

FINANCE ACT, 1974

20 of 1974

[[11th May, 1974]]

CONTENTS

CHAPTER 1 :- PRELIMINARY

1. Short title and commencement

CHAPTER 2 :- RATES OF INCOME-TAX

2. Income-tax

CHAPTER 3 :- DIRECT TAXES

3. The amendments made by these sections in the I
4. The amendments made by these sections in the I
5. The amendments made by these sections in the I
6. The amendments made by these sections in the I
7. The amendments made by these sections in the I
8. The amendments made by these sections in the I
9. The amendments made by these sections in the I
10. The amendments made by these sections in the I
11. The amendments made by these sections in the I
12. The amendments made by these sections in the I
13. The amendments made by these sections in the I
14. Amendments incorporated in Wealth-tax Act, 1957.
15. Amendment of Act 7 of 1964
16. Continuance of development rebate in certain cases
17. Amendment of sections 80-N and 80-O of the income-tax Act as they stood during certain periods

CHAPTER 4 :- INDIRECT - TAXES

18. Amendment of Act 32 of 1934
19. Auxiliary duties of customs
20. Amendment of Act 1 of 1949
21. Amendment of Act 1 of 1944
22. Auxiliary duties of excise
23. Amendment of Act 27 of 1958
24. Discontinuance of salt duty

CHAPTER 5 :- INDIRECT - TAXES

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
12. Rule 12

SCHEDULE 2 :- 2

SCHEDULE 3 :- 3

FINANCE ACT, 1974

20 of 1974

[[11th May, 1974]]

An Act to give effect to the financial proposals of the Central Government for the financial year 1974-75. Be it enacted by Parliament in the Twenty-Fifth Year of the Republic of India as

CHAPTER 1

PRELIMINARY

1. Short title and commencement :-

(1) This Act may be called The Finance Act, 1974.

(2) Save as otherwise provided in this Act, section 2 to section 17 shall be deemed to have come into force on the 1st day of April 1974

CHAPTER 2

RATES OF INCOME-TAX

2. Income-tax :-

(1) Subject to the provisions of sub-sections (2), (3) and (4) for the assessment year commencing on the 1st day of April, 1974, 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 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 five thousand rupees, then.-

(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 charging income-tax 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-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Para. 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 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 determined in accordance with sub-clause (i) exceeds the amount of income-tax determined in accordance with sub-clause (ii) shall be the income-tax chargeable in respect of the total income: Provided that in cases where Sub-Paragraph I of the said Paragraph A applies.

(A) where the aggregate income referred to in sub-cl, (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 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-section (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 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.

(3) Where in the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, the total income 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 Chapter XII or s.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,

(5) 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.

(6) Subject to the provisions of sub-section (7), 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-s. (4) of Section 172 or sub-s. (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 s.164 of the Income-tax Act, 1961 at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

(7) 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 six thousand rupees then, in calculating income-tax under the first proviso to sub-s. (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 S. 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 six 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 six 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.

(8) 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, 1974, 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 194of 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 or in sec. 16 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. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

4. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

5. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT,

1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

6. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

7. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

8. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT,1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

9. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961, Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAXACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT,

1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT, 1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

10. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961 , Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT, 1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

11. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961 , Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT, 1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

12. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961 , Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT, 1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT, 1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

13. The amendments made by these sections in the I :-

T. Act Ss. Section 10 OF THE INCOME TAX ACT, 1961 , Section 16 OF THE INCOME TAX ACT, 1961 , Section 36 OF THE INCOME TAX ACT, 1961 , Section 74 OF THE INCOME TAX ACT, 1961 , Section 80MM OF THE INCOME TAX ACT, 1961 , Section 80 OF THE INCOME TAX ACT, 1961 , Section 80D OF THE INCOME TAX ACT,

1961 , Section 139 OF THE INCOME TAX ACT, 1961 , Section 209 OF THE INCOME TAX ACT, 1961 and 4th Schedule and amendments consequential to the amendments will be found incorporated in the income-tax Act, 1961.

14. Amendments incorporated in Wealth-tax Act, 1957. :-

15. Amendment of Act 7 of 1964 :-

(Companies (Profits) Surtax Act, 1964) have been incorporated in the Act printed in Vol. 7.

16. Continuance of development rebate in certain cases :-

The notification of the Government of India in the Ministry of Finance (Department of Revenue and Insurance) No. S. O. 2167, dated the 28th day of May, 1971, issued under sub-section (5) of Section 33 of the Income tax Act, 1961 shall not apply in respect of

(a) any ship acquired after the 31st day of May, 1974, but before ¹[the 1st day of January 77], by any assessee, if the assessee furnishes evidence to the satisfaction of the Income-tax Officer that he had, before the 1st day of December, 1973, entered into a contract for the purchase of such ship with the builder or owner thereof;

(b) any machinery or plant, being coal-fired equipment, or any machinery or plant for converting oil-fired equipment into coal-fired equipment installed by any assessee after the 31st day of May, 1974, but before the 1st day of June, 1977.

(c) any machinery or plant ¹ [not being machinery or plant referred to in clause (b)] installed by any assessee after the 31st day of May, 1974, but before the 1st day of June, 1975, if the assessee furnishes evidence to the satisfaction of the Income-tax Officer that before the 1st day of December, 1973, he had purchased such machinery or plant or had entered into a contract for the purchase of such machinery or plant with the manufacturer or owner of, or a dealer in, such machinery' or plant, or had, where such machinery or plant has been manufactured in an undertaking owned by the assessee, taken steps for the manufacture of such machinery or plant, and accordingly the provisions of the Income-tax Act shall have effect in relation to such ship, machinery or plant, subject to the conditions specified in clauses (a), (b) and (c).

1. Substituted by Act 25 of 1975, S. 30. (w.r.e.f. 1-4-1975).

17. Amendment of sections 80-N and 80-0 of the income-tax Act as they stood during certain periods :-

The provisions of Section 80N of the Income tax Act, 1961 , as they stood immediately before the 1st day of April, 1969, and the provisions of Section 80O of the Income tax Act, 1961 of that Act, as they stood from time to time before the 1st day of April, 1972. shall have and shall be deemed to have had effect subject to the modification that the deduction under the said provisions shall be allowed only with reference to the income referred to therein which is received in convertible foreign exchange in India, or having been received in convertible foreign exchange outside India, or having been converted into convertible foreign exchange outside India, is brought into India, by or on behalf of the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange.

Explanation.-- For the purposes of this section, --

(i) "convertible foreign. exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the law for the time being in force for regulating payments and dealings in foreign exchange,

(ii) any income used by the assessee outside India in the manner permitted by the Reserve Bank of India shall be deemed to have been brought into India in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange, on the date on which such permission is given.

CHAPTER 4

INDIRECT - TAXES

18. Amendment of Act 32 of 1934 :-

This Act has been repealed and replaced by the Customs Tariff Act 1975 (51 of 1975) which has been printed in Vol. 15 of this series.

19. 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 (hereinafter referred to as the Customs- Act).

(2) Sub-section (1) shall cease to have effect after the 31st day of March 1975, 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 the such cesser as if the said sub-section had then been. repeted by a central Act

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

(4) The provision of the customs Act, and rules and regulations made thereunder, includin 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 leviabale under this section . . 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.

20. Amendment of Act 1 of 1949 :-

This Act is repealed by Act 51 of 1975.

21. Amendment of Act 1 of 1944 :-

These amendments have been incorporated in the Act printed in vol. 5 of this series.

22. Auxiliary duties of excise :-

(1) In the case of goods mentioned in the First Schedul. to the Central Excises 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- if S.4 of the Central Excises Act, 1944.

(2) Sub-section (1) shall cease to have effect after 31st day of March, 1975, 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 the Central Act.

(3) The auxiliary dutiss 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 there-under, 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.

23. Amendment of Act 27 of 1958 :-

The amendments incorporated in the Mineral Products (Additional Duties of Excise and Customs) Act, 1958.

24. Discontinuance of salt duty :-

For the year beginning on the 1st day of April, 1974, no duty under the Central Excises Act or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

CHAPTER 5

INDIRECT - TAXES

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-section (3) and (4) of section 40A.

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 30, 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 TAX ACT, 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 TAX ACT, 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 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.

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 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 a registered firm under clause (b) of Section 183 of the Income tax Act, 1961 , 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 cl. (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

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-- Act 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.

7. 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.

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 :-

(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1975, 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 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 the previous year relevant to the assessment year commencing on the 1st day of April, 1974. is a loss, then, for the purposes of sub-section (7) of section 2 of this Act. the loss so computed shall be set off against the agricultural income of the assessee for the previous year first mentioned or the period aforesaid.

(2) Where change has occurred in the constitution of a firm, nothing in sub-rule (1) 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 as exceeds his share of profits, 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 appropriate to him

(3) 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-section (1) shall entitle any person other than the person incurring the loss to have it set off under that sub-rule

(4) Notwithstanding anything contained in this rule. no loss which has not been determined by the Income-tax officer under the provisions of these rules shall be set off under sub-rule (1)

10. 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.

11. 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 modification, 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 .

12. 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 21) PART I Amendments made in First Schedule to the Central Excises Act. have been incorporated in the Act printed in Vol. 2.

SCHEDULE 3

3

(See section 23) [Amendments incorporated in the Act]