

Finance Act, 1963

Section 2 - INCOME TAX AND SUPER TAX

1) Subject to the provisions of sub-sections (2), (3), (4) and (5), for the assessment year commencing on the 1st day of April, 1963,- (a) income-tax shall be charged at the rates specified in Part I of the First Schedule, and,- (i) in the cases to which Paragraphs A, B, C. and E of that Part apply, shall be increased by a surcharge for purposes of the Union and, except in the cases to which the said Paragraph E applies, a special surcharge, calculated in either case in the manner provided therein; and (ii) in the cases to which Paragraphs A and C of the aforesaid Part apply, shall further be increased by an additional surcharge for purposes of the Union (hereinafter referred to as additional surcharge) calculated in the manner provided in the said Schedule. . (b) super-tax shall, for the purposes of section 95 of the Income-tax Act, 1961-(hereinafter referred to as the Income-tax Act), be charged at the rates specified in Part II of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge, calculated in either case in the manner provided therein. (2) In making any assessment for the assessment year commencing on the 1st day of April, 1963,- (a) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries", the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance (No. 2) Act, 1962, on his total income the same proportion as the amount of such inclusion bears to his total income; (b) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (1) of section 192 of the Income-tax Act-, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Finance (No. 2) Act, 1962, on his total income the same proportion as the amount of such inclusion bears to his total income. (3) In making any assessment for the assessment year commencing on the 1st day of April, 1963, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956-, includes any profits and gains from life insurance business, super-tax payable by it shall be the aggregate of the tax calculated (i) on the amount of profits and gains from life insurance business so included, at the rate applicable to the Life Insurance Corporation of India in accordance with Paragraph E of Part II of the First Schedule; and (ii) on the remaining part of its total income, at the rate applicable to the company on its total income. (4) (a) In cases to which Chapter XII of the Income-tax 0 applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter, as the case may be. (b) In computing under section 209 of the Income-tax Act -, the advance tax payable by an assessee, the additional surcharge shall be included. (c) The amount of income-tax to be deducted at source under sub -section (1) of section 192 of the Income-tax Act-from income chargeable under the head "Salaries" shall include an additional surcharge equal in amount to the additional surcharge which would have been leviable if the estimated income under that head had been the total income. (5) In respect of any assessment for the assessment year commencing on the 1st day of April, 1963,- (i) an assessee being an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India or an assessee (other than a company) whose total income includes any profits and gains derived from the export-of any goods or merchandise out of India shall be entitled to a deduction from the amount of income-tax and super-tax with which he is chargeable of an amount equal to the income-tax and super-tax calculated respectively at one-tenth of the average rate of income-tax and of the average rate of super-tax on the amount of such profits and gains included in the total income; (ii) where an assessee of the type referred to in clause (i) is engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act. 1951-, exports after the 28th day of February, 1963, such articles out of India, he shall be

entitled in addition to the deduction of tax referred to in clause (i), to a further deduction from the amount of tax with which he is chargeable for the assessment year of an amount equal to the income-tax and super-tax calculated respectively at the average rate of such taxes on an amount equal to two per cent. of the sale proceeds in respect of such export; (iii) where an assessee of the type referred to in clause (i) is engaged in the manufacture of any articles in an industry specified in the said First Schedule sells after the 28th day of February, 1963, such articles to any other person in India who himself exports them out of India and evidence is produced before the Income-tax Officer, of such articles having been so exported, the assessee shall be entitled to a deduction from the amount of income-tax and super-tax with which he is chargeable for the assessment year of an amount equal to the income-tax and super-tax calculated respectively at the average rate of such taxes on a sum equal to two per cent. of the sale proceeds receivable by him in respect of such articles from the exporter; (iv) the total of the deductions under this sub-section shall in no case exceed the amount of income-tax and super-tax otherwise payable by the assessee: (v) nothing contained in clauses (ii) and (iii) shall apply in relation to fuels, textiles (including those dyed, printed or otherwise processed), sugar, vegetable oils and vanaspati, cement and gypsum products and cigarettes respectively specified in items 2, 23, 25, 28, 35 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951-and in relation to such other articles in any other industry specified in that Schedule which may be notified in the Official Gazette by the Central Government having regard to the progress achieved by the industry or any other relevant factors; (vi) the amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax and super-tax is admissible under clause (i) shall be computed in accordance with the rules made by the Central Board of Revenue in this behalf. (6) In cases in which tax has to be deducted under sub-section (2) of section 192-and sections 193-to 195 of the Income tax Act-at the rates in force, the deduction shall be made at the rates specified in Part,III of the First Schedule. (7) For the purposes of this section, and of the rates of tax imposed thereby, and of section 3-- (i) the expressions "assessment year", "average rate of income-tax", "average rate of super -tax", "partner", "tax" and "total income" have the meanings respectively assigned to them under clauses (9), (10), (11), (23), (43) and (45) of section 2 of the Income-tax Act-; (ii) the expression "earned income" has the same meaning as in section 2 of the Finance (No. 2) Act, 1962-. (8) For the purposes of Paragraphs A and C of Part I of the First Schedule, the expression "residual income" means the amount of total income as reduced by - (a) the amount of the capital gains, if any, included therein; and (b) the amount of tax (exclusive of additional surcharge) which would have been chargeable on such reduced total income if it had been the total income no part of which had been exempt from tax and on no portion of which deduction of tax had been admissible under any provisions of the Income-tax Act or this Act.