

Finance Act 1970

Chapter III - Income-tax

In section 2 of the Income-tax Act, -

(a) in clause (14), for sub-clause (iii), the following sub-clause shall substituted, namely :-

"(iii) agricultural land in India, not being land situate -

(a) in any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee, or by any other name) or a cantonment board and which has a population of not less than ten thousand according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

(b) in any area within such distance, not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in item (a), as the Central Government may, having regard to the extent of, and scope for, urbanisation of that area and other relevant considerations, specify in this behalf by notification in the Official Gazette;";

(b) for clause (16), the following clause shall be substituted, namely :-

(16) "Commissioner" means a person appointed to be a Commissioner of Income-tax under sub-section (1) of Section 117, and includes a person appointed to be an Additional Commissioner of Income-tax under that sub-section;;

(c) in clause (37A), in sub-clause (i), for the words, figures and letter computation of the "advance tax" payable under Chapter XVII-C, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year, the following shall be substituted with effect from the 1st day of April, 1971, namely :-

computation of the "advance tax" payable under Chapter XVII-C in a case not falling under Section 164, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year, and for the purposes of computation of the "advance tax" payable under Chapter XVII-C in a case falling under section 164, the rate specified in that section or the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year, whichever is applicable.

In section 10 of the Income-tax Act, -

(a) after clause (20), the following clause shall be, and shall be deemed always to have been, inserted, namely :-

"(20A) any income of an authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both;"

(b) after clause (22), the following clause shall be inserted, namely :-

"(22A) any income of a hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit;"

Section 5 - Amendment of Section 11

In section 11 of the Income-tax Act, -

(a) in sub-section (1), -

(i) in clause (a), the words "and, where any such income is accumulated for application to such purposes in India, to the extent to which the income so accumulated is not in excess of twenty-five per cent. of the income from the property or rupees ten thousand, whichever is higher;" shall be omitted with effect from the 1st day of April, 1971;

(ii) in clause (b), the words "and where any such income is finally set apart for application to such purposes in India, to the extent to which the income so set apart is not in excess of twenty-five per cent. of the income from the property held under trust in part;" shall be omitted with effect from the 1st day of April, 1971;

(iii) for the Explanation, the following Explanation shall be substituted with effect from the 1st day of April, 1971, namely :-

"Explanation : For the purposes of clauses (a) and (b), if in the previous year, the income applied to charitable or religious purposes in India falls short of the income derived during that year from property held under trust, or, as the case may be, held under trust in part, by any amount, so much of the income applied to such purposes in India during the period of three months immediately following the previous year as does not exceed the said amount may, at the option of the person in receipt of the income [such option to be exercised in writing before the expiry of the time allowed under sub-section (1) or sub-section (2), of Section 139, whether fixed originally or on extension, for furnishing the return of income], be deemed to be income applied to such

purposes during the previous year, and the income so deemed to have been applied shall not be taken into account in calculating the amount of income applied to such purposes during the immediately following previous year.";

(b) for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :-

"(2) Where any income referred to in clause (a) or clause (b) of sub-section (1) read with the Explanation to that sub-section is not applied or is not deemed to have been applied to charitable or religious purposes in India during the previous year but is accumulated, or finally set apart, for application to such purposes in India, such income shall not be included in the total income of the previous year of the person in receipt of the income provided the following conditions are complied with, namely :-

(a) such person specifies, by notice in writing given to the Income-tax Officer in the prescribed manner, the purposes of which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed ten years;

(b) the money so accumulated or set apart is -

(i) invested in any Government security as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944), or in any other security which may be approved by the Central Government in this behalf, or

(ii) deposited in any account with the Post Office Savings Bank [including deposits made under the Post Office (Time Deposits) Rules, 1970] or a banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank), or

(iii) deposited in an account with a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of Section 36.";

(c) for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :-

"(3) Any income referred to in sub-section (2) which -

(a) is applied to purposes other than charitable or religious purposes as aforesaid or ceases to be accumulated or set apart for application thereto, or

(b) ceases to remain invested in any security referred to in sub-clause (i) or deposited in any account referred to in sub-clause (ii) or sub-clause (iii) of clause (b) of that sub-section, or

(c) is not utilised for the purposes for which it is so accumulated or set apart during the period referred to in clause (a) of that sub-section or in that year immediately following the expiry thereof,

shall be deemed to be the income of such person of the previous year in which it is so applied or ceases to be so accumulated or set apart or ceases to remain so invested or deposited or, as the case may be, of the previous year immediately following the expiry of the period aforesaid.";

(d) in sub-section (4), the words, brackets and figure "and accordingly chargeable to tax within the meaning of sub-section (3)" shall be omitted with effect from the 1st day of April, 1971.

Section 6 - Substitution of New Section for Section 13

For section 13 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely :-

13. Section 11 not to apply in certain cases. - (1) Nothing contained in section 11 shall operate so as to exclude from the total income of the previous year of the person in receipt thereof -

(a) any part of the income from the property held under a trust for private religious purposes which does not enure for the benefit of the public;

(b) in the case of a trust for charitable purposes or a charitable institution created or established after the commencement of this Act, any income thereof if the trust or institution is created or established for the benefit of any particular religious community or caste;

(c) in the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof -

(i) if such trust or institution has been created or established after the commencement of this Act and under the terms of the trust or the rules governing the institution, any part of such income enures, or

(ii) if any part such income or any property of the trust or institution (whenever created or established) is during the previous year used or applied,

directly or indirectly for the benefit of any person referred to in sub-section (3) :

Provided that in the case of a trust or institution created or established before the commencement of this Act, the provisions of sub-clause (ii) shall not apply to any use or application, whether directly or indirectly, of any part of such income or any property of the

trust or institution for the benefit of any person referred to in sub-section (3), if such use or application is by way of compliance with a mandatory term of the trust or a mandatory rule governing the institution :

Provided further that in the case of a trust for religious purposes or a religious institution (whenever created or established) or a trust for charitable purposes or a charitable institution created or established before the commencement of this Act, the provisions of sub-clause (ii) shall not apply to any use or application, whether directly or indirectly, of any part of such income or any property of the trust or institution for the benefit of any person referred to in sub-section (3) in so far as such use or application relates to any period before the 1st day of June, 1970.

(2) Without prejudice to the generality of the provisions of clause (c) of sub-section (1), the income or the property of the trust or institution or any part of such income or property shall, for the purposes of that clause, be deemed to have been used or applied for the benefit of a person referred to in sub-section (3), -

(a) if any part of the income or property of the trust or institution is, or continues to be, lent to any person referred to in sub-section (3) for any period during the previous year without either adequate security or adequate interest or both;

(b) if any land, building or other property of the trust or institution is, or continues to be, made available for the use of any person referred to in sub-section (3), for any period during the previous year without charging adequate rent or other compensation;

(c) if any amount is paid by way of salary, allowance or otherwise during the previous year to any person referred to in sub-section (3) out of the resources of the trust or institution for services rendered by that person to such trust or institution and the amount so paid is in excess of what may be reasonably paid for such services;

(d) if the services of the trust or institution are made available to any person referred to in sub-section (3) during the previous year without adequate remuneration or other compensation;

(e) if any share, security or other property is purchased by or on behalf of the trust or institution from any person referred to in sub-section (3) during the previous year for consideration which is more than adequate;

(f) if any share, security or other property is sold by or on behalf of the trust or institution to any person referred to in sub-section (3) during the previous year for consideration which is less than adequate;

(g) if a substantial portion of the income or property of the trust or institution is diverted during the previous year in favour of any person referred to in sub-section (3);
or

(h) if any funds of the trust or institution are, or continue to remain, invested for any period during the previous year (not being a period before the 1st day of January, 1971) in any concern in which any person referred to in sub-section (3) has a substantial interest.

(3) The persons referred to in clause (c) of sub-section (1) and sub-section (2) are the following, namely :-

(a) the author of the trust or the founder of the institution;

(b) any person who has made a substantial contribution to the trust or institution;

(c) where such author, founder or person is a Hindu undivided family, a member of the family;

(d) any relative of any such author, founder, person or member as aforesaid;

(e) any concern in which any of the persons referred to in clauses (a), (b), (c) and (d) has a substantial interest.

(4) Notwithstanding anything contained in clause (c) of sub-section (1), in a case where the aggregate of the funds of the trust or institution invested in a concern in which any person referred to in sub-section (3) has a substantial interest, does not exceed five per cent. of the capital of that concern, the exemption under section 11 shall not be denied in relation to any income other than the income arising to the trust or the institution from such investment, by reason only that the moneys of the trust or the institution have been invested in a concern in which such person has a substantial interest.

Explanation 1 : For the purposes of sections 11 and 12 and this section, "trust" includes any other legal obligation and for the purposes of this section "relative" also includes a lineal descendant of a brother or sister.

Explanation 2 : A trust or institution created or established for the benefit of Schedule Castes, backward classes, Scheduled Tribes or woman and children shall not be deemed to be trust or institution created or established for the benefit of a religious community or caste within the meaning of clause (b) of sub-section (1).

Explanation 3 : For the purposes of this section, a person shall be deemed to have a substantial interest in a concern, -

(i) in a case where the concern is a company, if its shares (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than twenty per cent. of the voting power are, at any time during the previous year, owned beneficially by such person or partly by such person and partly by one or more of the other persons referred to in sub-section (3);

(ii) in the case of any other concern, if such person is entitled, or such person and one or more of the other persons referred to in sub-section (3) are entitled in the aggregate, at any time during the previous year, to not less than twenty per cent. of the profits of such concern..

Section 7 - Amendment of Section 16

In section 16 of the Income-tax Act, for clause (iv), the following clause shall be substituted with effect from the 1st day of April, 1971, namely :-

"(iv) where the assessee is not in receipt of a conveyance allowance, whether as such or as part of his salary, in respect of expenditure on travelling for the purposes of his employment, a sum calculated in respect of each calendar month or part thereof comprised in the period of his employment during the previous year, on the basis provided hereunder, namely :-

(a) where the assessee owns a motor car which is used for the purposes of his employment	Rs. 200;
(b) where the assessee owns a motor cycle, scooter or other moped which is used for the purposes of his employment	Rs. 60;
(c) in any other case	Rs. 35;".

Section 8 - Amendment of Section 35B

In section 35B of the Income-tax Act, in sub-section (1), for sub-clause (iii) of clause (b), the following sub-clause shall be, and shall be deemed always to have been, substituted, namely :-

"(iii) distribution, supply or provision outside India of such goods, services or facilities, not being expenditure incurred in India in connection therewith or expenditure (wherever incurred) on the carried of such goods to their destination outside India or on the insurance of such goods while in transit;".

Section 9 - Amendment of Section 36

In section 36 of the Income-tax Act, in clause (viii) of sub-section (1), the following Explanation shall be deemed to have been inserted at the end with effect from the 1st day of April, 1966, namely :-

"Explanation : For the removal of doubts, it is hereby declared that in the case of a financial corporation to which sub-clause (a) applies, if the amount carried to the reserve account referred to in this clause in the accounts of the previous year relevant to the assessment year commencing on the 1st day April, 1966, falls short of twenty-five per cent. of the total income and the amount transferred to such reserve account in the accounts of the immediately succeeding previous year exceeds the amount in respect of which the corporation is entitled to

the deduction under this clause for the assessment year commencing on the 1st day of April, 1967, an amount equal to such excess shall, for the purpose of allowing the deduction under this clause, be deemed to have been transferred to the reserve account in the accounts of the first-mentioned previous year;"

Section 10 - Amendment of Section 37

In section 37 of the Income-tax Act, -

(a) in the Explanation to sub-section (2A), for the words "For the purposes of this sub-section", the words, brackets, figure and letter "For the purposes of this sub-section and sub-section (2B)" shall be substituted;

(b) after sub-section (2A), the following sub-section shall be inserted, namely :-

"(2B) Notwithstanding anything contained in this section, no allowance shall be made in respect of expenditure in the nature of entertainment expenditure incurred within India by any assessee after the 28th day of February, 1970.";

(c) after sub-section (3), the following sub-section shall be inserted, namely :-

(4) Notwithstanding anything contained in sub-section (1) or sub-section (3), -

(i) no allowance shall be made in respect of any expenditure incurred by the assessee after the 28th day of February, 1970, on the maintenance of any residential accommodation in the nature of a guest house (such residential accommodation being hereafter in this sub-section referred to as "guest house");

(ii) in relation to the assessment year commencing on the 1st day of April, 1971, or any subsequent assessment year, no allowance shall be made in respect of depreciation of any building used as a guest house or depreciation of any assets in a guest house :

Provided that the aggregate of the expenditure referred to in clause (i) and the amount of any depreciation referred to in clause (ii) shall, for the purposes of this sub-section, be reduced by the amount, if any, received from persons using the guest house :

Provided further that nothing in this sub-section shall apply in relation to any guest house maintained as a holiday home if such guest house -

(a) is maintained by an assessee who has throughout the previous year employed not less than one hundred whole-time employees in a business or profession carried on by him; and

(b) is intended for the exclusive use of such employees while on leave.

Explanation : For the purposes of this sub-section, -

(i) residential accommodation in the nature of a guest house shall include accommodation hired or reserved by the assessee in a hotel for a period exceeding one hundred and eighty-two days during the previous year; and

(ii) the expenditure incurred on the maintenance of a guest house shall, in a case where the residential accommodation has been hired by the assessee, include also the rent paid in respect of such accommodation..

Section 11 - Amendment of chapter iv-e relating to capital gains

In Chapter IV-E of the Income-tax Act, -

(a) in section 45, for the words and figures "sections 53 and 54", the words, figures and letter "sections 53, 54 and 54B" shall be substituted;

(b) in section 47, after clause (vii), the following clause shall be inserted, namely :-

"(viii) any transfer of agricultural land in India effected before the 1st day of March, 1970.";

(c) after section 54A, the following section shall be inserted, namely :-

"54B. Capital gain on transfer of land used for agricultural purposes not to be charged in certain cases. - Where the capital gain arises from the transfer of a capital asset being land which, in the two years immediately preceding the date on which the transfer took place, was being used by the assessee or a parent of his for agricultural purposes, and the assessee has, within a period of two years after that date, purchased any other land for being used for agricultural purposes, then, instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say, -

(i) if the amount of the capital gain is greater than the cost of the land so purchased (hereinafter referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under Section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be nil; or

(ii) if the amount of the capital gain is equal to or less than the cost of the new asset the capital gain shall not be charged under Section 45; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be reduced by the amount of the capital gain."

Section 12 - Amendment of Section 80-C

In section 80-C of the Income-tax Act, -

(a) In sub-section (2), after clause (f), the following clause shall be inserted with effect from the 1st day of April, 1971, namely :

"(g) where the assessee is an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu -

(i) any sums paid in the previous year by the assessee out of its income chargeable to tax -

(1) to effect or to keep in force an insurance on the life of any member of such association or body or on the life of any child of any of the members of such association or body; or

(2) to effect or to keep in force a contract for a deferred annuity on the life of any member of such association or body or any child of any of the members of such association or body, notwithstanding that such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or

(3) as a contribution to any provident fund referred to in sub-clause (iv) of clause (a);

(ii) any sums deposited in the previous year by such association or body out of its income chargeable to tax in a 10-year account or a 15-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.";

(b) in sub-section (3), for the words, brackets and letters "clauses (a) and (b)", the words, brackets and letter "clauses (a), (b) and (g)" shall be substituted with effect from the 1st day of April, 1971;

(c) in sub-section (4), after clause (iii), the following clause shall be inserted with effect from the 1st day of April, 1971, namely :

"(iv) in the case of an association of persons or a body of individuals referred to in clause (g) of sub-section (2), thirty per cent. of the gross total income of such association or body, or fifteen thousand rupees, whichever is less."

Section 13 - Amendment of Section 80-G

In Section 80-G of the Income-tax Act, -

(a) in clause (i) of sub-section (5), after the word, brackets and figures "clause (22)", the words, brackets, figures and letter "or clause (22-A)" shall be inserted;

(b) for Explanation 2, following Explanation shall be substituted with effect from the 1st day of April, 1971, namely :

"Explanation 2 : For the removal of doubts, it is hereby declared that a deduction to which the assessee is entitled in respect of any donation made to an institution or fund to which sub-section (5) applies shall not be denied merely on either or both of the following grounds, namely :-

(i) that, subsequent to the donation, any part of the income of the institution or fund has become chargeable to tax due to non-compliance with any of the provisions of Section 11;

(ii) that, under clause (c) of sub-section (1), of Section 13, the exemption under Section 11 is denied to the institution or fund in relation to any income raising to it from any investment referred to in clause (h) of sub-section (2) of Section 13 where the aggregate of the funds invested by it in a concern referred to in the said clause (h) does not exceed five per cent. of the capital of that concern."

Section 14 - Substitution of New Section For Section 80-L

For section 80-L of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely :

"80-L. Deductions in respect of interest on certain securities, dividends, etc. - (1) Where the gross total income of an assessee includes any income by way of -

(i) interest on any security of the Central Government or a State Government (not being interest payable under Section 280-D in respect of any annuity deposit made under Chapter XXII-A);

(ii) interest on such debentures, issued by any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank) or any other institution or authority, as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iii) interest on deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette;

(iv) dividends from any Indian company;

(v) income received in respect of units from the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

(vi) interest on deposits with a banking company to which the Banking Regulation Act, 1949, (10 of 1949) applies (including any bank or banking institution referred to in Section 51 of that Act) or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development) bank; or

(vii) interest on deposits with a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of Section 36, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction as specified hereunder, namely :

(a) in a case where the amount of such income does not exceed in the aggregate three thousand rupees, the whole of such amount; and

(b) in any other case, three thousand rupees.

(2) In a case where the assessee is entitled also to the deduction under Section 80-K in relation to the whole or any part of the income by way of dividends referred to in clause (iv) of sub-section (1), only so much of such income by way of dividends as may remain after the deduction under Section 80-K shall be taken into account for the purpose of allowing the deduction under sub-section (1)."

Section 15 - Amendment of Section 80M

In section 80M of the Income-tax Act, for sub-section (2), the following sub-section shall be substituted with effect from the 1st day of April, 1971, namely :-

"(2) Where a company to which this section applies is entitled also to the deduction in respect of income by way of dividends under section 80K or section 80L, the deduction under sub-section (1) shall be allowed in respect of income by way of dividends referred to therein as reduced by the aggregate of the deductions, if any, in respect of income by way of dividends under section 80K and section 80L.

Explanation : For the purposes of this section, the deduction in respect of income by way of dividends under section 80L shall be taken to be so much of the amount of the deduction under that section as may be in excess of the aggregate of the items of income referred to in clause (i), (ii), (iii), (v), (vi) and (vii) of sub-section (1) of that section."

Section 16 - Amendment of Section 80MM

In section 80MM of the Income-tax Act, in sub-section (1), for the portion beginning with the words "under an agreement" and ending with the words "total income of the assessee", the following shall be

substituted, namely :-

"under an agreement entered into by the assessee with such person on or after the 1st day of April, 1969, and approved by the Central Government in this behalf, there shall be allowed a deduction from such income of an amount equal to forty per cent. thereof, in computing the total income of the assessee :

Provided that the application for such approval is made to the Central Government before the 1st day of October of the relevant assessment year."

Section 17 - Amendment of Section 116

In section 116 of the Income-tax Act, for clause (c), the following clause shall be substituted, namely :-

"(c) Commissioners of Income-tax and Additional Commissioners of Income-tax,".

Section 18 - Amendment of Section 117

In section 117 of the Income-tax Act, in sub-section (1), after the words "Directors of Inspection, Commissioners of Income-tax,", the words "Additional Commissioners of Income-tax," shall be inserted.

Section 19 - Substitution of New Section for Section 130

For section 130 of the Income-tax Act, the following section shall be substituted, namely :-

"130. Commissioner competent to perform any function or functions. - (1) In respect of any function to be performed by a Commissioner under any provision of this Act in relation to an assessee, the Commissioner referred to therein shall, -

(a) in a case where only one Commissioner has jurisdiction over such assessee, be such Commissioner;

(b) in a case where two or more Commissioner have concurrent jurisdiction over such assessee, be the Commissioner empowered to perform such function by the Board.

(2) Subject to the provisions of sub-section (1), for the purposes of Sections 253, 254, 256, 263 and 264, the Commissioner referred to therein shall, in relation to an assessee, be the Commissioner having for the being jurisdiction over the assessee."

Section 20 - Amendment of Section 139

In section 139 of the Income-tax Act, after sub-section (4), the following sub-section shall be inserted with effect from the 1st day of April, 1971, namely :-

"(4A) Every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes, or in part only for such purposes, shall, if the total income in respect of which he is assessable as a representative assessee [the total income for this purpose being computed under this Act without giving effect to the provisions of sub-section (1) of Section 11] exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of this Act shall, so far as may be, apply as if it were a return required to be furnished under sub-section (1).".

Section 21 - Substitution of new Section for Section 164

For section 164 of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1971, namely :-

"164. Charge of tax where share of beneficiaries unknown. -(1) Subject to the provisions of sub-sections (2) and (3), where any income in respect of which the persons mentioned in clause (iii) and (iv) of sub-section (1) of section 160 are liable as representative assesseees or any part thereof is not specifically receivable on behalf or for the benefit of any one person or where the individual shares of the persons on whose behalf or for whose benefit such income or such part thereof is receivable are indeterminate or unknown (such income, such part of the income and such persons being hereafter in this section referred to as "relevant income", "part of relevant income" and "beneficiaries", respectively), tax shall be charged -

(i) as if the relevant income or part of relevant income were the total income of an association of persons, or

(ii) at the rate of sixty-five per cent.,

whichever course would be more beneficial to the revenue :

Provided that in a case where -

(i) none of the beneficiaries has any other income chargeable under this Act; or

(ii) the relevant income or part of relevant income is receivable under a trust declared by will; or

(iii) the relevant income or part of relevant income is receivable under a trust created before the 1st day of March, 1970, by a non-testamentary instrument and the Income-tax Officer is satisfied, having regard to all the circumstances existing at the relevant time, that the trust was created bona fide exclusively for the benefit of the relatives of the settlor, or where the settlor is a Hindu undivided family, exclusively for the benefit of the members of such family, in circumstances where such relatives or members were mainly dependent on the settlor for their support and maintenance; or

(iv) the relevant income is receivable by trustees on behalf of a provident fund, superannuation fund, gratuity fund, pension fund or any other fund created bona fide by a person carrying on a business or profession exclusively for the benefit of persons employed in such business or profession,

tax shall be charged as if the relevant income or part of relevant income were the total income of an association of person.

(2) In the case of relevant income which is derived from property held under trust wholly for charitable or religious purposes, tax shall be charged on so much of the relevant income as is not exempt under section 11, as if the relevant income not so exempt were the income of an association of persons.

(3) In a case where the relevant income is derived from property held under trust in part only for charitable or religious purposes and either the relevant income applicable to purposes other than charitable or religious purposes (or any part thereof) is not specifically receivable on behalf of any person or the individual shares of the beneficiaries in the income so applicable are indeterminate or unknown, the tax chargeable on the relevant income shall be either -

(a) the tax which would be chargeable if the whole of the relevant income (as reduced by the income, if any, which is exempt under section 11) were the total income of an association of persons; or

(b) the aggregate of -

(i) the tax which would be chargeable on that part of the relevant income which is applicable to charitable or religious purposes (as reduced by the income, if any, which is exempt under section 11) as if such part (or such part as so reduced) were the total income of an association of persons; and

(ii) the tax on that part of the relevant income which is applicable to purposes other than charitable or religious purposes, and in respect of which the shares of the beneficiaries are indeterminate or unknown, at the rate of sixty-five per cent.,

whichever course would be more beneficial to the revenue :

Provided that in a case where -

(i) none of the beneficiaries in respect of the part relevant income which is not applicable to charitable or religious purposes has any other income chargeable under this Act; or

(ii) the relevant income is receivable under a trust declared by will; or

(iii) the relevant income is receivable under a trust created before the 1st day of March, 1970, by a non-testamentary instrument and the Income-tax Officer is satisfied, having regard to all the circumstances existing at the relevant time, that the trust, to the extent it is not for charitable or religious purposes, was created bona fide exclusively for the

benefit of the relatives of the settlor, or where the settlor is a Hindu undivided family, exclusively for the benefit of the members of such family in circumstances where such relatives or members were mainly dependant on the settlor for their support and maintenance,

tax shall be chargeable as if the relevant income (as reduced by the income, if any, which is exempt under section 11) were the total income of an association of persons."

Section 22 - Amendment of Section 193

In section 193 of the Income-tax Act, in the proviso, after clause (ii), the following clauses shall be inserted, namely :-

"(ia) any interest payable on 7-Year National Savings Certificates (IV Issue); or

(iib) any interest payable on such debentures, issued by any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank) or any other institution or authority, as the Central Government may, by notification in the Official Gazette, specify in this behalf; or".

Section 23 - Amendment of Section 194A

In section 194A of the Income-tax Act, in sub-section (3), after clause (v), the following clauses shall be inserted, namely :-

"(vi) to such income credited or paid in respect of deposits under any scheme framed by the Central Government and notified by it in this behalf in the Official Gazette;

(vii) to such income credited or paid in respect of deposits with a banking company to which the Banking Regulation Act, 1949 (10 of 1949, applies (including any bank or banking institution referred to in section 51 of that Act), or with a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank)".

Section 24 - Amendment of Section 195

In section 195 of the Income-tax Act, after sub-section (2), the following sub-sections shall be inserted, namely :-

"(3) Subject to rules made under sub-section (5), any person entitled to receive any interest or other sum on which income-tax has to be deducted under sub-section (1) may make an application in the prescribed form to the Income-tax Officer for the grant of a certificate authorising him to receive such interest or other sum without deduction of tax under that sub-section, and where any such certificate is granted, every person responsible for paying such interest or other sum to the person to whom such certificate is granted shall, so long as the certificate is in force, make payment of such interest or other sum without deducting tax

thereon under sub-section (1).

(4) A certificate granted under sub-section (3) shall remain in force till the expiry of the period specified therein or, if it is cancelled by the Income-tax Officer before the expiry of such period, till such cancellation.

(5) The Board may, having regard to the convenience of assesseees and the interests of revenue, by notification in the Official Gazette, make rules specifying the cases in which, and the circumstances under which, an application may be made for the grant of a certificate under sub-section (3) and the conditions subject to which such certificate may be granted and providing for all other matters connected therewith."

Section 25 - Amendment of Section 212

In section 212 of the Income-tax Act, to sub-section (3A), the following proviso shall be added, namely :-

"Provided that in a case where the Commissioner is satisfied that, having regard to the nature of the business carried on by the assessee and the date of expiry of the previous year in respect of such business, it will be difficult for the assessee to furnish the estimate required to be furnished by him in accordance with the provisions of this sub-section before the date on which the last instalment of advance tax is due in his case, he may, if the assessee pays the advance tax demanded from him under section 210 before such date, extend the date for furnishing such estimate up to a period of thirty days immediately following the last date of the previous year in respect of that business, and where the date is so extended, the assessee shall pay, on or before the date as so extended, the amount by which the amount of advance tax already paid by him falls short of the advance tax payable in accordance with his estimate."