Finance (No. 2) Act 1977

Chapter III - Direct Taxes

In section 2 of the Income-tax Act, in cl. (42A), for the words "sixty months", the words "thirty-six months" shall be substituted with effect from the 1st day of April, 1978.

Section 4 - 4 Amendment of Section 9

In section 9 of the Income-tax Act, in sub-section (1), -

(a) after cl. (vii) and before the Explanation, the following proviso shall be inserted, namely :-

"Provided that nothing contained in this clause shall apply in relation to any income by way of fees for technical services payable in pursuance of an agreement made before the 1st day of April, 1976 and approved by the Central Government.";

(b) the Explanation below cl. (vii) shall be numbered as Explanation 2 and before that Explanation as so numbered, the following Explanation shall be inserted, namely :-

"Explanation 1 : For the purposes of the foregoing proviso, an agreement made on or after the 1st day of April, 1976 shall be deemed to have been made before that date if the agreement is made in accordance with proposals approved by the Central Government before that date.".

Section 5 - Amendment of Section 10

In section 10 of the Income-tax Act, -

(a) in cl. (6), in sub-cl. (i), after item (a), the following item shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1972, namely :-

"(aa) from his employer, for his children having full time education in any educational institution outside India, in connection with their proceeding to India during vacation;";

(b) in cl. (26A), for the figures, letters and words "1st day of April, 1975", the figures, letters and words "1st day of April, 1980" shall be substituted and shall be deemed to have been substituted w.e.f. the 1st day of April, 1975.

Section 6 - Amendment of Section 11

In section 11 of the Income-tax Act, in cl. (b) of sub-section (2), w.e.f. the 1st day of April, 1978, -

(a) for sub-cl. (ii), the following sub-clause shall be substituted, namely :-

"(ii) deposited in any account with the Post Office Saving Bank [including deposits made under the Post Office (Time Deposits) Rules, 1970] or a scheduled bank or a co-operative society enganged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank) :

Provided that the money so accumulated or set apart may also be deposited, or continue to remain deposited, during any previous year commencing before the 1st day of April, 1981 with any other banking company, being company to which the Banking Regulation Act, 1949 (19 of 1949) applies, or";

(b) after sub-clause (iii), the following Explanation shall be inserted, namely :

Explanation : For the purposes of sub-clause (ii), "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).

Section 7 - Amendment of Section 13

In section 13 of the Income-tax Act, w.e.f. the 1st day of April, 1978, -

(a) in sub-section (1), in cl. (d), -

(i) for the figures, letter and words "1st day of April, 1979", the figures, letters and words "1st day of April, 1982" shall be substituted;

(ii) for the figures, letters and words "1st day of April, 1978", the figures, letters and words "1st day of April, 1981" shall be substituted;

(b) in sub-section (5), in clause (a), for sub-clause (iii), the following sub-clause shall be substituted, namely :-

(iii) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation : In this sub-clause "scheduled bank" shall have the same meaning as in the Explanation at the end of clause (b) of sub-section (2) of section 11'.

Section 8 - Amendment of Section 24

In section 24 of the Income-tax Act, in sub-section (1), -

(a) in clause (ix), the word "and" occurring at the end shall be omitted;

(b) after clause (ix) as so amended, the following Explanation shall be inserted, namely :-

Explanation : The deduction under this clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was vacant precedes or follows the period during which it is let,".

Section 9 - Amendment of Section 32A

In section 32A of the Income-tax Act, with effect from the 1st day of April, 1978, -

(a) in sub-section (2), -

(i) in clause (b), for sub-clauses (ii) and (iii), the following sub-clauses shall be substituted, namely :-

"(ii) in a small-scale industrial undertaking for the purposes of business of manufacture or production of any article or thing; or

(iii) in any other industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule."

(ii) in the Explanation, for the words, brackets and figure "this sub-section and sub-section (4)", the words, brackets, figures and letter "this sub-section and sub-sections (2B) and (4)" shall be substituted;

(b) after sub-section (2), the following sub-sections shall be inserted, namely :

(2A) The deduction under sub-section (1) shall not be denied in respect of any machinery or plant installed and used mainly for the purposes of business of construction, manufacture or production of any article or thing not being an article or thing specified in the list in the Eleventh Schedule, by reason only that such machinery or plant is also used for the purposes of business of construction, manufacture or production of any article or thing specified in the said list.

(2B) Where any new machinery or plant is installed after the 30th day of June, 1977, but before the 1st day of April, 1982, for the purposes of business or manufacture or production of any article or thing and such article or thing -

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or

(b) is an article or thing invented in,

a laboratory owned or financed by the Government, or a laboratory owned by a public sector company or a University or by an institution recognised in this behalf by the prescribed authority, the provisions of sub-section (1) shall have effect in relation to such machinery or plant as if for the words "twenty-five per cent.", the words "thirty-five per cent." had been substituted, if the following conditions are fulfilled, namely :-

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the assessee furnishes, along with his return of income for the assessment year for which the deduction is claimed, a certificate from the prescribed authority to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory; and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

Explanation : For the purposes of this sub-section, -

(a) "laboratory financed by the Government" means a laboratory owned by any body (including a society registered under the Societies Registration Act, 1860) (21 of 1860) and financed wholly or mainly by the Government;

(b) "public sector company" means any corporation established by or under any Central, State as Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);

(c) "University" means a University established or in-corporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 (3 of 1956) to be a University for the purposes of that Act.;

(c) after sub-section (8), the following sub-section shall be inserted, namely :-

"(8A) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, omit any article or thing from the list of articles or things specified in the Eleventh Schedule.".

Section 10 - Insertion of New Section 35CC

In the Income-tax Act, after section 35C, the following section shall be inserted w.e.f. the 1st day of September, 1977, namely :-

35CC. Rural Development Allowance. - (1) Where the assessee, being a company or a co-operative society, incurs any expenditure on any programme of rural development, the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount of such expenditure incurred during the previous year :

Provided that the approval of the prescribed authority has been obtained by the assessee in respect of such programme before incurring the expenditure.

Explanation : For the purposes of this sub-section, -

(a) "programme of rural development" includes any programme for promoting the social and economic welfare of, or the uplift of, the public in any rural area;

(b) "rural area" means any other than -

(i) an area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

(ii) an area within such distance, not being more than fifteen kilometres, from the local limits of any municipality or cantonment board referred to in sub-clause (i), as the Central Government may, having regard to the stage of development of such area (including the extent of, and scope for, urbanisation of such area) and other relevant considerations, specify in this behalf by notification in the Official Gazette.

(2) Where the expenditure referred to in sub-section (1) results in the acquisition or creation of an asset, being building, machinery, plant or furniture, and the assessee does not divest itself of the ownership of such asset before the end of the previous year, no deduction in respect of such expenditure shall be allowed under sub-section (1) but the assessee shall be entitled to the allowance for depreciation in respect of the asset so acquired or created as if such assets was used for the purposes of the business and the provisions of sections 32, 34, 41 and 43 shall, so far as may be, apply accordingly.

(3) No deduction shall be allowed in respect of the expenditure referred to in sub-section (1) unless the assessee furnishes, along with the return of income for the assessment year for which the deduction is claimed, a statement of such expenditure in the prescribed from duly signed and verified by an accountant as defined in the Explanation below sub-section (2) of section 288 and setting forth such particulars as may be prescribed.

(4) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.

Section 11 - Amendment of Section 36

In section 36 of the Income-tax Act, in sub-section (1), for sub-clause (b) of clause (viii), the following sub-clause shall be substituted with effect from the 1st day of April, 1978, namely :-

(b) in the case of any other financial corporation, twenty-five per cent.,.

Section 12 - Amendment of Section 50

In section 50 of the Income-tax Act, in clause (2), for the figures, letters and words, "1st day of January, 1954", the figures, letters and words "1st day of January, 1964" shall be substituted with effect from the 1st day of April, 1978.

Section 13 - Insertion of New Section 54E

In the Income-tax Act, after section 54D, the following section shall be inserted with effect from the 1st day of April, 1978, namely :-

54E. Capital gain on transfer of capital assets not to be charged in certain cases. - (1) Where the capital gain arises from the transfer of a capital asset; not being a short-term capital asset, (the capital assets so transferred being hereafter in this section referred to as the original asset) and the assessee has, within a period of six months after the date of such transfer, invested or deposited the full value of the consideration or any part thereof received or accruing as a result of such transfer in any specified asset (such specified asset being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say, -

(a) if the cost of the new asset is not less than the full value of the consideration received or accruing in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(b) if the cost of the new asset is less than the full value of the consideration received or accruing in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the acquisition of the new asset bears to the full value of such consideration shall not be charged under section 45.

Explanation 1 : For the purposes of this sub-section, "specified asset" means any of the following assets, namely :-

(i) securities of the Central Government or a State Government;

(ii) savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959; (46 of 1959).

(iii) units in the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

(iv) debentures specified by the Central Government for the purposes of clause (ii) of sub-section (1) of section 80L;

(v) shares in any Indian company which are issued to the public or are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder;

(vi) deposits for a period of not less than three years with the State Bank of India established under the State Bank of India Act, 1955 (23 of 1955) or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) or any nationalised bank, that is to say, any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation 2 : "Cost" in relation to any new asset, being a deposit referred to in clause (vi) or Explanation 1. means the amount of such deposit.

(2) Where the new asset is transferred or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such or new asset as provided in cl. (a), as the case may be, cl. (b), of sub-section (1) shall be deemed to be income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.

Section 14 - Amendment of Section 55

In section 55 of the Income-tax Act, for the figures, letters and words "1st day of January, 1954", wherever they occur, they figures, letters and words "1st day of January, 1964" shall be substituted with effect from the 1st day of April, 1978.

Section 15 - Insertion of New Section 72A

In the Income-tax Act, after section 72, the following section shall be inserted, with effect from the 1st day of April, 1978, namely :-

72A. Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in certain cases of amalgamation. - (1) Where there has been an amalgamation of a company owing an industrial undertaking or a ship with another company and the Central Government, on the recommendation of the specified authority, is satisfied that the following conditions are fulfilled, namely :-

(a) the amalgamating company was not, immediately before such amalgamation, financially viable by reason of its liabilities, losses and other relevant factors;

(b) the amalgamation was in the public inserted; and

(c) such other conditions as the Central Government may, by notification in the Official Gazette, specify, to ensure that the benefit under this section is restricted to amalgamations which would facilitate the rehabilitation or revival of the business of the amalgamating company,

then, the Central Government may make a declaration to that effect, and, thereupon, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and the other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(2) Notwithstanding anything contained in sub-section (1), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless the following conditions are fulfilled, namely :-

(i) during the previous year relevant to the assessment year for which such set off or allowance is claimed, the business of the amalgamating company is or with such modification or reorganisation carried on by the amalgamated company without any modification or reorganisation as may be approved by the Central Government to enable the amalgamated company to carry on such business more economically or more efficiently;

(ii) the amalgamated company furnishes, along with its return of income for the said assessment year, a certificate from the specified authority to the effect that adequate steps have been taken by that company for the rehabilitation or revival of the business of the amalgamating company.

Explanation : In this section, -

(a) "accumulated loss" means so much of the loss of the amalgamating company under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which the amalgamating company would have been entitled to carry forward and set off under the provisions of section 72 if the amalgamation had not been effected;

(b) "specified authority" means such authority as the Central Government may, by notification in the Official Gazette, specify for the purposes of this section;

(c) "unabsorbed depreciation" means so much of the allowance for depreciation of the amalgamating company which remains to be allowed and which would have been allowed to the amalgamating company under the provisions of this Act if the amalgamation had not been effected

Section 16 - Amendment of Section 80g

In section 80G of the Income-tax Act, in sub-section (4), with effect from the 1st day of April, 1978, -

(a) for the words, "two hundred thousand rupees", the words "five hundred thousand rupees" shall be substituted;

(b) the proviso shall be omitted.

Section 17 - Amendment of Section 80HH

In section 80HH of the Income-tax Act, after sub-section (9), the following sub-section shall be inserted w.e.f. the 1st day of April, 1978, namely :-

"(9A) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HHA applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.".

Section 18 - Insertion of New Section 80HHA

In the Income-tax Act, after section 80HHA, the following section shall be inserted, w.e.f. the 1st day of April, 1978, namely :-

80HHA. Deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas. - (1) Where the gross total income of an assessee includes any profits and gains derived from a small-scale industrial undertaking to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent. thereof.

(2) This section applies to any small-scale industrial undertaking which fulfils all the following conditions, namely :-

(i) it begins to manufacture or produce articles after the 30th day of Sept., 1977 in any rural area;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence :

Provided that this condition shall not apply in respect of any small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purposes;

(iv) it employs ten or more workers in a manufacturing process carried on with the aid of power or employs twenty or more workers in a manufacturing process carried on without the aid of power.

Explanation : Where in the case of a small-scale industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the machinery or plant used in the business, then, for the purposes of cl. (iii) of this sub-section, the condition specified therein shall be deemed to have been fulfilled.

(3) The deduction specified in sub-section (1) shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking begins to manufacture of produce articles.

(4) Where the assessee is a person, other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the small-scale industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the Explanation below sub-section (2) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(5) The provisions of sub-section (6) and (7) of section 80HH shall, so far as may be, apply in relation to the computation of the profits and gains of a small-scale industrial undertaking for the purposes of the deduction under this section as they apply in relation to the computation of the profits and gains of an industrial undertaking for the purposes of the deduction under that section.

(6) In a case where the assessee is entitled also to the deduction under section 80J in relation to the profits and gains of a small-scale industrial undertaking to which this section applies, effect shall first be given to the provisions of this section.

(7) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HH applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.

(8) Nothing contained in this section shall apply in relation to any small-scale industrial undertaking engaged in mining.

Explanation : For the purposes of this section, -

(a) "rural area" shall have the same meaning as in clause (b) of the Explanation to sub-section (1) of section 35CC;

(b) an industrial undertaking shall be deemed to be a small-scale industrial undertaking, if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed ten lakh rupees; and for this purpose the value of any machinery or plant shall be, -

(i) in the case of any machinery or plant owned by the assessee, the actual cost thereof to the assessee; and

(ii) in the case of any machinery or plant hired by the assessee, the actual cost thereof as in the case of the owner of such machinery or plant.

Section 19 - Substitution of New Section For Section 80RRA

For section 80RRA of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1978, namely :-

80RRA. Deduction in respect of remuneration received for services rendered outside India. - (1) Where the gross total income of an individual who is a citizen of India includes any remuneration received by him in foreign currency from any employer (being a foreign employer or an Indian concern) for any service rendered by him outside India, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the individual, deduction from such remuneration of an amount equal to fifty per cent. thereof :

Provided that where the individual renders continuous service outside India under or for such employer for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

(2) The deduction under this section shall be allowed -

(i) in the case of an individual who is or was, immediately before undertaking such service, in the employment of the Central Government or any State Government, only if such service is sponsored by the Central Government;

(ii) in the case of any other individual, only if he is a technician and the terms and conditions of his service outside India are approved in this behalf by the Central Government or the prescribed authority.

Explanation : For the purposes of this section -

(a) "foreign currency" shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973; (46 of 1973).

(b) "foreign employer" means, -

(i) the Government of a foreign State; or

(ii) a foreign enterprise; or

(iii) any association or body established outside India;

(c) "technician" means a person having specialised knowledge and experience in -

(i) constructional or manufacturing operations or mining or the generation or distribution of electricity or any other form of power; or

(ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building; or

(iii) public administration or industrial or business management; or

(iv) accountancy; or

(v) any field of natural or applied science (including medical science) or social science; or

(vi) any other field which the Board may prescribe in this behalf, who is employed in a capacity in which such specified knowledge and experience are actually utilised..

Section 20 - Amendment of Section 104

In section 104 of the Income-tax Act, for sub-section (4), the following sub-section and Explanation shall be substituted with effect from the 1st day of April, 1978, namely :-

"(4) Without prejudice to the provisions of section 108, nothing contained in this section shall apply to -

(a) an Indian company whose business consists mainly in the construction of ships or in the manufacture of processing of goods or in mining or in the generation or distribution of electricity or any other form of power;

(b) a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India.

Explanation : For the purposes of clause (a) of this sub-section, the business of a company shall be deemed to consist mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, if the income attributable to any of the aforesaid activities included in its gross total income for the relevant previous year is not less than fifty-one per cent. of such total income.".

Section 21 - Amendment of Section 109

In section 109 of the Income-tax Act, with effect from the 1st day of April, 1978, -

(a) clause (ia) shall be omitted;

(b) in clause (iii), -

(i) in sub-clause (1), for the words "an industrial company or a consultancy service company", the words "a consultancy service company" shall be substituted;

(ii) for sub-clause (3) the following sub-clause shall be substituted, namely :-

"(3) in the case of an Indian company, not being an Indian company referred to in clause (a) of sub-section (4) of section 104 or a consultancy service company, a part of whose gross total income consists of profits and gains attributable to -

(i) the business of construction of ships or of manufacture or processing of goods of mining or of generation or distribution of electricity or any other form of power; or

(ii) the business of provision of technical know-how, or of rendering services in connection with the provision of technical know-how, to other persons -

(a) in relation to that part of its gross total income as is attributable to the business referred to in item (i) of this sub-clause .... Nil;

(b) in relation to that part of its gross total income as is attributable to the business referred to in item (ii) of this sub-clause 45%;

(c) in relation to the remaining part of its gross total income -

(1) if it is an investment company or a company which satisfies the conditions specified in sub-clause (4)(a) of this clause 90%;

(2) in any other case .... 60%.

Explanation : The provisions of this Chapter shall apply as if each of the aforesaid parts of the gross total income of the company were the gross total income of the company in relation to that part and as if the amount of dividends actually distributed and the distributable income were also similarly apportioned for the purposes of section 104 and this section;".

Section 22 - Amendment of Section 115A

In section 115A of the Income-tax Act, with effect from the 1st day of April, 1978, -

(a) in sub-section (1), for the words, brackets and figures "Subject to the provisions of sub-section (2)", the words, brackets, figures and letter "Subject to the provisions of sub-sections (1A) and (2)" shall be substituted;

(b) after sub-section (1), the following sub-section shall be inserted, namely :-

(1A) Where the royalty referred to in clause (b) of sub-section (1) is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book to an Indian concern, the provisions of sub-section (1) shall apply in relation to such royalty as if the words "and approved by the Central Government" occurring in the said clause had been omitted :

Provided that such book is on a subject, the books on which are premitted, according to the Import Trade Control Policy of the Government of India for the period commencing from the 1st day of April, 1977 and ending with the 31st day of March, 1978, to be imported into India under an Open General Licence.

Explanation : In this sub-section, "Open General Licence" means an Open General Licence issued by the Central Government in pursuance of the Imports (Control) Order, 1955.

Section 23 - Amendment of Section 155

In section 155 of the Income-tax Act, after sub-section (10), the following sub-section shall be inserted with effect from the 1st day of April, 1978, namely :-

"(10A) Where in the assessment for any year a capital gain arising from the transfer of a capital asset, not being a short-term capital asset, is charged to tax and within a period of six months after the date of such transfer, the assessee has made any investment or deposit in any specified asset within the meaning of Explanation 1 to sub-section (1) of section 54E, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54E, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date of the assessment.".

Section 24 - Amendment of Section 194

In section 194 of the Income-tax Act, with effect from the 1st day of October, 1977, -

(a) in the proviso, for the words "Provided that", the words "Provided further that" shall be substituted;

(b) before the proviso as so amended, the following proviso shall be inserted, namely :-

"Provided that no such deduction shall be made in the case of any shareholder, not being a company, if -

(a) the shareholder is resident in India;

(b) the amount of such dividend does not exceed two hundred and fifty rupees, and

(c) the shareholder furnishes to the person responsible for paying the dividend a statement in writing in the prescribed form and verified in the prescribed manner declaring that his estimated total income of the previous year in which such dividend is to be included under the provisions of section 8 will be less than the minimum liable to income-tax :".

Section 25 - Insertion of New Section 206B

In the Income-tax Act, after section 206A and before the heading "C. - Advance payment of tax", the following section shall be inserted with effect from the 1st day of October, 1977, namely :-

"206B. Person paying dividend to certain residents without deduction of tax to furnish prescribed return. - Any person responsible for paying any dividend referred to in section 194 shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer in the prescribed form and verified in the prescribed manner, a return in writing showing -

(a) the name and address of every person who has furnished to him a statement under the first proviso to section 194;

(b) the amount of the divided paid or distributed during the financial year to each such person; and

(c) such other particulars as may be prescribed."

Section 26 - Amendment of Section 208

In section 208 of the Income-tax Act, in sub-section (2), for clause (c), the following clause shall be substituted with effect from the 1st day of September, 1977, namely, -

"(c) in any other case - Rs. 10,000".

Section 27 - Amendment of Section 273

In section 273 of the Income-tax Act, with effect from the 1st day of September, 1977, -

(a) in clause (a), for the words and figures "has furnished under section 212", the words, brackets and figures "has furnished under sub-section (1) or sub-section (2) or sub-section (3), of section 212" shall be substituted;

(b) after clause (a), the following clause shall be inserted, namely :-

"(aa) has furnished under sub-section (3-A) of section 212 an estimate of the advance tax payable by him which he knew or had reason to believe to be untrue, or";

(c) after clause (i), the following clause shall be inserted, namely :-

"(ia) which, in the case referred to in clause (aa), shall not be less than ten per cent. but shall not exceed one and a half time the amount by which the tax actually paid during the financial year immediately preceding the assessment year under the provisions of Chapter XVII-C falls short of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215";

(d) the following Explanation shall be inserted at the end, namely :-

"Explanation : For the purposes of clause (ia), the amount paid by the assessee on or before the date extended by the Commissioner under the proviso to sub-section (3A) of section 212 shall, where the date so extended falls beyond the financial year immediately preceding the assessment year, also be regarded as tax actually paid during that financial year".

Section 28 - Insertion of New Eleventh Schedule

In the Income-tax Act, after the Tenth Schedule, the following Schedule shall be inserted with effect from the 1st day of April, 1978, namely :-

"THE ELEVENTH SCHEDULE

(See section 32A)

List of articles or things

1. Beer, wine and other alcoholic spirits.

2. Tobacco and tobacco preparations, such as, cigars and cheroots, cigarettes, biris, smoking mixtures for pipes and cigarettes, chewing tobacco and snuff.

3. Cosmetics and toilet preparations.

4. Tooth paste, dental cream, tooth powder and soap.

5. Aerated waters in the manufacture of which blended flavouring concentrates in any form are used.

6. Confectionery and chocolates.

7. Gramophones, including record players, and gramophone records.

8. Broadcast television receiver sets; radios (including transistor sets); radiograms and tape recorders (including cassette recorders and tape decks).

9. Cinematograph films and projectors.

10. Photographic apparatus and goods.

11. Electric fans.

12. Domestic electrical appliances, not falling under any other item in this list.

> Explanation : "Domestic electrical appliances" means electrical appliances normally used in the household and similar appliances used in places, such as, hotels, restaurants, hostels, offices, educational institutions and hospitals.

13. Household furniture, utensils, crockery and cutlery not falling under any other item in this list.

14. Pressure cookers.

15. Vacuum flasks and other vacuum vessels.

16. Tableware and sanitaryware.

17. Glass and glassware.

18. Chinaware and porcelainware.

19. Mosaic tiles and glazed tiles.

20. Organic surface active agents; surface active preparation and washing preparations whether or not containing soap.

21. Synthetic detergents.

22. Office machines and apparatus such as typewriters, calculating machines, cash registering machines, cheque writing machines, intercom machines and teleprinters.

> Explanation : For expression "Office machines and apparatus" includes all machines and apparatus used in offices, shops, factories, workshops, educational institutions, railway stations, hotels and restaurants for doing office work, for data processing and for transmission and reception of messages.

23. Steel furniture, whether made partly or wholly of steel.

24. Safes, strong boxes, cash and deed boxes and strong room doors.

25. Latex foam sponge and polyurethane foam.

26. Pigments, colours, paints, enamels, varnishes, blacks and cellulose lacquers.

27. Crown corks or other fittings of cork, rubber, polyethylene or any other material.

28. Pilfer-proof caps for packaging or other fittings of cork, rubber, polyethylene or any other material.

29. Amplifiers or any other apparatus used for addressing the public..

Section 29 - Consequential Amendments to Certain Sections

(1) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely :-

(a) in section 44D, in the Explanation, -

(i) in clause (a), for the words, brackets and figures "the Explanation to clause (vii) of sub-section (1) of section 9", the words, figures and brackets "Explanation 2 to clause (vii) of sub-section (1) of section 9" shall be substituted;

(ii) in clause (c), for the words, brackets and figures "the Explanation to clause (vi) of sub-section (1) of section 9", the words, figures and brackets "Explanation 2 to clause (vi) of sub-section (1) of section 9" shall be substituted;

(b) in section 115A, in the Explanation below sub-section (1), -

(i) in clause (a), for the words, brackets and figures "the Explanation to clause (vii) of sub-section (1) of section 9", the words, figures and brackets "Explanation 2 to clause (vii) of sub-section (1) of section 9" shall be substituted;

(ii) in clause (c), for the words, brackets and figures "the Explanation to clause (vi) of sub-section (1) of section 9", the words, figures and brackets "Explanation 2 to clause (vi) of sub-section (1) of section 9" shall be substituted;

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1978, namely :-

(a) in section 45, for the figures, letters and word "54B and 54D", the figures, letters and word "54B, 54D and 54E" shall be substituted;

(b) in sub-section (3) of section 80A, after the word, figures and letters "80HH", the words, figures and letters "or section 80HHA" shall be inserted;

(c) in section 80J, after the word, figures and letters "section 80HH", at both the places where they occur, the words, figures and letters "or section 80HHA" shall be inserted;

(d) in sub-section (3) of section 80P. -

(i) for the words, figures and letters section 80HH or section 80J", the words, figures and letters "section 80HH or section 80HHA or section 80J" shall be substituted;

(ii) for the words, figures and letters "section 80HH, section 80J", the words, figures and letters "section 80HH, section 80HHA, section 80J" shall be substituted;

(e) in sub-section (2) of section 80QQ, -

(i) for the words, figures and letters "section 80HH or section 80J", the words, figures and letters "section 80HH or section 80HHA or section 80J" shall be substituted;

(ii) for the words, figures and letters "section 80HH, section 80J", the words, figures and letters "section 80HH, section 80HHA, section 80J" shall be substituted;

(f) in the Ninth Schedule, for the brackets, words, figures and letters "[See section 32(1)(vi) and section 32A(2)(b)(ii)]", the brackets, words, figures and letters "[See section 32(1)(vi) and section 80M(1)(a)(i)]" shall be substituted.

Section 30 - Amendment of Act 27 of 1957

In the Wealth-tax Act, 1957, for Part I of Schedule I [being the Part as substituted, with effect from the 1st day of April, 1977, by sub-clause (a) of clause (6) of section 27 of the Finance Act, 1976], the following Part shall be substituted, namely :-

PART I

(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (2) of this Part applies, -

RATES OF TAX

(a) where the net wealth does not exceed Rs. 2,50,000	1/2 per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000	Rs. 12,50 plus 1 per cent. of the amount by which the net wealth exceeds Rs. 2,50,000;
(c) where the net wealth exceeds Rs. 5,00,000 but does not Rs. 10,00,000 but does not	Rs. 3,750 plus 2 per cent. of the amount by which the net xwealth exceeds Rs. 5,00,000;
(d) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000	Rs. 13,750 plus 2 1/2 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 :
(e) where the net wealth exceeds Rs. 15,00,000	Rs. 26, 250 plus 3 pe cent. of the amount by which the net wealth exceeds Rs. 15,00,000;

Provided that for the purposes of this item, -

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.

(2) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 1,00,000, -

RATES OF TAX

(a) where the net wealth does not exceed Rs. 2,50,000	1 1/2 per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000	Rs. 3,750 plus 1 1/2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(c) where the net wealth exceeds Rs. 5,00,000 but does not Rs. 10,00,000 but does not	Rs. 8,750 plus 2 1/2 per cent. of the amount by which the net xwealth exceeds Rs. 5,00,000;
(d) where the net wealth exceeds Rs. 10,00,000	Rs. 21,250 plus 3 1/2 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 :

Provided that for the purposes of this item, -

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.".

Section 31 - 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.

Section 32 - Amendment of Act 1 of 1944

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

Section 33 - 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.