Finance Act 1965

Schedule I - First Schedule

The First Schedule

(See section 2)

Part I

Income-Tax and Surcharge on Income-Tax

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individual, 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

1. where the total income does not exceed Rs. 5,000	5 per cent. of the total income.
(2) where the total income exceeds Rs. 5,000 but does not exceed rs. 10,000	Rs. 250 plus 10 per cent. of the amount by which the total income exceds Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 plus 15 per cent. Of the amount by which the total income exceeds Rs. 10,000.
(4) where the total income exceeds Rs. 1,500 but does not exceed Rs. 20,000	Rs. 1,500 plus 20 per cent. of the amount by which the total income excees Rs. 15,000.
(5) Where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 plus 30 per cent. Of the amount by which the total income exceeds Rs. 20,000.
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 plus 40 per cent. Of the amount by which the total income exceeds Rs. 25,000

(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 plus 60 per cent. Of the amont by which the total income exceeds Rs. 50,000
(9) where the total income exceed Rs. 70,000	Rs. 28,000 plus 65 per cent. Of the amount by which the total income exceeds Rs. 70,000

Provided that for the purpose of this Paragraph, in the case of a person, not being a non-resident -

(i) no income-tax shall be payable on a total income not exceeding the following limit, namely :-

(a) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely :-

(i) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(ii) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(b) Rs. 3,000 in every other case;

(ii) where such person is an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed :-

(a) Rs. 100	in the case of an unmarried individual;
(b) Rs. 175	in the case of a married individual who has no child wholly or mainly dependent on him or a Hindu undivided family which has no minor coparcener;
(c) Rs. 195	in the case of a married individual who has one child wholly or mainly dependent on him or a Hindu undivided family which has one minor coparcener wholly or mainly supported from the income of such family;
(d) Rs. 215	in the case of a married individual who has more than one child wholly or mainly dependent on him or a Hindu undivided family which has more than one minor coparcener wholly or mainly supported from the income of such family;

(iii) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds limit specified in sub-clause (a) or, as the case may be, sub-clause (b) of clause (i) of this proviso.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union, which shall be equal to the aggregate of the sums computed as hereunder :-

(a) where -

(i) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India under the Unit Trust of India Act, 1963 (52 of 1963), included in the total income, or

(ii) in any other case, the amount of unearned income included in the total income exceeds Rs. 15,000,

a sum calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (i) or, as the case may be, sub-clause (ii), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely :-

(1) where the amount of the difference does not exceed Rs. 14,500	20 per cent. of the amount of such difference
(2) where the amount of the difference exceeds Rs. 14,500	Rs. 2,900 plus 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500

(b) where -

(i) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India under the Unit Trust of India Act, 1963 (52 of 1963), included in the total income, or

(ii) in any other case, the earned income included in the total income exceeds Rs. 1 lakh,

a sum calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (i) or, as the case may be, sub-clause (ii), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely :-

(1) where the amount of the difference does not exced Rs. 65,000.	5 per cent. of the amount of such difference.
(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,00	Rs. 3,250 plus 10 per cent. Of the amount by which the difference aforesaid exceeds Rs. 65,000
(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 plus 15 per cent. Of the amount by which the difference aforesaid exceeds Rs. 1,30,000.

Paragraph B

In the case of every association of persons being a co-operative society as defined in clause (19) of section 2 of the Income-tax Act, -

Rates of Income-Tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income. exceed Rs. 5,000
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 plus 10 per cent of the maount which the total income excees Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does no exceed Rs. 15,000	Rs. 750 plus 15 per cent. Of the amount by which the total income exceeds Rs. 10,000
(4) where the total income exceeds Rs. 15,000 but does not exceeds Rs. 20,000	Rs. 1,500 plus 20 per cent of the amount by which the total income exceeds Rs. 15,000
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 plus 25 per cent. Of the amount by which the total income exceeds Rs. 20,000
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 plus 41 per cent . of amount by which the total income exceeds Rs. 25,000:

Provided that -

(i) no income-tax shall be payable on a total income not exceeding Rs. 3,000; and

(ii) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 3,000.

Surcharge on income-tax

Where the total income exceeds Rs. 25,000, the amount of income-tax on such total income computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of 6 1/4 per cent. of the amount of the difference between the income-tax so computed and the income-tax computed in respect of a total income of Rs. 25,000.

Paragraph C

In the case of every registered firm, -

Rates of Income-Tax

(1) where the total income does not exceed Rs. 25,000	Nil;
where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. Of the amount by which the total income exceeds Rs. 25,000;
where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 plus 8 per cent. Of the amount by which the total income exceds Rs. 50,000;
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 plus 12 per cent. Of the amount by which the total income exceeds Rs. 1,00,000

Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of twenty per cent. of the amount of income-tax :

Provided that in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, the amount of surcharge for purposes of the Union computed at the rate hereinbefore specified shall be reduced by one-half of such amount.

Paragraph D

In the case of every local authority, -

Rate of Income-Tax

On the whole of the total income 45 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of ten per cent. of the amount of income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), -

Rate of Income-Tax

On the whole of its profits and gains from life insurance business ... 47.5 per cent.

Paragraph F

In the case of every company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), -

Rate of Income-Tax

On the whole of the total income ... 80 per cent. :

Provided that a rebate shall be allowed in the case of such companies on such income at such rate or rates as are specified hereunder :-

	Income on which rebate is to be allowed	Rate of rebate
I. In the case of a company which -		
(a) 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, 1965, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act; and		
(b) is such a company as is referred to in section 108 of the Income-tax Act, -		
(i) where the total income does not exceeds Rs. 25,000	on the whole of the	37.5 per cent.

(ii) where the total income exceeds Rs. 25,000	(a) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule.	35 per cent.
	(b) on the balance of the total income	30 per cent.
II. In the case of a company which		
(a) satisfies condition (a) of item I hereinabove, and		
(b) is not such a company as is referred to in section 108 of the Income-tax Act, -		
(i) in the case of a company which is wholly or mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining	(a) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution oof electricity or of construction, manufacture of production of any one or more of the articles or things specified in the list in Part III of this Schedule-	
(i) on so much of the profits and gains aforesaid as do not exceed Rs. 10 lakhs		35 per cent.
(ii) on the balance of the profits and gains aforesaid		26 per cent.
(b) on any income other than the profits and gains referred to in (a) hereinabove -		

(i) on so much of such income as, together with the profits and gains referred to in (a) hereinabove, does not exceed Rs. 10 lakhs		30 per cent.
(ii) on the balance of such income		20 per cent.
(ii) in any other case	(a) on so much of the total income as consists of profits and gains attributable able to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule	26 per cent.
	a. on the balance of the total income	20 per cent.
III. In the case of a company which in respect of its income liable to ncome tax under the Income tax Act for the assessment year commencing on the 1st day of April, 1965, has not made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act	(a) on so much of the total income as consists of royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concen on or after the 1st day April, 1961, and which has been approved by the Central Government	30 per cent.
	(b) on so much of the total income as consists of fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th February, 1964, and which has been approved by the Central Government	30 per cent
	(c) on the balance of the total income	15 per cent. :

Provided further that -

(i) the amount of rebate arrived at under the preceding proviso in the case of a company referred to in item I or item II of that proviso shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder :-

(a) on the aggregate of the sums computed in the manner provided in clause (i) of the second proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1964 (5 of 1964), as reduced by the amount, if any, which is deemed to have been taken into account, in accordance with clause (ii) of the said proviso, for the purpose of reducing the rebate mentioned in clause (i) of the said proviso to nil;	at the rate of 100 per cent
(b) on the amount representing the face per value of any bonus shares or the cent. amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital except where such bonus shares or bonus have been issued wholly out of the share premium account of the company after the 31st day of March, 1964; and	at the rate of 12.5 per cent.
(c) in addition, in the case of -	
(i) a company as is referred to in section 108 of the Income-tax Act, or	
(ii) a company as is referred to in clause (iii) of sub-section (2) or sub-section (4) of section 104 of the said Act, or	
(iii) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (3) of that section, which has declared or distributed to its shareholders during the previous year any dividends other than dividends on preference shares	
(A) in the case of a company since the date of the commencement of its activities has declared or distributed any dividends for the first time during the previous year or any one of the four previous years immediately preceding such previous year -	
on that part of the dividends other than dividends on preference shares which exceeds ten per cent. of the paid-up equity capital	at the rate of 7.5 per cent.
(B) in any other case	

on the whole amount of the dividends other than dividends on preference shares	at the rate of 7.5 per cent.;

(ii) Where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at under the preceding proviso, only so much of the amounts of reduction mentioned in sub-clause (a), (b) and (c) of clause (i) of this proviso as is sufficient, in that order, to reduce the rebate to nil shall be deemed to have been taken into account for the purpose :

Provided further that the income-tax payable by a company, as is referred to in section 108 of the Income-tax Act, and the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of -

(a) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1 : For the purposes of this Paragraph, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income.

Explanation 2 : For the purposes of this Paragraph, where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares), the amount representing the face value of any bonus shares and the amount of any bonus issued to its shareholders shall each be deemed to be such proportion thereof as the sum specified in clause (a) bears to the sum specified in clause (b), such sums being -

(a) the average amount of the total income of the company in the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

(b) the average amount of the total profits and gains (excluding capital receipts) of the company for the five previous years referred to in clause (a) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3 : For the purpose of sub-clause (b) of clause (i) of the second proviso, "share premium account" means an account forming a separate and identifiable part of the reserves of a company to which has been transferred a sum equal to the aggregate amount or value of the premiums on shares issued by the company.

Explanation 4 : For the removal of doubts it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, no reduction in the rebate shall be made under sub-clause (c) of clause (i) of the second proviso in respect of such dividends.

Part II

Rates For Deduction of Tax at Source in Certain Cases

In every case in which under the provisions of sections 193 to 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 :-

	Income-tax	
Income-tax	Rate of surcharge	Rate of income-tax
1. In the case of a person other than a company -		
a. where the person is resident		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and ifterest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government);	18 per cent.	2 per cent.
(b) where the person is not resident in India		

(i) on the whole income (excluding interest payable on any security of the Central Governmnet issued or declared to be income-tax free, and interest payable on any security of a state Government issued income-tax free, the income-tax whereon is payable by the State Government);	Income-tax at 25 per cent. and surcharge at 5 per cent. of the amount of the income	
	Or	
	Income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part I of this Schedule, if such income had been the total income,	
	Whichever in higher.	
(ii) on the income from interest payable on any security of Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax where is payable by the State Government.	12.5 per cent	2.5 per cent.
2. In the case of a company		
(a) where the company is either an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India,-		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government);	20 per cent.	Nil;

(b) where the company is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India, -		
(i) on the income from dividends payable by an Indian company which is not such a company as is referred to in section 108 of the Income-tax Act and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of the Schedule;	15 per cent	Nil;
(ii) on the income from dividends payable by any other Indian company or any company which has made the prescribed arrangements for the declaration and arrangements for the declaration and payment of dividends within India ;	25 per cent.	Nil;
(iii) on the income from royalties payable by an Indian concern in pursuance of an agreement which is made by it with the Indian concern on or after the 1st day of April, 1961, and which has been approved by the Central Government;	50 per cent.	Nil;
(iv) on the income from fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government;	50 per cent.	Nil;
(v) on the income from interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government; and	40 per cent.	Nil;
(vi) on any other income	65 per cent.	Nil.

Part III

List of Articles and Things

(1) Iron and steel (metal), ferro-alloys and special steels.

(2) Aluminium, copper, lead and zinc (metals).

(3) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, lime-stone, magnesite and mineral oil.

(4) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951 (65 of 1951).

(5) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(6) Flame and drip proof motors.

(7) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(8) Machine tools and precision tools (including their attachments and accessories, cutting tools and small tools), dies and jigs.

(9) Tractors, earth-moving machinery and agricultural implements.

(10) Motor trucks and buses.

(11) Steel castings and forgings and malleable iron and steel castings.

(12) Cement and refractories.

(13) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(14) Soda ash.

(15) Pesticides.

(16) Paper and pulp.

(17) Tea.

(18) Electronic equipment, namely, radar, equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(19) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(20) Ships.

(21) Automobile ancillaries.

(22) Seamless tubes.

(23) Gears.

(24) Ball, roller and tapered bearings.

(25) Component parts of the articles mentioned in items Nos. (4), (5), (7) and (9), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

(26) Cotton seed oil.