Finance Act 1976

Section 20 - Insertion of New Sections 115a and 115b

In the Income-tax Act, after section 115, the following sections shall be inserted with effect from the 1st day of June, 1976, namely :-

115A. Tax on dividends, royalty and technical service fees in the case of foreign companies. - (1) Subject to the provisions of sub-section (2), where the total income of an assessee, being a foreign company, includes any income by way of -

(a) dividends; or

(b) royalty or fees for technical services received from an Indian concern in pursuance of an agreement made by the foreign company with the Indian concern after the 31st day of March, 1976, and approved by the Central Government,

the income-tax payable shall be the aggregate of -

(i) the amount of income-tax calculated on the amount of income by way of dividends, if any, included in the total income, at the rate of twenty-five per cent.;

(ii) the amount of income-tax calculated on the income by way of royalty, if any, included in the total income -

(1) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process or trade mark or similar property, at the rate of twenty per cent.;

(2) on the balance of such income, if any, at the rate of forty per cent.;

(iii) the amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of forty per cent.; and

(iv) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of income referred to in clause (a) and clause (b).

Explanation : For the purposes of this section, -

(a) "fees for technical services" shall have the same meaning as in the Explanation to clause (vii) of sub-section (1) of section 9;

(b) "foreign company" shall have the same meaning as in section 80B;

(c) "royalty" shall have the same meaning as in the Explanation to clause (vi) of sub-section (1) of section 9.

(2) Nothing contained in sub-section (1) shall apply in relation to any income by way of royalty received by a foreign company from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, if such agreement is deemed, for the purposes of the proviso to clause (vi) of sub-section (1) section 9, to have been made before the 1st day of April, 1976; and the provisions of the annual Finance Act for calculating, charging, deducting or computing income-tax shall apply in relation to such income had been received in pursuance of an agreement made before the 1st day of April, 1976.

115B. Tax on profits and gains of life insurance business. -Where the total income of an assessee includes any profits and gains from life insurance business, the income-tax payable shall be the aggregate of -

(i) the amount of income-tax calculated on the amount of profits and gains of the life insurance business included in the total income, at the rate of twelve and one-half per cent.; and

(ii) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount if profits and gains of the life insurance business..