified in the Third Schedule.

28. Auxiliary duties of excise. :-

(1) In the case of goods mentioned in the First Schedule to the Central Excise Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of excise an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of S.4 of the Central Excises Act, 1944.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1974, 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 then been repealed by a Central Act.

(3) The auxiliary duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force.

(4) The auxiliary duties of excise referred to in sub-section (1) shall be levied for the purposes of the Union and the proceeds thereof shall not be distributed among the States.

(5) 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 auxiliary 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, as the case may be.

29. Amendment of Act 58 of 1957 :-

Amendment incorporated in the Principal Act printed in Vol. I.

30. Discontinuance of salt duty :-

For the year beginning on the 1st day of April, 1973. no duty under the Central Excises Act or the Tariff Act shall be levied in respect of salt manufactured in, or imported into. India.

SCHEDULE 1

1

1. Rule 1 :-

Agricultural income of the nature referred to in sub-clause (a) of clause (1) of Section 2 of the Income tax Act, 1961 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 sections 57 to Section 59 OF THE INCOME TAX ACT, 1961 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 OF THE INCOME TAX ACT, 1961 .

2. 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 sections Section 30 OF THE INCOMETAX ACT, 1961 , Section 31 OF THE INCOME TAX ACT, 1961 . Section 32 OF THE INCOME TAX ACT, 1961 , Section 34 OF THE INCOME TAX ACT, 1961 ,Section 36 OF THE INCOME TAX ACT, 1961 , Section 37 OF THE INCOME TAXACT, 1961 , Section 40 OF THE INCOME TAX ACT, 1961 , Section 40A OF THE INCOME TAX ACT, 1961 (other than sub-sections (3) and (4)

thereof), Section 41 OF THE INCOME TAX ACT, 1961 , Section 43 OF THE INCOME TAXACT, 1961 and Section 43A OF THE INCOME TAX ACT, 1961 shall, so far as may be, apply accordingly.

3. Rule 3 :-

Agricultural income of the nature referred to in sub-clause (c) of clause (1) of Section 2 of the Income tax Act, 1961 . 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 sections 23 to Section 27 OF THE INCOME TAX ACT, 1961 of the Act shall, so tar 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 lettter "and before making and deduction under Chapter VIA" shall he omitted.

4. 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 Rule 8 of the Income-tax-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

5. Rule 5 :-

Where the assessee is a partner of a registered firm or an unregistered firm assessed as aa registered firm under clause {b) of Section 183 of the Income tax Act, 1961 , which in the previou's year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under cl. (b) of the said section 183and which in the previous year has either no income chargeable, to tax under the Income-tax Act or has total income not exceeding five thousand rupees 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-sec. (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.

6. 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 the Income-tax Act or has total income not exceeding five thousand rupees 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 assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

7. Rule 7 :-

Where the result of the computation for any assessment 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 assessment 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

8. 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.

9. Rule 9 :-

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.

10. Rule 10 :-

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.

11. Rule 11 :-

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 24) This Schedule amended the provisions of the Tariff Act 1934 which has been repealed by the Customs Tariff Act 1975 (51 of 1975).

SCHEDULE 3

3

(See section 27) Amendments made by this Schedule in the Central Excises Act 1944 have been incorporated in that Act printed in Vol. 2.

SCHEDULE 4

4

(See section 29) Amendments made have been incorporated in the Act printed in Vol. I of this set.