

**FINANCE ACT, 1976**

**66 of 1976**

**[27th May, 1976]**

CONTENTS

**CHAPTER 1 :- PRELIMINARY**

1. Short title and commencement

**CHAPTER 2 :- RATES OF INCOME-TAX**

2. Income-tax

**CHAPTER 3 :- DIRECT TAXES**

3. 3 to 26

27. Amendment of Act 27 of 1957

28. Amendment of Act 18 of 1958

29. Amendment of Act 7 of 1964

30. Amendment of Act 45 of 1974

**CHAPTER 4 :- INDIRECT TAXES**

31. Amendment of Act 32 of 1934

32. Auxiliary duties of customs

33. Amendment of Act 1 of 1949

34. Amendment of Act 51 of 1975

35. Amendment of Act 1 of 1944

36. Auxiliary duties of excise

37. Amendment of Act 58 of 1957

38. Discontinuance of salt duty

39. Amendment of Act 16 of 1955

**CHAPTER 5 :- MISCELLANEOUS**

40. Amendment of Act 2 of 1899

41. Amendment of Act 31 of 1956

42. Amendment of Act 52 of 1963

**SCHEDULE 1 :- THE SCHEDULE**

**SCHEDULE 2 :- THE SCHEDULE**

**SCHEDULE 3 :- THE SCHEDULE**

**FINANCE ACT, 1976**

**66 of 1976**

**[27th May, 1976]**

An Act to give effect to the financial proposals of the Central Government for the financial year 1976-77. Be it enacted by Parliament in the Twenty-seventh 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, 1976.

CHAPTER 2  
RATES OF INCOME-TAX

**2. Income-tax :-**

CHAPTER 3  
DIRECT TAXES

**3. 3 to 26 :-**

to 26 amended section 2, 9, 10, 13, 32, 37, 47, 57, 58, 80A, 80C, 80G, 80M, 115, 155 and 195; and Sch. I, Sch. VIII, Sch. IX; S.54C has been omitted and new sections 32A, 44C, 44D, and 115B inserted. S. 26 made certain consequential amendment. All these have been incorporated in the Income-tax Act.

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

Incorporated in the Act.]

**28. Amendment of Act 18 of 1958 :-**  
Incorporated in the Act.]

**29. Amendment of Act 7 of 1964 :-**  
Amendments made have been incorporated in the Act printed in Vol. 7 of this set.]

**30. Amendment of Act 45 of 1974 :-**  
Incorporated in the Act.]

CHAPTER 4  
INDIRECT TAXES

**31. Amendment of Act 32 of 1934 :-**  
Repealed by the Customs Tariff Act (51 of 1976 S. 12 (2-8-1976)]

**32. Auxiliary duties of customs :-**

(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, or any other law for the time being in force.

(4) The provisions of the Customs Act, 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.

**33. Amendment of Act 1 of 1949 :-**  
Act repealed and replaced by Act 51 of 1975.]

**34. Amendment of Act 51 of 1975 :-**  
Incorporated in the Act. ]

**35. Amendment of Act 1 of 1944 :-**  
Incorporated in the Act.]

**36. Auxiliary duties of excise :-**

(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 leviable under sub-section (1) in the financial year 1975- 1976 shall be 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.

**37. Amendment of Act 58 of 1957 :-**  
Incorporated in the Act.]

**38. Discontinuance of salt duty :-**

For the year beginning on the 1st day of April, 1976, no dut under Central Excises Act or Tariff Act, 1985 or Customs Tariff Act, 1975 shall be levied in respect of salt manufactured in, or imported into. India.

**39. Amendment of Act 16 of 1955 :-**  
Incorporated in the Act.]

CHAPTER 5  
MISCELLANEOUS

**40. Amendment of Act 2 of 1899 :-**  
Incorporated in the Act.]

**41. Amendment of Act 31 of 1956 :-**  
Incorporated in the Act.]

**42. Amendment of Act 52 of 1963 :-**  
Incorporated in the Act.]

SCHEDULE 1  
THE SCHEDULE

\\ \\ \\ \\ \\ (See section 2 ) \\ \\ \\ \\ \\ \\ PART 1 \\ \\ \\ \\ \\ \\ INCOME-TAX AND SURCHARGE ON INCOME-TAX \\ \\ \\ \\ \\ \\ \\ Paragraph A \\ \\ \\ \\ \\ \\ \\ St  
In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, who  
incorporated or not. or every artificial juridical person titeind to in sub-clause (vii) of clause (31) of S.2 of the Income tax Act, 1961. not  
to whith Sub- Paragraph II of this Paragraph or any other Paragraph of this Part applies. -

\\ Rates of income-tax

the total income does not exceed \\ Nil: \\ Rs. 5.000 (2) \\ where the total income exceeds Rs. 8,000 \\ 17 per cent of the amount by which





income: \ does not exceed Rs. 1.00.000 \ (ii) \ in a case where the total \ 55 per cent of the total income.: \ \ income exceeds Rs. 1.00.000 the company is not a \ \ company in which the public \ \ are substantially interested.- \ \ (i) in the case of an industrial \ \ company.- \ \ (a) total income does \ \ 55 per cent of the total income: \ \ not exceed Rs. 2,00.000 \ \ (b) where the total income \ \ 60 per cent. of the total \ exceeds Rs. 2.00.000 \ \ (ii) in any other case \ 65 per cent of the total income: \ Provided that - \ (i) the income-tax payable by a domestic being a company in which the public . \ are substantially interested, the total income of which exceeds Rs. 1,00.000. shall not \ exceed the - \ (a) the income-tax which would have been payable by the company if its total income \ had been Rs 1.00.000 (the income of Rs. 1.00.00 purpose being computed \ as if such income included income from various sources in the same proportion \ as the total income of the cor (b) eighty per cent. of the amount by which its total income exceeds Rs. 1.00.000: \ (ii) the inconic-tax payable by a domestic company, r company in which the \ public arc substantially interested, which is an industrial company and the total income \ of which exceeds Rs. 2.00 not exceed the aggregate of "- \ (a) the income-tax which would have been payable by the company if its total income \ had been Rs. 2.00 income of Rs. 2.00.000 lor this purpose being computed \ as if such income included income from various sources in the same proportion income of the company): and \ (b) eight per cent. of the amount by which ils total income exceeds Rs 2.00.000; II. In the case of compan domestic company,-" \ (i) on so much of the total income \ as consists of - \ (a) royalties received from an Indian \ concern in pursuance of \ agreement made by it with the \ Indian concern alter the 31st day \ of March, 1961 hut before the ,, \ 1st day of April. 1976. or : \ (b) fees technical services \ received from an Indian concern in \ pursuance of an agreement made by \ it with the Indian concern after the \ 29th da 1964 hut \ before the 1st day of April. 1976. \ and where such agreement has. in 50 per cent: \ either case. been approved by the \ Central \ (ii) on the balance, if any 70 per cent. \ of the total income Surcharge on income-tax \ The amount of income-tax computed in accordance preceding provisions of this paragraph \ shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax. PART section 2 (9) (e) ] RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME \ Rule 1. - Agricultural income of the nature referred to in s of clause (1) of section \ 2 of the Income-tax Act shall he computed as if it were income chargeable to income-lax under that \ Act under th "Income from other sources" and the provisions of sections 57 to 59 of that Act shall. \ so tar as may be. apply accordingly; \ Provided tha (2) of section 58 shall apply subject to the modification that the reference \ to sec 40A therein shall be construed as not including a refere sections (3) and (4) of section \ 40A. \ Rule 2.- Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause \ Income-tax Act [other than income derived from any building required as a dwelling house \ by the receiver of the rent or revenue or the c the receiver of rent-in-kind referred to in the \ said sub-el, (c) ] shall be computed as if it were income chargeable to income-tax under the \ the head "profits and gains of business or profession" and the; provisions of sections 30 31. 32. 34. 36. \ 37.38. 40. 40A [other than sub and (4) there of]. 41. and 43 and 43A of the Income-tax \ Act shall, so tar as may he. apply accordingly. \ Rule 3.- Agricultural income of l referred to in sub-clause (c) of clause (1) of section 2 \ of the Income-tax Act. being income derived from any building required as a dwel the receiver \ of the rent or revenue or the cultivator or the receiver of rent in kind referred to in the said sub-clause \ (e) shall he compute income chargeable to income-tax under that Act under the head "Income \ from house property" and the provisions of sections 23 to 27 of so far as may he apply \ accordingly: \ Provided that sub-section (2) of the said section 23 shall apply subject to that modifications that th to "total income" therein shall be construed as reference to net .agricultural income and that the \ words, figures and letter "and before m deduction under chapter VIA shall be omitted. \ Rule 4.- Notwithstanding anything contained in any other provisions of these rules,. in a c assessee derives income from sale of tea grown and manufacnired by him in India, such income shall \ he computed in accordance with R. Income-tax Rules, 1962. and.. sixty per cent. of such income \ shall he regarded as the agricultur income of the assessee. \ Rule 5.- Where is a partner of registered firm or an unregistered- firm assessed as a registered \ firm under clause (b) of S.183 of the Income tax Act, 1961 the previous year has any agricultural \ income, or is a partner of an unregistered firm which has not been assessed as a registered firm un (b) of the siad section 183 and which in the previous year has either no income chargeable to lax \ under the Income-tax Act or has total \ exceeding the maximum" amount not chargeable to tax \ in the case of an unregistered firm hut has any agricultural income, then the agri income or loss \ of the firm shall he computed in accordance with these rules and his share in the agricultural income or \ loss of the firm : computed in the manner laid down in sub-section (1). sub-section (2) and sub- \ section (3) of S.67 of the Income tax Act, 1961 and the : computed shall he regarded as the agricultural \ income or loss of the assessee. \ Rule 6.- Where the assessee is a member of an associati 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 \ chr under the Income-tax Act or has total income not exceeding the maximum amount not \ chargeable to tax in the case of an association of j body of individuals (other than a Hindu \ undivided family, a company or a firm)but has any agricultural income, then. the agricultural inci of the association or body shall be computed in assordance with these rules and the share of the assessee \ in the agricultural income or l computed shall be regarded as the agricultural income or loss of the \ assessee. \ Rule 7.-- Where the result of the computation for tile pre 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 previc any other source of agricultural income: \ Provided that where the assessee is a partner of an unregistered firm which has not been assess registered firm under clause (b) of S.183 of the Income tax Act, 1961 or is a member of an association \ of persons or body of individuals of the assessee in the agricultural income of the firm. \ association or body. as the case may he. is a loss. such shall nol he set off against the \ assessee from any other source of agricultural income. \ Rule 8.-- Any sum payable hy the assessee on account of any tax leived by l Government \ on the agricultural income shall he deducted in computing the agricultural income. \ Rule 9.-- (1) Where the assessee has in year relevant to the assessment year commencing \ on the 1st day of April. 1976. any agricultural income and the net result of the comput agricultural \ income of the assessee for the previous year relevant to the assessment year commencing on the 1st day \ of April. 1974 of th April. 1975. or both. is a loss, then for the purposes of sub-section \ (2) of section of this Act.-- \ (i) the loss so computed for the previous to the assessment year commencing on the \ 1st day of April. 1974. to the extent, if any. such loss has nol been set off against the agricu for the previous year relevant to the assessment year commencing on the 1st day of April. \ 1975. and \ (ii) the loss so computed lor the p relevani to the assessment year commencing on the \ 1st day of April. 1975: \ Shall he set off against the agricultural income of the assess previous year relevant to the \ assessment year commencing on the 1st day of Apri' 1975]. \ (2) Where the assessee has, in the previous ye the assessment year commencing on the \ 1st day of April 1977 or if by virtue of any provision the Income-tax Act. income-tax is to he ch 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 cor the agricultural income of the assessee for any one or \ more of the previous years relevant to the assessment years commencing on the 1 1974 \ or the 1st day of April. 1975 or the 1st day of April. 197(). is a loss, then. for the purposes of sub- \ section (7) of' sec 2 of this Act loss so computed for the previous year relevant to the assessment year commencing on the \ 1st day of April, 1974. to the extent, if any. : not been set off against the agricultural \ income for the previous year relevant to the assessment year commencing on the 1st day of Apri 1st day of April. 1976, \ (ii) the loss so computed for the previous year relevant to the assessment year commencing on the \ 1st day of Ap the extent, if any. such loss has not been set off against the agricultural \ income for the previous year relevant to the assessment year cor the 1st day of April. \ 1976. and \ (iii) the loss so computed for the previous year relevant to the assessment year commencing on the \ 1st 1976. \ shall be set off against the agricultural income of the assessee for the previous year relevant to the \ assessment year commencing of April. 1977 or the period aforesaid. \ (3) Where a change has occurred in the constitution of a firm. nothing in sub-rule (1) or sub-rule entitle the Firm to set off so much of the loss proportionate to the share of a retired or deceased \ partner computed in a manner laid dov section (1). sub-section (2) and sub-section (3) of section \ 67 of the income-tax Act as exceeds his share of profits, if any of the previou: firm. or \ entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which \ is not apportionable. Where any person deriving any agricultural income from any source has been succeeded in such \ capacity by another person, otherwise th inheritance, nothing in sub-rule (1) or sub-rule (2) shall \ entitle any person, other than the person incurring the loss. to have it set off un (1) or, as \ the case may be. sub-rule (2) \ (5) Notwithstanding anything contained in this rule. no loss which has not been determined by tax Officer under the provisions of these rules, or the rules contained in part IV of the first Schedule \ lo Finance Act, 1974. or of the first : finance Act, 1975. shall he set off under Sub- \ rule (Doras the case may be. sub-rule (2). \ Rult 10.-- Where the net result of the compula accordance with these rules is a loss. the \ loss so computed shall be ignored and the net agricultural income shall he deemed to be nil. \ F provisions of the income-tax Act relating to procedure for assessment (including the \ provisions of section 288A relating to rounding off c shall, with the necessary modifications. \ apply in relation to the computation of the net agricultural income of the assessee as they apply the assessment of the total income. \ Rule 12.-- For the purposes of computing the net agricultural income of the assessee. the Income \ tve have the same powers as he has under the income-lax Act for the purposes of assessmer \ of the total income.

(See section 31 ) [incorporated in the Act]

SCHEDULE 3  
THE SCHEDULE

[See section 34 ] [incorporated in Act 57 of 1975]