

Finance Act 1975

Chapter III - Direct Taxes

In section 10 of the Income-tax Act, -

(a) in sub-clause (ii) of clause (5), -

(i) in item (a) and item (b), for the words "himself, his spouse and children," the words "himself and his family," shall be substituted;

(ii) in the proviso, for the words "shall in no case exceed," the words "shall not, except in such cases and under such circumstances as may be prescribed having regard to the travel concession or assistance granted to the employees of the Central Government, exceed" shall be substituted;

(iii) the following Explanation shall be inserted at the end, namely :-

Explanation : For the purposes of this sub-clause, "family", in relation to an individual, means -

(i) the spouse and children of the individual; and

(ii) the parents, brothers, and sisters of the individual or any of them, wholly or mainly dependent on the individual;;

(b) after clause (10A), the following clause shall be inserted with effect from the 1st day of April, 1976, namely :-

(10B) any compensation received by a workman under the Industrial Disputes Act, 1947 (14 of 1947); or under any other Act or rules, orders or notifications issued thereunder or under any standing orders or under any award, contract of service or otherwise, at the time of his retrenchment, to the extent such compensation does not exceed -

(i) an amount calculated in accordance with the provisions of clause (b) of section 25F of the Industrial Disputes Act, 1947 (14 of 1947); or

(ii) twenty thousand rupees,

whichever is less,

Explanation : For the purposes of this clause -

(a) compensation received by a workman at the time of the closing down of the undertaking in which he is employed shall be deemed to be compensation received at the time of his retrenchment;

(b) compensation received by a workman, at the time of the transfer (whether by agreement or by operation of law) of the ownership or management of the undertaking in which he is employed from the employer in relation to that undertaking to a new employer, shall be deemed to be compensation received at the time of his retrenchment if -

(i) the service of the workman has been interrupted by such transfer; or

(ii) the terms and conditions of service applicable to the workman after such transfer are in any way less favourable to the workman than those applicable to him immediately before the transfer; or

(iii) the new employer is, under the terms of such transfer or otherwise, legally not liable to pay to the workman, in the event of his retrenchment, compensation on the basis that his service has been continuous and has not been interrupted by the transfer;

(c) the expressions "employer" and "workman" shall have the same meanings as in the Industrial Disputes Act, 1947 (14 of 1947);;

(c) in clause (13A), for the words "three hundred rupees", the words "four hundred rupees" shall be substituted;

(d) in clause (14), the following Explanation shall be inserted, and shall be deemed always to have been inserted, at the end, namely :-

"Explanation : For the removal of doubts, it is hereby declared that any allowance granted to the assessee to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides shall not be regarded, for the purposes of this clause, as a special allowance granted to meet expenses wholly, necessarily and exclusively incurred in the performance of such duties;"

(e) clause (27) shall be omitted with effect from the 1st day of April, 1976.

Section 4 - Amendment of Section 32

In section 32 of the Income-tax Act, in clause (ii) of sub-section (1), after the proviso, the following proviso shall be inserted, namely :-

"Provided further that no deduction shall be allowed under this clause or clause (iii) in respect of any motor car manufactured outside India, where such motor-car is acquired by the assessee after the 28th day of February, 1975 and is used otherwise than in a business of

running it on hire for tourists;".

Section 5 - Amendment of Section 33A

In section 33A of the Income-tax Act, the following Explanation shall be inserted, and shall be deemed always to have been inserted, at the end, namely :-

"Explanation : For the purposes of this section, an assessee having a leasehold or other right of occupancy in any land shall be deemed to own such land and where the assessee transfers such right, he shall be deemed to have sold or otherwise transferred such land."

Section 6 - Amendment of Section 40A

In section 40A of the Income-tax Act, -

(a) after sub-section (6), the following sub-section shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1973, namely :-

"(7)(a) Subject to the provisions of clause (b), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason.

(b) Nothing in clause (a) shall apply in relation to -

(i) any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year;

(ii) any provision made by the assessee for the previous year relevant to any assessment year commencing on or after the 1st day of April, 1973, but before the 1st day of April, 1976, to the extent the amount of such provision does not exceed the admissible amount, if the following conditions are fulfilled, namely :-

(1) the provision is made in accordance with an actuarial valuation of the ascertainable liability of the assessee for payment of gratuity to his employees on their retirement or on termination of their employment for any reason;

(2) the assessee creates an approved gratuity fund for the exclusive benefit of his employees under an irrevocable trust, the application for the approval of the fund having been made before the 1st day of January, 1976; and

(3) a sum equal to at least fifty per cent. of the admissible amount, or where any amount has been utilised out of such provision for the

purpose of payment of any gratuity before the creation of the approved gratuity fund, a sum equal to at least fifty per cent. of the admissible amount as reduced by the amount so utilised, is paid by the assessee by way of contribution to the approved gratuity fund, before the 1st day of April, 1976, and the balance of the admissible amount or, as the case may be, the balance of the admissible amount as reduced by the amount so utilised, is paid by the assessee by way of such contribution before the 1st day of April, 1977.

Explanation 1 : For the purpose of sub-clause (ii) of clause (b) of this sub-section, admissible amount means the amount of the provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason, to the extent such amount does not exceed an amount calculated at the rate of eight and one-third per cent. of the salary [as defined in clause (h) of rule 2 of Part A of the Fourth Schedule] of each employee entitled to the payment of such gratuity for each year of his service in respect of which such provision is made.

Explanation 2 : For the removal of doubts, it is hereby declared that where any provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason has been allowed as a deduction in computing the income of the assessee for any assessment year, any sum paid out of such provision by way of contribution towards an approved gratuity fund or by way of gratuity to any employee shall not be allowed as a deduction in computing the income of the assessee of the previous year in which the sum is so paid.";

(b) after sub-section (7) as so inserted, the following sub-section shall be inserted, with effect from the 1st day of April, 1976, namely :-

(8) Where the assessee, being a company (other than a banking company or a financial company), incurs any expenditure by way of interest in respect of any deposit received by it, fifteen per cent. of such expenditure shall not be allowed as a deduction.

Explanation : In this sub-section, -

(a) "banking company" means a company to which the Banking Regulation Act, 1949 (10 of 1949), applies and includes any bank or banking institution referred to in section 51 of that Act;

(b) "deposit" means any deposit of money with, and includes any money borrowed by, a company, but does not include any amount received by the company -

(i) from the Central Government or any State Government or any local authority, or from any other source where the repayment of the amount is guaranteed by the Central Government or a State Government;

(ii) from the Government of a foreign State, or from a citizen of a foreign State, or from any institution, association or body (whether incorporated or not) established outside India;

(iii) as a loan from a banking company or from 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);

(iv) as a loan from any institution or body specified in the list in the Tenth Schedule or such other institution or body as the Central Government may, having regard to the nature and objects of the institution or body, by notification in the Official Gazette, specify in this behalf;

(v) from any other company;

(vi) from an employee of the company by way of security deposit;

(vii) by way of security or as an advance from any purchasing agent, selling agent or other agent in the course of, or for the purpose of, the business of the company or as advance against orders for the supply of goods or for the rendering of any service;

(viii) by way of subscription to any share, stock, bond or debenture (such bond or debenture being secured by a charge or a lien on the assets of the company) pending the allotment of the said share, stock, bond or debenture, or by way of advance payment of any moneys uncalled and unpaid upon any shares in the company, if such moneys are not repayable in accordance with the articles of association of the company;

(ix) as a loan from any person where the loan is secured by the creation of a mortgage, charge or pledge of any assets of the company (such loan being hereafter in this sub-clause referred to as the relevant loan) and the amount of the relevant loan, together with the amount of any other prior debt or loan secured by the creation of a mortgage, charge or pledge of such assets, is not more than seventy-five per cent. of the price that such assets would ordinarily fetch on sale in the open market on the date of creation of the mortgage, charge or pledge for the relevant loan;

(c) "financial company" means -

- (i) a hire-purchase finance company, that is to say, a company which carries on, as its principal business, hire-purchase transactions or the financing of such transactions; or
- (ii) an investment company, that is to say, a company which carries on, as its principal business, the acquisition of shares, stock, bonds, debentures, debenture stock, or securities issued by the Government or a local authority, or other marketable securities of a like nature; or
- (iii) a housing finance company, that is to say, a company which carries on, as its principal business, the business of financing of acquisition or construction of houses, including acquisition or development of land in connection therewith;
- (iv) a loan company, that is to say, a company [not being a company referred to in sub-clauses (i) to (iii)] which carries on, as its principal business, the business of providing finance, whether by making loans or advances or otherwise;
- (v) a mutual benefit finance company, that is to say, a company which carries on, as its principal business, the business of acceptance of deposits from its members and which is declared by the Central Government under section 620A of the Companies Act, 1956 (1 of 1956), to be a Nidhi or Mutual Benefit Society;
- (vi) a miscellaneous finance company, that is to say, a company which carries on exclusively, or almost exclusively, two or more classes of business referred to in the preceding sub-clauses..

Section 7 - Amendment of Section 43

In section 43 of the Income-tax Act, in the proviso to clause (1), after the words, figures and letters "the 31st day of March, 1967", the words, figures and letters, "but before the 1st day of March, 1975," shall be inserted.

Section 8 - Insertion of New Section 44B

In the Income-tax Act, after section 44A, the following section shall be inserted with effect from the 1st day of April, 1976, namely :-

44B. Special provision for computing profits and gains of shipping business in the case of non-residents. - (1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of ships, a sum equal to seven and a half per cent. of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession",

(2) The amounts referred to in sub-section (1) shall be the following, namely :-

(i) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, live-stock, mail or goods shipped at any port in India; and

(ii) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, live-stock, mail or goods shipping at any port outside India..

Section 9 - Amendment of Section 52

In section 52 of the Income-tax Act, in sub-section (2), the following proviso shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1974, namely :-

"Provided that this sub-section shall not apply in any case -

(a) where the capital asset is transferred to the Government, or

(b) where the full value of the consideration for the transfer of the capital assets is determined or approved by the Central Government or the Reserve Bank of India and the adequacy of the full value of the consideration so determined or approved is not questioned by the assessee."

Section 10 - Amendment of Section 80C

In section 80C of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of April, 1976, namely :-

"(1) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely :-

(a) where such aggregate does not exceed Rs. 4,000	The whole of such aggregate;
(b) where such aggregate exceeds Rs. 4,000 but does not exceed Rs. 10,000	Rs. 4,000 plus 50 per cent. of the amount by which such aggregate exceeds Rs. 4,000;
(c) where such aggregate exceeds Rs. 10,000	Rs. 7,000 plus 40 per cent. of the amount by which such aggregate exceeds Rs. 10,000."

Section 11 - Insertion of New Section 80FF

In the Income-tax Act, after section 80F, the following section shall be inserted, with effect from the 1st day of April, 1976, namely :-

80FF. Deduction in respect of expenses on higher education in certain cases. - (1) Where an individual, who is a citizen of India and whose gross total income does not exceed twelve thousand rupees, has expended any sum during the previous year out of his income chargeable to tax for the full time education of a dependent, he shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (2) in the computation of his total income.

(2) The amount referred to in sub-section (1) shall be -

(i) in a case where the individual has a dependent undergoing a degree or post-graduate course in medicine (including surgery and obstetrics) or architecture or engineering or technology or business management, one thousand rupees in respect of each such dependent; and

(ii) in a case where the individual has a dependent undergoing a diploma course in medicine (including surgery and obstetrics) or architecture or engineering or technology or business management, or undergoing any degree or post-graduate course, other than a degree or post-graduate course referred to in clause (i), five hundred rupees in respect of each such dependent :

Provided that where the individual has, during the previous year, incurred expenditure on the education of more than two dependents as aforesaid, the deduction under sub-section (1) shall be allowed only with reference to two such dependents as may be chosen by him.

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

(a) "dependent", in relation to an individual, means a child, brother or sister of the individual, wholly or mainly dependent on the individual;

(b) "degree course", "post-graduate course" and "diploma course" include respectively any course of study for obtaining a qualification, which, though not described as a degree or post-graduate qualification or diploma, is recognised for purposes of employment under the Central Government as equivalent to a degree, post-graduate qualification or diploma.

Section 12 - Amendment of Section 80J

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

(a) in sub-section (1), the following proviso shall be inserted at the end with effect from the 1st day of April, 1976, namely :-

Provided that in relation to the profits and gains derived by an assessee, being a company, from an industrial undertaking which begins to manufacture or produce articles or to operate its cold storage plant or plants after the 31st day of March, 1976,

or from a ship which is first brought into use after that date, or from the business of a hotel which starts functioning after that date, the provisions of this sub-section shall have effect as if for the words "six per cent.", the words "seven and a half per cent." had been substituted.;

(b) in sub-section (4), -

(i) in clause (ii), the words and brackets "a building (not being a building taken on rent or lease)," shall be omitted with effect from the 1st day of April, 1976;

(ii) in clause (iii), for the words "twenty-eight years", the words "thirty-three years" shall be substituted;

(iii) the following proviso and Explanations shall be inserted at the end with effect from the 1st day of April, 1976, namely :-

"Provided further that, where any building or any part thereof previously used for any purpose is transferred to the business of the industrial undertaking, the value of the building or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking.

Explanation 1 : For the purposes of clause (ii) of this sub-section, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely :-

(a) such machinery or plant was not, at any time, previous to the date of the installation by the assessee, used in India;

(b) such machinery or plant is imported into India from any country outside India; and

(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of the Indian Income-tax Act, 1922 (11 of 1922), or this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee.

Explanation 2 : Where in the case of an industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with and the total value of the machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking.";

(c) in sub-section (5), in clause (iii), for the words "twenty-eight years", the words "thirty-three years" shall be substituted;

(d) in sub-section (6), -

(i) for clause (a), the following clause shall be substituted, namely :-

"(a) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose;"

(ii) after clause (d), the following clause shall be inserted, namely :-

"(e) the business of the hotel starts functioning on or after the 1st day of April, 1961, but before the 1st day of April, 1981;"

(iii) for the Explanation, the following Explanation shall be substituted, with effect from the 1st day of April, 1976, namely :-

"Explanation : Where in the case of the business of a hotel, any building, or any part thereof, previously used as a hotel, or any machinery or plant, or any part thereof, previously used for any purpose, is transferred to a new business and the total value of the building, machinery or plant or part so transferred does not exceed twenty per cent. of the total value of the building, machinery or plant used in the business, then, for the purposes of clause (a) of this sub-section, the condition specified therein shall be deemed to have been complied with and the total value of the building, machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the business of the hotel.";

(e) after sub-section (6), the following sub-sections shall be inserted with effect from the 1st day of April, 1976, namely :-

(6A) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (1) from profits and gains derived from an industrial undertaking shall not be admissible unless the accounts of the industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant, as defined in the Explanation below sub-section (2) of section 288, and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(6B) Where any goods held for the purposes of the business of the industrial undertaking or the hotel or the operation of the ship are transferred to any other business carried on by the assessee, or where any goods held for the purposes of any other business carried on by the assessee are transferred to the business of the

industrial undertaking or the hotel or the operation of the ship and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the business of the industrial undertaking or the hotel or the operation of the ship does not correspond to the market value of such goods as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of the industrial undertaking or the business of the hotel or the operation of the ship shall be computed as if the transfer, in either case, had been made at the market value of such goods as on that date :

Provided that where, in the opinion of the Income-tax Officer, the computation of the profits and gains of the industrial undertaking or the business of the hotel or the operation of the ship in the manner hereinbefore specified presents exceptional difficulties, the Income-tax Officer may compute such profits and gains on such reasonable basis as he may deem fit.

Explanation : In this sub-section, "market value", in relation to any goods, means the price that such goods would ordinarily fetch on sale in the open market.

(6C) Where it appears to the Income-tax Officer that, owing to the close connection between the assessee carrying on the business of the industrial undertaking or the hotel or the operation of the ship to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the assessee more than the ordinary profits which might be expected to arise in the business of the industrial undertaking or the hotel or the operation of the ship, the Income-tax Officer shall, in computing the profits and gains of the industrial undertaking or the hotel or the ship for the purposes of the deduction under this section, take the amount of profits as may be reasonably deemed to have been derived therefrom.

Section 13 - Insertion of New Section 80JJ

In the Income-tax Act, after section 80J, the following section shall be inserted with effect from the 1st day of April, 1976, namely :-

"80JJ. Deduction in respect of profits and gains from business of live-stock breeding or poultry or dairy farming. - Where the gross total income of an assessee includes any profits and gains derived from a business of live-stock breeding, or poultry or dairy farming, there shall 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 profits and gains does not exceed, in the aggregate, ten thousand rupees, the whole of such amount; and

(b) in any other case, one-third of the aggregate amount of such profits and gains or ten thousand rupees, which ever is higher".

Section 14 - Amendment of Section 80K

In section 80K of the Income-tax Act, the following proviso shall be inserted at the end, namely :-

"Provided that no deduction under this section shall be allowed in respect of any income by way of dividends which is attributable to the profits and gains derived by the company from an industrial undertaking which begins to manufacture or produce articles or to operate its cold storage plant or plants after the 31st day of March, 1976 or from a ship which is first brought into use after that date or from the business of a hotel which starts functioning after that date."

Section 15 - Amendment of Section 80M

In section 80M of the Income-tax Act, in sub-section (1), for clauses (a) and (b), the following clauses shall be substituted with effect from the 1st day of April, 1976, namely :-

"(a) where the assessee is a domestic company	
(i) in respect of such income by way of dividends from a company formed and registered under the Companies Act, 1956 (1 of 1956), after the 28th day of February, 1975 and engaged exclusively or almost exclusively in the manufacture or production of any one or more of the articles or things specified in items 11 and 18, item 23 (excluding refractories) and item 24 in the list in the Ninth Schedule	the whole of such income;
(ii) in respect by way of dividends other than the dividends referred to in cent. of sub-clause (i) such income;	sixty per of such income
(b) where the assessee is a foreign company, in respect of such income by way of dividends	sixty-five per cent. of such income."

Section 16 - Amendment of Section 80QQ

In section 80QQ of the Income-tax Act, in sub-section (1), for the words "four assessment years", the words "nine assessment years" shall be substituted.

Section 17 - Insertion of New Section 80RRA

In the Income-tax Act, after section 80RR, the following section shall be inserted, namely :-

80RRA. Deduction in respect of remuneration from foreign employers. - (1) Where the gross total income of an individual who is a citizen of India includes any remuneration received by him from any foreign employer for any service rendered by him outside India, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the individual, a deduction from such remuneration of an amount equal to fifty per cent. thereof :

Provided that where the individual renders continuous service outside India under or for the foreign employer for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

(2) The deduction under this section shall be allowed -

(i) in the case of an individual who is or was, immediately before undertaking the service under or for the foreign employer, in the employment of the Central Government or any State Government, only if such service is sponsored by the Central Government; and

(ii) in the case of any other individual, only if he is a technician and the contract of service under or for the foreign employer is approved in this behalf by the Central Government or the prescribed authority.

Explanation 1 : In this section, "foreign employer" means, -

- (a) the Government of a foreign State; or
- (b) a foreign enterprise; or
- (c) any association or body established outside India.

Explanation 2 : For the purposes of this section, "technician" means a person having specialised knowledge and experience in -

- (i) constructional or manufacturing operations or mining or the generation or distribution of electricity or any other form of power; or
- (ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building; or
- (iii) public administration or industrial or business management; or
- (iv) accountancy; or
- (v) any field of natural or applied science (including medical science) or social science; or
- (vi) any other field which the Board may prescribe in this behalf,

who is employed by the foreign employer in a capacity in which such specialised knowledge and experience are actually utilised.

Section 18 - Substitution of New Section for Section 106

In the Income-tax Act, for section 106, the following section shall be substituted, namely :-

"106. Period of limitation for making orders under section 104. - No order under section 104 shall be made at any time after -

(a) the expiry of -

(i) four years from the end of the assessment year relevant to the previous year referred to in sub-section (1) of that section, where such assessment year is an assessment year commencing on or before the 1st day of April, 1974;

(ii) two years from the end of the assessment year relevant to the previous year referred to in sub-section (1) of that section, where such assessment year is an assessment year commencing after the 1st day of April, 1974; or

(b) the expiry of one year from the end of the financial year in which the assessment or re-assessment of the profits and gains of the previous year referred to in sub-section (1) of that section is made,

whichever is later :

Provided that the period of limitation specified in this section shall not apply in a case where the company has made an application to the Board under section 107A."

Section 19 - Amendment of Section 172

In section 172 of the Income-tax Act, with effect from the 1st day of June, 1975, -

(a) in sub-section (1), the words, "unless the Income-tax Officer is satisfied that there is an agent of the non-resident from whom the tax will be recoverable under the other provisions of this Act" shall be omitted;

(b) in sub-section (2), for the words "one-sixth", the words "seven and a half per cent." shall be substituted.

Section 20 - Amendment of Section 194A

(1) In section 194A of the Income-tax Act, -

(a) in sub-section (3), -

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

"(i) where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person referred to in sub-section (1) to the account of, or to, the payee, does not exceed one thousand rupees;"

(ii) after clause (vii), the following clause shall be inserted, namely :-

"(viii) to such income credited or paid by the Central Government under any provision of this Act or the Indian Income-tax Act, 1922 (11 of 1922) or the Estate Duty Act, 1953 (34 of 1953) or the Wealth-tax Act, 1957 (27 of 1957) or the Gift-tax Act, 1958 (18 of 1958) or the Super Profits Tax Act, 1963 (14 of 1963) or the Companies (Profits) Surtax Act, 1964 (7 of 1964) or the Interest-tax Act, 1974 (45 of 1974).";

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

"(4) The person responsible for making the payment referred to in sub-section (1) may, at the time of making any deduction, increase or reduce the amount to be deducted under this section for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the financial year."

(2) Notwithstanding the substitution of clause (i) of sub-section (3) of section 194A of the Income-tax Act by sub-section (1) of this section, nothing in section 201 or section 276B of that Act shall apply to, or in relation to, any failure to deduct income-tax under sub-section (1) of the said section 194A on any income by way of interest other than income chargeable under the head "Interest on securities" credited or paid on or after the 1st day of April, 1975 but before the 1st day of June, 1975, where the income so credited or paid at any one time does not exceed four hundred rupees.

Section 21 - Amendment of Section 195

In section 195 of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted, namely :-

Provided further that the deduction of income-tax from any sum, being income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets, paid to a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India, shall be of an amount equal to the amount of income-tax on such sum calculated in accordance with the provisions of clause (i) of section 115..

Section 22 - Amendment of Ninth Schedule

In the Income-tax Act, in the Ninth Schedule [as directed to be inserted by section 16 of the Direct Taxes (Amendment) Act, 1974] after item 23, the following item and Explanation shall be inserted,

with effect from the 1st day of April, 1976, namely :-

"24. Pesticides.

Explanation : The article specified in item 24 does not include any formulation of pesticides unless the formulation is prepared by the manufacturer or producer of the basis pesticidal chemicals from which such formulation has been prepared."

Section 23 - Insertion of Tenth Schedule

In the Income-tax Act, the following Schedule shall be inserted at the end with effect from the 1st day of April, 1976, namely :-

"The Tenth Schedule

[See section 40A(8)]

List of institutions and bodies

1. The Industrial Finance Corporation of India, established under the Industrial Finance Corporation Act, 1948 (15 of 1948).
2. Financial Corporations or Joint Financial Corporations, established under the State Financial Corporations Act, 1951 (63 of 1951) and any institution deemed under section 46 of that Act to be a Financial Corporation established by the State Government for the State within the meaning of that Act.
3. The Shipping Development Fund Committee, constituted under section 15 of the Merchant Shipping Act, 1958 (44 of 1958).
4. The Unit Trust of India, established under the Unit Trust of India Act, 1963 (52 of 1963).
5. The Industrial Development Bank of India, established under the Industrial Development Bank of India Act, 1964 (18 of 1964).
6. State Electricity Boards, constituted under the Electricity (Supply) Act, 1948 (54 of 1948).
7. The Life Insurance Corporation of India, established under the Life Insurance Corporation Act, 1956 (31 of 1956).
8. The Rehabilitation Industries Corporation of India Limited.
9. The State Trading Corporation of India Limited.
10. The Minerals and Metal Trading Corporation of India Limited.
11. The Rural Electrification Corporation Limited.
12. The Agricultural Finance Corporation Limited.
13. The Industrial Reconstruction Corporation of India Limited.

14. The Industrial Credit and Investment Corporation of India Limited.
15. The National Industrial Development Corporation of India Limited.
16. The State Industrial and Investment Corporation of Maharashtra Limited."

Section 24 - Consequential Amendments to Certain Sections

(1) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely :-

In section 155, -

(a) in sub-section (5A), the following Explanation shall be inserted, and shall be deemed always to have been inserted, at the end, namely :-

"Explanation : For the purposes of this sub-section, where an assessee having any leasehold or other right of occupancy in any land transfers such right, he shall be deemed to have sold or otherwise transferred such land.";

(b) after sub-section (12), the following sub-section shall be inserted, namely :-

(13) Where in the assessment for any year, any provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason has not been allowed as a deduction in the computation of the income of the assessee under the head "Profits and gains of business or profession on the ground that all the condition specified in sub-clause (ii)(2) and sub-clause (ii)(3) of clause (b) of sub-section (7) of section 40A had not been complied with before the assessment was made and subsequently the assessee complies with such of those conditions as had not been complied with, the disallowance, originally made shall be deemed to have been wrongly made and the Income-tax Officer shall, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the financial year ending on the 31st day of March, 1977".

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with the effect from the 1st day of April, 1976, namely :-

(a) in sub-clause (ii) of clause (3) of section 17, after the word, brackets, figures and letter "clause (10A)", the word, brackets, figures and letter "clause (10B)," shall be inserted;

(b) in sub-section (3) of section 80A, after the words, figures and letter "or section 80J", the words, figures and letters "or section 80JJ" shall be inserted;

(c) in sub-section (3) of section 80P, -

(i) after the words, figures and letter "or section 80J", the words, figures and letters "or section 80JJ" shall be inserted;

(ii) for the words, figures and letters "section 80HH and section 80J", the words, figures and letters "section 80HH, section 80J and section 80JJ" shall be substituted.

Section 25 - Amendment of Section 2

In section 2 of the Wealth-tax Act, 1957 (27 of 1957) (hereinafter referred to as the Wealth-tax Act), for clause (h), the following clause shall be substituted, namely :-

(h) "company" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and includes -

(i) a company formed and registered under any law relating to companies formerly in force in any part of India;

(ii) a corporation established by or under a Central, State or Provincial Act;

(iii) any institution, association or body, whether incorporated or not and whether Indian or non-Indian, which the Board may, having regard to, the nature and object of such institution, association or body, declare by general or special order to be a company :

Provided that such institution, association or body shall be deemed to be a company only for such assessment year or assessment years (whether commencing before the 1st day of April, 1975 or on or after that date) as may be specified in the declaration;

(iv) any body corporate incorporated by or under the laws of a country outside India..

Section 26 - Amendment of Section 4

In section 4 of the Wealth-tax Act, for sub-section (3), the following sub-section shall be substituted, namely :-

"(3) Where the value of any assets is to be included in the net wealth of an assessee in accordance with clause (a) of sub-section (1), -

(a) there shall be deducted from such value any debts owing on the valuation date by the transferee mentioned in that clause in so far as such debts are referable to such assets; and

(b) the provisions of section 5 shall apply in relation to such assets as if such assets were assets belonging to the assessee."

Section 27 - Amendment of Section 5

In section 5 of the Wealth-tax Act, -

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

(i) in the second proviso to clause (viii), for the words "twenty-five thousand rupees", the words "thirty thousand rupees" shall be substituted;

(ii) after clause (viiiia), the following clause shall be inserted with effect from the 1st day of April, 1976, namely :-

"(viiiib) trees standing on agricultural land, not being trees in an orchard or a plantation;"

(iii) in clauses (xx) and (xxviii), the words "held by the assessee" shall be omitted;

(iv) after clause (xx), the following clause shall be inserted, namely :-

"(xxa) the value of any equity shares in any company of the type referred to in clause (d) of section 45 which is established with the main object of carrying on the business of manufacture or production of any one or more of the articles or things specified in the list in the Ninth Schedule to the Income-tax Act, where such shares form part of the initial issue of equity share capital made by the company after the 28th day of February, 1975, for a period of five successive assessment years commencing with the assessment year next following the date on which such shares were first issued;"

(v) in clause (xxiii), for the brackets, words and figures "[not being shares referred to in clause (xx)] held by the assessee", the brackets, words, figures and letter "[not being shares referred to in clause (xx) or clause (xxa)]" shall be substituted;

(b) in the proviso to sub-section (1A), for the words "held by the assessee", the words "owned by the assessee" shall be substituted;

(c) in sub-section (3), -

(i) for the brackets and figure "(xix)", the brackets, figures and letter "(xix), (xxa)" shall be substituted;

(ii) for the words "held by him", the words "owned by him" shall be substituted;

(iii) in the Explanation, for the words "ceased to hold", the words "ceased to own" and for the words "held such other asset", the words "has owned such other asset" shall be substituted.

Section 28 - Amendment of Section 45

In section 45 of the Wealth-tax Act, after clause (g), the following clause shall be, and shall be deemed always to have been, inserted, namely :-

"(h) any company incorporated outside India which has no place of business in India."

Section 29 - Amendment of Act 18 of 1958

In section 4 of the Gift-tax Act, 1958, in clause (a) of sub-section (1), the following proviso shall be inserted, and shall be deemed to have been inserted, at the end, with effect from the 1st day of April, 1974, namely :-

"Provided that nothing contained in this clause shall apply in any case where the property is transferred to the Government or where the value of the consideration for the transfer is determined or approved by the Central Government or the Reserve Bank of India."

Section 30 - Amendment of Act 20 of 1974

In section 16 of the Finance Act, 1974, in clause (a), for the words, figures and letters "the 1st day of June, 1975", the words, figures and letters "the 1st day of January, 1977" shall be substituted;
