

**FINANCE ACT, 1976**

**66 of 1976**

**[27th May, 1976]**

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**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Repealed by the Customs Tariff Act (51 of 1976 S. 12 (2-8-1976)]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Act repealed and replaced by Act 51 of 1975.]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. 1.00.000 purpose being computed \ as if such income included income from various sources in the same proportion \ as the total income of the company) and \ (b) eighty per cent. of the amount by which its total income exceeds Rs. 1.00.000: \ (ii) the income-tax payable by a domestic company, r company in which the \ public are 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 for 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 its total income exceeds Rs 2.00.000; II. In the case of company 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 after the 31st day \ of March, 1961 but 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 day of March, 1964 but \ before the 1st day of April. 1976. \ and where such agreement has. in 50 per cent: \ either case. been approved by the \ Central Board of Direct Taxes \ (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 section 2 (1) of section \ 2 of the Income-tax Act 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 59 of that Act shall. \ so far as may be. apply accordingly; \ Provided that the provisions 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 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 \ 2 of section 2 of the 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 receiver of rent-in-kind referred to in the \ said sub-clause (b) or sub-clause (c)] shall be computed as if it were income chargeable to income-tax under 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-section (4) thereof]. 41. and 43 and 43A of the Income-tax \ Act shall, so far as may be. apply accordingly. \ Rule 3.- Agricultural income of the nature 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 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 \ (e) 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 27 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 that modifications that the provisions of that section shall be construed as reference to net \ agricultural income and that the \ words, figures and letter "and before making any deduction under chapter VIA shall be omitted. \ Rule 4.- Notwithstanding anything contained in any other provisions of these rules, \ in a case where an assessee derives income from sale of tea grown and manufactured by him in India, such income shall \ be computed in accordance with the provisions of sections 23 to 27 of the Income-tax Act, 1962, and \ sixty per cent. of such income \ shall be regarded as the agricultural income of the assessee. \ Rule 5.- Where an assessee 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 and 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 clause (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 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 S.67 of the Income tax Act, 1961 and the agricultural income or loss of the firm \ shall be computed as if it were income chargeable to income-tax under that Act. \ Rule 6.- Where the assessee is a member of an association 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 the maximum amount not \ chargeable to tax in the case of an association of individuals 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 of the association or body shall be computed as if it were income chargeable to income-tax under that Act. \ Rule 7.-- Where the result of the computation for tile 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 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 S.183 of the Income tax Act, 1961 or is a member of an association \ of persons or body of individuals 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 association of individuals 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 of the association or body shall be computed as if it were income chargeable to income-tax under that Act. \ Rule 8.-- Any sum payable by the assessee on account of any tax levied by the Government \ on the agricultural income shall be deducted in computing the agricultural income. \ Rule 9.-- (1) Where the assessee has in the previous year relevant to the assessment year commencing \ on the 1st day of April. 1976. 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 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 year relevant to the assessment year commencing on the \ 1st day of April. 1974. to the extent, if any. such loss has not been set off against the agricultural \ income for the previous year relevant to the assessment year commencing on the 1st day of April. \ 1975. and \ (ii) the loss so computed for the previous year relevant to the assessment year commencing on the \ 1st day of April. 1975: \ Shall be set off against the agricultural income of the assessee for the previous year relevant to the \ assessment year commencing on the 1st day of April' 1975]. \ (2) Where the assessee has, in the previous year relevant to the assessment year commencing on the \ 1st day of April 1977 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 any one or \ more of the previous years relevant to the assessment years commencing on the 1st day of April. 1974 \ or the 1st day of April. 1975 or the 1st day of April. 1977. is a loss, then. for the purposes of sub- \ section (7) of section 2 of this Act, the 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. such loss has not been set off against the agricultural \ income for the previous year relevant to the assessment year commencing on the 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 April. 1976, if any. such loss has not been set off against the agricultural \ income for the previous year relevant to the assessment year commencing on 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 day of April. 1976. \ shall be set off against the agricultural income of the assessee for the previous year relevant to the \ assessment year commencing on the 1st day 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 \ (2) shall 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 down in sub-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 previous year. or \ entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which \ is not apportionable to him. 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-rule (1) or sub-rule (2) shall \ entitle any person, other than the person incurring the loss. to have it set off under sub-rule (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 the tax \ Officer under the provisions of these rules, or the rules contained in part IV of the first Schedule \ to Finance Act, 1974. or of the first Schedule to Finance Act, 1975. shall be set off under sub- \ rule (2) or sub-rule (3). \ Rule 10.-- Where the net result of the computation of the agricultural income of the assessee 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. \ If the net result of the computation of the agricultural income of the assessee in accordance with these rules is a profit. the provisions of the income-tax Act relating to procedure for assessment (including the \ provisions of section 288A relating to rounding off) 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. \ 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.

(See section 31 ) [incorporated in the Act]

SCHEDULE 3  
THE SCHEDULE

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