Finance Act, 1987

Section 2 - INCOME-TAX

1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1987, income-tax shall be charged at the rates specified in Part I of the First Schedule. (2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,- (i) in a case to which the said Sub-Paragraphs I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then,- (a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,--- (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees, of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income: and (b) the income-tax chargeable shall be calculated as follows:- (i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased,- (A) in a case to which the said Sub-Paragraph I applies, by .sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub- clause (ii) and the sum so arrived at shall be in the income-tax in respect of the total income. (3) In cases to which the provisions of Chapter XII or Chapter XIIA or sub-section (1A) ofSection 161-orSection 164-orSection 164A-orSection 167A of the Income-tax Act, 1961-(hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub- section (1) or the rates as specified in that Chapter or section, as the case may be. (4) In cases in which tax has to be deducted underSections 193-,194-,194A-,194B-,194BB-,194D-and195 of the Income-tax Act-at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule. (5) Subject to the provisions of sub-section (6) in cases in which income-tax has to be calculated under the first proviso to sub-section (5) ofSection 132 of the Income-tax Act-or charged under sub-section (4) ofSection 172-or sub-section (2) ofSection 174-orSection 175-or sub-section (2) ofSection 176-of the said Act or deducted underSection 192-of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) ofsection 80E-of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged deducted or computed at the rate or rates specified in Part III of the First Schedule : Provided that in cases to which the provisions of Chapter XII or Chapter XIIA or sub-section (1A) ofSection 161-orSection 164-orSection 164A-orSection 167A of the Income-tax Act-apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be. (6) In the cases to which Sub-Paragraph I or Sub-Pragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, exceeding six hundred rupees, in addition to total income and the total income exceeds,- (i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and (ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees, then, in calculating income-tax under the

first proviso to sub-section (5) ofSection 132 of the income-tax Act-or in charging income-tax under sub-section (2) ofSection 174-orSection 175-or sub-section (2) ofSection 176-of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,--- (a) the net agricultural income shall be taken into account in the manner provided in clause (b) that is to say, as if the net agricultural income were comprised in the total income after,- (i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and (ii) in a case to which the said sub-paragraph II applies, the first twelve thousand rupees, of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and (b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows :--- (i) the total income and the net agricultural income shall be aggregated and, the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be; Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income; (ii) the net agricultural income shall be increased,--- (A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees, and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II, as if the net agricultural income as so increased were the total income; (iii) the amount of income-tax or "advance tax" determined in accordance with sub- clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of . the total income. (7) For the purposes of this section and the First Schedule.---- (a) "company in which the public are substantially interested" means a company within the meaning of clause (18) ofSection 2 of the Income-tax Act-, and includes, a subsidiary of such company if the whole of the share capital of such subsidiary company has been held by the parent company or by its nominees throughout the previous year; (b) "domestic company" means as Indian company, or any other company which, 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, 1987. has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions ofSection 194-of that Act; (c) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revial of policies of insurance); (d) "investment company" means a company whose gross total income (as defined inSection 80B of the income-tax Act-) consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources"; (e) "net agricultural income", in relation to a person means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule; (f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government; (g) "trading company" means a company whose business consists mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined inSection 80B of the Income-tax Act-) is not less than fifty one per cent of the amount of such gross total income; (h) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act. shall have the meanings, respectively, assigned to them in that Act.

ins.);44BBA-(ins.);45-;47-;48-; (subst.);49-;52-(omitted);53-;54-;54B-;54D-;54E-;54F-;54G-(ins.);55-;56-;57-;70-;71-(subst.);72-;74-(subst.);80C-;80CC-;80CCA-(ins.);80G-;80O-;80RRA-;80T-(omitted);80U-; CHAPTER 6-B (omitted) CHAP. 11 (omitted);115-(omitted); CHAPTER 12-A (containing)115J-(ins.);155-;192-;194-;194A-;194D-;195-;195A-(ins.);197-;199-;202-;203-;203A-(ins.);206-(subst.);245A-(subst.);245B-;245BA-; to245BD-(ins.);245C-;245D-;245E-;245F-;245H-;245HA-(ins.)245K-;245M-(omitted);272BB-(ins.);273B-;280 ZA-;285-and286-(omitted);293-; Eleventh Schedule;Section 74-made consequential Amendments to certain Sections.