

**Finance Act, 1964**

**Section 65 - AMENDMENT OF ACT 21 OF 1963 - [Note.- This section amended Compulsory Deposit Scheme Act, 1963**

Section 4). These amendments were then incorporated in that Act. SCHEDULE 01: THE FIRST SCHEDULE PART 01: INCOME-TAX AND SURCHARGE ON INCOME-TAX Paragraph A (i) In the case of every individual who is married and every Hindu undivided family whose total income does not exceed Rs. 20,000 in either case Rates of Income-tax

---

When the individual has no child where the individual has one child Where the individual has more than wholly or mainly dependent on him or wholly or mainly dependent on him one child wholly or mainly dependent on him or where the Hindu undivided family has or where the Hindu undivided family has more than one minor coparcener, family has one minor coparcener, undivided family has more than one minor coparcener.

---

Rs. Rs. Rs. (1) On the first 3,200 of total income 3,600 of total income 4,000 of total income Nil (2) On the next 1,800 " 1,400 " 1,000 " 6% (3) On the next 2,500 " 2,500 " 2,500 " 10% (4) On the next 5,000 " 5,000 " 5,000 " 15% (5) On the next 7,500 " 7,500 " 7,500 " 20%

---

(ii) In the case of every individual who is not married and every individual or Hindu undivided family whose total income in either case exceeds Rs. 20,000 and in the case of every unregistered firm or other 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: Per cent. (1) On the first Rs. 1,000 of total income ... Nil (2) On the next Rs. 4,000 of total income ... 6 (3) On the next Rs. 2,500 of total income ... 10 (4) On the next Rs. 5,000 of total income ... 15 (5) On the next Rs. 7,500 of total income ... 20 (6) On the balance of total income ... 25 Provided that for the purposes of this paragraph (i) no income-tax shall be payable on a total income which does not exceed the limit specified below: (ii) the income-tax payable shall in no case exceed half the amount by which the total income exceeds the said limit: (iii) the income-tax payable by an individual who is married or a Hindu undivided family whose total income exceeds in either case Rs. 20,000 shall not exceed the aggregate of (a) the income-tax which would have been payable if the total income had been Rs. 20,000; (b) half the amount by which the total income exceeds Rs. 20,000: The limit aforesaid shall be (i) 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 conditions, namely: (a) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or (b) 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; (ii) Rs. 3,000 in every other case. 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, which shall be equal to the aggregate of the sums computed as hereunder: (a) Where the amount of the income other than earned income, if any, included in the total income exceeds Rs. 10,000 a sum calculated on the difference between the amount of income-tax on the total income and the amount of income-tax on the whole of the earned income, if any, included in the total income if such earned income had been the total income, at the following rate, namely: -" (i) where the amount of the income other than the at the rate of 12.5 per cent. . . earned income, if any, included in the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000. Provided that the amount of surcharge payable under this clause shall in no case exceed one-tenth of the amount by which the income other than the earned income exceeds Rs. 10,000; (ii) Where the amount of the income other than at the rate of 15 per cent the earned income, if any, included in the total income exceeds Rs. 25,000 but does not exceed Rs. 75,000. Provided

that the surcharge payable under this clause shall in no case exceed the aggregate of the following sums, namely: - (1) an amount calculated at the rate of twelve and a half per cent. on the amount of income-tax on an income of Rs. 25,000, if such income had been the total income (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 person concerned); (2) one-tenth of the amount by which the income other than the earned income exceeds Rs. 25,000; (iii) where the amount of the income other than at the rate of 17.5 per cent. the earned income, if any included in the total income exceeds Rs. 75,000. Provided that the surcharge payable under this clause shall in no case exceed the aggregate of the following sums, namely :- (1) an amount calculated at the rate of fifteen per cent on the amount of income-tax on an income of Rs. 75,000, if such income had been the total income-tax (the income of Rs. 75,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); (2) one-tenth of the amount by which the income other than the earned income exceed Rs. 75,000; (b) where the earned income included in the total income exceeds Rs. 1,00,000, a sum calculated at ten per cent. of the difference between the amount of income-tax which would have been payable on the whole of the earned income included in the total income, if such earned income had been the total income and the amount of income-tax payable on a total income of Rs. 1,00,000.

**Paragraph B** In the case of every local authority,- Rate of income-tax Per cent On the whole of the total income ... .. 30

**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 five per cent of the amount of income-tax.

**Paragraph C** In every case in which under the provisions of the Income-tax Act income-tax is to be charged at the maximum rate,- Rate of income-tax Per cent On the whole of the total income ... .. 25

**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 17.5 per cent of the amount of income-tax.

**Paragraph D** In the case of every company,- Rate of income-tax Per cent On the whole of the total income ... .. 25

Provided that a rebate at the rate of ten per cent on so much of the total income as consists of dividends from 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 manufacture or production of any one or more of the articles specified in the list in Part IV) of this Schedule, shall be allowed in the case of a company which has not made the prescribed arrangements for the declaration and payment of dividends within India. **Explanation.-** For the purposes of this Paragraph and Part III of this Schedule, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or of manufacture or production of any one or more of the articles specified in the list in Part IV of this Schedule 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.

**Paragraph E** In the case of every registered firm,- Rates of Income-tax Per cent (1) On the first Rs. 35,000 of total income ... .. Nil (2) On the next Rs. 25,000 of total income ... .. 6 (3) On the next Rs. 50,000 of total income ... .. 8 (4) On the balance of total income ... .. 12

**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 equal to the sum of- (i) twenty per cent of the amount of income-tax payable by the firm on its income from any business carried on by it calculated at the average rate of income-tax applicable to its total income; and (ii) ten per cent of the amount of income-tax payable by it on its income from all sources other than from any business carried on by it calculated at the average rate of income-tax applicable to its total income.

**PART 02: SUPER-TAX AND SURCHARGE ON SUPER-TAX**

**Paragraph A** In the case of every individual, Hindu undivided family, unregistered firm or other 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 Percent, (1) On the first Rs. 20,000 of total income ... .. Nil (2) On the next Rs. 5,000 of total income ... .. 10 (3) On the next Rs. 5,000 of total income ... .. 15 (4) On the next Rs. 20,000 of total income ... .. 45 (6) On the balance of total income ... .. 50

**Surcharge on super-tax** The amount of super-tax computed at the rates hereinbefore specified 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 the amount of income other than earned

income, if any, included in the total income exceeds Rs. 10,000, a sum calculated on the difference between the amount of super-tax on the total income and the amount of super-tax on the whole of the earned income, if any, included in the total income if such earned income had been the total income, at the following rate, namely:- (i) where the amount of the income other than at the rate of 12.5 per cent the earned income, if any, included in the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000: Provided that the amount of sur-charge payable under this clause shall in no case exceed one-eighth of the amount by which the income other than the earned income exceeds Rs. 10,000; (ii) where the amount of income other than the at the rate of 15 per cent earned income, if any, included in the total income exceeds Rs. 25,000 but does not exceed Rs. 75,000, Provided that the surcharge payable under this clause shall in no case exceed the aggregate of the following sums, name- by :- ( 1 ) an amount calculated at the rate of twelve and a half per cent, on the amount of super-tax on an income of Rs. 25,000, if such income had been the total income (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 person concerned); (2) one-eighth of the amount by which the income other than the earned income exceeds Rs. 25,000; (iii) where the amount of the income other than at the rate of 17,5 per cent the earned income, if any, included in the total income exceeds Rs. 75,000; Provided that the surcharge payable under this clause shall in no case exceed the aggregate of the following sums, namely: ( 1 ) an amount calculated at the rate of fifteen per cent on the amount of super-tax on an income of Rs. 75,000. if such income had been the total income (the income of Rs. 75,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total come of the person concerned); 2) one-eighth of the amount by which the income other than the earned income exceeds Rs. 75,000: (b) where the earned income included in the total income exceeds Rs. 1,00,000, a sum calculated at ten per cent of the difference between the amount of super-tax which would have been payable on the whole of the earned income included in the total income, if such earned income had been the total income and the amount of super-tax payable on a total income of Rs. 1,00,000. Paragraph B In the case of every local authority,- Rate of super-tax Per cent On the whole of the total income ... .. 16 Surcharge on super-tax The amount of super-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of 12 1/2 per cent of the amount of super-tax, Paragraph C In the case of every association of persons being aco-operative society as defined in clause (19) of Section 2 of the Income-tax Act--- Rates of super-tax Per cent (1) On the first Rs.25,000 of total income ... .. Nil (2) On the balance of total income ... .. 16 Surcharge on super-tax The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of 12 1/2 per cent of the amount of super-tax. Paragraph D In (he case of every company, other than the Life Insurance Coroporation of India established under the Life Insurance Corporation Act, 1956, Rates of super-tax Per cent On the whole of the total income ... .. 55: Provided that (i) a rebate at the rate of 37.5 per cent on the total income shall be allowed in the case of any company which- (a) in respect of its profits liable to tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1964, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such profits in accordance with the provisions of Section 194 of the Act-; and (b) is such a company as is referred to in Section 108 of the Income-tax Act-with a total income not exceeding Rs. 25,000; (ii) a rebate at the rate of 35 per cent 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 manufacture or production of any one or more of the articles specified in the list in Part IV of the Schedule; and at the rate of 30 per cent. on the balance of the total income shall be allowed in the case of a company which satisfies condition (a) of the preceding clause and which is such a company as is referred to in Section 108 of the Income-tax Act-with a total income exceeding Rs. 25,000; (iii) (A) in the case of a company which is wholly or mainly engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power and whose total income does not exceed rupees five lakhs, a rebate at the rate of 30 per cent on so much of its total income as does not exceed rupees two lakhs and a rebate at the rate of 20 per cent of the balance of the total income; and in addition where the total income includes any income attributable to the business of generation or distribution of electricity or of manufacture or production of any one or more of the articles specified in the list in Part IV of this Schedule, a rebate at the "ate of 5 per cent on so much of such inclusion as does not exceed rupees two lakhs and a rebate at the rate of 6 per cent on the balance, if any, of such inclusion, shall be allowed if- (a) such company satisfies condition (a) of clause (i); and (b) it is

not such a company as is referred to in Section 108 of the Income-tax Act-; (B) in the case of any company which is not entitled to any rebate under sub-clause (A) of this clause, a rebate at the rate of 26 per cent on so much of its total income as is attributable to the business of generation or distribution of electricity or of manufacture or production of any one or more of the articles specified in the list in Part IV of the Schedule; and at the rate of 20 per cent on the balance of the total income, shall be allowed if- (a) such company satisfies condition (a) of clause (i); and (b) it is not such a company as is referred to in section 108 of the Income-tax Act-; (iv) a rebate at the rate of 30 per cent 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 concern on or after the 1st day of April, 1961 and which has been approved by the Central Government; at the rate of 30 per cent 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 day of February, 1964 and which has been approved by the Central Government; and at the rate of 15 per cent on the balance of the total income shall be allowed in the case of any company not entitled to a rebate under any of the preceding clauses; Provided further that- (i) the amount of the rebate under clause (i) or clause (ii) or clause (iii) of the preceding 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, 1963, 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; (b) on the amount representing the face value at the rate of 12 1/2 per cent of any bonus shares or the 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 are or bonus have been issued wholly out of the share premium account of the company on or after the 31st day of March, 1964; and (c) in addition, in the case of a company referred to in clause (i) or clause (ii) or clause (iii) of the preceding proviso [being such a company as is referred to in section 108 of the Income-tax Act-or any other company as is referred to in clause (iii) of sub-section (2) of section 104-of that Act] 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 which 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 at the rate of 7.5 per cent dividends on preference shares which exceeds 10 per cent of the paid-up equity capital: (B) in any other case- on the whole amount of the dividends at the rate of 7.5 per cent other than dividends on preference shares: (ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with clause (i) or clause (ii) or clause (iii), as the case may be, of the preceding proviso only so much of the amounts of reduction mentioned in sub-clauses (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 super-tax payable by a company, as is referred to in section 108 of the Income-tax Act- and the total income of which exceeds rupees twenty-five thousand, shall not exceed the aggregate of (a) the super-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 the 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) fifty-five per cent of the amount by which its total income exceeds rupees twenty-five thousand: Provided further that the super-tax payable by a company, which is wholly or mainly engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or other form of power and which is not such a company as is referred to in section 108 of the Income-tax Act-and the total income of which exceeds rupees five lakhs, shall not exceed the aggregate of (a) the super-tax which would have been payable by the company if its total income had been rupees five lakhs (the income of rupees five lakhs 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) fifty-five per cent of the amount by which its total income exceeds rupees five lakhs. Explanation 1.- For the purposes of this Paragraph, a company shall be deemed to be mainly engaged 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 in its total income for the previous year is not less than fifty-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 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 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. Paragraph E In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, . . . Rate of super-tax On the whole of its profits and gains from the insurance business ..... 22.5 PART 03: RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES In every case in which under the provisions of sub-section (2) of Section 192-and 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 Super-tax Rate of Rate of Rate of income-tax surcharge super-tax surcharge 1. In the case of a person other than a company (a) where the person is resident on 18% 2% Nil Nil: 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): (b) where the person is not resident in India (i) 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): (ii) on the income from interest payable on any security of the Central Government issued or declared to clause (b) of sub-section (1) of Section 113 of the Income-tax Act- 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. Rate of Rate of income-tax Super-tax 2. In the case of a company (a) where the company is either an Indian company or company which has made the prescribed arrangement 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% (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 manufacture or production of any one or more of the articles specified in the list in Part IV of the Schedule; ... 15% 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 payment of dividends within India; ... 25% 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 ... 25% 25% (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; ... 25% 25% (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... Nil 40% (vi) on any other income ... 25% 40% PART 04: LIST OF ARTICLES (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, magnesite and mineral oil. (4) Industrial machinery specified under the heading "8. Industrial Machinery", sub-heading "A. Major items of specified equipment used in specific industries," of the First Schedule to the Industries (Development and Regulation) Act, 1951. (5) Boilers and steam-generating plants, steam engines and turbines and internal combustion engines. (6) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers. (7) Machine tools, precision tools, dies and jigs. (8) Tractors and earth-moving machinery. (9) Steel castings and forgings. (10) Cement and refractories. (11) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate (nitrolime-stone), ammonium chloride, superphosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro-phosphate. (12) Paper and pulp. (13) Tea. (14) 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, condensers, coils, magnetic materials and micro wave components. (15) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources. (16) Component parts of the articles mentioned in items Nos. (4), (5), (6) and (8), that is to say, such parts as are essential for the working of the machinery referred to in 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.

**SCHEDULE 02: THE SECOND SCHEDULE (See section 3-)**  
**Rates of Annuity Deposits** (i) In the case of any depositor whose total income does not exceed Rs. 15,000... Nil. (ii) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000-5 per cent of the adjusted total income: Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000. (iii) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000-7 1/2 per cent of the adjusted total income: Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:- (a) an amount calculated at five per cent on so much of the adjusted total income as does not exceed Rs. 20,000; (b) one-half of the amount by which the total income exceeds Rs. 20,000. (iv) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000-10 per cent of the adjusted total income: Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:- (a) an amount calculated at seven and half per cent on so much of the adjusted total income as does not exceed Rs. 40,000; (b) one-half of the amount by which the total income exceeds Rs. 40,000; (v) In the case of a depositor whose total income exceeds Rs. 70,000-12 1/2 per cent of the adjusted total income: Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:- (a) an amount calculated at ten per cent on so much of the adjusted total income as does not exceed Rs. 70,000; (b) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.- In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280-0 of that Act.

**SCHEDULE 03: THE THIRD SCHEDULE (See section 56-)** [Note.- This Third Schedule amended First Schedule to Indian Tariff Act, 1934 which now stands repealed by the Customs Tariff Act, 1975.] Central Bare Acts