
[THE] FINANCE (NO. 2) ACT, 1996
(ACT NO. 33 OF 1996)

[28th September, 1996]

An Act to give effect to the financial proposals of the Central Government for the financial year 1996-97.

Be it enacted by Parliament in the Forty-seventh Year of the Republic of India as follows :—

CHAPTER I PRELIMINARY

1. Short title and commencement.— (1) This Act may be called the Finance (No. 2) Act, 1996.

(2) Save as otherwise provided in this Act, sections 2 to 58 and section 88 shall be deemed to have come into force on the 1st day of April, 1996,

CHAPTER II RATES OF INCOME-TAX

2. Tax.— (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1996, income-tax shall be charged at the rates specified in Part I of the First Schedule and such tax shall be increased, in the cases to which Paragraph E, of that Part applies by a surcharge calculated 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 exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

- (i) in a case to which the said Sub-Paragraph I applies, forty thousand rupees, and
 - (ii) in a case to which the said Sub-Paragraph II applies, eighteen thousand rupees,
- then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

- (i) in a case to which the said Sub-Paragraph I applies, the first forty thousand rupees, and
- (ii) in a case to which the said Sub-Paragraph II applies, the first eighteen 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-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,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of forty thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eighteen 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 of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164-A or section 167-B of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, 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 :

Provided that the amount of income-tax computed in accordance with the provisions of sections 112 and 113 of the Income-tax Act shall be increased in the case of a domestic company by a surcharge as provided in Paragraph E of Part I of the First Schedule :

Provided further that in respect of any income chargeable to tax under section 115B, or in the case of domestic company having a total income exceeding seventy-five thousand rupees under section 115BB, of the Income-tax Act, the income-tax computed shall be increased by a surcharge calculated at the rate of fifteen per cent. of such income-tax.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule and shall be increased, in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge calculated in the manner provided therein.

(5) In cases in which tax has to be deducted under sections 194C, 194G, 194-I, 194J and 194K of the Income-tax Act, the deduction shall be made at the rates specified in those sections and shall be increased in the case of an assessee, being a domestic company, by a surcharge calculated at the rate of seven-and-a-half per cent. of such deduction.

(6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rates specified in that section and shall be increased in the case of a buyer, being a domestic company, by a surcharge calculated at the rate of seven-and-a-half per cent. of such collection.

(7) Subject to the provisions of sub-section (8), 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 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 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 and such tax shall be increased, in the cases to which Paragraph E of that Part applies, by a surcharge calculated in the manner provided therein :

Provided that in the cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164-A or section 167-B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be :

Provided further that the amount of income-tax computed in accordance with the provisions of sections 112 and 113 of the Income-tax Act shall be increased in the case of a domestic company by a surcharge as provided in paragraph E of Part III of the First Schedule :

Provided also that in respect of any income chargeable to tax under section 115B, or in the case of a domestic company, under section 115BB of the Income-tax Act, having a total income exceeding seventy-five thousand rupees, the "advance tax" computed under the first proviso shall be increased by a surcharge calculated at the rates of seven-and-a-half per cent. of such "advance tax."

(8) In the cases to which 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 exceeding six hundred rupees, in addition to total income and the total income exceeds forty thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (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 clause (b) [that is to say, as if the net agricultural income were comprised in the total income after the first forty 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 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 forty 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 the said Paragraph A as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax, or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(9) For the purposes of this section and the First Schedule,—

(a) "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, 1996, 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 the Act;

(b) "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);

(c) "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;

(d) all other words and expressions used in this section 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 III DIRECT TAXES

Income-tax

3 to 55. Amendment of Act 43 of 1961.— [Note :— These sections amended various sections of Income-tax Act, 1961, which amendments have been incorporated in the principal Act].

56 to 58. Amendment of Act 27 of 1957.— [Note :— These sections amended various sections of Wealth-tax Act, 1957, which amendments have been incorporated in the Act].

CHAPTER IV INDIRECT TAXES

Customs

59 to 66. Amendment of Act 52 of 1962.— [Note :— These sections amended various sections of Customs Act, 1962, which amendments have been incorporated in the Act].

67. Amendment of Act 51 of 1975.— The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act) shall be amended in the manner specified in the Second Schedule.

68. Special duties of customs.— (1) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule, as amended from time to time, there shall be levied and collected as a special duty of customs, an amount equal to ^a[five per cent.] of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act.

^b[Provided that in the case of goods falling under heading Nos. 27.09 to 27.15 and heading 98.01 of the said first schedule, the provisions of this sub-section shall have effect as if for the words “five per cent.” the words “two per cent.” had been substituted.]

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1999, and upon such cesser, section 6 of the General Clauses Act, 1897 shall apply as if the said sub-section had been repealed by Central Act.

(3) The special 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 special 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.

[a] Substituted for “two per cent” by Finance (Amendment) Act (16 of 1998), S. 9 (w.r.e.f. 16-9-97).

[b] Inserted, *ibid*.

Excise

69. Amendment of long title.— In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the long title the words “and to salt” shall be omitted.

70. Amendment of preamble.— In the preamble to the Central Excises Act, the words “and to salt” shall be omitted.

71. Amendment of section 1.— In section 1 of the Central Excises Act, for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) This Act may be called the Central Excises Act, 1944.”

72 to 80. Amendment of Act 1 of 1944.— [Note :— These sections amended various sections of Central Excise Act, 1944, which amendments have been incorporated in the Act].

81. Amendment of Act 32 of 1985.— In the Finance Act, 1985,—

(a) sections 44 and 49 shall be omitted;

(b) Fifth Schedule shall be omitted.

82. Amendment of Act 5 of 1986.— The Central Excise Tariff Act, 1985 (hereinafter referred to as the Central Excise Tariff Act) shall be amended in the manner specified in the Third Schedule.

83. Amendment of Act 58 of 1957.— The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act) shall be amended in the manner specified in the Fourth Schedule.

84. Amendment of Act 40 of 1978.— In the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978—

(a) in section 3, in sub-section (I), for the words “twenty per cent.”, the words “fifteen per cent.” shall be substituted;

(b) the Schedule shall be amended in the manner specified in the Fifth Schedule.

CHAPTER V

SERVICE TAX

85. Amendment of Act 32 of 1994.— In the Finance Act, 1994, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint,—

(a) in section 65,—

(a) clause (1) shall be renumbered as clause (1B) and before the clause as so renumbered, the following clauses shall be inserted, namely :—

‘(1) “advertisement” includes any notice, circular, label, wrapper, document, hoarding or any other audio or visual representation made by means of light, smoke or gas;

(1A) “advertising agency” means any commercial concern engaged in providing any service connected with the making, preparations, display or exhibition of advertisement and includes an advertising consultant’;

(b) after clause (4), the following clause shall be inserted, namely :—

‘(4A) “courier agency” means a commercial concern engaged in the door-to-door transportation of time sensitive documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles’;

(c) after clause (6), the following clause shall be inserted, namely :—

‘(6A) “pager” means an instrument, apparatus or appliance which is non-speech, one way personal calling system with alert and has the capability of receiving, storing and displaying numeric or alpha-numeric messages;

(d) in clause (15), for the words “telephone connection”, the words “telephone connection or pager” shall be substituted;

(e) in clause (16),—

(i) after sub-clause (b), the following sub-clause shall be inserted, namely :—

“(ba) to a subscriber, by the telegraph authority, in relation to a pager”;

(ii) after sub-clause (c), the following sub-clause shall be inserted, namely :—

“(d) to a client, by an advertising agency, in relation to advertisements in any manner;

(e) to a customer, by a courier agency, in relation to door-to-door transportation of time sensitive documents, goods or articles”;

(2) for section 66, the following section shall be substituted, namely :—

“66. Charge of service tax.— (1) On and from the commencement of this Chapter, there shall be charged a tax (hereinafter referred to as the service tax), at the rate of five per cent. of the value of the taxable services referred to in sub-clauses (a), (b) and (c) of clause (16) of section

65 which are provided to any person by the person responsible for collecting the service tax.

(2) With effect from the date notified under section 85 of the Finance (No. 2) Act, 1996, there shall be charged a service tax at the rate of five per cent. of the value of the taxable services referred to in sub-clauses (ba), (d) and (e) of clause (16) of section 65 which are provided to any person by the person responsible for collecting the service tax.”

(3) in section 67,—

(i) in clause (b), for the words “telephone connections”, at both the places where they occur the words “telephone connections or pagers” shall be substituted;

(ii) after clause (c) the following clauses shall be inserted, namely :—

“(d) in relation to service provided by an advertising agency to a client shall be the gross amount charged by such agency from the client for services in relation to advertisements;

(e) in relation to service provided by a courier agency to a customer shall be the gross amount charged by such agency from the customer for services in relation to door-to-door transportation of time sensitive documents, goods and articles”;

(4) In section 68, in sub-section (1), for the words “or the insurer”, the words “the insurer, the advertising agency or the courier agency” shall be substituted.

86. Validation.— Notwithstanding anything contained in section 93 of the Finance Act, 1994, the notification of the Government of India in the Ministry of Finance, Department of Revenue No. G.S.R. 174(E), dated the 3rd April, 1996, shall have and shall be deemed always to have had effect on and from the 1st day of July, 1994.

CHAPTER VI

MISCELLANEOUS

87. Amendment of Act 74 of 1956.— In section 15 of the Central Sales Tax Act, 1956 after clause (c), the following clause shall be inserted, namely :—

“(ca) where a tax on sale or purchase of paddy referred to in sub-clause (i) of clause (1) of section 14 is leviable under that law and the rice procured out of such paddy is exported out of India, then, for the purposes of sub-section (3) of section 5, the paddy and rice shall be treated as a single commodity.”

88. North-Eastern Development Finance Corporation Limited to be exempt for a certain period from liability to pay income-tax.— Notwithstanding anything contained in the Income-tax Act, the North-Eastern Development Finance Corporation Limited (a company formed and registered under the Companies Act, 1956), shall not be liable to pay tax on its income for the previous year relevant to the assessment year commencing on the 1st day of April, 1996 and for the nine previous years next following that previous year.

89. Amendment of Act 6 of 1898.— [Note :— This section substitutes the First Schedule of the Indian Post Office Act, 1898, which amendment has been incorporated in the Act].

90. Repeal.— Section 2 of the Finance Act, 1996 is hereby repealed and shall be deemed never to have been enacted.

THE FIRST SCHEDULE

(See Section 2)

PART I

INCOME-TAX

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or association of persons or body of indi-

viduals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other paragraph of this Part applies,—

Rates of Income-tax

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| (1) where the total income does not exceed Rs. 40,000 | Nil; |
| (2) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | 20 per cent. of the amount by which the total income exceeds Rs. 40,000; |
| (3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,20,000 | Rs. 4,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 60,000; |
| (4) where the total income exceeds Rs. 1,20,000 | Rs. 22,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,20,000. |

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1996 exceeds Rs 40,000.—

Rates of Income-tax

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| (1) where the total income does not exceed Rs. 18,000 | Nil; |
| (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 1,00,000 | 30 per cent. of the amount by which the total income exceeds Rs. 18,000; |
| (3) where the total income exceeds Rs. 1,00,000 | Rs. 24,600 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Paragraph B

In the case of every co-operative society,—

Rates of Income-tax

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| (1) where the total income does not exceed Rs. 10,000 | 10 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,000 plus 20 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 3,000 plus 35 per cent. of the amount by which the total income exceeds Rs. 20,000. |

Paragraph C

In the case of every firm,—

Rate of Income-tax

On the whole of the total income 40 per cent.

Paragraph D

In the case of every local authority,—

Rate of Income-tax

On the whole of the total income 30 per cent.

Paragraph E

In the case of a company,—

Rates of income-tax

- I. In the case of a domestic company 40 per cent. of the total income;
- 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 Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976; or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976.

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 55 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of this Paragraph or sections 112 and 113 of the Income-tax Act shall, in the case of every domestic company having a total income exceeding seventy-five thousand rupees, be increased by a surcharge calculated at the rate of fifteen per cent. of such income-tax.

PART II

RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates :—

	Rate of Income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
(i) on income by way of interest other than “Interest on securities”	10 per cent.;
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of insurance commission	10 per cent.;
(v) on income by way of interest payable on—	10 per cent.;
(A) any security, of the Central or a State Government;	
(B) any debentures or other securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;	
(C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956, and any rules made thereunder.	
(vi) on any other income	20 per cent.;
(b) where the person is not resident in India—	
(i) in the case of a non-resident Indian—	
(A) on investment income and long-term capital gains	20 per cent.;

(B) on income by way of dividends and interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(C) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(D) on income by way of winnings from horse races	40 per cent.;
(E) on the whole of the total income	income-tax at 30 per cent. of the amount of income; or income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income which is higher;

(ii) in the case of any other person,—

(A) on income by way of dividends, interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(B) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(C) on income by way of winnings from horse races	40 per cent.;
(D) on income by way of long-term capital gains	20 per cent.;
(E) on the whole of the other income	income-tax at 30 per cent. of the amount of income, or income-tax in respect of the income at the rates prescribed in Paragraph A of Part III of this Schedule, if such income had been the total income whichever is higher;

2. In the case of a company—

(a) where the company is a domestic company—

(i) on income by way of interest other than "Interest on securities"	20 per cent.;
(ii) on income by way of winnings from lotteries and cross-word puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on any other income	21.5 per cent.;

(b) where the company is not a domestic company—

(i) on income by way of dividends payable by any domestic company	20 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(v) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with	30 per cent.;

the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of Section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section (1A) of Section 115A of the Income-tax Act, to a person resident in India.

- (vi) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (v)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976. 50 per cent.

(B) where the agreement is made after the 31st day of March, 1976. 30 per cent.

- (vii) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—

(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976. 50 per cent.

(B) where the agreement is made after the 31st day of March, 1976. 30 per cent.

(viii) on income by way of long-term capital gains 20 per cent.

(ix) on any other income 55 per cent.

Explanation.— For the purposes of item 1(b)(i) of this Part, “investment income” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of sub-item (a) of item 2 of this Part shall be increased by a surcharge, calculated at the rate of seven-and-a-half per cent. of such income-tax.

PART III

RATES FOR CALCULATING ON CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD “SALARIES” AND COMPUTING “ADVANCE TAX”

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 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 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” [not being “advance tax” in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or section or surcharge on such “advance tax” in respect of any income chargeable to tax under section 115B], shall be calculated, charged, deducted or com-

puted at the following rate or rates :- —

Paragraph A

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

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|--|--|
| (1) where the total income does not exceed Rs. 40,000 | Nil; |
| (2) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | 15 per cent. of the amount by which the total income exceeds Rs. 40,000; |
| (3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,20,000 | Rs. 3,000 plus 30 per cent. of the amount by which the total income exceeds Rs. 60,000; |
| (4) where the total income exceeds Rs. 1,20,000 | Rs. 21,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 1,20,000. |

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs. 10,000 | 10 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,000 plus 20 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 3,000 plus 35 per cent. of the amount by which the total income exceeds Rs. 20,000; |

Paragraph C

In the case of every firm,— 40 per cent.

Rates of Income-tax

On the whole of the total income 40 per cent.

Paragraph D

In the case of every local authority,—

Rates of Income-tax

On the whole of the total income 30 per cent.

Paragraph E

In the case of a company,—

Rates of Income-tax

- I. In the case of a domestic company 40 per cent. of the total income;
- 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 Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after 31st day of March, 1961 but before the 1st day of April, 1976; or
 - (b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement

made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976.

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 55 per cent.;

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of this Paragraph of sections 112 and 113 of the Income-tax shall, in the case of every domestic company having a total income exceeding seventy-five thousand rupees, be increased by a surcharge calculated at the rate of seven-and-a-half per cent, of such income-tax.

PART IV

[See section 2(9)(c)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.— Agricultural income of the nature referred to in sub-clause (a) of clause (1A) 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 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.

Rule 2.— Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1A) 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 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 30,31,32,36,37,38,40,40A [other than sub-sections (3) and (4) thereof], 41,43,43A, 43B and 43C 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 (1A) 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 (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 27 of that Act shall, so far as may be, apply accordingly.

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.

Rule 5.— 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 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.

Rule 6.— 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 member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the 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.

Rule 7.— 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.

Rule 8.— (1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1996, 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, 1988 or the 1st day of April, 1989 or the 1st day of April, 1990 or the 1st day of April, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

- (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, 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, 1989 or the 1st day of April, 1990 or the 1st day of April, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995,
- (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1989, 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, 1990 or the 1st day of April, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995,
- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1990, 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, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1991, 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, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995,
- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1992, 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, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1993, 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, 1994 or the 1st day of April, 1995,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1994, 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, 1995,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1995,

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, 1996.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1997 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, 1989 or the 1st day of April, 1990 or the 1st day of April, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996, is a loss, then, for the purposes of sub-section (8) of section 2 of this Act,—

- (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1989, 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, 1990 or the 1st day of April, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996,
- (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1990, 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, 1991 or the 1st day of April, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996,

- (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1991, 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, 1992 or the 1st day of April, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996,
- (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1992, 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, 1993 or the 1st day of April, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996,
- (v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1993, 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, 1994 or the 1st day of April, 1995 or the 1st day of April, 1996,
- (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1994, 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, 1995 or the 1st day of April, 1996,
- (vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1995, 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, 1996,
- (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1996,

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, 1997,

(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-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).

(4) Notwithstanding anything contained in this rule, no loss which has not been determined by the Assessing Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1988 (26 of 1988); or of the First Schedule to the Finance Act, 1989 (13 of 1989), or of the First Schedule to the Finance Act, 1990 (12 of 1990), or of the First Schedule to the Finance (No. 2) Act, 1991 (49 of 1991), or of the First Schedule to the Finance Act, 1992 (18 of 1992), or of the First Schedule to the Finance Act, 1993 (38 of 1993), or of the First Schedule in the Finance Act, 1994 (32 of 1994), or of the First Schedule to the Finance Act, 1995 (22 of 1995), shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

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.

Rule 10.— The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288 A 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.

Rule 11.— For the purposes of computing the net agricultural income of the assessee, the Assessing Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

(See section 67)

[This schedule amends various chapters of the Customs Tariff Act, 1975, which amendments have been incorporated in the Act].

THE THIRD SCHEDULE

(See section 82)

[This schedule amends various chapters of the Central Excise Tariff Act, 1985, which amendments have been incorporated in the Act].

THE FOURTH SCHEDULE

(See section 83)

[This schedule amends First Schedule of the Additional Duties of Excise (Goods of Special Importance) Act, 1957, which amendments have been incorporated in the Act].

THE FIFTH SCHEDULE

(See section 84)

In the Schedule to the Additional Duties of Excise (Textiles and Textile Articles) Act, against S. No. 7, for the entry in column (2), the following shall be substituted, namely :—

“TULLES AND OTHER NET FABRICS, NOT INCLUDING WOVEN, KNITTED OR CROCHETED FABRICS; LACE IN THE PIECE, IN STRIPS OR IN MOTIFES, OTHER THAN FABRICS OF HEADING NO. 60.02”.
