

THE BUDGET 1989

WITH

COMMENTS ON IMPORTANT CHANGES

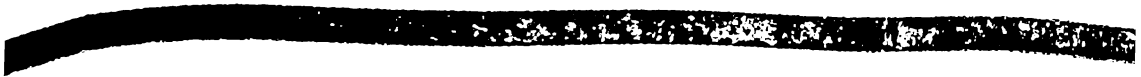
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THE BUDGET

1989

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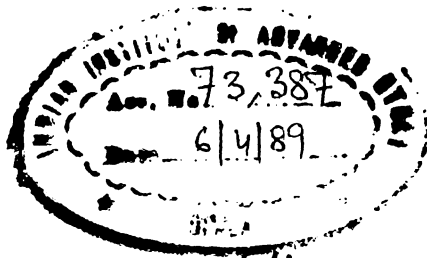
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CATALOGUE


HIGHLIGHTS BUDGET 89

1. Income Tax rate in the slab of 18,000-25,000 brought down from 25% to 20% . No other change is proposed.
2. Draught Surcharge on total income exceeding Rs.50,000 withdrawn. However, unemployment surcharge @ 8% on total income exceeding Rs. 50,000/- is proposed.
3. No change in Wealth & Gift Tax Rates.
4. VI & VII issue of National Saving Schemes proposed to be discontinued. VIII issue with 12% interest and Income-tax rebate introduced.
5. New Home Loan account Scheme to provide more housing.
6. New Deposit Scheme for retired government employees.
7. Exchange risk administration fund to be set up to protect persons borrowing foreign currency from Public Financial Institutions.
8. Deduction @ 33.33% now available on Poultry Income u/s 80J



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COMMENTARY ON

IMPORTANT CHANGE

A. DIRECT TAXES

1. Income Tax Rates:

- a) Rates on personal taxation in the Income Slab of Rs. 18,000-25,000 reduced to 20% from the existing 25% . There are no other changes in corporate and other tax rates.
- b) 5% Drought Surcharge on Income above Rs.50,000 withdrawn. However, an Employment Surcharge at 8% on Income above Rs. 50,000/- is proposed to be levied w.e.f. Assessment year 1990-91.

2. Individuals/Salaried Employees:

- a) A new National Savings Certificate Series VIII to be issued carrying interest of 12% . The existing NSC Series VI & VII are being discontinued.
- b) Contributions made by Individuals towards the Home Loan Account Scheme to qualify for deduction u/s 80-C of the Income Tax Act. This is a thrust towards mobilising funds for National Housing Bank.
- c) Capital Gains Exemption will also be available now if the Net Consideration is invested in Bonds & Debentures issued by the National Housing Bank.
- d) Investments made in National Housing Bank exempt from Wealth Tax subject to the overall ceiling of Rs. 5 lakhs.

- e) The Standard Deduction hitherto available u/s 80-U for totally blind and physically handicapped resident persons is now extended to mentally Retarded persons also.
- f) It is proposed to introduce a deposit scheme in which a retiring employee may invest the whole or part of his retirement benefits for a block period of three years. The interest on this Investment will be tax-free. Further this investment will also be exempt from Wealth Tax.
- g) As a measure for providing relief to the widows & heirs of deceased employees, it is proposed to amend the provisions of the Income Tax Act, to provide a standard deduction at the rate of 33.33% subject to a maximum of Rs. 12,000 for the recipient of family pension also.
- h) It is proposed that the amount paid as Professional Tax will be allowed as deduction from Salary income.
- i) It is proposed to omit the proviso and explanation 2 in clause (i) of Sec. 16 so as to remove the restriction on Standard Deduction to persons provided with a Conveyance by the employer. It is also further provided that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or vice versa shall not be regarded as a benefit or amenity for the purpose of calculating perquisites.

3. Partnership Firms:

No change in the assessment proceedings in case of Partnership firms is proposed as the same has already been amended by Direct Taxes Amendment Bill 1988 which has already been passed by the Lok Sabha.

4. Corporate Sector:

- a) A new scheme, to protect persons borrowing foreign currency from Public Financial Institutions, from Risk involved on account of Exchange Rate Fluctuation, is proposed to be evolved by setting up Exchange Risk Administration Fund. The borrower will be required to pay a composite cost in form of Interest & Exchange Risk premium.
- b) Under Section 43-B, the meaning of "any sum payable" has been defined to mean any sum, liability for which has been incurred by the tax payer during the previous year irrespective of the date by which such sum is statutorily payable. This is to remove the doubts prevalent on account of several judgements given by Courts saying that amount payable in a particular year should also be statutorily payable during the year.
- c) A new section 44BBB has been introduced to compute profits & Gains of foreign companies engaged in business of Civil Construction, etc. in turn/key power projects approved by Central Government and funded by International Aid Programme at 10% of the amount paid/payable to such assessee.
- d) The applicability of 115B(2) in respect of concessional tax rate of 10% for Life Insurance business extended for another year i.e. Assessment Year 1990-91.
- e) Section 32-AB modified to be made applicable to only those items of plant and machinery used in the manufacture of priority items only viz. items not specified in the XIth Schedule. This amendment is proposed to be made effective from 1-4-1991.

It is further proposed to amend the clauses (e), (f) and (h) with retrospective effect from 1-4-1987 and will accordingly apply with effect from Assessment Year 1987-88.

- f) In respect of long term capital gains arising to Venture Capital Companies on sale of shares of Venture Capital Undertakings, a deduction at the same rate as available to Non-Corporate tax payers is permissible.
- g) Sec. 115J is being amended to provide that every assessee being a Company shall for the purposes of Sec. 115J, prepare its Profit & Loss Account for the relevant previous year in accordance with the provisions of Parts II & III of Schedule VI to the Companies Act, 1956.

TAX DEDUCTION AT SOURCE

- a). Relief u/s 89(1), previously applicable to Government & public sector employees is now being extended to employees working in private sector companies, co-operative societies, local authority, Institutions, Associations or body.
- b). Income in the hands of Non-Resident Indians and Companies by way of winnings from Lotteries, cross-word puzzles and horse races shall also be taxed at source at the rate of 40% of such income. This was not being done hitherto. Moreover, a surcharge of 8% is also leviable in the above case.
- c) Tax deducted at source in case of payments to contractors or sub-contractors also attracts levy of surcharge at 8% to be deducted at source. However, deduction in respect of such surcharge is not leviable where the payment is made to a non-resident or a foreign company.

6. ASSESSMENT PROCEEDINGS

- a) It is proposed to amend Sec. 153(1) by insertion of a proviso to provide that in respect of Return filed under 139(4)/(5) which relates to Assessment Year commencing on 1-4-1988 or earlier, no order of assessment shall be made at any time after the expiry of one year from the end of the financial year in which such return is filed.

- b) The change made in Sec. 263 i.e., the powers of the Commissioner of Income Tax to call for Records relating to the proceedings by the Finance Act 1988 has been made with retrospective effect. It is to clarify that the relevant provisions of the Explanation shall be deemed to have always been in existence.

7 WEALTH TAX/GIFT TAX

- a) It is proposed to exempt the right or interest in any annuity plan of the Life Insurance Corporation of India referred to in Section 80 CCA of the Income Tax Act, 1961 from Wealth Tax with retrospective effect from Assessment year 1988-89.

8 MISCELLANEOUS

- a) Income Tax Act to be made applicable to the State of Sikkim from the 1st day of April 1990 and will accordingly apply in relation to the assessment year 1990-91 and subsequent years.
- b) In the case of residents of Sikkim, it is proposed to exempt winnings from lotteries in respect of draws on or before the 28th February, 1989.
- c) In respect of any chargeable expenditure incurred in a hotel to which the Act applies, the rate of expenditure tax has been enhanced from 10% to 20% .

B. INDIRECT TAXES:

- a) Excise duty on Computers has been increased from 10% to 15% advalorem.
- b) Excise duty @ 35% to be applicable uniformly on all cars.
- c) Radios, Musical Systems to be levied a uniform Excise Duty of 20% .
- d) Excise on Two Wheelers is as follows:
 - Below 50 cc - Rate @ 15%
 - 50 cc - 100 cc - Rate @ 20%
 - 100 cc - 150 cc - Rate @ 25%
 - Above 150 cc - Rate @ 30%
- e) Excise duty on Television Sets to vary from Rs. 300 to Rs. 4000 per set depending on classification into Black & White, Colour, PIP etc.
- f) Excise on filtered Cigarettes above 70 mm and Pan Masala has been increased.
- g) Airport Tax, in case of foreign travel increased. New Airport Tax on domestic travel introduced @ 10% on the basic fare.
- h) Excise duty is exempt for first 30 prints of feature films. Reduction is also proposed on Excise duty on additional prints.

- i) Import duty on capital goods has been rationalised. Import duty on general projects and machinery reduced from 90% to 80% ad valorem. Rate of concessional import duty on specified machinery increased to fixed 40% ad valorem from present rate of 25-35 % For certain specified items of machinery manufactured indigenously an intermediate level of duty at 60% ad valorem is proposed.
- j) Duty on Watches and Components increased from 2% ad valorem to 5% ad valorem.
- k) Concessional import duty for specified items of food processing and packaging machinery increased from 35% to 40% .
- l) Duty on Pig Iron to increase from Rs. 80 to Rs. 200 per tonne.
- m) Excise duty on high pressure sodium vapour lamps reduced from 15% to 10% . Further a concessional import duty of 50% on four specified inputs for the manufacture of such lamps is proposed.
- n) Certain concessions in Customs duty to specified Life Saving Drugs and drug intermediates is proposed.
- o) Excise duty on matches reduced. However, a duty increase proposed on Pottasium Chlorate, an essential raw material for manufacture of matches.

Budget 1989-90

Speech of

Shri S.B.Chavan
Minister of Finance

28th February, 1989

PART A

Sir,

I rise to present the Budget for the year 1989-90. The Budget is an instrument for achieving the basic objectives of planned development which, broadly, are growth, modernisation, self-reliance and social justice. In each of these areas, we have made substantial progress. There are clear signs of an acceleration in the growth rate of our economy during the eighties. The pace of modernisation, particularly in industry and infrastructure has increased greatly because of the policies pursued by us for the past few years. The movement towards self-reliance has been maintained by the sustained growth in exports. And most important of all, our commitment to the goals of social justice has been demonstrated in the major initiatives that we have taken in anti-poverty and employment programmes and in the fulfilment of essential needs. These long-term objectives provide the framework within which the Budget for 1989-90 has been formulated.

2. The Annual Budget has to pursue these long-term objectives within the context of the short-term economic situation. The Economic Survey for the year 1988-89, which

was laid on the *Table of the House* a few days ago, deals with the economic situation in some detail. I will only highlight a few key points.

3. The performance of the Indian economy in the past few years has shown unmistakable features of strength. The first is the resilience of the economy when confronted with the severe disruption caused by drought and floods. Last year, my predecessor, when presenting the Budget, had referred to this and indicated that the gross domestic product would grow perhaps by 1 to 2 per cent. I am happy to inform the House that the latest estimates of economic performance in the drought year of 1987-88 indicate that, despite the drought, GDP grew by 3.6 per cent. This commendable performance in a year of drought has been followed by vigorous growth in the current year and we expect the GDP to grow by 9 per cent or more in real terms. Both the rate of growth of GDP in the drought year and the pace of recovery in the post-drought year, are significantly higher than those in earlier periods of drought. I may add that the average growth rate of GDP in the first four years of the Plan will exceed the Plan target of 5 per cent.

4. The performance in the agricultural sector in these past two years gives grounds for hope. Last year, despite the severe drought and floods, foodgrains production was 138 million tonnes, only marginally lower than in the previous year, showing that our policies to contain the impact of the drought were successful. This year, foodgrains production is expected to exceed the target of 166 million tonnes. Oilseeds, cotton and sugar production are expected to reach record levels. The sector continues to demonstrate a high potential for growth.

5. The growth in output in a period of stress, the careful management of the food economy by the Government, and the special measures taken to boost agricultural production and provide relief to those affected by drought have ensured that inflation, as measured by the Wholesale Price Index, was limited to 10.6 per cent in 1987-88. The rate of inflation in

the current year has been under 5 per cent up to the end of January, 1989. Government is concerned about the pressure on prices, but it is a matter of some satisfaction that this pressure has been generally lower than in previous droughts. Government remains fully vigilant on this crucial front and are determined to ensure effective containment of inflation.

6. The second encouraging feature of economic performance in recent years, is the sustained growth of industrial sector and improved performance in the field of infrastructure. For 4 years in succession, manufacturing output has grown by over 8 per cent per year which is a clear vindication of the industrial policy of the Government. There is a spirit of optimism in industry which is reflected in the generally good corporate performance and buoyant conditions in the capital market. Electricity generation has increased steadily and the plant load factor of thermal plants has gone up from 50.1 per cent in 1984-85 to 56.5 per cent in 1987-88. Targets for capacity creation in the power sector set for the Seventh Plan are expected to be achieved. In the Railways the quantity of freight carried has increased in the first three years of the Seventh Plan by an amount as large as the total increase over the previous 10 years. More important, there has been a steady improvement in productivity over these years. A particularly welcome feature is the improvement in the performance of the basic materials industries. In the first nine months of this year, production of saleable steel by the integrated steel plants rose by 10.1 per cent, of cement by 12 per cent, nitrogenous fertilisers by 26.2 per cent and phosphatic fertilisers by 64.5 per cent when compared with the corresponding period last year.

7. The performance of Central Public Sector Enterprises has shown improvement. In the first six months of this year the provisional results of 179 operating enterprises show that their net profit rose to Rs.694.19 crores from Rs.59.79 crores in the corresponding period of 1987-88.

8. We are committed to a policy of supporting the growth of our public sector. However, we recognise that some changes are required to ensure a higher level of performance, particularly with regard to resource generation. With a view to granting greater autonomy to public sector enterprises consistent with their accountability, the Government has been signing Memoranda of Understanding with some of the Public Sector Undertakings. The MOU indicates the responsibilities of the enterprise in fulfilling certain physical, financial and social objectives including resource generation, and of the Government, in turn, for supporting the enterprise in fulfilling various objectives and targets set for the enterprise. Eleven Public Sector Undertakings signed MOUs with the Government for the year 1988-89. Seven more Public Sector Undertakings will sign MOUs for the year 1989-90. The Government has constituted a High Level Committee under the Chairmanship of Cabinet Secretary to evaluate the performance of MOU signing companies and their administrative Ministries in fulfilling their obligations under the MOU.

9. I have referred to the resilience of the economy and the improved growth performance in industry and infrastructure because these are the strengths that will allow us to pursue even more vigorously our basic objectives of raising the living standards of the poor and strengthening the economic independence of our country. But I would be failing in my duty if I do not also draw the attention of the House to certain problem areas.

10. One area that needs more attention is the stimulation of savings and the containment of the budget deficit. We have always prided ourselves on being a nation with a high savings rate, and our culture has always emphasised the virtues of simple living and frugality. Budgetary policy must reinforce these virtues of thrift both through positive incentives to stimulate savings and through measures to

restrain luxury consumption. I will indicate later in the speech the specific measures that we propose to take towards this end.

11. Equally important, and in some sense more significant, is the prudent management of public expenditure. Sometimes, it is assumed that Government expenditure, as commonly understood, is all on the wages and salaries of Government servants and on goods and services purchased by the Government Departments to fulfil their functions. This is far from being the case. In actual fact, the direct consumption expenditure of the Central Government on defence and Government Administration is less than one quarter of the total expenditure. A little under one tenth of the Budget is for the direct capital expenditure of the Central Government. As much as two-thirds of the Budget expenditure really take the form of financial transfers to other spending entities by way of interest, subsidies, grants, loans, etc. In fact, a significant part of what is shown as expenditure in the Budget is only the financial intermediation of funds shown as a capital receipt on the one side and as expenditure in the form of loans or equity investment on the other.

12. I am drawing attention to the structure of the expenditure side of the Central Budget in order to emphasise that the exercise of due prudence is not merely a matter of economy instructions regarding staff or travel or purchases. That is certainly important. But it is as important, in fact even more important, to consider other items of expenditure like subsidies, grants and loans, many of which are embedded in specific schemes and programmes. We must ask ourselves whether we are getting value for money from these subsidies, schemes and programmes. In many cases the desired result could be achieved at a lesser cost by better targetting, consolidation of multiple programmes, greater decentralisation linked to mobilisation of local

resources. We will ensure that such an evaluation forms the basis for the schemes/programmes that will form part of the Eighth Plan.

13. The balance of payments is another area of concern. A certain amount of pressure on external payments is unavoidable in a situation where we have urgent needs for investment and modernisation which inevitably require expansion of imports. It is for this reason that Government have attached high priority to expanding exports to pay for the imports the economy needs. Our policies in this regard have been successful and in the past two years our exports have increased quite rapidly- over 25 per cent in 1987-88 and 24 to 25 per cent in the first nine months of the current financial year. But at the same time, the import bill has also increased sharply, especially so in the first half of this year. This surge in the import bill is partly due to the foodgrains and edible oil imports necessitated by last year's drought and partly to the sharp increase in the international prices of metals, chemicals and edible oils. Apart from this, our debt repayment liabilities were relatively high. The limited availability of concessional finance has compelled us to increase the share of commercial borrowings, but we have tried to keep these within limits that are manageable. We do not envisage any difficulty in servicing our external debt.

14. The Indian economy has a great deal of underlying strength. The sustained growth of industrial sector and the investments made in modernisation and upgradation will show results in terms of higher exports. This in fact is the real answer to the balance of payments problem. I have every hope that the momentum of export growth will be sustained and enhanced. If necessary, we must be prepared to restrain domestic consumption to some extent in certain areas in order to release supplies for export.

15. We have resisted the temptation to cope with the short-term difficulties in our balance of payments by ad hoc import regulation through detailed import licensing. Such a

process would be self-defeating as it will disrupt the economy, inhibit exports and weaken our attempts at modernisation. The composition of our imports has changed greatly during the eighties. In 1980-81, 65 per cent of our imports consisted of a few bulk commodities like foodgrains, edible oils, fertilizers, petroleum and metals where direct import regulation through foreign exchange allocations is relatively easy. In 1987-88, these bulk commodities accounted for only 33 per cent of our imports. The other imports cover a vast range of raw materials, capital goods, chemicals and industrial components. Direct regulation of these through foreign exchange allocations is difficult and could well lead to delays and inefficiency. Hence, the non-bulk import bill has to be managed through more effective use of indirect instruments.

16. Later in this speech I will put before you some measures to discourage low priority imports which go towards the consumption of upper income groups. Kit culture based consumerism is not the objective of our industrial and trade policy and must be discouraged.

17. Industrial policy has an important role to play in stimulating production which can substitute efficiently for imports. Towards this end the Government will ensure that domestic production of items which are imported in substantial quantity is maximised and will re-examine and remove any restrictions which stand in the way.

18. Let me now turn to the special thrust areas in this Budget.

Anti-Poverty Programmes:

19. Successive budgets have sought to tackle the basic problems of poverty and unemployment directly, a process which has been greatly accelerated since 1980-81. In that year, actual expenditure on rural development, social services and food and cloth subsidies amounted to Rs.1,971 crores in the Central Budget. The greater part of the

expenditure in these areas is for directly targeted programmes to improve employment and the earning capacity of the poor and of vulnerable groups like scheduled castes and tribes, and weaker sections, provide them with basic services like education, health-care and water supply, and subsidise some items of essential consumption. In 1988-89 the Budget Estimates provided Rs.8,652 crores for the same activities.

20. I have not included in this total the expenditure on agriculture and the fertilizer subsidy which has increased from an actual expenditure of Rs.1,179 crores in 1980-81 to a Budget provision of Rs.4,343 crores in 1988-89.

21. Under the Integrated Rural Development Programme (IRDP) over 25 million families below the poverty line have been assisted to take up income generating activities. The total investment under this Programme since the beginning of the Sixth Plan has been over Rs. Ten thousand crores, including the term credit provided by the financial institutions.

22. I am happy to inform the Hon'ble Members that under the twin programmes of employment generation for the rural poor, viz., National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP), 67 crore mandays of employment were generated during 1987-88 as against the target of 50 crore mandays.

23. The present strategy of direct attack on rural poverty through the existing major programmes of self-employment and wage-employment will be continued and made more cost effective

24. Employment is the most urgent need of our people. Much of the employment growth will come from growth in agriculture and in labour-intensive agro-processing industries and services. However, a direct attack on the problem of unemployment is essential. We, therefore, propose to give a special thrust to all programmes of employment generation. It is proposed to merge

NREP/RLEGP into a single programme, and to decentralise its implementation. This merged programme will operate throughout the country and will be funded 75 per cent by the Centre.

25. Poverty and unemployment are intense in certain disadvantaged regions and existing employment programmes fall short of needs. Hence, in addition to the reorganised national programme it is proposed to launch a new intensive rural employment programme which will provide additional funds to selected 120 districts which are backward and suffer from acute unemployment.

26. In this year when we are celebrating the birth centenary of Pandit Jawaharlal Nehru, the architect of modern India, there is perhaps no better way of remembering him than to intensify our efforts to remove poverty and unemployment. This programme is a further major step in that direction. It will be named after Panditji to reflect the deepest aspiration of our people.

27. This new programme will allow fuller employment opportunities to at least one member of each family living below the poverty line. The funds for this scheme will be in addition to the provision available to the district under the NREP and RLEGP Programmes. These funds will be merged and locally useful schemes will be taken up to maximise employment opportunities and the creation of productive assets. We hope that the enhancement of the provision for employment through this new scheme will ensure substantial improvement in living standards of the poor and an increase in the productive and socially useful assets in these areas. The details of the programme will be announced later. The provision for this new programme will be Rs.500 crores in 1989-90. Including this, the provision for employment programmes will be Rs.1711 crores in 1989-90. I propose to cover the cost of the new programme basically by mobilising additional resources from those who

already have substantial incomes and the benefit of gainful employment. I will revert to this later in my speech.

28. We welcome further efforts in this direction by State Governments. Recently, the Constitution has been amended to raise the upper limit for the profession tax to Rs.2,500. We urge State Governments to use this enabling provision to mobilise additional resources for expanding employment.

29. Additional employment will help poor households to raise their standard of living. But in addition a more direct effort at improving the condition of women and children is necessary. I therefore propose a new programme for the free distribution of saris to destitute women. As for children the ongoing Integrated Child Development Services Programme will be greatly expanded to cover 500 more blocks in addition to over 1700 already covered. This programme is aimed at raising the health, nutrition and educational status of poor children.

30. The total outlay for rural development, social services and on food and cloth subsidies will be Rs.9374 crores in this Budget.

31. The implementation of anti-poverty and social services programmes takes place largely through State Plans. Many of these programmes are externally assisted. At present 70 per cent of assistance received under externally aided projects is made available to State Governments as additional Central assistance. It is proposed to modify these arrangements to enhance the additional central assistance made available to the States to 100 per cent for assistance received under externally aided projects in the social services sector, and for programmes which have a direct bearing on poverty alleviation. This decision will make available substantially more resources to the States than under the present arrangements, and will facilitate additional investments by them in these vital sectors. Sectors which are expected to benefit from this decision are

Agriculture, Rural Development, Irrigation, Environment, Health, Family welfare, Nutrition, Women's Development, Education, Housing, Water Supply and Urban Development.

Agriculture

32. Agriculture is the mainstay of our population and a priority sector in our Plans. Today the incidence of taxes on agricultural outputs and inputs is minimal and in fact substantial subsidies are provided both in the Central and State Budgets.

33. As I mentioned earlier, Plan and non-Plan expenditure on agriculture and the fertilizer subsidy has gone up sharply since 1980-81. This year also provision is being stepped up and will reach a level of Rs.5173 crores.

34. Credit is a major input for agricultural production. In order to increase the flow of credit to agriculture, the target for direct finance to agriculture by Public Sector banks, which was raised last year from 16 per cent to 17 per cent of their total outstanding advances is being further raised to 18 per cent to be achieved by the end of 1989-90. With this change the total credit to be made available to agriculture by commercial banks, Regional Rural Banks and Cooperative banks will increase by over Rs.4,000 crores in 1989-90. Hon'ble Members are aware that the rate of interest on crop loans upto Rs.15,000 was reduced last year and the reduction varied between 1 1/2 per cent and 2 1/2 per cent. With a view to extending the scope of relief, the Reserve Bank of India is today issuing instructions reducing the rate of interest charged on crop loans between Rs.15,000 and Rs.25,000 to 12 per cent from the existing maximum rate of 14 per cent.

35. One area of concern is the pace of implementation of irrigation projects in the States. In addition, the gap between the potential created and utilisation of irrigation, leaves much to be desired. The decision to provide higher additionality for external assistance for agriculture and

irrigation which I have referred to earlier will add to the funds available for these purposes in State Plans. My hope is that this will help in ensuring better utilisation of aid funds and quicker completion of projects.

36. The rapid growth in incomes in our rural economy will require not merely higher production but also diversification of crops, better post-harvest technology, processing of agricultural products into higher value products, etc.

37. The new Ministry of Food Processing Industries, the first of its kind in the developing countries, was established in July, 1988 to provide for a dynamic relationship between the farmer and industry so that there is better utilisation of agricultural products, greater addition of value to rural produce, generation of massive employment in rural areas, enhancement of the net level of rural incomes and induction of modern technology in the processing of food. Another objective of the Ministry is to promote utilisation of the large scale wastages which take place in the pre and post harvest handling of fruits and vegetables, thereby improving the economic utilisation of food produced as well as enhancing the nutritional inputs available to the people. Later in my speech I will indicate some fiscal incentives to provide a greater stimulus to these industries.

Housing

38. The Government attaches very high priority to housing. It is an activity that meets a very essential need and that is capable of generating a very substantial volume of employment. In pursuance of this, the Government has formulated a comprehensive National Housing Policy. In the field of housing finance several new initiatives were taken in 1988-89. The Reserve Bank of India has liberalised the terms and conditions of housing loans. The Life Insurance Corporation has launched a new scheme known as Bima Niwas Yojana which will enable policy holders to receive financial assistance for purchase or construction of flats.

39. The National Housing Bank has been established and has now become operational. Promotion of a healthy

housing finance system and providing adequate finance to the housing sector are the principal functions of the Bank. In formulating its financing policies, the Bank will adopt the motto of the small man first. It has accordingly announced its re-finance scheme in respect of loans given for low income housing of upto 40 square metres. Similarly, in land development and housing projects financed by it, the Bank will ensure that not less than 75 per cent of the plots to be thus developed or houses to be built will be for those seeking built-up accommodation upto 40 square metres.

40. The prospect of owning a house is a major incentive for saving. We have, therefore, decided to establish a new scheme called the Home Loan Account Scheme which will be launched by the National Housing Bank in cooperation with scheduled banks. To facilitate participation by all segments of the community especially in rural areas, the minimum contribution to the saving scheme is fixed at Rs.30 per month or Rs.360 per annum. The savings will earn interest at 10 per cent per annum. Any individual not owning a house anywhere will be eligible to join the scheme. After saving for a minimum period of five years, a member will be eligible for a loan equal in amount to a multiple of the accumulated savings including interest. Specific efforts will be made to link up the Home Loan Account Scheme with the registration for land or house allotment by public agencies. I will propose certain tax concessions for these savings.

Industrial Development

41. Let me now turn to the industrial sector. I have referred to the good performance of the industry and infrastructure sector. We believe that the changes with regard to industrial licensing, price and distribution controls and trade policy that we have made over the past few years have paid rich dividends. The underlying theme of these policy changes is to promote both growth and efficiency by stimulating domestic competition, technology acquisition and

modernisation. Our industrial structure is now very complex. Many segments have reached a certain degree of maturity. In this situation it is possible for us to relax many of our detailed regulations and yet remain in control over the direction of development through a judicious use of fiscal and credit policies. In furtherance of this approach, the Government has decided to decontrol the pricing and distribution of cement and aluminium with immediate effect.

42. Since the partial decontrol of cement from 28th February, 1982, the cement industry has witnessed an impressive growth. The production of cement which was 21.01 million tonnes in 1981-82 is slated to increase to 43.5 million tonnes in 1988-89 and 49 million tonnes in 1989-90. Over this period, the levy obligation has been progressively decreased and a fair price for the levy cement has been given. These policies have led to the stoppage of imports since 1985. In fact, the country is now in a position to export cement. Our long term strategy is to increase the production to 65 million tonnes by the end of the Eighth Plan and 87 million tonnes by the end of the Ninth Plan. At present, the levy obligation works out to less than 20 per cent of the total output of the industry. It has now been decided that all price and distribution controls on the cement industry be removed with effect from 1st March, 1989. To ensure the availability of cement at reasonable prices in the remote and hilly regions of the country, a suitable subsidy scheme is being worked out.

43. With the progressive commissioning of the National Aluminium Company (NALCO), India has made great strides in the production of aluminium metal. After achieving a record production of 278,000 tonnes in 1987-88, production in 1988-89 is estimated to go up by 30 per cent to about 360,000 tonnes. During 1989-90 aluminium production is likely to increase by another 20 per cent to reach a level of 435,000 tonnes. NALCO is also exporting alumina and some aluminium and will earn about Rs.200

crores in foreign exchange during 1988-89. India has thus emerged not only self-sufficient in aluminium metal but will generate exportable surplus in the years ahead. In view of this the Government has decided to decontrol the price and distribution of aluminium with effect from 1st March, 1989.

44. The dispersal of industry to backward areas remains a major plank of our industrial policy. The principal barrier to industrial development in backward areas is the lack of infrastructure. Recently, the Government has announced a new approach to this in the form of the Growth Centre Scheme. In the first phase 61 growth centres will be taken up and provided with infrastructure facilities of a high order. I have provided Rs.20 crores as the Central contribution for this scheme in 1989-90 Plan and, depending on the pace of implementation, this will be enhanced, if necessary.

45. Let me now turn to the operation of capital markets. A substantial volume of personal savings now flows through the financial instruments traded in this market. In fact, the breadth and depth of our financial structure is an asset that we must use to mobilise savings and channel it into productive directions. Our rural households are showing growing interest in investing in bonds, debentures and shares. However, the provision regarding tax deduction at source is a disincentive. We have already raised the limit below which there will be no tax deduction at source to Rs.2,500 for dividends. I propose to do the same for interest payments on bonds and debentures.

46. The flow of savings into the Capital Market is directed very much to fixed interest bonds and debentures. However, industrial development also requires risk capital in the form of equity. In order to stimulate the flow of personal savings into equity, the Government intends to introduce an Equity-Linked Savings Scheme. The Scheme will operate through UTI and recognised Mutual Funds and investments will be eligible for tax deductions on the basis of net annual additions to such savings. Details of the Scheme will be announced shortly.

47. The dynamism shown by the industrial sector is to a certain extent the result of our effort to stimulate competition. However, as the industrial environment becomes more competitive, we will need effective measures for coping with the problems of industrial sickness. Some arrangements are in place under the Sick Industrial Companies (Special Provisions) Act, 1985. However, it is necessary that we take steps before this stage of sickness is reached to encourage and stimulate potentially sick units to rehabilitate themselves. In order to do this, the Government intends to work out an excise relief scheme for weak units to provide them with a proportion of their excise payments as part of a diversification, modernisation or rehabilitation package approved by designated Financial Institutions.

Other Areas

48. Let me now turn to couple of other areas where I propose some changes.

49. The Government has been examining the utility of the Gold Control Act to see whether it has served its purpose or not and whether it requires any modification. In the light of this examination the Government proposes to modify the Gold Control Act with a view to keeping a measure of control over primary gold only. This is expected to benefit hundreds of thousands of goldsmiths and artisans who will be able to freely conduct their age-old traditional profession and provide better service to the customers in terms of quality, purity and price. Further this will lead to a boost in the export of gold jewellery which has been stagnant. The details will be worked out and necessary legislation will be introduced soon.

50. I have referred to the need to give a stimulus to savings and have already referred to two measures directed towards this end - the Home Loan Account Scheme and the Equity Linked Savings Scheme. Several initiatives in the area of small savings have been taken in the recent years. I am happy to report to the House that the Indira Vikas Patra, introduced in 1986 and the Kisan Vikas Patra introduced in

1988 are attracting a substantial volume of savings. These two savings instruments do not carry any-tax concessions. I propose to introduce a new National Savings Certificate Series VIII which will carry an interest rate of 12 per cent and will be eligible for tax concession under Section 80C but not under Section 80L. The existing National Savings Certificates Series VI and VII will be discontinued. This is part of the process of rationalisation of savings incentives.

51. I am conscious of the need to protect the savings of workers in the provident fund and their right to gratuity. The Employees Provident Fund Act has been modified to raise the minimum contribution to 8 1/3 per cent and this enhanced contribution has taken effect from 1st August, 1988. The Payment of Gratuity Act has been amended to provide for compulsory insurance of gratuity liabilities or the setting up of a gratuity fund under income-tax rules where the pattern of investment will be as prescribed by the Government from time to time. It is proposed to implement these provisions soon after framing necessary rules.

52. As the Hon'ble Members are aware, this Government has, in the recent past, taken various measures to help pensioners. The Government is keen to ensure that pension and pensionary benefits are sanctioned and paid promptly and procedures for disbursement simplified. Towards this end, the Government has decided to further simplify the procedure of pension payment to civil pensioners who draw their pension from banks. The proposed simplification envisages that the two intermediary agencies of Accountants General and District Treasuries will not be involved in this work which will be handled by a new Office of Chief Controller of Accounts (Pensions) in the Ministry of Finance. The entire work of pension payment and accounting thereof will be computerised. The new system is proposed to be introduced during 1989-90.

53. I also propose some fiscal relief on family pensions and a new savings scheme for retiring Government employees with certain tax concessions which I will revert to later.

54. Our freedom fighters have made great sacrifices in our struggle for independence. In this year when we are celebrating the birth centenary of one of the greatest leaders of this struggle, it is but appropriate that we raise the pension for freedom fighters to Rs. 750 as a mark of the nation's gratitude.

55. I shall now turn to the Revised Estimates for 1988-89 and the Budget Estimates for 1989-90.

Revised Estimates 1988-89

56. Since the presentation of the Budget for the current year, additional provisions have become necessary for certain inevitable increases in expenditure. Budget support for Central Plan has to be increased by Rs.771 crores. The increases mainly relate to settlement of claims arising out of crop insurance scheme, subsidy for setting up of industries in backward areas, strengthening of equity base of Power Finance Corporation, payment to Shipping Companies to meet commitments made by the erstwhile Shipping Development Fund Committee and passing on to financial institutions rupee equivalent of external credits extended to them.

57. Central assistance for State and U.T. Plans is expected to be Rs.421 crores higher mainly due to special assistance that has to be provided to Punjab for financing its Plan outlay.

58. On the non-Plan side an additional provision of Rs.300 crores is required for export promotion and market development. Subsidy on indigenous fertilizer will also be higher by Rs.250 crores. A marginal increase of Rs.200 crores has been made in defence expenditure. An additional provision of Rs.497 crores will be required for defence pensions on the basis of actual claims arising out of revision of defence pension rates. Grant assistance to States affected by floods has to be increased by Rs.100 crores. Provision of certain facilities in Punjab necessitated by security considerations has cost Rs.71 crores.

59. There have been other increases as well. All these would have resulted in a much higher order of increase in non-Plan expenditure and in deficit financing. Government have taken a number of measures to contain the increase in expenditure and improve receipts.

60. Ministries and Departments were instructed to locate savings to meet to the maximum extent possible the increases in expenditure including the liability for additional instalments of dearness allowance and bonus sanctioned to Government employees during the year. The economy instructions issued last year were continued this year also. As a result of these measures, the increase in non-Plan expenditure has been contained.

61. Gross tax revenue is expected to yield Rs.776 crores more. The improvement is mainly in Union Excise duties, Customs duties and Corporation Tax. Under non-Tax Revenue the profit on imported edible oils is expected to show a sharp reduction owing to an increase in international prices. Capital receipts are expected to show significant improvement. Total receipts of Government are now estimated at Rs. 67843 crores as against Rs. 66076 crores in the Budget estimates. Total expenditure is estimated at Rs. 75783 crores as against the Budget estimate of Rs. 73560 crores. The overall deficit for the year is now estimated at Rs. 7940 crores. Thus, in spite of the large additional burden thrown on the budget and the various concessions given it has been ensured that overall deficit does not increase substantially.

Budget Estimates 1989-90

62. Next year being the last year of the Seventh Five Year Plan period every effort has been made to ensure that maximum resources are made available for development. Budgetary support for Central Plan including special additional provision of Rs.500 crores for new economic

programmes is placed at Rs.16,964 crores. Internal and extra budgetary resources for Central Plan are estimated at Rs.17,482 crores. The total Central Plan outlay for 1989-90 will thus be Rs.34,446 crores against the current year's approved outlay of Rs.28,715 crores showing a step up of nearly 20 per cent.

63. Hon'ble Members will be happy to note that in real terms the actual outlay in the Central Sector for the five years would be around 115 per cent of the original Seventh Plan outlay.

64. The Central Plan for 1989-90 places a great deal of emphasis on agriculture, rural development and related areas. A new strategy for agricultural planning has been developed on the basis of different agro-climatic regions. The provision for agriculture and irrigation in the Central Plan has been stepped up to Rs. 1408 crores. I also propose allocation of Rs.495 crores for the Department of Fertilizers.

65. The programmes of Rural Development are central to our Plan strategy. Inclusive of the provision for the new programme, the provision in the Central Plan for this sector has been stepped up by 28.4 per cent. For promoting rural industrialisation, the reorganised Khadi and Village Industries Commission has planned to expand and diversify its activities. Besides identifying 33 new industries for promotion in the current year, 41 other industries will be taken up for development in the future in a phased manner.

66. The provision for social services in the Central Plan is being stepped up to Rs.3396 crores. The main emphasis in the social welfare programme in the Annual Plan 1989-90 will be on development of services for early childhood care, women's development, prevention of disabilities and rehabilitation of the affected persons. In order to meet these goals, a large expansion is envisaged in programmes like Integrated Child Development Service (ICDS), income-generating schemes for poor and destitute women,

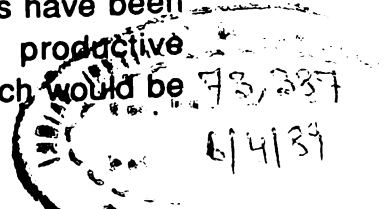
education, training and economic rehabilitation of disabled persons. Adequate attention will be given to creating awareness regarding the rights of women, campaign against the atrocities inflicted on them and also against the social evils like child marriage, dowry, drug abuse, etc.

67. The Seventh Plan has been characterised by a special thrust towards human resources development. The approach, strategies and major thrust areas included in the Seventh Five Year Plan and the priority programmes of the National Policy on Education 1986, taken up in 1987-88 are being continued. Emphasis is given on universalisation of elementary education, eradication of adult illiteracy, vocationalisation of secondary education, improvement and consolidation of quality and standards of higher education and modernisation and removal of obsolescence in technical education.

68. In order to maintain the tempo of growth that has been attained in recent years, it is necessary that we continue to invest in the expansion and modernisation of our infrastructure sectors. Hence, the outlays in the Central Plan for Power development have been raised by 38.6 per cent, for Railways by 15.6 per cent and for Telecommunications by 56.6 per cent.

69. Major public sector projects in the industrial sector included in the Seventh Plan have either been completed or are expected to be completed in the last year of the Plan. These include the expansion of Bhilai Steel Plant, Stage I of Visakhapatnam Steel Plant, the Aluminium Complex of NALCO in Orissa, the gas based fertilizer plants at Bijaipur, Aonla, Namrup III, the Caprolactam project at Udyogmandal, captive power plants at Durgapur, Barauni, Panipat and Bhatinda and the Maharashtra Gas Cracker Complex.

70. In the industry sector adequate outlays have been provided in the Annual Plan 1989-90 for productive schemes and projects of on-going nature which would be



commissioned during the last year of the Seventh Plan, as well as for initiating the necessary preliminary action for the Eighth Plan.

71. Central assistance for the Plans of State and Union territory Governments is placed at Rs.10,850 crores against the current year's Budget level of Rs.9,714 crores. Total expenditure from Central Budget on Plan account will be Rs.27,814 crores next year as against current year's Budget level of Rs.25,714 crores.

72. Government is aware of the extremely difficult circumstances in which our brave armed forces have been carrying out their arduous responsibilities of defending our country. The whole nation owes its grateful thanks to them for ensuring the security of our borders and for bringing credit to our country when called upon to help other friendly countries in their hour of need. At the same time, all of us recognise that there is continuing need for implementing measures for greater cost effectiveness in our expenditure on defence. My colleagues in the Ministry of Defence have already introduced a number of measures to improve the cost effectiveness of such expenditure. Keeping this in view I have provided for a sum of Rs.13000 crores for Defence during the coming year. I assure the House that Government will not falter in ensuring the highest level of defence preparedness.

73. Provision for food, fertilizer and export promotion subsidies next year is Rs.7,472 crores against Rs.6,841 crores in the current year's Revised Estimates. Interest charges next year are estimated at Rs.17,000 crores against Rs.14,150 crores in the current year. Grants to States as a result of the recommendations of the Ninth Finance Commission are estimated to be Rs.612 crores higher than in the current year. An additional provision of Rs.152 crores has been made next year for expenses in connection with the General Elections. The deficit of Department of Posts is

estimated to be. Rs.97 crores higher than in the current year.

74. Every effort has been made to contain the growth of non-Plan expenditure and only the barest minimum provisions have been allowed. Total non-Plan expenditure in 1989-90 is estimated at Rs.54,347 crores against Rs.48,877 crores in the Revised Estimates for the current year.

75. Coming to Receipts, Gross Tax Revenue at the existing rate of taxation is estimated at Rs.49,588 crores. After payment of Rs.12,054 crores to States as their share of taxes and Rs. 50 crores to local bodies in Union territories as assignment of revenue, the net accrual to Centre is estimated at Rs.37,484 crores against Rs.32,652 crores in the current year. Market borrowings are placed at Rs.7,400 crores against Rs.7,250 crores in the current year. External assistance net of repayment is placed at Rs.3,722 crores against Rs.3,216 crores in the current year. Taking into account the variations in other receipts and expenditure, the overall deficit for next year at existing rates of taxation is estimated at Rs. 8240 crores.

PART B

Budget 1989-90

Speech of

Shri S.B.Chavan
Minister of Finance

28th February, 1989

PART B

76. I now turn to my tax proposals for 1989-90.

77. For most people taxation is vexation. I will only say that we raise resources through taxation to fulfil a larger common purpose and seek to return to people a benefit which is greater than the cost they bear.

78. My budget proposals are guided by the objectives and economic perspectives I have outlined earlier. More specifically the proposals are oriented to the following ends:

- promoting productive employment,
- protecting the consumption standards of the poor,
- discouraging non-essential luxury consumption particularly when it is import intensive,
- providing some relief to middle income taxpayers,
- maintaining the tempo of industrial modernisation and growth,
- containing the budget deficit for 1989-90.

79. Now I turn to the budget proposals regarding the direct taxes.

80. The Hon'ble Members are aware of the high priority the Government attaches to creation of productive employment. As I mentioned earlier, a number of schemes are already being implemented to generate employment in rural areas to benefit the vulnerable sections of our society. However, we feel that a time has come for taking initiative to make a substantial dent on the problem of unemployment. To this end, as already stated, Government proposes to introduce a new intensive rural employment programme, to be called Jawaharlal Nehru Rojgar Yojana. In order to mobilise resources for this programme, I propose to levy a surcharge at the rate of 8 per cent. on resident taxpayers with incomes above Rs. 50,000/- from assessment year 1990-91. I am sure that those who are privileged to have employment in a society, where there are so many who are deprived, will not mind this sacrifice in the interest of creating employment for those not so fortunate.

81. The Government has maintained stability in the direct tax rates during the last four years. However, it has often been represented that a 25 per cent. tax at the entry point discourages many taxpayers in coming to the tax net voluntarily. Accordingly, it is proposed to reduce the rate of tax for individuals in the entry slab of Rs. 18000-25000 from the present rate of 25 per cent. to 20 per cent.

82. This House is aware of the fact that in order to mobilise resources to meet the requirements of the drought in 1987 and its after-effects in 1988, a surcharge on income-tax and wealth-tax was levied. I do not propose to continue the Wealth Tax and Income-Tax surcharge from the assessment year 1989-90 and 1990-91 respectively.

83. The combined effect of the changes that I am proposing with regard to the employment surcharge and the changes in the rate structure will be such that a person with a taxable income of below Rs.56,000/- will pay less tax than at present. The entire burden of additional direct-tax will fall on those with a taxable

income above Rs. 56,000/- per annum. The revenue effect of this surcharge will be Rs.500 crores. I have no doubt that the House will welcome this socially progressive measure.

84. With a view to curbing conspicuous consumption, I propose to enhance the rate of expenditure tax under the Expenditure Tax Act, 1987, as applicable to certain hotels, from 10 per cent to 20 per cent. This will yield an additional Rs.30 crores.

85. I now come to some measures for providing relief.

86. To meet the housing needs of the citizens has always been an important policy objective of the Government. In his Budget Speech for 1987-88, the Prime Minister envisaged a high priority for the housing sector and had announced the decision to set up a National Housing Bank. Necessary legislation in this regard has been passed and the National Housing Bank has become operational. In order to help the National Housing Bank mobilise resources in its nascent stage, I propose to provide that the deposits made in the Home Loan Account Scheme of the National Housing Bank as well as the repayment of housing loan taken from the Bank will qualify for deduction provided under section 80C of the Income-tax Act. The investment will also be exempt from wealth-tax subject to the overall ceiling of Rs.5 lakhs. Further, the taxpayers will now get a tax concession under section 54E on capital gains if the sale proceeds are invested in the bonds and debentures issued by the National Housing Bank.

87. Poultry farming is emerging as an important activity for enhancing nutrition and providing employment. I, therefore, propose to provide tax exemption to the income from poultry farming at the rate of thirty-three and one-third per cent. of such income. This measure should go a long way in encouraging investment in this area.

88. Retiring Government employees are often on the look out for investment opportunities with a good post-tax return. With this

view, it is proposed to set up a deposit scheme in which a retiring employee may invest the whole or part of his retirement benefits for a block period of three years. The interest on this investment will be free from income-tax. Further, this investment will also be exempt from wealth-tax. The present ceiling of exemption of wealth upto Rs. 5 lakhs in respect of wealth in certain specified forms will also not apply to such deposits.

89. As a measure for providing relief to the widows and heirs of deceased employees, I propose to amend the provisions of the Income-tax Act, to provide a standard deduction at the rate of thirty-three and one-third per cent., subject to a maximum of Rs.12,000/-, for the recipient of family pension also. Similarly, it is proposed to extend the benefit of deduction of Rs.15,000/-, already available to permanently physically handicapped persons, to persons who are mentally retarded.

90. Hon'ble Members are aware that under the Constitution Amendment Act, 1988 the ceiling of tax on professions has been raised from Rs.250 to Rs.2,500 per annum with the object of enabling the State Governments to raise additional resources. I hope that the States will take full advantage of this. I propose to provide that this tax be allowed as a deduction in computing the income under 'Salaries'.

91. Following the announcements made in the budget speech for 1988-89, Government has formulated schemes setting up the Exchange Risk Administration Fund and issued guidelines for venture capital companies / funds which provide assistance to new entrepreneurs. In order to extend fiscal support to these funds, I propose to extend certain tax concessions to them.

92. Revenue loss, if any, on account of the proposed relief measures is expected to be made up through better compliance and better collection.

93. By a notification of the President issued on 7th November, 1988, the Income-tax Act stands extended to the State of Sikkim

from assessment year 1989-90. In view of some operational difficulties, I now propose to extend the Income-tax Act, 1961 to Sikkim only from the assessment year 1990-91. The Wealth-tax Act and the Gift-tax Act have already been extended from 1990-91 assessment year by the Central Government's notification.

94. I shall now proceed to deal with my proposals relating to indirect taxes.

95. In formulating these proposals, I have been guided by the imperative need for raising additional resources. In doing so, I have taken care to see that items of mass consumption are not unduly affected and that the burden falls largely on relatively affluent sections of the population.

96. As the House is aware, problems of evasion of excise duties through undervaluation and related administrative problems have led to specific rather than ad valorem duties on a large number of commodities. In fact, of the total excise revenue, about 70% is derived from commodities carrying duties at specific rates. In the case of many commodities which are subject to specific rates of excise duty, the duty incidence is substantially lower than what it was when the specific duties were fixed originally. There has to be a system whereby all specific rates are revised upwards periodically keeping in view price increases. I propose to make a beginning in this regard in this Budget by increasing the existing specific duty rates of a substantial number of commodities by a modest five per cent of current rates with suitable rounding off. I hasten to add that I have taken care to ensure that items of mass consumption are kept outside the purview of this adjustment. The items on which there will be no change in the rates of excise duty include sugar, tea, coffee, petroleum products like kerosene, diesel and motor spirit, biris, vegetable oils, vanaspati, cotton yarn and fabrics, jute yarn and fabrics and electric bulbs and fluorescent tubes. Similarly, the existing exemption for newsprint and specified paper intended for use in the printing of textbooks or other books of general interest remains unaltered.

97. It is expected that the upward revision of specific rates will yield an additional excise revenue of Rs.220 crores.

98. There are some commodities which are charged to excise duty at specific rates and which would call for a higher rate of adjustment than what has been proposed in general. I now come to my proposals in regard to these commodities.

99. In the case of iron and steel, the specific rates of duty have not been changed significantly for over a decade now. As a revenue raising measure, I propose to raise the rates of duty on these items. The duty on pig iron is proposed to be increased from Rs.80 to Rs.200 per tonne. On steel items other than stainless steel, such as ingots, billets, bars, rods, etc. presently attracting duty of Rs.365 per tonne, I propose to increase the duty to Rs.500 per tonne. The duty on certain hot rolled flat products such as sheets, strips, etc. is proposed to be raised from Rs.500 to Rs.700 per tonne. In respect of certain cold rolled flat products such as sheets and strips, the duty is proposed to be raised from Rs.715 to Rs.900 per tonne.

100. There are certain assessment disputes in the case of forgings and castings as the duty rates vary depending upon the classification. As a measure of rationalisation and to prevent such disputes, I propose to levy a uniform rate of duty of Rs.800 per tonne on steel forgings and Rs.600 per tonne on steel castings.

101. In the case of stainless steel where the duty incidence is rather low, I propose to raise the duty on ingots, semi-finished products and hot rolled products from the existing rates to Rs.1000 per tonne and on certain cold rolled products from Rs.715 per tonne to Rs.1500 per tonne. Stainless steel castings and forgings will also attract a duty of Rs.1500 per tonne.

102. Similar duty adjustments are proposed to be made on other iron and steel items. In the case of dutiable downstream products, MODVAT credit on iron and steel items would continue to be available.

103. These measures are expected to result in additional excise revenue to the tune of Rs.150 crores and customs revenue of Rs. 18 crores.

104. No Finance Minister can resist the temptation of looking to smokers of cigarettes for augmenting excise revenue. I must confess that I, like most of my predecessors, readily submitted to this temptation. Smokers who do not pay any heed to the statutory warning to their health should, I feel, at least contribute more to the health of the national economy. I propose to restructure the duty rates on cigarettes. While generally the duty rates are being raised, the extent of increase would be more in the case of filter cigarettes of length above 70mm. However, non-filter cigarettes of length upto 60 mm will carry a rate of excise duty of Re.1 per packet of 10. These measures are estimated to yield excise revenue to the tune of Rs.101crores.

105. Having revised the duty structure on cigarettes, I would not like users of pan masala to feel aggrieved that they have been let down. I propose to double the excise duty presently being levied on pan masala not containing tobacco for the two existing slabs based on value from Rs.10 and Rs.20 per kg. to Rs.20 and Rs.40 per kg. respectively. Simultaneously, I propose to increase the excise duty on pan masala containing tobacco from 25% to 30%.The revenue implication of these measures is Rs.8 crores.

106. As the House is aware, molasses is the principal raw material for the manufacture of liquor. In keeping with its end use, I feel, molasses can bear a higher incidence of duty than at present. I accordingly propose to increase the excise duty on molasses from Rs.60 to Rs.120 per tonne. I propose to increase suitably the credit of money that is presently available when alcohol is used in the manufacture of chemicals.It is estimated that this measure will yield additional excise revenue to the tune of Rs.11 crores.

107. I have a couple of proposals relating to travel tax.

108. At present, Foreign Travel Tax is being levied at the rate of Rs.50 per ticket for travel to neighbouring countries and Rs.100 per ticket in respect of travel to other countries. These rates have not undergone any change since 1979. I propose to increase the aforesaid rates of tax to Rs.150 and Rs.300 respectively.

109. As the House is aware, Government has invested substantial sums of money in developing our airports and providing infrastructural facilities therein. Keeping this fact in view, the privileged few who can afford to fly within the country should not mind if they are to pay a small extra amount as tax for augmenting revenues. I intend to levy a new tax called Inland Air Travel Tax at 10% of the basic fare. However, I propose to exempt passengers paying air fare in foreign currency. There will also be a provision for exempting deserving special categories of passengers from this tax.

110. The proposals relating to travel tax will be given effect to from a date to be notified later and are expected to yield additional revenue to the tune of Rs.85 crores.

111. Having dealt with those who fly, I now turn to those who drive. Let me deal with my proposals in regard to the automobile sector.

112. As Honourable Members are aware, presently there is a concessional rate of excise duty of 25% in respect of fuel efficient cars of engine capacity not exceeding 1000 cc and 30% in respect of such cars of engine capacity exceeding 1000 cc as against the rate of 35% for other cars. I feel fuel efficient cars have established themselves and there is no necessity to continue with the concessional rates any more. I accordingly propose to levy a uniform rate of 35% on all motor cars. This rate will apply to vans and jeeps also. The revenue gain from this measure will be Rs.100 crores.

113. Currently the excise duty on two wheelers of engine capacity not exceeding 100 cc is 15% and that on others, 25%. I

propose to restructure the excise duty on two wheelers into a four tier regime. The rate of duty on two wheelers upto 50cc will remain at the present level of 15%. The duty on two wheelers between 50 and 100 cc is being raised from 15% to 20%. There is no change in the rate of excise duty of 25% on two wheelers between 100 and 150 cc. The rate of duty on two wheelers above 150 cc will be 30%. This measure is expected to yield additional revenue of about Rs. 26 crores.

114. I also propose to give some concessions in customs duties to this sector keeping in view the need to encourage domestic production and hasten the process of indigenisation.

115. I further propose to prescribe a concessional duty of 40% on machinery imported for the manufacture of fuel injection equipment, which is a vital component for the automobile sector. The same rate would be applicable to components imported for manufacture of fuel injection equipment. The concessional rate would be available only to the units manufacturing under an approved phased manufacturing programme.

116. The concessions in customs duty to the automotive sector will have a revenue implication of Rs.19 crores.

117. I now come to the package of measures relating to the electronics sector. This is one of the fast growing sectors in our economy and is in a position to contribute more to the exchequer. My proposals in regard to this sector are oriented to giving a greater stimulus to the process of indigenisation.

118. The Members of the House are aware that television has offered considerable entertainment to our people. It would be in the fitness of things that television viewers who derive such entertainment should contribute more to the resources of Government and thereby to the programmes of national development.

119. At present, black and white television sets of screen size exceeding 15 cm and upto 36 cm are completely exempted from

excise duty. While continuing the exemption for such sets, I propose to increase the excise duty on the picture tube of such sets to Rs.200 per tube. Black and white television sets of screen size exceeding 36 cm attract excise duty of Rs.300 per set. I propose to increase this rate to Rs.500 per set.

120. As regards colour television sets, the present duty is Rs.1500 per set of assessable value upto Rs.5000 and Rs.2000 per set of assessable value more than Rs.5000. This duty structure has led to some valuation disputes. Some high value sets have also entered the market. A review of the duty structure on colour television sets is therefore called for. I propose to fix a duty of Rs.2250 per set without remote control, Rs.2500 per set with remote control and Rs.4000 per set having the facility of 'Picture in picture'.

121. I also propose to fix a uniform rate of 20% on radios, two-in-ones, cassette recorders and musical systems, as against the present rates of 15% or 20%.

122. I propose to increase the excise duty on computers from 10% to 15% ad valorem. At the same time, computers are being taken out of the general scheme of exemption for the small scale sector.

123. Presently, specified raw materials and piece parts imported for the manufacture of specified electronic components attract customs duty at the rates of 35% and 50% respectively. While extending concessional duty to a larger number of items, I propose to raise these rates to 40% and 60% respectively.

124. These proposals relating to electronic items are estimated to yield additional revenue to the tune of Rs.158 crores in excise and Rs.36.5 crores in customs.

125. I have some concessions in customs duty to announce for the electronics sector. In last year's Budget, a uniform rate of import duty of 100% was provided to a large number of equipments for telecommunication, satellite communication, data communication, television transmission and studio and

sound broadcasting. I propose to extend the concession to 35 more specified equipments.

126. Optical communication cables are essential for telecommunication. In order to encourage the manufacture of such cables in the country, I propose to reduce the import duty on specified raw materials required for their manufacture from the present rates varying from 130 to 300% to the level of 80%.

127. With a view to encouraging production of high-tech items like large scale integrated circuits, microprocessors and other microelectronic items, 22 items of machinery have been given a concessional import duty of 15 %. I propose to extend the concession to five more items of machinery.

128. The concessions in customs duty to the electronics sector will have a revenue implication of Rs.33 crores.

129. I have a package of measures in regard to the customs duty structure for capital goods.

130. At the time of presenting the 1987 Budget, the Hon'ble Prime Minister had emphasised the importance of the capital goods industry and had stated that it is central to our efforts for achieving self reliance and to promote the growth of this sector. Important steps were initiated that year. The success brought forth by these measures encourages us to continue further along those lines. My first proposal is to extend the duty concession for import of machinery under the technology upgradation scheme for the capital goods industry to four more sectors. These are cutting tools, commercial tool rooms, textile machinery and paper machinery. In addition, for the machine tool sector, I propose to expand the list of machinery items attracting concessional duty.

131. I propose to rationalise the import tariff of capital goods. The rate of import duty on general projects and machinery is being reduced from the existing 90% to 80% ad valorem. The rate of duty on components which is 15% below the rate applicable to the machinery would get correspondingly reduced.

132. The next step in this regard would be rationalising the rate of concessional import duty on specified machinery which presently varies between 25% to 35%. This is being unified and fixed at 40% ad valorem. There would, however, be no change in the case of fertilizer projects. In the case of power projects, the increase would be by five percentage points.

133. The rationale for these changes lies in the desirability of reducing the dispersion in tariff rates as much as possible. In pursuit of this objective, I am introducing an intermediate level of duty of 60% ad valorem. This will apply to certain specified items of machinery which are manufactured indigenously such as captive power plants, certain types of generating sets and circular looms for jute industry.

134. As a measure of facilitating the export thrust sectors to upgrade their technology by importing modern machinery, concessional duties have been prescribed from time to time on machinery for specified thrust sectors. I propose to extend the concession to rubber and canvas footwear sector and to expand the existing list of machinery for textile and sericulture sectors.

135. These measures relating to capital goods are estimated to result in a loss of customs revenue of about Rs.117 crores.

136. As I have mentioned earlier in my speech, pricing and distribution of aluminium is being decontrolled with immediate effect. In this context, I propose to increase the excise duty on aluminium ingots and wire-rods from the existing level of 18% to 20% ad valorem plus Rs.2500 per tonne. Since MODVAT credit in regard to primary aluminium would be available for dutiable downstream products, I propose to increase the duty on most of such products by ten percentage points. It is also proposed to exempt aluminium ingots from basic and auxiliary duties of customs. The basic customs duty on aluminium scrap is being reduced from 30% to 15%. The net revenue yield from these measures will be Rs.50 crores.

137. There are certain commodities which attract a low rate of customs duty at present and these call for a review. I propose to raise the import duty on wood pulp, waste paper, low ash coal, raw petroleum coke and certain chemicals by five percentage points over the existing rates. On benzene, I propose to raise the basic customs duty from the existing nil rate to 25% *ad valorem*. The revenue gain from these proposals will be Rs.39 crores.

138. I propose to increase the basic customs duty on glazed newsprint from Rs.550 per tonne to 30% *ad valorem*. This will yield additional revenue of about Rs.12 crores.

139. Watches and components thereof presently bear a low rate of excise duty of 2% *ad valorem*. This rate was fixed in order to encourage indigenous production of watches. This measure has been successful. I think the time has come when the watch industry can bear a higher duty. I propose to increase the rate to 5% *ad valorem*. This will result in a revenue gain of Rs.5 crores.

140. I shall now deal with my package of proposals in regard to the agrobased and related industries.

141. As Honourable Members are aware, the growth of food processing and packaging industry is essential for increasing value addition of agricultural produce and raising incomes of farmers. As part of Budget proposals last year, excise duty on parts and accessories going into the installation of cold storage plants for preserving foodstuffs was reduced from 40% to 15%. I now propose to extend the concessional rate of 15% to parts of refrigerating appliances and machinery as well as compressors intended to be used in refrigerated vans meant for transport of food and dairy products.

142. At present, 34 specified items of food processing and packaging machinery enjoy a concessional import duty of 35%. I propose to extend the concessional rate to a few more specified

items of machinery such as transport refrigeration unit and machinery for egg processing. The concessional rate of duty as stated earlier is now being fixed at 40%.

143. I propose to reduce the excise duty on skimmed milk powder and condensed milk from 15% to 10%. Simultaneously the exemption from excise duty on skimmed milk powder in one kilogram pack is being withdrawn. The excise duty on certain other food preparations such as preparations of fish, meat, tapioca and sago in unit containers is being reduced from 15% to 10%. Namkeens such as bujiyas and chabena and specified ready-to-cook mixes such as idli-mix and vada-mix are being fully exempted from excise duty.

144. A concessional import duty of 61% has been provided for certain specified items of machinery for marine food sector. I propose to further reduce the rate to 40% and enlarge the list by adding three more items of machinery for fishing. In addition, I propose to reduce the import duty on machinery for the manufacture of fish nets from 90% to 40%.

145. One of the proposals contained in the New Policy on Seed Development announced in September, 1988 relates to the reduction of import duty on machines and equipments used for seed production and processing and quality control for which technology upgradation is necessary. I propose to prescribe a concessional import duty of 40% on 12 specified items of such machinery and equipments.

146. In order to help improve the quality of poultry feed, I propose to reduce the import duty on two specified amino acids from the present level of 147.25% to 70%.

147. To give relief to the jute industry, I propose to exempt from excise duty jute yarn supplied to a registered handloom cooperative society or an organisation set up or approved by the Government. This exemption will be available for the purpose of development of handlooms for manufacture of fabrics other than

those used for jute sacks. I also propose to extend this exemption to units set up by the Khadi and Village Industries Commission and Boards.

148. Paper and paperboard containing not less than 75% by weight of bagasse is totally exempted from excise duty. In order to further encourage the use of unconventional raw materials for the manufacture of paper and thus reduce the pressure on forest based raw materials, I propose to extend full excise duty concession to those varieties of paper and paper board which contain not less than 75% of pulp made from raw jute or mesta. This measure may incidentally help the jute industry.

149. For helping the farmers to get better prices for their produce, I propose to increase the basic customs duty on cinnamon from Rs.20 per kg to 90% *ad valorem* plus Rs.20 per kg and that on cloves from Rs.60 to Rs.95 per kg.

150. To give a major thrust to marketing of products of the Khadi and Village Industries sector, I propose to make an exception in regard to availability of small scale concession where the products bear the brandname of Khadi and Village Industries Commission and Boards. The existing concession for products of village industry marketed by or with the assistance of the Khadi and Village Industries Commission is being extended to furniture and ceramic products.

151. These measures relating to agrobased and related industries are estimated to result in a revenue loss of Rs.5 crores of customs duty and Rs.8 crores of excise duty.

152. On a review of the excise duty structure for the match industry, I feel there is need for revising the duty rates for the different sectors of the industry. Currently, excise duty is being levied on the mechanised, semi-mechanised, non-mechanised and cottage sectors of the industry at Rs.5.85, Rs.4.15, Rs.3.50 and Rs.1.60 per gross of boxes respectively. I propose to bring down the aforementioned rates to Rs.4.50, Rs.3.00, Rs.2.50 and

Rs.1.10 per gross. Simultaneously, I propose to increase the excise duty on potassium chlorate, an essential raw material for the manufacture of matches, from 15 % *ad valorem* which works out to roughly Rs.2 per kilogram to Rs.5 per kilogram. The duty rates will be converted into metric system and specified as applicable to 100 boxes with effect from the 1st June, 1989. These proposals involve a revenue sacrifice of Rs.11 crores excise duties.

153. In view of the shortage of cotton due to drought, as part of the Budget proposals last year, a concessional duty of Rs.5.22 per Kg. was prescribed on viscose staple fibre for blending with cotton. However, with the increased availability of cotton this year, there is no further necessity to continue the concession. I propose to withdraw the concessional rate and fix a uniform rate of Rs.8.35 per Kg. on viscose staple fibre. The revenue gain from this measure will be of the order of Rs.14 crores.

154. I propose to exempt raw wool to be imported by Khadi and Village Industries Commission and State Khadi and Village Industries Boards from the whole of the duty.

155. The customs duty on raw silk is being reduced from 75% to 50% *ad valorem*.

156. Dyestuffs are important inputs for the processing of textiles. This commodity carries at present an excise duty of 35%. I propose to reduce the excise duty on synthetic organic dyestuffs from 35% to 30%. This proposal which will benefit this textile related industry involves a revenue loss of Rs.19 crores.

157. Synthetic shoddy blankets of value upto Rs. 10 per square metre are being exempted from the whole of excise duty.

158. I propose to give certain **concessions** in customs duty to specified life saving drugs and **drug intermediates**. The proposals in this regard are likely to **result in a revenue loss** of about Rs. 7 crores.

159. In order to give relief to cement units using vertical shaft kiln, I propose to reduce the excise duty on cement manufactured by such units by Rs.100 per tonne from the general effective rate. This involves a revenue loss of Rs. 10 crores.

160. As a step towards energy conservation, I propose to reduce the excise duty on high pressure sodium vapour lamps from 15% to 10%. Simultaneously, I propose to prescribe a concessional import duty of 50% on four specified inputs for the manufacture of such lamps. These measures are estimated to result in revenue loss of Rs.2.5 crores in excise revenue and Rs.5 crores in customs revenue.

161. There have been representations that the film industry has been adversely hit by video piracy. I accordingly propose to restructure the excise duty rates on feature films. As per the revised proposal, the first 30 prints of each feature film would be eligible for complete exemption from excise duty as against the first 12 prints at present. The rates of duty on subsequent prints are being reduced.

162. Some of the organisations engaged in the rehabilitation of physically or mentally handicapped persons undertake manufacturing activity for providing employment to such persons. Presently, such organisations are eligible for excise duty exemption only to the extent available for specified goods manufactured in the small scale sector. I propose to fully exempt such goods produced by these organisations.

163. In order to promote safety in chemical industry and environmental control, I propose to extend concessional import duty of 40% on 25 specified equipments such as monitoring instruments for toxic and hazardous chemicals or gases, special incinerating systems etc.

164. Paraxylene is an important raw material used in the manufacture of DMT and PTA which in turn are used by the polyester industry. Keeping in view the recent trends in the international price of paraxylene, I propose to reduce the import duty on paraxylene from 120% to 90% .

165. There are a few rationalisation and anti-evasion measures relating to customs and excise duties.

166. Presently, petro-chemical factories are eligible for certain concessions including concessional excise duty on naphtha when they are declared as refineries. The present scheme has been reviewed and I propose to make available the concessions with certain modifications, without linking the concessions to the declaration of a factory as a refinery. Simultaneously, I propose to raise the concessional rate of duty on raw naphtha from Rs. 30 to Rs. 60 per kl. The orders declaring certain factories as refineries are being rescinded.

167. Small scale units are allowed complete exemption from excise duty upto a value of Rs.30 lakhs in case they manufacture goods falling under more than one heading of the Central Excise Tariff. I propose to restructure the scheme so that the exemption upto Rs.30 lakhs is available only if the goods falling under more than one Chapter of the Central Excise Tariff are manufactured.

168. The details of the revenue implications of the measures announced are given in the Explanatory Memorandum to the Finance Bill.

169. Provision is being made in the Finance Bill for continuance of auxiliary duty of customs and special excise duty at the existing rates.

170. Apart from the above proposals, I have proposed certain amendments in the Finance Bill seeking to effect changes in the excise and customs tariffs. These amendments are merely enabling provisions and have no revenue significance. Besides, there are proposals for amendment of some of the existing notifications. In order to save the time of the House, I do not propose to recount them.

171. In the aggregate, the proposals in regard to changes in the customs and excise duties outlined above are likely to yield additional revenue of Rs.863.20 crores from excise duties and

Rs.117.06 crores from customs duties. The concessions and reliefs announced aggregate to Rs.237.12 crores on the customs side and Rs.71.02 crores on the excise side. The net additional revenue from excise duties would thus be Rs.792.18 crores. On the customs side, there is a net revenue loss of Rs.120.06 crores. Besides, the changes in the Foreign Travel Tax and the levy of Inland Travel Tax would yield an additional revenue of Rs.85 crores. Thus, out of the total net additional yield of Rs. 757.12 crores from indirect taxes, the Centre's share would be Rs. 373.13 crores and that of States Rs.383.99 crores.

172. The Medicinal and Toilet Preparations Act is an enactment under Article 268 of the Constitution in terms of which duties are levied by the Union but collected and appropriated by the States. There has been no change in the rates of duties leviable on medicinal and toilet preparations containing alcohol, narcotics and narcotic drugs since 1982. There have been requests from the State Governments that the rates should be reviewed and revised suitably. While I do not propose to make any changes in the advalorem rates, I propose to increase the specific rates by about 50% of the existing rates. The details of the changes made in the Schedule are given in the Explanatory Memorandum to the Finance Bill.

173. Copies of notifications giving effect to the changes in customs and excise duties effective from 1 st March, 1989 will be laid on the Table of the House in due course.

174. The modifications proposed by me in direct and indirect taxes are expected to yield Rs. 903 crores to the Centre. Taking this into account the year and deficit for the next year is estimated at Rs. 7337 crores.

175. Sir, the proposals I have just presented mark, in their totality, a qualitatively new stage in our continuing quest for social justice. The new employment programme, which will expand over time, is the people's own weapon in their struggle to usher in a society liberated from the shackles of poverty. The budget

proposals also reflect Government's strong commitment to self-reliance. We are determined to vigorously implement strategies for export promotion, for modernisation of Indian industry and for efficient import substitution. Within these basic policy parameters, every effort will be made to contain imports to reasonable levels. The journey along the path of development is hard and long. It involves sacrifices. The question is who will make such sacrifices for future growth and prosperity. The answer of these budget proposals is clear and categorical. It is the relatively affluent who will have to share a larger burden so that the weaker and vulnerable sections of society may share in the fruits of growth.

176. I commend the Budget to the House.

ARRANGEMENT OF CLAUSES

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2. Income-tax.

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4. Amendment of section 10.
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8. Amendment of section 36.
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THE SECOND SCHEDULE.

THE THIRD SCHEDULE.

THE FOURTH SCHEDULE.

THE FIFTH SCHEDULE.

THE SIXTH SCHEDULE.

Bill No.11 of 1989

THE FINANCE BILL, 1989

A

BILL

to give effect to the financial proposals of the Central Government for the financial year 1989-90.

BE it enacted by Parliament in the Fortieth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Finance Act, 1989.

Short title and commencement.

5 (2) Save as otherwise provided in this Act, sections 2 to 33 shall be deemed to have come into force on the 1st day of April, 1989.

CHAPTER II

RATES OF INCOME-TAX

10 2. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1989, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

Income-tax.

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

15 calculated in each case in the manner provided therein.

(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-Paragraph I applies, eighteen thousand rupees, and

20 (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,—

25 (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:—

30 (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,—

35 (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 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 the income-tax in respect of the total income:

Provided that the amount of income-tax so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B 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:

Provided that in respect of any income chargeable to tax under section 115B or section 115BB of the Income-tax Act, the income-tax computed under section 115B or section 115BB shall be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 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 and shall be increased,—

(a) in the cases to which the provisions of sub-item (a) of item 1 of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which the provisions of sub-item (a) of item 2 of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(5) In cases in which tax has to be deducted under section 194C of the Income-tax Act, the deduction shall be made at the rates specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such deduction.

(6) In cases in which tax has to be collected under section 206C of the Income-tax Act, the collection shall be made at the rate specified in that section and shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such collection.

(7) Subject to the provisions of sub-section (8), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" 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 and shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein:

Provided that in cases to which the provisions of Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B 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:

Provided further that in respect of any income chargeable to tax under section 115B of the Income-tax Act, the "advance tax" computed under the first proviso shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such "advance tax".

(8) In the cases to which Sub-Paragraph I or Sub-Paragraph 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

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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,

5 then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 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,—

10 (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,

15 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:—

20 (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

25 (B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

30 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:

35 Provided that the amount of income-tax or "advance tax" so arrived at shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax or, as the case may be, "advance tax" 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.

40 (9) 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) of section 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;

45 (b) "domestic company" means an 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, 1989, 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 of section 194 of the Act;

50 (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 revival of policies of insurance);

55 (d) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Income from house property", "Capital gains" and "Income from other sources" or of income by way of interest on securities;

(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 in section 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.

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2. 3. In section 2 of the Income-tax Act [as amended by section 3 of the Direct Tax Laws (Amendment) Act, 1987], in clause (1A), the following Explanation shall be inserted at the end and shall be deemed to have been inserted with effect from the 1st day of April, 1970, namely:—

"Explanation.—For the removal of doubts, it is hereby declared that revenue derived from land shall not include and shall be deemed never to have included any income arising from the transfer of any land referred to in item (a) or item (b) of sub-clause (iii) of clause (14) of this section;"

Amendment of section 10. 4. In section 10 of the Income-tax Act,—

(a) after clause (14), the following clause shall be inserted, namely:—

'(14A) any income received by a public financial institution as exchange risk premium from any person borrowing foreign currency from such institution, provided the amount of such premium is credited by such institution to a fund specified under clause (23E).

Explanation.—For the purposes of this clause,—

(i) the expression "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956;

(ii) the expression "exchange risk premium" means a premium paid by a person borrowing foreign currency from a public financial institution to cover the risk which may be borne by such institution on account of fluctuations in exchange rate of foreign currencies borrowed by such institution;"

(b) in clause (15), in sub-clause (iv), after item (h), the following item shall be inserted with effect from the 1st day of April, 1990, namely:—

"(i) by Government on deposits made by an employee of the Central Government or a State Government, in accordance with such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, out of the moneys due to him on account of his retirement, whether on superannuation or otherwise;"

(c) after clause (23D), the following clause shall be inserted, namely:—

'(23E) any income of such Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a public financial institution, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax.

Explanation.—For the purposes of this clause, the expression "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956;"

(d) after clause (26A), the following clause shall be inserted with effect from the 1st day of April, 1990, namely:—

'(26AA) any income of a person by way of winnings from any lottery, the draw of which is held in pursuance of any agreement entered into on or before the 28th day of February, 1989 between the State Government of Sikkim and the organising agents of such lottery, where such person is resident in the State of Sikkim in any previous year.

4 of 1988.

1 of 1956.

1 of 1956.

50

Explanation.—For the purposes of this clause, a person shall be deemed to be resident in the State of Sikkim if he fulfills the requirements of clause (1) or clause (2) or clause (3) or clause (4) of section 6, as the case may be, subject to the modifications that—

5 (i) references in those clauses to India shall be construed as references to the State of Sikkim; and

(ii) in sub-clause (i) of clause (3), reference to Indian company shall be construed as reference to a company formed and registered under any law for the time being in force in the State of Sikkim and having its registered office in that State in that year.:

5. In section 16 of the Income-tax Act, with effect from the 1st day of April, 1990,—

Amendment of section 16.

10 (a) in clause (i),—

(i) the proviso shall be omitted;

(ii) for the word and figure "Explanation 1", the word "Explanation" shall be substituted;

(iii) Explanation 2 shall be omitted;

(b) after clause (ii), the following clause shall be inserted, namely:—

15 "(iii) a deduction of any sum paid by the assessee on account of a tax on employment within the meaning of clause (2) of article 276 of the Constitution, leviable by or under any law."

6. In section 17 of the Income-tax Act, in clause (2), in sub-clause (iii), the following *Explanation* shall be inserted at the end with effect from the 1st day of April, 1990, namely:—

Amendment of section 17.

20 "*Explanation.*—For the removal of doubts, it is hereby declared that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or other place of work, or from such office or place to his residence, shall not be regarded as a benefit or amenity granted or provided to him free of cost or at concessional rate for the purposes of this sub-clause."

7. In section 32AB of the Income-tax Act,—

Amendment of section 32AB.

25 (a) in sub-section (1), in clause (ii), the word "eligible" shall be omitted with effect from the 1st day of April, 1991;

(b) in sub-section (2), clause (i) shall be omitted with effect from the 1st day of April, 1991;

(c) sub-section (3) shall be omitted with effect from the 1st day of April, 1991;

30 (d) in sub-section (4), after clause (d), the following clause shall be inserted with effect from the 1st day of April, 1991, namely:—

"(e) any new machinery or plant to be installed in an industrial undertaking, other than a small-scale industrial undertaking, as defined in section 80HHA, for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.";

35 (e) in sub-section (5A),—

(i) for the words "scheme and", the words "scheme or" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1987;

(ii) the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987, namely:—

40 "*Explanation.*—For the removal of doubts, it is hereby declared that nothing contained in this sub-section shall affect the operation of the provisions of sub-section (5AA) or sub-section (6) in relation to any withdrawals made from the deposit account either before or after the expiry of a period of five years from the date of deposit.";

45 (f) after sub-section (5A), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987, namely:—

50 "(5AA) Where any amount, standing to the credit of the assessee in the deposit account, is withdrawn during any previous year by the assessee in the circumstance specified in clause (a) or clause (d) of sub-section (5A), the whole of such amount shall be deemed to be the profits and gains of business or profession of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year, as if the business had not closed or, as the case may be, the firm had not been dissolved.";

(g) in sub-section (5B), the word "eligible" shall be omitted with effect from the 1st day of April, 1991;

55 (h) in sub-section (6), after the words "closure of the account", the brackets, words, letters and figure "[in circumstances other than the circumstances specified in clauses (b), (c) and (e) of sub-section (5A)]" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1987.

Amendment of section 36. 8. In section 36 of the Income-tax Act, in sub-section (1), after clause (ix) and the provisos thereto, the following clause shall be inserted, namely:—

'(x) any sum paid by a public financial institution by way of contribution towards any fund specified under clause (23E) of section 10.

Explanation.—For the purposes of this clause, "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956.' 5

1 of 1956.

Amendment of section 43B. 9. In section 43B of the Income-tax Act [as amended by section 15 of the Direct Tax Laws (Amendment) Act, 1987, and section 12 of the Finance Act, 1988],—

4 of 1988.
26 of 1988

(a) for the second proviso, the following proviso shall be substituted, namely:—

"Provided further that no deduction shall, in respect of any sum referred to in clause (b), be allowed unless such sum has actually been paid in cash or by issue of a cheque or draft or by any other mode on or before the due date as defined in the *Explanation* below clause (va) of sub-section (1) of section 36, and where such payment has been made otherwise than in cash, the sum has been realised within fifteen days from the due date.;" 10

(b) after *Explanation* 1, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1984, namely:— 15

Explanation 2.—For the purposes of clause (a), as in force at all material times, "any sum payable" means a sum for which the assessee incurred liability in the previous year even though such sum might not have been payable within that year under the relevant law.;"

(c) *Explanation 2* and *Explanation 3* shall be renumbered as *Explanation 3* and *Explanation 4* respectively. 20

Insertion of new section 44BBB. Special provision for computing profits and gains of foreign companies engaged in the business of civil construction, etc., in certain turnkey power projects. 10. After section 44BBA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1990, namely:—

'44BBB. Notwithstanding anything to the contrary contained in sections 28 to 44AA, in the case of an assessee, being a foreign company, engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project approved by the Central Government in this behalf and financed under any international aid programme, a sum equal to ten per cent. of the amount paid or payable (whether in or out of India) to the said assessee or to any person on his behalf on account of such civil construction, erection, testing or commissioning 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".' 25

30

Amendment of section 48. 11. In section 48 of the Income-tax Act, in sub-section (2), with effect from the 1st day of April, 1990,—

(i) in clause (b),—

(a) after sub-clause (i), the following sub-clause shall be inserted, namely:— 35

'(ia) in respect of long-term capital gain so arrived at relating to equity shares of venture capital undertakings,—

(A) in the case of a company, other than venture capital company, thirty per cent. of the amount of such gain in excess of ten thousand rupees;

(B) in the case of venture capital company, sixty per cent. of the amount of such gain in excess of ten thousand rupees; 40

(C) in any other case, sixty per cent. of the amount of such gain in excess of ten thousand rupees.;"

(b) in sub-clause (ii), in the opening portion, for the words "other capital assets", the words, brackets, figures and letter "capital assets [other than capital assets referred to in sub-clauses (i) and (ia)]" shall be substituted; 45

(ii) the following *Explanation* shall be inserted at the end, namely:—

Explanation.—For the purposes of this section,—

(a) "venture capital company" means such company as is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings or, if the circumstances so require, by way of advancing loans to such undertakings, and is approved by the Central Government in this behalf; 50

(b) "venture capital undertaking" means such company as the prescribed authority may, having regard to the following factors, approve for the purposes of sub-clause (ia) of clause (b) of sub-section (2), namely:—

- 5 (1) the total investment in the company does not exceed ten crore rupees or such other higher amount as may be prescribed;
- (2) the company does not have adequate financial resources to undertake projects for which it is otherwise professionally or technically equipped; and
- 10 (3) the company seeks to employ any technology which will result in significant improvement over the existing technology in India in any field and the investment in such technology involves high risk. .

12. In section 54E of the Income-tax Act, in sub-section (1), in *Explanation 1*, after clause (d), the following clause shall be inserted with effect from the 1st day of April, 1990, namely:—

Amendment
of section
54E.

of 1987. 15 (e) in a case where the original asset is transferred after the 31st day of March, 1989, any of the assets specified in clauses (c) and (d) and such debentures or bonds issued by the National Housing Bank established under section 3 of the National Housing Bank Act, 1987, as the Central Government may, by notification in the Official Gazette, specify in this behalf. .

13. In section 57 of the Income-tax Act, after clause (ii), the following clause shall be inserted, with effect from the 1st day of April, 1990, namely:—

Amendment
of section
57.

20 (iia) in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent. of such income or twelve thousand rupees, whichever is less.

Explanation.— For the purposes of this clause, "family pension" means a regular monthly amount payable by the employer to a person belonging to the family of an employee in the event of his death. .

25 14. In section 80C of the Income-tax Act, in sub-section (2), in clause (h), with effect from the 1st day of April, 1990,—

Amendment
of section
80C.

(a) after sub-clause (i), the following sub-clause shall be inserted, namely:—

of 1987. (ia) as subscription to any such deposit scheme of the National Housing Bank established under section 3 of the National Housing Bank Act, 1987, as the Central Government may, by notification in the Official Gazette, specify in this behalf. .;

30 (b) in sub-clause (ii) , in item (c), after sub-item (3), the following sub-item shall be inserted, namely:—

"(3A) the National Housing Bank, or".

15. In section 80CC of the Income-tax Act, with effect from the 1st day of April, 1990,—

Amendment
of section
80CC.

of 1963. 35 (i) in sub-section (1), for the words and figures "section 10 if such fund subscribes", the words and figures "section 10 or units issued under any scheme of the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963, if the amount of subscription to any units, issued by the Mutual Fund or, as the case may be, the Unit Trust of India under such scheme, is subscribed" shall be substituted;

(ii) in sub-section (3), in clause (a).—

40 (a) in sub-clause (ii), in the proviso, the word "or" shall be inserted at the end;

(b) after sub-clause (ii), as so amended, the following sub-clause shall be inserted, namely:—

"(iia) a hospital; or".

45 16. After section 80J of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1990, namely:—

Insertion of
new section
80JJ.

"80JJ. Where the gross total income of an assessee includes any profits and gains derived from business of poultry farming, there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to thirty-three and one-third per cent. thereof. .

Deduction in
respect of
profits and
gains from
business of
poultry
farming.

50 17. In section 80U of the Income-tax Act, with effect from the 1st day of April, 1990,—

Amendment
of section
80U.

(a) in sub-section (1).—

(i) in clause (ii), the word "or" shall be inserted at the end;

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

55 "(iii) is subject to mental retardation to the extent specified in the rules made in this behalf by the Board, and which has the effect of reducing substantially his capacity to engage in a gainful employment or occupation. .";

(iii) in the proviso,—

(1) in clause (a), the word "and" occurring at the end shall be omitted;

(2) in clause (b), the word "and" shall be inserted at the end;

(3) after clause (b), the following clause shall be inserted, namely:—

"(c) in a case referred to in clause (iii), a certificate as to the mental retardation from a psychiatrist working in a Government hospital.;" 5

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The Board shall, in making any rules for specifying any disability or mental retardation for the purposes of clause (ii) or clause (iii), as the case may be, of sub-section (1), have regard to the nature of such disability or mental retardation and the effect which such disability or mental retardation is likely to have on the capacity of a person subject thereto, or suffering therefrom, to engage in a gainful employment or occupation." 10

Amendment
of section
115B.

18. In section 115B of the Income-tax Act (as amended by section 31 of the Finance Act, 1988), in sub-section (2), with effect from the 1st day of April, 1990,— 26 of 1988

(a) for the words, figures and letters "the previous year relevant to the assessment year commencing on the 1st day of April, 1989", the words, figures and letters "the previous years relevant to the assessment years commencing on the 1st day of April, 1989 and the 1st day of April, 1990" shall be substituted; 15

(b) in the proviso, for the words "previous year", the words "previous years" shall be substituted. 20

Amendment
of section
115J.

19. In section 115J of the Income-tax Act,—

(i) after sub-section (1) and before the *Explanation*, the following sub-section shall be inserted, namely:—

"(1A) Every assessee, being a company, shall, for the purposes of this section, prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956.;" 25

(ii) in the *Explanation*,—

(a) in the opening portion, for the words and figures "prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956", the words, brackets, figure and letter "prepared under sub-section (1A)" shall be substituted; 1 of 1956, 30

(b) in clause (i), for the words "profit and loss account; or", the following shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1988, namely:—

"profit and loss account:

Provided that, where this section is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made after the 1st day of April, 1988 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under this *Explanation*; or". 35

Amendment
of section
153.

20. In section 153 of the Income-tax Act [as amended by section 59 of the Direct Tax Laws (Amendment) Act, 1987], in sub-section (1), the following proviso shall be inserted at the end, namely:— 40 4 of 1988.

"Provided that in respect of a return filed under sub-section (4) or sub-section (5) of section 139, which relates to the assessment year commencing on the 1st day of April, 1988, or any earlier assessment year, no order of assessment referred to in this sub-section shall be made at any time after the expiry of one year from the end of the financial year in which such return is filed." 45

Amendment
of section
192.

21. In section 192 of the Income-tax Act, with effect from the 1st day of June, 1989,—

(a) in sub-section (2A), for the words "public sector undertaking", the words "company, co-operative society, local authority, University, institution, association or body" shall be substituted;

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

Explanation.—For the purposes of this sub-section, "University" means a University established or incorporated by or under a Central, State or Provincial Act, and includes an institution declared under section 3 of the University Grants Commission Act, 1956 to be a University for the purposes of that Act. 50 3 of 1956.

22. In section 193 of the Income-tax Act, with effect from the 1st day of June, 1989,—

Amendment
of section
193.

(a) in the opening portion, for the words "at the time of payment", the words "at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier" shall be substituted;

5 (b) in the proviso, in clause (v), in sub-clause (b), for the words "one thousand rupees", the words "two thousand and five hundred rupees" shall be substituted;

(c) after the proviso, the following *Explanation* shall be inserted, namely:—

10 '*Explanation.*—For the purposes of this section, where any income by way of interest on securities is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.'

23. In section 263 of the Income-tax Act, in sub-section (1), in the *Explanation*,—

Amendment
of section
263.

15 (i) in clause (a), after the words "an order passed", the words, figures and letters "on or before or after the 1st day of June, 1988," shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

(ii) in clause (b), for the word "includes", the words "shall include and shall be deemed always to have included" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988;

20 (iii) in clause (c),—

(a) after the words "of any appeal", the words, figures and letters "filed on or before or after the 1st day of June, 1988" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

25 (b) after the words "shall extend", the words "and shall be deemed always to have extended" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988.

24. In section 285B of the Income-tax Act, the words "as employee or otherwise" shall be omitted with effect from the 1st day of June, 1989.

Amendment
of section
285B.

30 25. The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, with effect from the 1st day of April, 1990, namely:—

Consequen-
tial amend-
ments.

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

(b) in section 80P, in sub-section (3),—

35 (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 letter "and section 80J", the words, figures and letters "section 80J and section 80JJ" shall be substituted.

43 of 1961.

40 26. Notwithstanding anything contained in the notification of the Government of India in the Ministry of Home Affairs, No.S.O.1028(E), dated the 7th November, 1988, and the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. S.O. 148(E), dated the 23rd February, 1989 in so far as it relates to the commencement of the Income-tax Act, 1961 in the State of Sikkim, the provisions of the Income-tax Act, 1961 shall come into force in the State of Sikkim with effect from the previous year relevant to the assessment year commencing on the 1st day of April, 1990, and any law corresponding to the Income-tax Act, 1961 which, immediately before such commencement, was in force 45 in the State of Sikkim shall be deemed never to have ceased to have effect in relation to the previous year beginning with the 1st day of April, 1988 and ending with the 31st day of March, 1989, and shall continue to be in force for the purposes of the levy, assessment and collection of income-tax or for the purpose of imposing any penalty or for any other purpose whatsoever connected with, or incidental to, any of the purposes aforesaid, under such law.

Application
of the
Income-tax
Act to the
State of
Sikkim.

50

Wealth-tax

27 of 1957.

27. In section 5 of the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth-tax Act),—

Amendment
of section 5.

(a) in sub-section (1),—

(i) after clause (xxvb), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1988, namely:—

55 "(xxvc) the right or interest of the assessee in any annuity plan of the Life Insurance

Corporation referred to in clause (ii) of sub-section (1) of section 80CCA of the Income-tax Act;";

(ii) after clause (xxviib), the following clauses shall be inserted with effect from the 1st day of April, 1990, namely:—

"(xxviic) any deposits made in accordance with the scheme referred to in item (i) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, by any employee of the Central Government or a State Government;

(xxviid) any deposits made with the National Housing Bank established under section 3 of the National Housing Bank Act, 1987;";

(b) in sub-section (1A), after the brackets, figures and letter "(xxviib)", the brackets, figures and letter "(xxviid)", shall be inserted with effect from the 1st day of April, 1990.

Amendment of section 17A. 28. In section 17A of the Wealth-tax Act [as amended by section 140 of the Direct Tax Laws (Amendment) Act, 1987], in sub-section (1), for the proviso, the following proviso shall be substituted, namely:—

"Provided that,—

(a) where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991;

(b) where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992."

Amendment of section 21AA. 29. In section 21AA of the Wealth-tax Act, in sub-section (1), after the words "or co-operative society", the words and figures "or society registered under the Societies Registration Act, 1860 or under any law corresponding to that Act in force in any part of India" shall be inserted.

Amendment of section 25. 30. In section 25 of the Wealth-tax Act, in sub-section (2), in the *Explanation*,—

(i) in clause (a), after the words "an order passed", the words, figures and letters "on or before or after the 1st day of June, 1988," shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

(ii) in clause (b), for the word "includes", the words "shall include and shall be deemed always to have included" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988;

(iii) in clause (c),—

(a) after the words "of any appeal", the words, figures and letters "filed on or before or after the 1st day of June, 1988" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

(b) after the words "shall extend", the words "and shall be deemed always to have extended" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988.

Gift-tax

Amendment of section 16A. 31. In section 16A of the Gift-tax Act, 1958 (hereinafter referred to as the Gift-tax Act) [as amended by section 172 of the Direct Tax Laws (Amendment) Act, 1987], in sub-section (1),—

(a) for the words "one year", the words "two years" shall be substituted;

(b) for the proviso, the following proviso shall be substituted, namely:—

"Provided that,—

(a) where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991;

(b) where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992."

Amendment of section 24. 32. In section 24 of the Gift-tax Act, in sub-section (2), in the *Explanation*,—

(i) in clause (a), after the words "an order passed", the words, figures and letters "on or before or after the 1st day of June, 1988," shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

(ii) in clause (b), for the word "includes", the words "shall include and shall be deemed always to have included" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 1988;

(iii) in clause (c),—

(a) after the words "of any appeal", the words, figures and letters "filed on or before or after the 1st day of June, 1988" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988;

- 5 (b) after the words "shall extend", the words "and shall be deemed always to have extended" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of June, 1988

Expenditure-tax

- 10 33. In section 4 of the Expenditure-tax Act, 1987, for the words "ten per cent.", the words "twenty per cent." shall be substituted with effect from the 1st day of June, 1989.

Amendment
of Act 35 of
1987.

CHAPTER IV

INDIRECT TAXES

Customs

15 34. The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act),—

(a) shall be amended in the manner specified in the Second Schedule; and

(b) shall, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint, be also amended in the manner specified in the Third Schedule.

Amendment
of Act 51 of
1975.

20 35. (1) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule, as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to fifty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act).

Auxiliary
duties of
customs.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1990, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

25 (3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

30 (4) The provisions of the Customs Act and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

Excise

35 36. The Central Excise Tariff Act, 1985 (hereinafter referred to as the Central Excise Tariff Act), shall be amended in the manner specified in the Fourth Schedule.

Amendment
of Act 5 of
1986.

40 37. (1) In the case of goods chargeable with a duty of excise under the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), as amended from time to time, read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable (not being a notification providing for any exemption for giving credit with respect to, or reduction of duty of excise under the said Act on such goods equal to, any duty of excise under the said Act, or the additional duty under section 3 of the Customs Tariff Act, already paid on the raw material or component parts used in the production or manufacture of such goods), there shall be levied and collected a special duty of excise equal to five per cent. of the amount so chargeable on such goods.

Special
duties of
excise.

45 (2) Sub-section (1) shall cease to have effect after the 31st day of March, 1990, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The special duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act, or any other law for the time being in force.

50 (4) The provisions of the Central Excises Act, and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the special duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

52 of 1962.

10 of 1897.

1 of 1944.

10 of 1897.

Amendment of Act 58 of 1957.

38. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act), shall be amended in the manner specified in the Fifth Schedule.

Amendment of Act 16 of 1955.

39. The Medicinal and Toilet Preparations (Excise Duties) Act, 1955, shall be amended in the manner specified in the Sixth Schedule.

5

CHAPTER V
INLAND AIR TRAVEL TAX

Extent and commencement.

40. (1) This Chapter extends to the whole of India.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Definitions.

41. In this Chapter, unless the context otherwise requires,—

(a) "aerodrome" means any aerodrome as defined in clause (2) of section 2 of the Aircraft Act, 1934, which is situated in India;

(b) "aircraft" means any aircraft as defined in clause (1) of section 2 of the Aircraft Act, 1934, which is used (whether exclusively or not) for the carriage of passengers;

(c) "carrier" means the person or authority undertaking the carriage of a passenger on an inland journey and includes any agent, representative or other person acting on behalf of such person or authority;

(d) "fare" means the total amount of all charges of whatever nature (including charges, if any, for provision of food or accommodation) payable to the carrier by or on behalf of a passenger in respect of his inland journey, but does not include,—

(i) fuel surcharge, if any, payable, and

(ii) fee, if any, payable for the amenities given to the passengers and visitors at any aerodrome;

(e) "inland journey", in relation to a passenger, means his journey from any aerodrome on board any aircraft to another aerodrome;

(f) "passenger" means any person boarding, at any aerodrome, an aircraft for performing an inland journey, but does not include,—

(i) a person who performs an inland journey on a through international ticket and which precedes, or forms part of a series of journeys preceding, or follows, or forms part of a series of journeys following, a journey to or from a place outside India on the same ticket; or

(ii) a person employed or engaged in any capacity on board the aircraft on the business thereof.

Inland air travel tax.

42. (1) With effect from the date of commencement of this Chapter, there shall be levied on all passengers embarking on every inland journey, where the fare for such journey is paid in Indian currency, a tax (hereafter in this Chapter referred to as the inland air travel tax) at the rate of ten per cent. of the fare paid by such passengers for every such journey.

Explanation.— When a passenger performs an inland journey at a concessional rate or without being charged any fare, the fare ordinarily payable for the journey shall, for the purposes of this section, be deemed to have been paid by such passenger.

(2) In accordance with the rules made under this Chapter, the inland air travel tax shall be collected by the officers of customs appointed under the Customs Act, 1962, or the Central Excise Officers appointed under the Central Excises and Salt Act, 1944, or such officers of the Central Government or the State Government or the International Airports Authority of India constituted under the International Airports Authority Act, 1971, or the National Airports Authority constituted under the National Airports Authority Act, 1985, or such carriers, as may be authorised in this behalf by the Central Government by notification in the Official Gazette and paid to the credit of the Central Government.

Rounding off of inland air travel tax.

43. In computing the inland air travel tax, wherever necessary, the tax leviable shall be rounded off to the nearest rupee, fifty paise and over being counted as one rupee and less than fifty paise being disregarded.

44. Notwithstanding anything contained in this Chapter, the Central Government may, by notification in the Official Gazette, and subject to such conditions and limitations as may be specified therein, exempt, wholly or to such extent as may be specified in the notification, any class or classes of passengers or any category or categories of passengers under any such class from the payment of inland air travel tax if that Government is satisfied that it is necessary or expedient so to do, having regard to the place of destination, purposes of the journey or any other special circumstances.

Power to exempt.

45. No carrier or other person in charge of an aircraft shall allow any passenger to board the aircraft unless such passenger has paid the inland air travel tax.

Passengers not to be permitted to board aircraft without payment of inland air travel tax.

46. (1) Every passenger who embarks or attempts to embark on an inland journey without paying the inland air travel tax shall, in addition to his liability to pay the inland air travel tax, be liable to a penalty not exceeding twice the amount of the inland air travel tax.

Penalties.

(2) Every carrier or other person in charge of an aircraft, who, in contravention of the provisions of section 45, allows any passenger or passengers to board the aircraft, shall be liable to a penalty not exceeding three times the amount or the aggregate amount of the inland air travel tax payable by the passenger or passengers so allowed to board the aircraft.

(3) Any penalty under this section may be adjudged, collected and paid to the credit of the Central Government by such authority and in such manner as may be specified in the rules made under this Chapter.

47. No suit or other legal proceeding shall lie against the Central Government and no suit, prosecution or other legal proceeding shall lie against any officer of the Central Government or the State Government or the International Airports Authority of India or the National Airports Authority referred to in sub-section (2) of section 42 for anything in good faith done or intended to be done in pursuance of this Chapter or the rules made thereunder.

Protection of action taken in good faith.

48. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Chapter.

Power to make rules.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for —

(a) the collection of the inland air travel tax including the charges for collection payable to any State Government or the International Airports Authority of India or the National Airports Authority referred to in sub-section (2) of section 42, or any carrier, the authorities by whom adjudication of penalties or other functions under this Chapter shall be discharged, the manner in which the inland air travel tax, penalties or other sums due under this Chapter shall be payable, the manner in which the inland air travel tax, penalties or other sums shall be collected and paid to the credit of the Central Government and the procedure for claiming refund of any amount paid under this Chapter;

(b) the powers of officers authorised under sub-section (2) of section 42 to enter, inspect and search any aircraft for the purpose of carrying on any duty imposed on such officer by or under this Chapter;

Provided that the provisions of the Code of Criminal Procedure, 1973, relating to searches, shall, so far as they are applicable, apply in relation to searches under rules made under this clause;

(c) the procedure for adjudication of penalties;

(d) appeals against orders made under this Chapter, the manner in which and the time within which such appeals may be preferred and the fees payable therefor;

(e) the returns and other particulars and information which may be required to be furnished for the purposes of this Chapter, the persons or authorities by or to whom or which, and the intervals at which, such returns, particulars and information shall be furnished;

(f) any other matter which is to be, or may be, provided for by rules under this Chapter.

49. Every rule made under this Chapter and every notification issued under section 44 shall be laid, as soon as may be after it is made or issued, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule should not be made or the notification should not be issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

Rules and notifications to be laid before Parliament.

14
CHAPTER VI
MISCELLANEOUS

Amendment
of Act 74 of
1956.

50. In section 14 of the Central Sales Tax Act, 1956,—

(a) in items (iia) and (vii), after the figures "58.05," the figures " 58.06," shall be inserted ;

(b) in item (ix), for the word and figures "and 2404.50", the figures and word ", 2404.50 and 2404.60" shall be substituted. 5

Amendment
of Act 21 of
1979.

51. In sub-section (1) of section 35 of the Finance Act, 1979, with effect from such date as the Central Government may, by notification in the Official Gazette, appoint,—

(a) in clause (i), for the words "one hundred rupees", the words "three hundred rupees" shall be substituted; 10

(b) in clause (ii), for the words " fifty rupees", the words "one hundred and fifty rupees" shall be substituted.

Declaration under the Provisional Collection of Taxes Act, 1931

It is hereby declared that it is expedient in the public interest that the provisions of clause 34 [except sub-clause (b) thereof] and clauses 35, 36, 37, 38 and 39 of this Bill shall have 15 immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

(See section 2)

PART I

INCOME-TAX

Paragraph A

Sub-Paragraph I

5

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

10

Rates of income-tax

- | | | |
|----|--|---|
| | (1) where the total income does not exceed Rs. 18,000 | <i>Nil</i> ; |
| | (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000 | 25 per cent. of the amount by which the total income exceeds Rs. 18,000; |
| 15 | (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 1,750 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| | (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 9,250 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| 20 | (5) where the total income exceeds Rs. 1,00,000 | Rs. 29,250 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

20

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax:

25 Provided that no such surcharge shall be payable by a non-resident.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1989 exceeds Rs.18,000,—

30

Rates of income-tax

- | | | |
|----|--|---|
| | (1) where the total income does not exceed Rs. 12,000 | <i>Nil</i> ; |
| | (2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000 | 25 per cent. of the amount by which the total income exceeds Rs. 12,000; |
| 35 | (3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000 | Rs. 2,000 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| | (4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | Rs. 8,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 40,000; |
| | (5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000 | Rs. 16,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 60,000; |
| 40 | (6) where the total income exceeds Rs. 1,00,000 | Rs. 36,000 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

40

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax:

45

Provided that no such surcharge shall be payable by a non-resident.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | | |
|----|--|--|
| 50 | (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; |
| | (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| | (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

50

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

Paragraph C

5

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

- | | | |
|--|---|----|
| (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; | |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; | 10 |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000; | |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000; | |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. | 15 |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

20

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

- | | | |
|--|--|----|
| (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; | 25 |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; | |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000; | |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000; | 30 |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. | |

Surcharge on income-tax

35

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

40

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income

50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of five per cent. of such income-tax.

45

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company,—

5 (1) where the company is a company in which the public are substantially interested 50 per cent. of the total income;

(2) where the company is not a company in which the public are substantially interested—

(i) in the case of a trading company or an investment company 60 per cent. of the total income;

10 (ii) in any other case 55 per cent. of the total income.

II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

15 (a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

20 (b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 65 per cent.

Surcharge on income-tax

25 The amount of income-tax computed in accordance with the provisions of item I of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES

30 In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Rate of income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
35 (i) on income by way of interest other than "Interest on securities"	10 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of insurance commission	10 per cent.;
40 (v) on income by way of interest payable on—	10 per cent.;
(A) any security, other than a tax-free security, of the Central or a State Government;	
(B) any debentures or other securities for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act;	
45 (C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder;	

(vi) on any other income (excluding interest payable on a tax-free security)	20 per cent.;	
(b) where the person is not resident in India—		
(i) in the case of a non-resident Indian—		
(A) on investment income and long-term capital gains	20 per cent.;	5
(B) on income by way of interest payable on a tax-free security	15 per cent.;	
(C) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;	
(D) on income by way of winnings from horse races	40 per cent.;	
(E) on the whole of other income	income-tax at 30 per cent. of the amount of income or income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	10
(ii) in the case of any other person—		
(A) on income by way of interest payable on a tax-free security	15 per cent.;	
(B) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;	20
(C) on income by way of winnings from horse races	40 per cent.;	
(D) on the whole of the other income	income-tax at 30 per cent. of the amount of income or income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	25
		30
2. In the case of a company—		
(a) where the company is a domestic company—		
(i) on income by way of interest other than "Interest on securities"	20 per cent.;	
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;	35
(iii) on income by way of winnings from horse races	40 per cent.;	
(iv) on any other income (excluding interest payable on tax-free security)	21.5 per cent.;	
(b) where the company is not a domestic company—		
(i) on income by way of dividends payable by any domestic company	25 per cent.;	40
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;	
(iii) on income by way of winnings from horse races	40 per cent.;	45
(iv) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	25 per cent.;	
(v) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in	30 per cent.;	50

consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern

- 5 (vi) on income by way of royalty [not being royalty of the nature referred to in sub-item (b)(v)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government.—
- 10 (A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976 30 per cent.;
- (B) where the agreement is made after the 31st day of March, 1976 30 per cent.;
- 15 (vii) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government—
- (A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976 50 per cent.;
- 20 (B) where the agreement is made after the 31st day of March, 1976 30 per cent.;
- (viii) on income by way of interest payable on a tax-free security 44 per cent.;
- (ix) on any other income 65 per cent.

25 *Explanation.*—For the purposes of this Part, "investment income", "long-term capital gains" and "non-resident Indian" shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

Surcharge on income-tax

The amount of income-tax deducted in accordance with the provisions of—

- (a) sub-item (a) of item 1 of this Part shall be increased by a surcharge for purposes of the Union, and
- (b) sub-item (a) of item 2 of this Part shall be increased by a surcharge,
- 30 calculated at the rate of eight per cent. of such income-tax.

PART III

RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD "SALARIES" AND COMPUTING "ADVANCE TAX"

35 In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" 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" [not being "advance tax" in respect of any income chargeable to tax under Chapter XII or Chapter 40 XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or section or surcharge on such "advance tax" in respect of any income chargeable to tax under section 115B], shall be calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

45 In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | | |
|--|---|----|
| (1) where the total income does not exceed Rs. 18,000 | <i>Nil;</i> | |
| (2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000 | 20 per cent. of the amount by which the total income exceeds Rs. 18,000; | |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 1,400 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 25,000; | 5 |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 8,900 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 50,000; | |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 28,900 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000. | 10 |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax:

Provided that no such surcharge shall be payable by a non-resident.

15

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1990 exceeds Rs. 18,000,—

Rates of income-tax

- | | | |
|--|---|----|
| (1) where the total income does not exceed Rs. 12,000 | <i>Nil;</i> | 20 |
| (2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000 | 25 per cent. of the amount by which the total income exceeds Rs. 12,000; | |
| (3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000 | Rs. 2,000 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000; | |
| (4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000 | Rs. 8,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 40,000; | 25 |
| (5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000 | Rs. 16,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 60,000; | |
| (6) where the total income exceeds Rs. 1,00,000 | Rs. 36,000 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000. | 30 |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax:

Provided that no such surcharge shall be payable by a non-resident.

35

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- | | | |
|--|--|----|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; | |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 10,000; | 40 |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 20,000. | |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

*Paragraph C**Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

51

Rates of income-tax

- | | | |
|----|--|--|
| | (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; |
| | (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| 5 | (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs.25,000; . |
| | (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs.50,000; |
| 10 | (5) where the total income exceeds Rs. 1,00,000 | Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs.1,00,000. |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

Sub-Paragraph II

- 15 In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

- | | | |
|----|---|--|
| | (1) where the total income does not exceed Rs. 10,000 | <i>Nil</i> ; |
| 20 | (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| | (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| | (4) where the total income exceeds Rs. 50,000 but does not exceed Rs.1,00,000 | Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| 25 | (5) where the total income exceeds Rs.1,00,000 | Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Surcharge on income-tax

- 30 The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax.

Explanation.— For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

- 35 In the case of every local authority,—

Rate of income-tax

On the whole of the total income

50 per cent.

Surcharge on income-tax

- 40 The amount of income-tax computed at the rate hereinbefore specified shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax

Paragraph E

In the case of a company,—

Rates of income-tax

- 45 I. In the case of a domestic company,—

- | | | |
|--|--|-----------------------------------|
| | (1) where the company is a company in which the public are substantially interested | 50 per cent. of the total income; |
| | (2) where the company is not a company in which the public are substantially interested— | |

- (i) in the case of a trading company or an investment company 60 per cent. of the total income;
(ii) in any other case 55 per cent. of the total income.

II. In the case of a company other than a domestic company,—

- (i) on so much of the total income as consists of— 5
(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or
(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, 10
and where such agreement has, in either case, been approved by the Central Government 50 per cent;
(ii) on the balance, if any, of the total income 65 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the provisions of item I of this Paragraph shall, in the case of every person having a total income exceeding fifty thousand rupees, be increased by a surcharge calculated at the rate of eight per cent. of such income-tax. 15

PART IV

[See section 2 (9) (e)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME 20

Rule 1.—Agricultural income of the nature referred to in sub-clause (a) of clause (1A) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A. 25

Rule 2.—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1A) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43, 43A, 43B and 43C of the Income-tax Act shall, so far as may be, apply accordingly. 30

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1A) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly. 35

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee. 45

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee. 50

Rule 7.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income: 55

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under

clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

5 *Rule 8.*—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9.—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1989, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

10 (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981 to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988,

15 (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988,

20 (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988,

25 (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988,

30 (vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1987 or the 1st day of April, 1988,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, and

35 (viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1988,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1989.

40 (2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1990 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 that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989, is a loss, then, for the purposes of sub-section (8) of section 2 of this Act,—

45 (i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989,

50 (ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984 or the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989,

55 (iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985 or the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989,

60 (iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1986 or the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1986, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the

assessment year commencing on the 1st day of April, 1987 or the 1st day of April, 1988 or the 1st day of April, 1989,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1987, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1988 or the 1st day of April, 1989,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1988, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1989, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1989,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year 10 commencing on the 1st day of April, 1990.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him. 15

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Assessing Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1981, or the First Schedule to the Finance Act, 1982, or of the First Schedule to the Finance Act, 1983, or of the First Schedule to the Finance Act, 1984, or of the First Schedule to the Finance Act, 1985, or of the First Schedule to the Finance Act, 1986, or of the First Schedule to the Finance Act, 1987, or of the First Schedule to the Finance Act, 1988, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2). 20
16 of 1981. 21
14 of 1982. 22
23 of 1986 23
19 of 1987. 24
26 of 1988. 25

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income. 30

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Assessing Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

[See section 34(a)]

In the First Schedule to the Customs Tariff Act,—

(1) in "General rules for the interpretation of this Schedule", in clause (a) of rule 5, for the words "The rule", the words "This rule" shall be substituted;

(2) in Chapter 4,—

(i) in heading No. 04.03, in column (3), for the words "FRUIT OR COCOA", the words "FRUIT NUTS OR COCOA" shall be substituted;

(ii) in heading No. 04.08, in column (3), for the words "IN SHELL AND", the words "IN SHELL, AND" shall be substituted;

(3) in Chapter 6, in sub-heading No. 0602.20, for the entry in column (3), the entry " - Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts" shall be substituted;

(4) in Chapter 9,—

(i) in sub-heading Nos. 0906.10 and 0906.20, for the entries in columns (4) and (5), the entries "150% plus Rs. 20 per Kg." and "142.5% plus Rs. 20 per Kg." shall, respectively, be substituted;

(ii) in sub-heading No. 0907.00, for the entries in columns (4) and (5), the entries "Rs. 120 per Kg." and "Rs. 120 per Kg. less 7.5 %" shall, respectively, be substituted;

(iii) in sub-heading No. 0908.10, for the entries in columns (4) and (5), the entries "150%" and "142.5 %" shall, respectively, be substituted;

(iv) in sub-heading No. 0908.20, for the entry in column (4), the entry "150%" shall be substituted;

(v) in heading No. 09.09, in column (3), for the words "CARAWAY OR JUNIPER", the words "OR CARAWAY; JUNIPER BERRIES" shall be substituted;

(vi) in sub-heading No. 0909.50, in column (3), for the words "fennel or juniper", the words "fennel; juniper berries" shall be substituted;

(5) in Chapter 10, in NOTE 1, in clause (b), the word ", converted" shall be omitted;

(6) in Chapter 16, in sub-heading No. 1604.14, in column (3), the word "Atlantic" shall be omitted;

(7) in Chapter 17, in the SUB-HEADING NOTE, for the word "polarimetric", the word "polarimeter" shall be substituted;

(8) in Chapter 22, in sub-heading Nos. 2207.10, 2208.10, 2208.20, 2208.30, 2208.40, 2208.50 and 2208.90, for the entry in column (4), the entry "Rs. 200 per litre or 355%, whichever is higher" shall be substituted;

(9) in Chapter 25, in heading No. 25.23, in column (3), the brackets and words "("ciment fondu")", at the two places where they occur, shall be omitted;

(10) in Chapter 34, in NOTE 5, in clause (d), after the word "dispersed", the word "in" shall be inserted;

(11) in Chapter 59,—

(i) in NOTE 6, for clause (a), the following clause shall be substituted, namely:—

" (a) Transmission or conveyor belting, of textile material, of a thickness of less than 3 mm; or";

(ii) in sub-heading No. 5911.10, for the entry in column (3), the following entry shall be substituted, namely:—

" - Textile fabrics, felt and felt-lined woven fabrics, coated, covered or laminated with rubber, leather or other material, of a kind used for card clothing, and similar fabrics of a kind used for other technical purposes";

(12) in Chapter 61,—

(i) in NOTE 8, for the word "concerning", the word "covering" shall be substituted;

(ii) in heading No. 61.04, in column (3), after the word "JACKETS," the word "BLAZERS," shall be inserted;

(iii) in the portion occurring after sub-heading No. 6104.29, in column (3), for the word " - Jackets:", the words " - Jackets and blazers:" shall be substituted;

(13) in Chapter 62,—

(i) in heading No. 62.04, in column (3), after the word "JACKETS," the word "BLAZERS," shall be inserted;

(ii) in the portion occurring after sub-heading No. 6204.29, in column (3), for the word "- Jackets:", the words "-Jackets and blazers:" shall be substituted;

(14) in Chapter 63, in heading No. 63.06, for the entry in column (3), the entry "TARPAULINS, AWNINGS AND SUN BLINDS; TENTS; SAILS FOR BOATS, SAIL BOATS OR LAND CRAFT; CAMPING GOODS" shall be substituted;

(15) in Chapter 72, in SUB-HEADING NOTE 1, in clause (a), for the words "Pig iron containing, by weight, separately or together:", the words "~~Pig iron~~ containing by weight one or more of the following elements in the specified proportions ::" shall be substituted;
(Pig-iron)

(16) in Chapter 73, in sub-heading No. 7314.42, in column (3), for the words "--Plastic coated", the words "-- Coated with plastics" shall be substituted;

(17) in Chapter 74, in sub-heading No. 7404.00, for the entry in column (4), the entry "100% plus Rs. 5,000 per tonne" shall be substituted;

(18) in Chapter 82,—

(i) in heading No. 82.01, in column (3), for the word "SECATEURS", the words "SECATEURS AND PRUNERS" shall be substituted;

(ii) in sub-heading No. 8201.50, for the entry in column (3), the entry "- Secateurs and similar one-handed pruners and shears (including poultry shears)" shall be substituted;

(19) in Chapter 84,—

(i) in heading No. 84.16, in column (3), for the words "MECHANICAL GRATES", the words "INCLUDING THEIR MECHANICAL GRATES" shall be substituted;

(ii) in sub-heading No. 8418.50, for the entry in column (3), the entry "- Other refrigerating or freezing chests, cabinets, display counters, show-cases and similar refrigerating or freezing furniture" shall be substituted;

(iii) in sub-heading Nos. 8482.10, 8482.20, 8482.30, 8482.40, 8482.50 and 8482.80, for the entry in column (4), the entry "150% plus Rs. 300 per bearing" shall be substituted;

(iv) in sub-heading Nos. 8482.91 and 8482.99, for the entry in column (4), the entry "150% plus Rs. 300 per piece" shall be substituted;

(v) in sub-heading No. 8485.10, in column (3), for the word "Ships' ", the words "Ships' or boats' " shall be substituted;

(20) in Chapter 90, in sub-heading No. 9011.20, for the entry in column (3), the entry "-Other microscopes, for photomicrography, cinephotomicrography or microprojection" shall be substituted;

(21) in Chapter 94, in NOTE 1, in clause (e), for the word "refrigerators ", the words "refrigerating or freezing equipment" shall be substituted;

(22) in Chapter 99, in sub-heading No. 9901.00, in column (3), item No. (46) and the entry relating thereto shall be omitted.

In the First Schedule to the Customs Tariff Act, in Chapter 98,—

(1) NOTES 7 and 8 shall be omitted;

(2) heading No. 98.06 and the entries relating thereto shall be omitted.

In the Schedule to the Central Excise Tariff Act,—

- (1) in Chapter 15, in sub-heading Nos. 1504.00 and 1508.90, for the entry in column (4), the entry "Rs. 3,000 per tonne" shall be substituted;
- (2) in Chapter 17,—
- (a) in sub-heading No. 1701.31, for the entry in column (4), the entry "Rs. 25 per quintal" shall be substituted;
- (b) in sub-heading No. 1701.39, for the entry in column (4), the entry "Rs. 45 per quintal" shall be substituted;
- (3) in Chapter 22, heading No. 22.04 and the entries relating thereto shall be omitted; 10
- (4) in Chapter 24, in sub-heading No. 2404.13, for the entry in column (4), the entry "225%" shall be substituted;
- (5) in Chapter 25,—
- (a) in sub-heading No. 2502.20, for the entry in column (4), the entry "Rs. 250 per tonne" shall be substituted;
- (b) in sub-heading No. 2504.21, for the entry in column (4), the entry "Rs. 15 per square metre" shall be substituted;
- (6) in Chapter 27, in sub-heading No. 2705.00, for the entry in column (4), the entry "Nil" shall be substituted; 15
- (7) in Chapter 28,—
- (a) in sub-heading No. 2801.10, for the entry in column (4), the entry "Rs. 100 per tonne" shall be substituted;
- (b) in sub-heading No. 2804.11, for the entry in column (4), the entry "Re.1 per cubic metre of the gas at normal pressure at 15°C" shall be substituted;
- (c) in sub-heading No. 2804.12, for the entry in column (4), the entry "50 paise per cubic metre of the gas at normal pressure at 15°C" shall be substituted; 20
- (d) in sub-heading No. 2804.13, for the entry in column (4), the entry "Re.1 per cubic metre of the gas at normal pressure at 15°C" shall be substituted;
- (e) in sub-heading No. 2811.10, for the entry in column (4), the entry "Rs. 1.25 per kilogram" shall be substituted;
- (f) in sub-heading No. 2814.00, for the entry in column (4), the entry "Rs. 1,100 per tonne" shall be substituted; 25
- (8) in Chapter 29,—
- (a) in sub-heading No. 2901.10, for the entry in column (4), the entry "Rs. 13 per cubic metre of the gas at normal pressure at 15°C" shall be substituted;
- (b) in sub-heading Nos. 2935.00 and 2939.10, for the entry in column (4), the entry "15%" shall be substituted;
- (9) in Chapter 30, in sub-heading No. 3003.30, for the entry in column (4), the entry "15%" shall be substituted; 30
- (10) in Chapter 39, in sub-heading Nos. 3904.10, 3904.21, 3904.22, 3904.30, 3904.40, 3904.50, 3904.61, 3904.69 and 3904.90, for the entry in column (4), the entry "60% plus Rs. 25 per kilogram" shall be substituted;
- (11) in Chapter 40,—
- (a) in NOTES 1 and 2, for the word "hardened", the word "hard" shall be substituted; 35
- (b) in heading No. 40.04, for the word "HARDENED", the word "HARD" shall be substituted;
- (c) in sub-heading No. 4006.10, for the entry in column (4), the entry "Rs. 12.60 per kilogram" shall be substituted;
- (d) in heading No. 40.08, for the word "HARDENED", the word "HARD" shall be substituted;
- (e) in sub-heading No. 4008.21, for the entry in column (4), the entry "Rs. 12.60 per kilogram" shall be substituted;
- (f) in heading No. 40.09, for the word "HARDENED", the word "HARD" shall be substituted; 40
- (g) sub-heading No. 4011.10 and the entries relating thereto shall be omitted;
- (h) sub-heading No. 4011.20 shall be renumbered as sub-heading No. 4011.10;
- (i) sub-heading No. 4011.30 shall be renumbered as sub-heading No. 4011.20, and in sub-heading No. 4011.20, as so renumbered, for the entry in column (4), the entry "Rs. 30 per tyre" shall be substituted;
- (j) sub-heading Nos. 4011.41, 4011.49, 4011.50, 4011.60, 4011.70 and 4011.80 shall be renumbered as sub-heading Nos. 4011.31, 4011.39, 4011.40, 4011.50, 4011.60 and 4011.70, respectively; 45
- (k) in sub-heading No. 4012.19, for the entry in column (4), the entry "Rs. 21 per flap" shall be substituted;
- (l) in heading Nos. 40.14, 40.15, 40.16 and 40.17, for the word "HARDENED", wherever it occurs, the word "HARD" shall be substituted;
- (12) in Chapter 48,—
- (a) in sub-heading No. 4802.10, for the entry in column (4), the entry "20%" shall be substituted; 50

- (b) in sub-heading No. 4802.20, for the entry in column (4), the entry "10% plus Rs. 630 per tonne" shall be substituted;
- (c) in sub-heading No. 4802.91, for the entry in column (4), the entry "10% plus Rs. 1,900 per tonne" shall be substituted;
- (d) in sub-heading No. 4802.99, for the entry in column (4), the entry "10% plus Rs. 1,470 per tonne" shall be substituted;
- (e) in sub-heading No. 4803.00, for the entry in column (4), the entry "10% plus Rs. 1,625 per tonne" shall be substituted;
- 5 (f) in sub-heading No. 4804.11, for the entry in column (4), the entry "20%" shall be substituted;
- (g) in sub-heading No. 4804.19, for the entry in column (4), the entry "10% plus Rs. 1,900 per tonne" shall be substituted;
- (h) in sub-heading No. 4804.21, for the entry in column (4), the entry "20%" shall be substituted;
- (i) in sub-heading No. 4804.29, for the entry in column (4), the entry "10% plus Rs. 1,900 per tonne" shall be substituted;
- (j) in sub-heading No. 4804.30, for the entry in column (4), the entry "10% plus Rs. 1,900 per tonne" shall be substituted;
- 10 (k) in sub-heading No. 4805.19, for the entry in column (4), the entry "10% plus Rs. 605 per tonne" shall be substituted;
- (l) in sub-heading No. 4805.30, for the entry in column (4), the entry "10% plus Rs. 2,260 per tonne" shall be substituted;
- (m) in sub-heading No. 4805.90, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (n) in sub-heading No. 4806.10, for the entry in column (4), the entry "10% plus Rs. 2,425 per tonne" shall be substituted;
- (o) in sub-heading No. 4806.20, for the entry in column (4), the entry "10% plus Rs. 2,425 per tonne" shall be substituted;
- 15 (p) in sub-heading No. 4806.90, for the entry in column (4), the entry "10% plus Rs. 2,100 per tonne" shall be substituted;
- (q) in sub-heading No. 4807.10, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (r) in sub-heading No. 4807.92, for the entry in column (4), the entry "10% plus Rs. 605 per tonne" shall be substituted;
- (s) in sub-heading No. 4807.99, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (t) in sub-heading No. 4808.10, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- 20 (u) in sub-heading No. 4808.90, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (v) in sub-heading No. 4810.10, for the entry in column (4), the entry "10% plus Rs. 1,900 per tonne" shall be substituted;
- (w) in sub-heading No. 4810.20, for the entry in column (4), the entry "10% plus Rs. 2,425 per tonne" shall be substituted;
- (x) in sub-heading No. 4810.90, for the entry in column (4), the entry "10% plus Rs. 2,100 per tonne" shall be substituted;
- (y) in sub-heading No. 4811.10, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- 25 (z) in sub-heading No. 4811.20, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (za) in sub-heading No. 4811.30, for the entry in column (4), the entry "35% plus Rs. 1,680 per tonne" shall be substituted;
- (zb) in sub-heading No. 4811.40, for the entry in column (4), the entry "10% plus Rs. 2,425 per tonne" shall be substituted;
- (zc) in sub-heading No. 4811.90, for the entry in column (4), the entry "35% plus Rs. 2,100 per tonne" shall be substituted;
- (zd) in sub-heading No. 4813.00, for the entry in column (4), the entry "10% plus Rs. 2,425 per tonne" shall be substituted;
- 30 (ze) in sub-heading No. 4814.00, for the entry in column (4), the entry "10% plus Rs. 2,850 per tonne" shall be substituted;
- (zf) in sub-heading No. 4823.12, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (zg) in sub-heading No. 4823.14, for the entry in column (4), the entry "10% plus Rs. 1,260 per tonne" shall be substituted;
- (zh) in sub-heading No. 4823.19, for the entry in column (4), the entry "10% plus Rs. 1,680 per tonne" shall be substituted;
- (13) in Section XI, in NOTE 2, in clause (C), after the words and figures "Central Excise Rules, 1944," the words, figures and letter "or section 5A of the Central Excises and Salt Act, 1944" shall be
- inserted
- 35 1 of 1944.
- (14) in Chapter 50, in sub-heading No. 5001.20, for the entry in column (4), the entry "Rs. 18.90 per kilogram" shall be substituted;
- (15) in Chapter 51, in sub-heading No. 5103.29, for the entry in column (4), the entry "Rs. 18.90 per kilogram" shall be substituted;
- 40 (16) in Chapter 53,—
- (a) in sub-heading No. 5301.31, for the entry in column (4), the entry "5.78 paise per count per kilogram" shall be substituted;
- (b) in sub-heading No. 5301.32, for the entry in column (4), the entry "Rs. 18.90 per kilogram" shall be substituted;
- (c) in sub-heading No. 5303.31, for the entry in column (4), the entry "Rs. 1.05 per kilogram" shall be substituted;
- 45 (d) in sub-heading No. 5303.32, for the entry in column (4), the entry "Rs. 4.20 per kilogram" shall be substituted;
- (e) in sub-heading No. 5303.39, for the entry in column (4), the entry "Rs. 10.50 per kilogram" shall be substituted;
- (f) in sub-heading No. 5307.12, for the entry in column (4), the entry "5% plus Rs. 2.10 per square metre" shall be substituted;
- (17) in Chapter 54,—
- 50 (a) in sub-heading No. 5401.10, for the entry in column (4), the entry "Rs. 9.45 per kilogram or 50% whichever is less" shall be substituted;

- (b) in sub-heading No. 5401.20, for the entry in column (4), the entry "Rs. 1.05 per kilogram" shall be substituted;
- (c) in sub-heading No. 5401.90, for the entry in column (4), the entry "Rs. 9.45 per kilogram or 50% whichever is less" shall be substituted;
- (d) in sub-heading No. 5402.11, for the entry in column (4), the entry "Rs. 64.68 per kilogram" shall be substituted;
- (e) in sub-heading No. 5402.12, for the entry in column (4), the entry "Rs. 7.51 per kilogram" shall be substituted; 5
- (f) in sub-heading No. 5402.20, for the entry in column (4), the entry "Rs. 77.39 per kilogram" shall be substituted; 9
- (g) in sub-heading No. 5402.91, for the entry in column (4), the entry "Rs. 64.68 per kilogram" shall be substituted;
- (h) in sub-heading No. 5402.92, for the entry in column (4), the entry "Rs. 56.60 per kilogram" shall be substituted;
- (i) in sub-heading No. 5402.93, for the entry in column (4), the entry "Rs. 40.41 per kilogram" shall be substituted;
- (j) in sub-heading No. 5402.94, for the entry in column (4), the entry "Rs. 32.34 per kilogram" shall be substituted; 10
- (k) in sub-heading No. 5402.95, for the entry in column (4), the entry "Rs. 5.78 per kilogram" shall be substituted;
- (l) in sub-heading No. 5403.11, for the entry in column (4), the entry "Rs. 64.68 per kilogram" shall be substituted;
- (m) in sub-heading No. 5403.12, for the entry in column (4), the entry "Rs. 7.51 per kilogram" shall be substituted;
- (n) in sub-heading No. 5403.20, for the entry in column (4), the entry "Rs. 77.39 per kilogram" shall be substituted;
- (o) in sub-heading No. 5403.90, for the entry in column (4), the entry "Rs. 103.95 per kilogram" shall be substituted; 15
- (p) in sub-heading No. 5404.11, for the entry in column (4), the entry "Rs. 14.42 per kilogram" shall be substituted;
- (q) in sub-heading No. 5404.12, for the entry in column (4), the entry "Rs. 10.82 per kilogram" shall be substituted;
- (r) in sub-heading No. 5404.13, for the entry in column (4), the entry "Rs. 8.04 per kilogram" shall be substituted;
- (s) in sub-heading No. 5404.14, for the entry in column (4), the entry "Rs. 5.54 per kilogram" shall be substituted;
- (t) in sub-heading No. 5404.15, for the entry in column (4), the entry "Rs. 5.18 per kilogram" shall be substituted; 20
- (u) in sub-heading No. 5404.16, for the entry in column (4), the entry "Rs. 4.25 per kilogram" shall be substituted;
- (v) in sub-heading No. 5404.17, for the entry in column (4), the entry "Rs. 2.96 per kilogram" shall be substituted;
- (w) in sub-heading No. 5404.91, for the entry in column (4), the entry "Rs. 22.18 per kilogram" shall be substituted;
- (x) in sub-heading No. 5404.92, for the entry in column (4), the entry "Rs. 14.46 per kilogram" shall be substituted;
- (y) in sub-heading No. 5404.93, for the entry in column (4), the entry "Rs. 10.35 per kilogram" shall be substituted; 25
- (z) in sub-heading No. 5404.94, for the entry in column (4), the entry "Rs. 8.59 per kilogram" shall be substituted;
- (za) in sub-heading No. 5404.95, for the entry in column (4), the entry "Rs. 7.30 per kilogram" shall be substituted;
- (zb) in sub-heading No. 5404.96, for the entry in column (4), the entry "Rs. 4.95 per kilogram" shall be substituted;
- (zc) in sub-heading No. 5404.97, for the entry in column (4), the entry "Rs. 3.23 per kilogram" shall be substituted;
- (zd) in sub-heading No. 5405.00, for the entry in column (4), the entry "Rs. 19.77 per kilogram" shall be substituted; 30
- (ze) in sub-heading No. 5406.19, for the entry in column (4), the entry "Rs. 103.95 per kilogram" shall be substituted;
- (zf) in sub-heading No. 5406.90, for the entry in column (4), the entry "Rs. 103.95 per kilogram" shall be substituted;
- (zg) in sub-heading No. 5407.00, for the entry in column (4), the entry "Rs. 19.77 per kilogram" shall be substituted;
- (18) in Chapter 55,—
- (a) in sub-heading No. 5501.10, for the entry in column (4), the entry "Rs. 34.65 per kilogram" shall be substituted; 35
- (b) in sub-heading No. 5501.20, for the entry in column (4), the entry "Rs. 23.10 per kilogram" shall be substituted;
- (c) in sub-heading No. 5501.30, for the entry in column (4), the entry "Rs. 9.24 per kilogram" shall be substituted;
- (d) in sub-heading No. 5501.90, for the entry in column (4), the entry "Rs. 34.65 per kilogram" shall be substituted;
- (e) in sub-heading No. 5502.00, for the entry in column (4), the entry "Rs. 10.50 per kilogram" shall be substituted;
- (f) in sub-heading Nos. 5503.12 and 5503.19, for the entry in column (4), the entry "Rs. 9.45 per kilogram or 50% whichever 40
is less" shall be substituted;
- (g) in sub-heading No. 5503.20, for the entry in column (4), the entry "Rs. 1.05 per kilogram" shall be substituted;
- (h) in sub-heading Nos. 5504.21 and 5504.22, for the entry in column (4), the entry "Rs. 10.50 per kilogram" shall be substituted;
- (i) in sub-heading No. 5504.29, for the entry in column (4), the entry "Rs. 27.72 per kilogram" shall be substituted; 45
- (j) in sub-heading No. 5504.39, for the entry in column (4), the entry "Rs. 18.90 per kilogram" shall be substituted;
- (k) in sub-heading No. 5504.90, for the entry in column (4), the entry "Rs. 27.72 per kilogram" shall be substituted;
- (l) in sub-heading No. 5505.41, for the entry in column (4), the entry "1.85 paise per count per kilogram" shall be substituted;

(m) in sub-heading No. 5505.42, for the entry in column (4), the entry "46.20 paise plus 4.62 paise per count per kilogram exceeding 25" shall be substituted;

(n) in sub-heading No. 5505.43, for the entry in column (4), the entry "92.40 paise plus 7.39 paise per count per kilogram exceeding 35" shall be substituted;

5 (o) in sub-heading No. 5506.29, for the entry in column (4), the entry "Rs. 10.40 per kilogram" shall be substituted;

(19) in Chapter 56, in sub-heading No. 5605.10, for the entry in column (4), the entry "Rs. 111.55 per kilogram" shall be substituted;

(20) in Chapter 58, for NOTE 7, the following NOTE shall be substituted, namely :—

"7. In relation to products of sub-heading Nos. 5802.12 and 5802.14, bleaching, dyeing, printing or any other process or any two or more of these processes shall amount to 'manufacture'";

10 (21) in Chapter 58, in NOTE 2, after clause (b), the following clause shall be inserted, namely:—

"(c) Textile fabrics, partially or discretely coated with plastic by dot printing process (heading No. 59.03).";

(22) in Chapter 72,—

(a) in sub-heading Nos. 7201.00, 7203.00 and 7204.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

15 (b) in sub-heading No. 7204.90, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(c) in sub-heading No. 7205.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

(d) in sub-heading No. 7205.90, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(e) in sub-heading No. 7206.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

20 (f) in sub-heading Nos. 7206.90 and 7207.10, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(g) in sub-heading No. 7207.90, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(h) in sub-heading No. 7208.11, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(i) in sub-heading No. 7208.19, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

25 (j) in sub-heading No. 7208.21, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(k) in sub-heading No. 7208.29, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(l) in sub-heading No. 7208.31, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(m) in sub-heading Nos. 7208.39 and 7208.40, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(n) in sub-heading No. 7208.91, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

30 (o) in sub-heading Nos. 7208.99 and 7209.10, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(p) in sub-heading Nos. 7209.20, 7209.30 and 7209.90, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

35 (q) in sub-heading Nos. 7210.11, 7210.19 and 7210.20, for the entry in column (4), the entry "Rs. 1,800 per tonne" shall be substituted;

(r) in sub-heading No. 7210.30, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(s) in sub-heading No. 7211.11, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(t) in sub-heading No. 7211.19, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

40 (u) in sub-heading No. 7211.21, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(v) in sub-heading Nos. 7211.29 and 7211.30, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(w) in sub-heading No. 7211.41, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

(x) in sub-heading No. 7211.42, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

45 (y) in sub-heading No. 7211.49, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(z) in sub-heading No. 7211.51, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

(za) in sub-heading No. 7211.52, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(zb) in sub-heading Nos. 7211.59 and 7211.60, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

50 (zc) in sub-heading No. 7211.91, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

(zd) in sub-heading No. 7211.92, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(ze) in sub-heading No. 7211.99, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(zf) in sub-heading Nos. 7212.11, 7212.19 and 7212.20, for the entry in column (4), the entry "Rs. 1,800 per tonne" shall be substituted;

(zg) in sub-heading No. 7212.30, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(zh) in sub-heading Nos. 7213.10 and 7213.90, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(zi) in sub-heading No. 7214.10, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(zj) in sub-heading Nos. 7214.20 and 7214.90, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(zk) in sub-heading Nos. 7215.30 and 7215.40, for the entry in column (4), the entry "Rs. 1,800 per tonne" shall be substituted;

(zl) in sub-heading Nos. 7215.90 and 7216.10, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(zm) in sub-heading Nos. 7216.30 and 7216.40, for the entry in column (4), the entry "Rs. 1,800 per tonne" shall be substituted;

(zn) in sub-heading No. 7216.60, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(zo) in sub-heading Nos. 7216.90 and 7217.90, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(zp) in sub-heading Nos. 7218.00, 7219.10, 7219.20, 7219.90, 7220.10, 7220.20, 7220.90, 7221.00, 7222.10, 7222.20, 7222.30, 7222.40 and 7223.00, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(zq) in sub-heading No. 7228.82, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(zr) in sub-heading No. 7228.89, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(23) in Chapter 73,—

(a) in sub-heading Nos. 7301.10, 7301.20, 7302.10 and 7302.20, for the entry in column (4), the entry "Rs. 800 per tonne" shall be substituted;

(b) in sub-heading Nos. 7303.00 and 7304.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

(c) in sub-heading No. 7304.90, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(d) in sub-heading No. 7305.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

(e) in sub-heading No. 7305.90, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(f) in sub-heading No. 7306.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

(g) in sub-heading No. 7306.90, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(h) in sub-heading No. 7325.10, for the entry in column (4), the entry "Rs. 300 per tonne" shall be substituted;

(i) in sub-heading No. 7325.30, for the entry in column (4), the entry "Rs. 2,500 per tonne" shall be substituted;

(j) in sub-heading No. 7325.90, for the entry in column (4), the entry "Rs. 1,200 per tonne" shall be substituted;

(24) in Chapter 74, in sub-heading Nos. 7403.11, 7403.12, 7403.13, 7403.19, 7403.21, 7403.22, 7403.23, 7403.29, 7407.11, 7407.12, 7407.29, 7408.11, 7408.21, 7409.10, 7409.20, 7409.30, 7409.40, 7409.90, 7410.11, 7410.12, 7410.21 and 7410.22, for the entry in column (4), the entry "Rs. 10,000 per tonne" shall be substituted;

(25) in Chapter 76,—

(a) in sub-heading Nos. 7609.00, 7610.10, 7610.90, 7611.00, 7612.11, 7612.12, 7612.13, 7612.19, 7612.91, 7612.92, 7612.93, 7612.99, 7613.10, 7613.20, 7613.30, 7613.90, 7614.10, 7614.90, 7615.10, 7615.20 and 7616.10, for the entry in column (4), the entry "30%" shall be substituted;

(b) in sub-heading No. 7616.90, for the entry in column (4), the entry "35%" shall be substituted;

(26) in Chapter 78,—

(a) in sub-heading Nos. 7801.10, 7801.90 and 7802.00, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

(b) in sub-heading Nos. 7803.10 and 7803.29, for the entry in column (4), the entry "Rs. 2,000 per tonne" shall be substituted;

(c) in sub-heading No. 7803.30, for the entry in column (4), the entry "Rs. 1,500 per tonne" shall be substituted;

(d) in sub-heading No. 7804.10, for the entry in column (4), the entry "Rs. 2,000 per tonne" shall be substituted;

(27) in Chapter 79,—

(a) in sub-heading Nos. 7901.10, 7901.20, 7902.00 and 7904.10, for the entry in column (4), the entry "Rs. 5,000 per tonne" shall be substituted;

(b) in sub-heading No. 7904.29, for the entry in column (4), the entry "Rs. 6,000 per tonne" shall be substituted;

(c) in sub-heading No. 7904.30, for the entry in column (4), the entry "Rs. 5,000 per tonne" shall be substituted;

- (d) in sub-heading No. 7905.10, for the entry in column (4), the entry "Rs. 7,500 per tonne" shall be substituted;
- (e) in sub-heading No. 7905.90, for the entry in column (4), the entry "Rs. 6,000 per tonne" shall be substituted;
- (28) in Chapter 84, in heading No. 84.15, for the entry in column (4), the entry "110% plus Rs. 15,750 per machine" shall be substituted;
- 5 (29) in Chapter 85,—
- (a) in sub-heading No. 8523.13, for the entry in column (4), the entry "25% plus Rs. 10 per sq. metre" shall be substituted;
- (b) in sub-heading No. 8523.14, for the entry in column (4), the entry "25% plus Rs. 40 per cassette" shall be substituted;
- (c) in sub-heading No. 8524.23, for the entry in column (4), the entry "30% plus Rs. 10 per sq. metre" shall be substituted;
- (d) in sub-heading No. 8524.24, for the entry in column (4), the entry "30% plus Rs. 40 per cassette" shall be substituted;
- (e) in sub-heading No. 8528.00, for the entry in column (4), the entry "50%" shall be substituted;
- 10 (f) in sub-heading No. 8540.11, for the entry in column (4), the entry "Rs. 1,000 per tube" shall be substituted;
- (g) in sub-heading No. 8540.12, for the entry in column (4), the entry "Rs. 300 per tube" shall be substituted;
- (h) in sub-heading No. 8546.00, for the entry in column (4), the entry "35%" shall be substituted;
- (30) in Section XVII, in NOTE 2, in clause (a), for the figures "40.17", the figures "40.16" shall be substituted;
- (31) in Chapter 86, in heading Nos. 86.05, 86.06 and 86.07, for the entry in column (4), the entry "20%" shall be substituted;
- 15 (32) in Chapter 87, in heading No. 87.11, for the entry in column (4), the entry "30%" shall be substituted;
- (33) in Chapter 89, in sub-heading No. 8908.00, for the entry in column (4), the entry "Rs. 800 per Light Displacement Tonnage" shall be substituted.

PART II

Heading No. (1)	Sub-heading No. (2)	Description of goods (3)	Rate of duty (4)
In the Schedule to the Central Excise Tariff Act, —			
	(1) in Chapter 24, after sub-heading No. 2404.50, the following sub-heading shall be inserted, namely :—		
	"2404.60	- Preparations containing snuff of tobacco in any proportion	12%;
25	(2) in Chapter 27, —		
	(a) for sub-heading Nos. 2713.21 and 2713.22, the following sub-heading shall be substituted, namely :—		
	"2713.20	- Petroleum bitumen	Rs.160 per tonne";
	(b) for sub-heading Nos. 2714.11 and 2714.12, the following sub-heading shall be substituted, namely :—		
	"2714.10	- Bitumen and asphalt, straight grade	Rs.160 per tonne";
30	(c) for sub-heading Nos. 2715.11 and 2715.12, the following sub-heading shall be substituted, namely:—		
	"2715.10	- Cut-back bitumen or asphalt	Rs.160 per tonne";
	(3) in Chapter 58, for heading No. 58.06, the following heading shall be substituted, namely :—		
"58.06		OTHER SPECIAL WOVEN FABRICS; NARROW WOVEN FABRICS, NOT ELSEWHERE SPECIFIED OR INCLUDED	
35	5806.10	- Narrow woven fabrics of silk, wool, cotton or man-made textile materials	12%
	5806.90	- Other	12%".

THE FIFTH SCHEDULE
(See section 38)

PART I

In the First Schedule to the Additional Duties of Excise Act,—

- (1) in sub-heading No. 1701.31, for the entry in column (4), the entry "Rs. 25 per quintal" shall be substituted; 5
- (2) in sub-heading No. 1701.39, for the entry in column (4), the entry "Rs. 45 per quintal" shall be substituted;
- (3) in sub-heading Nos. 5801.30, 5802.14 and 5804.12, for the entry in column (4), the entry "10% plus Rs. 2.10 per square metre" shall be substituted;
- (4) in sub-heading Nos. 5901.20 and 5905.20, for the entry in column (4), the entry "10% plus Rs.2.10 per square metre" shall be substituted. 10

PART II

Heading No.	Sub-heading No.	Description of goods	Rate of duty
(1)	(2)	(3)	(4)

In the First Schedule to the Additional Duties of Excise Act,—

- (1) after sub-heading No. 2404.50, the following sub-heading shall be inserted, namely :— 15
- | | | | |
|--|----------|--|--------------|
| | "2404.60 | - Preparations containing snuff of tobacco in any proportion | <i>Nil</i> ; |
|--|----------|--|--------------|
- (2) after heading No. 58.05, the following heading shall be inserted, namely :—
- | | | | |
|--------|---------|--|--------------|
| "58.06 | 5806.10 | - Narrow woven fabrics of silk, wool, cotton or man-made textile materials | <i>Nil</i> . |
|--------|---------|--|--------------|
- 20

16 of 1955.

In the Schedule to the Medicinal and Toilet Preparations (Excise Duties) Act, 1955,—

(1) in Item No. 1,—

5 (a) against sub-item (i) (a), in the entry in the third column, for the words "rupees six and sixty paise", the words "rupees ten" shall be substituted;

(b) against sub-item (i) (b), in the entry in the third column, for the words "Rupees six and sixty paise", the words "Rupees ten" shall be substituted;

10 (c) against sub-item (ii) (a), in the entry in the third column, for the words "rupees thirteen and twenty paise", the words "rupees twenty" shall be substituted;

(d) against sub-item (ii) (b), in the entry in the third column, for the words "rupees fifty-two and eighty paise", the words "rupees eighty" shall be substituted;

(2) in Item No. 2,—

15 (a) against sub-item (ii), in the entry in the third column, for the words "Rupee one and seventy-five paise", the words "Rupees two and fifty paise" shall be substituted;

(b) against sub-item (iii), in the entry in the third column, for the words "Rupees fifty-two and eighty paise", the words "Rupees eighty" shall be substituted;

(3) in Item No. 3, in the entry in the third column, for the words "Rupees thirteen and twenty paise", the words "Rupees twenty" shall be substituted;

20 (4) in Item No. 4, in the entry in the third column, for the words "rupees thirteen and twenty paise", the words "rupees twenty" shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1989-90. The notes on clauses explain the various provisions contained in the Bill.

S.B. CHAVAN.

NEW DELHI:

The 28th February, 1989.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F.3(1)-B(D)/89, dated the 28th February, 1989 from Shri S.B. Chavan, Minister of Finance, to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under clauses (1) and (3) of article 117, read with clause (1) of article 274, of the Constitution of India, the introduction of the Finance Bill, 1989 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 28th February, 1989.

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax (including surcharge thereon) is to be levied on income chargeable to tax for the assessment year 1989-90. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1989-90 from income subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1989-90.

Rates of income-tax for the assessment year 1989-90

Part I of the First Schedule to the Bill specifies the rates of income-tax on incomes liable to tax for the assessment year 1989-90. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1988, for the purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1988-89.

As provided by the Finance Act, 1988, the amount of income-tax computed in accordance with the provisions of this Part shall in the case of every person having income exceeding fifty thousand rupees be increased,—

- (i) in the case of every person, being a resident, not being an Indian company, by a surcharge for purposes of the Union, and
- (ii) in the case of an Indian company, by a surcharge,

calculated at the rate of 5 per cent. of such income-tax.

Rates for deduction of tax at source during the financial year 1989-90 from income other than "Salaries"

Part II of the First Schedule to the Bill specifies the rate at which income-tax is to be deducted at source during the financial year 1989-90 from incomes other than "Salaries". These rates are the same as those specified in Part II of the First Schedule to the Finance Act, 1988, for the purposes of deduction of tax at source during the financial year 1988-89. The amount of tax so deducted at source shall be increased.—

- (i) in the case where the payment is made to a person, other than a company, resident in India, by a surcharge for purposes of the Union,
- (ii) in the case of a person, being a domestic company, by a surcharge,

calculated at the rate of 8 per cent. of such income-tax.

Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 1989-90

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1989-90.

Sub-Paragraph I of Paragraph A of this Part specifies the rates of income-tax in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of Paragraph A or any other Paragraph of Part III applies. In such cases, the rate of income-tax in respect of total income exceeding Rs. 18,000 but not exceeding Rs. 25,000 has been reduced from 25 per cent. to 20 per cent. in relation to the financial year 1989-90.

In the case of every person being an individual, Hindu undivided family, association of persons or body of individuals, being resident in India, co-operative society and local authority, whose total income exceeds fifty thousand rupees and where income-tax is to be deducted at source or "advance tax" is payable in accordance with the provisions of this Part, such amount of income-tax shall be increased by a surcharge for purposes of the Union calculated at the rate of eight per cent. of such income-tax. In the case of domestic companies having a total income exceeding fifty thousand rupees, the amount of income-tax computed in accordance with the provisions of the this Part shall be increased by a surcharge calculated at the rate of eight per cent. of such income-tax.

Clause 3 seeks to amend section 2 of the Income-tax Act to insert an *Explanation* at the end of clause (1A) so as to clarify that revenue derived from land shall not include and shall be deemed never to have included any income arising from the transfer of any land referred to in item (a) or item (h) of sub-clause (iii) of clause (14) of this section.

This amendment will take effect retrospectively from 1st April, 1970 and will, accordingly, apply in relation to the assessment year 1970-71 and subsequent years.

Clause 4 seeks to amend section 10 of the Income-tax Act relating to incomes not to be included in the total income.

A scheme to protect persons borrowing foreign currency from public financial institutions from the risks involved in such borrowings on account of fluctuations in exchange rate of foreign currencies is proposed to be evolved by setting up Exchange Risk Administration Fund. The public financial institutions will make suitable contribution to the corpus of the said Fund. The principal repayment obligations of persons borrowing foreign currency from such institutions will be "rupee-tied" at the rates of exchange prevailing on the date of such borrowing. The persons borrowing foreign currencies from such institutions will be required to pay a composite cost in the form of interest and exchange risk premium. The said premium will be required to be credited to the said Fund.

With a view to giving effect to the said scheme, sub-clause (a) seeks to insert a new clause (14A) to exclude from the total income, any income received by a public financial institution as exchange risk premium from the persons borrowing foreign currency

from such institution, provided the amount of such premium is credited by such institution to a fund specified under clause (23E).

This amendment will take effect from 1st April, 1989.

Sub-clause (b) seeks to insert a new item (i) in sub-clause (iv) of clause (15) of section 10 to provide for exemption from income-tax of interest received from Government on deposits made by an employee of the Central Government or a State Government, in accordance with such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, out of the moneys due to him on account of his retirement, whether on superannuation or otherwise.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Sub-clause (c) seeks to insert a new clause (23E) to exclude from the total income, any income of such Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf. The proviso to the new clause specifies a condition in relation to the proposed exemption to say that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a public financial institution, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax.

This amendment will take effect from 1st April, 1989.

Sub-clause (d) seeks to insert a new clause (26AA) to exempt the income of a person by way of winnings from any lottery the draw of which is held in pursuance of any agreement entered into on or before the 28th day of February, 1989 between the State Government of Sikkim and the organising agents of such lottery where such person is resident in the State of Sikkim in any previous year. The *Explanation* to the new clause clarifies that a person will be deemed to be a resident in the State of Sikkim in accordance with the provisions of clauses (1) to (4) of section 6 of the Act.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 5 seeks to amend section 16 of the Income-tax Act relating to deductions from salaries.

Sub-clause (a) seeks to omit the proviso and *Explanation 2* in clause (i) so as to remove the restriction on standard deduction to persons provided with a conveyance by the employer.

Sub-clause (b) seeks to insert a new clause (iii) to provide for deduction from salaries on any sum paid by the assessee as a tax on employment within the meaning of clause (2) of article 276 of the Constitution, leviable by or under any law.

The proposed amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 6 seeks to amend section 17 of the Income-tax Act relating to definitions of "salary", "perquisite" and "profits in lieu of salary".

It is proposed to insert an *Explanation* to sub-clause (iii) of clause (2) to provide that the use of any vehicle provided by a company or an employer for journey by the assessee from his residence to his office or other place of work or *vice versa* shall not be regarded as a benefit or amenity granted or provided to the assessee so as to be included within the definition of perquisite.

The proposed amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 7 seeks to amend section 32AB of the Income-tax Act relating to Investment Deposit Account.

Under the existing provisions, the deduction is available only to (i) small-scale industrial undertakings, (ii) industrial undertakings, other than small-scale industrial undertakings, not engaged in the business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule, and (iii) any industrial undertaking engaged in the business of leasing or hiring of machinery or plant to an industrial undertaking, other than a small-scale industrial undertaking, engaged in the business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

Sub-clauses (a) to (d) seek to allow deduction under section 32AB to all persons who utilise the amount for the purchase of any new ship, new aircraft, new machinery or plant in an industrial undertaking for the purposes of the business of construction, manufacture or production of any article or thing not specified in the list in the Eleventh Schedule.

Sub-clause (g) seeks to make an amendment of a consequential nature in sub-section (5B).

These amendments will take effect from 1st April, 1991 and will, accordingly, apply in relation to the assessment year 1991-92 and subsequent years.

Sub-clause (e) seeks to amend sub-section (5A) to clarify that the provisions of new sub-section (5AA) or sub-section (6) shall not be affected in relation to any withdrawals made from the deposit account either before or after the expiry of a period of five years from the date of deposit.

Sub-clause (f) seeks to insert a new sub-section (5AA) to provide that where any amount is withdrawn by the assessee during any previous year in the circumstances specified in clause (a) or clause (d) of sub-section (5A), the whole of such amount shall be deemed to be the profits and gains of business or profession of that previous year and shall accordingly be chargeable to income-tax as the income of that previous year, as if the business had not closed or, as the case may be, the firm had not been dissolved.

Sub-clause (h) seeks to make an amendment of a consequential nature in sub-section (6).

The amendments proposed by sub-clauses (e), (f) and (h) will take effect retrospectively from 1st April, 1987 and will, accordingly,

apply in relation to the assessment year 1987-88 and subsequent years.

Clause 8 seeks to amend section 36 of the Income-tax Act relating to other deductions from profits and gains of business or profession.

The proposed amendment seeks to insert a new clause (x) in sub-section (1) to provide that any sum paid by a public financial institution by way of contribution towards any fund specified under clause (23E) of section 10 shall be allowed as a deduction in the computation of profits and gains of business or profession.

This amendment will take effect from 1st April, 1989.

Clause 9 seeks to amend section 43B of the Income-tax Act relating to allowability of certain sums as deductions only on actual payment.

Sub-clause (a) seeks to substitute the second proviso so as to provide that no deduction shall be allowed unless the sum referred to in clause (b) of section 43B has been paid in cash or by issue of a cheque or draft or by any other mode on or before the due date as defined in sub-section (1) of section 36, and where such payment has been made by cheque or draft, the sum is realised within fifteen days from the due date.

Sub-clause (b) seeks to insert new Explanation 2 after Explanation 1 to provide that for the purposes of sub-clause (a), as in force at all material times, "any sum payable" would mean a sum for which the assessee incurred liability in the previous year even though such sum might not have been payable within that year under the relevant law.

Sub-clause (c) seeks to renumber the existing Explanation 2 and Explanation 3 as Explanation 3 and Explanation 4 respectively.

The amendments proposed by sub-clauses (a) and (c) will take effect from 1st April, 1989 and the amendment proposed by sub-clause (b) will take effect retrospectively from 1st April, 1984, and will, accordingly, apply in relation to the assessment year 1984-85 and subsequent years.

Clause 10 seeks to insert a new section 44BBB in the Income-tax Act.

Under the proposed provision, in the case of a foreign company engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof in connection with a turnkey power project approved by the Central Government in this behalf and financed under any international aid programme, a sum equal to ten per cent. of the amount paid or payable whether in or out of India) to the said assessee or to any person on his behalf on account of such civil construction, erection, testing or commissioning 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".

This amendment will take effect from 1st April, 1990, and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 11 seeks to amend section 48 of the Income-tax Act relating to mode of computation and deductions.

Sub-clause (i)(a) seeks to insert a new sub-clause (ia) in clause (b) of sub-section (2) to provide that in respect of long-term capital gain relating to equity shares of venture capital undertakings, in the case of a company, other than a venture capital company, thirty per cent. of the amount of such gain in excess of ten thousand rupees, or in the case of a venture capital company, sixty per cent. of the amount of such gain in excess of ten thousand rupees, or in any other case, sixty per cent. of the amount of such gain in excess of ten thousand rupees would be eligible for deduction from income chargeable as capital gain.

Sub-clause (i)(b) seeks to amend sub-clause (ii) of clause (b) of sub-section (2) to make an amendment of a consequential nature.

Sub-clause (ii) seeks to insert an Explanation in sub-section (2) to define "venture capital company" and "venture capital undertaking". A venture capital company has been defined to mean a company which is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings or, if the circumstances so require, by way of advancing loans to such undertakings, and is approved by the Central Government in this behalf. A venture capital undertaking has been defined to mean a company which the prescribed authority may, having regard to the factors specified in clause (b) of the Explanation, approve for the purposes of sub-clause (ia) of clause (b) of sub-section (2).

These amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 12 seeks to amend section 54E of the Income-tax Act dealing with capital gain on transfer of capital assets not to be charged in certain cases.

The amendment seeks to insert a new clause (e) in Explanation 1 to sub-section (1) to provide that in a case where the original asset is transferred after the 31st day of March, 1989, the capital gain will not be charged to tax if the assessee invests or deposits the whole or part of the net consideration in any of the assets specified in clauses (c) and (d) of the Explanation and in such debentures or bonds issued by the National Housing Bank established under the National Housing Bank Act, 1987, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 13 seeks to amend section 57 of the Income-tax Act relating to deductions from income chargeable under the head "Income from other sources".

Under the existing provisions of the Income-tax Act, the benefit of standard deduction from salaries is not available to a person receiving family pension, since such pension is chargeable under the head "Income from other sources". The proposed amendment seeks to provide for a standard deduction of a sum equal to thirty-three and one-third per cent. of the family pension or twelve thousand rupees, whichever is less, from the amount of family pension received by a person. The *Explanation* seeks to define the expression "family pension" as a regular monthly amount payable by the employer to a person belonging to the family of an employee in the event of his death.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 14 seeks to amend the provisions of section 80C of the Income-tax Act relating to deduction in respect of life insurance premia, contributions to provident fund, etc.

The amendment seeks to include subscription to any such deposit scheme of the National Housing Bank as the Central Government may, by notification, specify as one of the items qualifying for deduction in computing the total income of an assessee. The amendment also seeks to provide that any repayment of any amount borrowed by the assessee for the purposes of purchase or construction of house property from the National Housing Bank shall qualify for deduction under item (c) of sub-clause (ii) of clause (h) of sub-section (2) of section 80C.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 15 seeks to amend section 80CC of the Income-tax Act, relating to deduction in respect of investment in certain new shares.

Sub-clause (i) seeks to amend sub-section (1) so as to extend the benefit of deduction to investment in the units issued under any scheme of the Unit Trust of India if the amount of subscription to such units is subscribed only to eligible issue of capital as defined in sub-section (3) and sub-clause (ii) seeks to extend the scope of sub-section (3) to cover companies carrying on the business of a hospital.

These amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 16 seeks to insert a new section 80JJ in the Income-tax Act so as to provide for deduction in respect of profits and gains from the business of poultry farming.

The amendment seeks to provide that where the gross total income of an assessee includes any profits and gains derived from business of poultry farming, there shall be allowed, in computing the total income, a deduction of an amount equal to thirty-three and one-third per cent. of the profits and gains derived from such business.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 17 seeks to amend section 80U of the Income-tax Act, relating to deduction from total income in the case of totally blind or physically handicapped resident persons.

Under the existing provisions, the benefit of tax concession under section 80U is available to an individual who is totally blind or permanently physically handicapped subject to the condition that the permanent physical disability has the effect of reducing substantially the capacity to engage in a gainful employment or occupation and is of the nature specified in the rules made by the Board in this behalf. The amount of tax concession available under this provision is in the nature of a deduction of a sum of fifteen thousand rupees from the total income of such individual. This deduction is available if such individual produces a certificate from a registered medical practitioner.

The proposed amendment seeks to extend the benefit of tax concession under this section to individuals who are mentally retarded subject to the condition that the mental retardation has the effect of reducing substantially their capacity to engage in a gainful employment or occupation and is certified as such by a psychiatrist working in a Government hospital. Further, it is proposed to empower the Board to frame rules to specify the extent of mental retardation for the purposes of this section.

These amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 18 seeks to amend section 115B of the Income-tax Act relating to tax on profits and gains of life insurance business so as to extend the provisions of sub-section (2) to assessment year 1990-91 also.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 19 seeks to amend section 115J of the Income-tax Act making special provisions relating to certain companies.

Sub-clause (i) seeks to insert a new sub-section (1A) to provide that every assessee, being a company shall, for the purposes of section 115J, prepare its profit and loss account for the relevant previous year in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956.

Sub-clause (ii)(a) seeks to make consequential amendment on account of insertion of new sub-section (1A).

Sub-clause (iii)(b) seeks to amend clause (i) of the *Explanation* to provide that, where section 115J is applicable to an assessee in any previous year (including the relevant previous year), the amount withdrawn from reserves created or provisions made after the 1st day of April, 1988 shall not be reduced from the book profit unless the book profit of such year has been increased by those reserves or provisions (out of which the said amount was withdrawn) under the said *Explanation*.

The amendments proposed by sub-clause (i) and sub-clause (ii) (a) will take effect from 1st April, 1989. The amendment proposed by sub-clause (ii)(b) will take effect retrospectively from 1st April, 1988 and will, accordingly, apply to the assessment year 1988-89 and subsequent years.

Clause 20 seeks to insert a proviso in sub-section (1) of section 153 of the Income-tax Act relating to time limit for completion of assessments and re-assessments.

The proposed amendment seeks to provide that in respect of the return filed under sub-section (4) or sub-section (5) of section 139, which relates to the assessment year commencing on the 1st day of April, 1988, or any earlier assessment year, no order of assessment shall be made at any time after the expiry of one year from the end of the financial year in which such return is filed.

This amendment will take effect from 1st April, 1989.

Clause 21 seeks to amend section 192 of the Income-tax Act relating to deduction of tax at source from income chargeable under the head "Salaries".

Under the existing provisions of sub-section (2A) of section 192, in the case of an assessee, being a Government servant or an employee in a public sector undertaking, the person responsible for deduction of tax from income chargeable under the head "Salaries" was permitted to accord relief under sub-section (1) of section 89. The proposed amendment seeks to extend this benefit to assesseees who are employees of any company, co-operative society, local authority, University, institution, association or body.

This amendment will take effect from 1st June, 1989.

Clause 22 seeks to amend section 193 of the Income-tax Act relating to deduction of tax at source from income by way of "Interest on securities".

Under the existing provisions, a person responsible for paying any income by way of interest on securities is required to deduct tax at source only at the time of payment of such income.

Sub-clause (a) seeks to provide for deduction of tax at source either at the time of crediting of the said income to the account of the payee or at the time of payment thereof, whichever is earlier.

Sub-clause (b) seeks to amend clause (v) of the proviso to section 193 to increase the limit for non-deduction of tax at source from payments in the nature of interest paid by a company in which the public are substantially interested from the existing level of one thousand rupees to two thousand and five hundred rupees.

Sub-clause (c) seeks to insert an *Explanation* to section 193 whereby credits of any income by way of interest on securities to "Interest payable account", or "Suspense account" or any other account shall be deemed as credits to the account of payee for the purpose of deduction of tax at source.

These amendments will take effect from 1st June, 1989.

Clause 23 seeks to amend section 263 of the Income-tax Act relating to the revision of orders prejudicial to revenue so as to clarify that the provisions of clauses (a), (b) and (c) of the *Explanation* to sub-section (1) thereof shall be deemed to have always been effective.

These amendments will take effect retrospectively from 1st June, 1988.

Clause 24 seeks to amend section 285B of the Income-tax Act to clarify that a producer of a cinematograph film shall deliver the requisite statement containing particulars of all payments of over five thousand rupees in the aggregate made by him to each such person as is engaged by him in the production of such film, whether or not such person is an employee.

This amendment will take effect from 1st June, 1989.

Clause 25 seeks to make certain amendments of a consequential nature in sections 80A and 80P of the Income-tax Act.

Clause 26 seeks to provide that notwithstanding anything contained in the notification of the Government of India in the Ministry of Home Affairs No.S.O. 1028(E), dated the 7th November, 1988, and the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. S.O. 148 (E), dated the 23rd February, 1989 in so far as it relates to the commencement of the Income-tax Act, 1961 in the State of Sikkim, the provisions of the Income-tax Act, 1961 will come into force in the State of Sikkim with effect from the previous year relevant to the assessment year commencing on the 1st day of April, 1990, and any law corresponding to the Income-tax Act, 1961 which, immediately before such commencement, was in force in the State of Sikkim will be deemed never to have ceased to have effect in relation to the previous year beginning with 1st April, 1988 and ending with the 31st March, 1989 and will continue to be in force for the purposes of levy, assessment and collection of income-tax and for the purpose of imposing any penalty or for any other purpose whatsoever connected with, or incidental to, any of the said purposes under such law.

This clause will take effect from 1st April, 1989.

Clause 27 seeks to amend section 5 of the Wealth-tax Act relating to exemptions in respect of certain assets.

Sub-clause (a)(i) seeks to insert a new clause (xxvc) in sub-section (1) so as to provide exemption in respect of right or interest of an assessee in any annuity plan of the Life Insurance Corporation as is referred to in clause (ii) of sub-section (1) of section 80CCA of the Income-tax Act.

This amendment will take effect retrospectively from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

Sub-clause (a)(ii) seeks to insert new clauses (xxvii) and (xxviii) in sub-section (1) to provide for exemption from wealth-tax in respect of deposits made, in accordance with the scheme referred to in item (i) of sub-clause (iv) of clause (15) of section 10 of the Income-tax Act, by any employee of the Central Government or a State Government, and for exemption from wealth-tax on deposits made with the National Housing Bank established under section 3 of the National Housing Bank Act, 1987.

Sub-clause (b) seeks to amend sub-section (1A) so as to restrict the benefit of exemption in relation to deposits made with the National Housing Bank within the aggregate sum of five lakh rupees.

These amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Clause 28 seeks to amend the proviso to sub-section (1) of section 17A of the Wealth-tax Act relating to time limit for completion of assessments and re-assessments.

The proposed amendment seeks to provide that in a case where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991, and where the net wealth was first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992.

This amendment will take effect from 1st April, 1989.

Clause 29 seeks to amend section 21AA of the Wealth-tax Act relating to assessment of an association of persons, to exclude a society registered under the Societies Registration Act, 1860, or under any law corresponding to that Act in force in any part of India from the application of that section. This amendment is consequent to a similar amendment made in the Income-tax Act by the Direct Tax Laws (Amendment) Act, 1987.

This amendment will take effect from 1st April, 1989.

Clause 30 seeks to amend section 25 of the Wealth-tax Act relating to powers of the Commissioner to revise orders of subordinate authorities.

It is proposed to amend the *Explanation* to sub-section (2) of section 25 on the lines of similar amendments made in section 263 of the Income-tax Act.

These amendments will take effect retrospectively from 1st June, 1988.

Clause 31 seeks to amend sub-section (1) of section 16A of the Gift-tax Act relating to time limit for completion of assessments and re-assessments.

Sub-clause (a) seeks to extend the time limit for completion of the assessment from one year to two years from the end of the assessment year in which the gifts are first assessable.

Sub-clause (b) seeks to substitute the proviso to sub-section (1) to provide that in a case where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1987, or any earlier assessment year, such assessment may be made on or before the 31st day of March, 1991, and where the gifts were first assessable in the assessment year commencing on the 1st day of April, 1988, such assessment may be made on or before the 31st day of March, 1992.

These amendments will take effect from 1st April, 1989.

Clause 32 seeks to amend section 24 of the Gift-tax Act relating to powers of the Commissioner to revise orders of subordinate authorities.

It is proposed to amend the *Explanation* to sub-section (2) of section 24 on the lines of similar amendments made in section 263 of the Income-tax Act.

These amendments will take effect retrospectively from 1st June, 1988.

Clause 33 seeks to amend section 4 of the Expenditure-tax Act, 1987 to provide for tax at the rate of twenty per cent. of the chargeable expenditure in place of the existing rate of ten per cent.

This amendment will take effect from 1st June, 1989.

Clause 34 seeks to amend the Customs Tariff Act, 1975.

Sub-clause (a) of this clause, read with the Second Schedule, seeks to amend the First Schedule to the Customs Tariff Act, 1975, to—

(a) raise the basic customs duty rates on—

- (1) cinnamon and cinnamon-tree flowers ;
- (2) cloves (whole fruit, cloves and stems) ;
- (3) nutmeg, and mace ;
- (4) un-denatured ethyl alcohol; spirits, liquors and other **spirituous beverages**; compound alcoholic preparations of a kind used for the manufacture of beverages ;
- (5) copper waste and scrap ;
- (6) vincristine sulphate injection ;

(b) restructure the basic customs duty rates in respect of **ball or roller bearings and parts thereof** on specific-cum-ad valorem basis :

- (c) incorporate some editorial amendments approved by the Customs Co-operation Council in the legal text of the Harmonised Commodity Description and Coding System (Harmonised System) in order that the First Schedule is in line with the Harmonised System.

Sub-clause (b) of this clause, read with the Third Schedule, also seeks to amend the First Schedule so as to omit heading No. 98.06 relating to parts of machinery, appliances, instruments and articles of Chapters 84 to 86, 89 and 90 of the First Schedule. It also seeks to omit Notes 7 and 8 in Chapter 98 as a consequential amendment.

The amendment made by sub-clause (b) will come into force from a date to be notified by the Central Government.

Clause 35 seeks to levy up to the 31st March, 1990 auxiliary duties of customs on all imported goods at the rate of 50 per cent. of their value.

Clause 36, read with the Fourth Schedule, seeks to amend the Schedule to the Central Excise Tariff Act, 1985, to —

- (a) raise the basic excise duty on —
- (1) hydrogenated vegetable fats and oils ;
 - (2) sugar ;
 - (3) cut-tobacco ;
 - (4) cement ;
 - (5) marble slabs ;
 - (6) specified types of gases, namely, chlorine, oxygen, carbon dioxide, ammonia ;
 - (7) acetylene ;
 - (8) sulphonamides ;
 - (9) quinine and its salts ;
 - (10) certain types of medicaments ;
 - (11) polymers of vinyl chloride or of other halogenated olefins, in primary forms ;
 - (12) paper and paper board and articles thereof ;
 - (13) silk yarn ;
 - (14) yarn of wool ;
 - (15) man-made filament ;
 - (16) man-made staple fibres ;
 - (17) metallised yarn of man-made filaments ;
 - (18) iron and steel ;
 - (19) articles of iron and steel ;
 - (20) aluminium and articles thereof ;
 - (21) lead and articles thereof ;
 - (22) zinc and articles thereof ;
 - (23) air-conditioners ;
 - (24) video tapes and cassettes ;
 - (25) television sets ;
 - (26) television picture tubes ;
 - (27) electrical insulators of any material ;
 - (28) railway rolling stock and parts thereof ;
 - (29) two-wheelers ;
 - (30) vessels and other floating structures for breaking up ;
- (b) describe nil rate of duty in respect of coal gas, water gas, producer gas and similar gases ;
- (c) omit heading No. 22.04 relating to ethyl alcohol suitable for being used as fuel for spark-ignition-engines ;
- (d) introduce a new sub-heading in Chapter 24 so as to cover preparations containing snuff of tobacco in any proportion ;
- (e) change the Chapter Notes, tariff description and restructure the duty rates in respect of rubber and articles thereof ;
- (f) change the Section Notes of Section XI so as to make a minor correction ;

(g) change Chapter Notes in respect of cotton fabrics so as to clarify the scope of the term "manufacture" in relation to certain specified processes.

Clause 37 seeks to levy up to the 31st March, 1990, special duties of excise on all excisable goods at the rate of 5 per cent. of the duty leviable under the Central Excise Tariff Act, 1985.

Clause 38, read with the Fifth Schedule, seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, to —

(a) raise additional excise duty on—

(1) sugar ; .

(2) woven jute fabrics and chenille fabrics, tufted textile fabrics of man-made textile materials;

(3) terry fabrics of man-made textile materials;

(4) net fabrics of man-made textile materials;

(b) introduce a new sub-heading in heading No. 24.04 so as to cover preparations containing snuff of tobacco in any proportion;

(c) introduce a new sub-heading No. 5806.10 so as to cover narrow woven fabrics of silk, wool, cotton or man-made textile materials.

Clause 39, read with the Sixth Schedule, seeks to amend the Schedule to the Medicinal and Toilet Preparations (Excise Duties) Act, 1955, so as to raise the duty on allopathic medicinal preparations, medicinal preparations of indigenous system of medicine, homoeopathic preparations and toilet preparations, with some exceptions.

Chapter V (containing clauses 40 to 49) provides for the levy of the inland air travel tax from a date to be notified by the Central Government in the case of inland journey by a passenger in an aircraft.

Clause 41 defines "aerodrome", "aircraft", "carrier", "fare", "inland journey" and "passenger" used in the Chapter.

Clause 42 provides for the levy of the inland air travel tax on all passengers embarking on inland journeys at the rate of 10% of the fare paid by such passengers for every such journey. The inland air travel tax will be collected by officers of customs appointed under the Customs Act, 1962, or the Central Excise Officers appointed under the Central Excises and Salt Act, 1944, or such other officers of the Central Government or the State Government or the International Airports Authority of India or the National Airports Authority, or such carriers as may be authorised in this behalf by the Central Government.

Clause 43 provides for rounding off of the inland air travel tax to the nearest rupee.

Clause 44 confers power on the Central Government to grant exemptions (total or partial) from the payment of inland air travel tax.

Clause 46 provides for penalties and adjudication of penalties.

The other clauses of this Chapter deal with incidental and supplemental matters including the power of the Central Government to make rules relating to inland air travel tax.

Clause 50 seeks to amend section 14 of the Central Sales Tax Act, 1956, so as to align the descriptions of certain goods mentioned therein with the descriptions in the Central Excise Tariff Act, 1985.

Clause 51 seeks to amend section 35 of the Finance Act, 1979, so as to raise the rates of the foreign travel tax.

The amendments made by clause 51 will take effect from a date to be notified by the Central Government.

Chapter V of the Bill provides for the levy of a new tax to be known as inland air travel tax in respect of inland journeys by passengers in an aircraft.

The new tax will necessitate employment of additional staff in the Customs and Central Excise field formations and the Directorate General of Inspection (Customs and Central Excise). This staff will be required to check the weekly returns, passenger lists and cases relating to refunds or short collections. This is expected to involve a total annual recurring expenditure of about Rs. 20 lakhs. Besides this annual recurring expenditure, non-recurring expenditure of Rs. 5 lakhs is also likely to be incurred.

To the extent the collection of the tax is entrusted to any State Government or the International Airports Authority of India or the National Airports Authority or carriers who may be authorised by the Central Government in this behalf, it will be necessary to incur expenditure for payment of collection charges. The exact expenditure to be incurred for such collection, which will be of a recurring nature, cannot be estimated at this stage.

The provisions of the said Chapter do not involve any other expenditure, whether of a recurring or of a non-recurring nature.

Sub-clause (b) of clause 4 of the Bill seeks to insert a new item (i) in sub-clause (iv) of clause (15) of, and to insert a new clause (23E) in, section 10 of the Income-tax Act relating to incomes not to be included in the total income. The new item (i) enables the Central Government to frame a scheme, by notification in the Official Gazette, in relation to deposits which may be made by any employee of the Central Government or a State Government. The new clause (23E) empowers the Central Government to specify, by notification in the Official Gazette, any Exchange Risk Administration Fund set up by public financial institutions, either jointly or separately, whereupon the income of such Fund will be exempt from income-tax.

Clause 10 of the Bill seeks to insert a new section 44BBB in the Income-tax Act. The said section empowers the Central Government to approve any turnkey power project which is financed under any international aid programme for the purposes of application of the provisions in relation to business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof in connection with such project.

Clause 11 of the Bill seeks to amend sub-section (2) of section 48 of the Income-tax Act. The new clause (a) of the *Explanation* to sub-section (2) empowers the Central Government to approve a venture capital company which is engaged in providing finance to venture capital undertakings mainly by way of acquiring equity shares of such undertakings or, if the circumstances so require, by way of advancing loans to such undertakings. Clause (b) of the said *Explanation* enables the Central Board of Direct Taxes to make rules, by notification in the Official Gazette, to specify an authority which may approve a venture capital undertaking for the purposes of new sub-clause (ia) of clause (b) of sub-section (2), having regard to the factors specified in clause (b) of the said *Explanation*. Further, sub-clause (1) of clause (b) of the *Explanation* empowers the Board to make rules for specifying a higher amount than the existing ten crore rupees specified in that sub-clause, in relation to the total investment in the venture capital undertaking, which may be taken into consideration by the prescribed authority as one of the factors for approving a venture capital undertaking for the purposes of section 48.

Clause 12 of the Bill seeks to insert a new clause (e) in *Explanation* 1 of sub-section (1) of section 54E of the Income-tax Act. The new clause (e) empowers the Central Government to specify, by notification in the Official Gazette, debentures or bonds issued by the National Housing Bank which will be treated as "specified asset" for the purposes of the said section.

Clause 14 of the Bill seeks to amend sub-section (2) of section 80C of the Income-tax Act relating to deductions in respect of life insurance premia, contributions to provident fund, etc. The new sub-clause (ia) of clause (h) of sub-section (2) empowers the Central Government to specify, by notification in the Official Gazette, any deposit scheme of the National Housing Bank the subscriptions to which will qualify for deduction under the said clause (h).

Clause 17 of the Bill seeks to amend section 80U of the Income-tax Act relating to deduction in the case of totally blind or physically handicapped resident persons. The new clause (iii) of sub-section (1) empowers the Central Board of Direct Taxes to make rules, by notification in the Official Gazette, to specify the extent of mental retardation for the purposes of that sub-section, whereupon a person who is subject to such mental retardation will be allowed a deduction of a sum of fifteen thousand rupees in computing his total income. Sub-section (2) of section 80U specifies the factors which the Board shall take into account while making the said rules.

Clause 44 contained in Chapter V relating to inland air travel tax empowers the Central Government to exempt, by notification in the Official Gazette, wholly or to such extent as may be specified in the notification, any class or classes of passengers or any category or categories of passengers under any such class from the payment of inland air travel tax. The guidelines which have to be taken into account for granting exemptions have been spelt out in the clause.

Clause 48 empowers the Central Government to make rules to carry out the provisions of Chapter V. The matters in respect of which rules may be made include collection of inland air travel tax, the charges for collection payable to any State Government or the International Airports Authority of India or the National Airports Authority or carriers, the specification of authorities competent to discharge functions under Chapter V, the adjudication of penalties, manner of payment and collection of tax, penalties or other sums due under Chapter V, powers of officers to enter upon and inspect and search any aircraft, etc., the procedure for adjudication of penalties and appeals against them made under that Chapter.

The aforesaid provisions of the Income-tax Act, the Wealth-tax Act, the Gift-tax Act and Chapter V of this Bill empower the Central Government or the Central Board of Direct Taxes to issue notifications, frame schemes and make rules for the purposes specified in the relevant provisions. The matters in respect of which notifications may be issued or schemes may be framed or rules may be made in accordance with the aforesaid provisions are matters of administrative detail or procedure and it is not practicable to provide for them in the Bill itself.

The delegation of legislative power is, therefore, of a normal character.

MEMORANDUM EXPLAINING
THE PROVISIONS IN
FINANCE BILL, 1989
PROVISIONS RELATING TO DIRECT TAXES

The provisions in the Finance Bill, 1989, in the sphere of direct taxes relate to the following matters:

- (i) Prescribing the rates of income-tax on incomes liable to tax for assessment year 1989-90; the rates at which tax will be deductible at source during the financial year 1989-90 from interest (including interest on securities), dividends, salaries paid to employees, winnings from lotteries or crossword puzzles, winnings from horse-races, insurance commission and other categories of income liable to deduction of tax under the Income-tax Act; rates for computation of "advance tax" and charging of income-tax on current incomes in certain cases for the financial year 1989-90.
- (ii) The Finance Act, 1988 provided that in the case of any income chargeable to tax under the head "Salaries" or in respect of which advance tax is to be paid, where the total income in such cases exceeds fifty thousand rupees, the amount of income-tax deducted or the advance tax paid, is to be increased by a surcharge calculated at the rate of 5 per cent. of such income-tax. Further, in respect of any payment by way of interest, dividend, winnings from lotteries or crossword puzzles, winnings from horse-races or payments to contractors and sub-contractors, the amount of tax deducted at source had to be increased by a surcharge calculated at the rate of 5 per cent. of the tax deducted. However, surcharge was not to be paid or deducted at source in respect of any income or any payment made to a non-resident or a foreign company. The provision for levy of surcharge has, therefore, been incorporated in Part I of the First Schedule.
- (iii) The provision for the levy of surcharge for mobilising resources for meeting the conditions created by drought was introduced by the Finance (Amendment) Act, 1987 and was continued further for a period of one year by the Finance Act, 1988. Since these conditions no longer exist, it is proposed not to continue this surcharge. The surcharge on wealth-tax at the rate of ten per cent., which too was for a temporary period of one year is also not being continued. However, to provide relief for the unemployed, it is proposed to introduce a new intensive rural employment programme. To mobilise resources for this, it is proposed to levy a surcharge at the rate of eight per cent. of income-tax in cases where the total income exceeds fifty thousand rupees in respect of-

(a) any payment made during the financial year 1989-90, on which tax is deductible at source; and

(b) any income on which advance tax is payable or any income charged to tax, during the financial year 1989-90.

However, no surcharge will be levied on incomes in respect of which payment is made to a non-resident or a foreign company, or incomes on which advance tax is payable by the non-resident or the foreign company.

- (iv) Amendment of Income-tax Act, 1961 with a view to incorporating certain incentives for growth and welfare, providing certain anti-tax avoidance measures, simplification and rationalisation of certain provisions and certain other matters.
- (v) Amendment of the Wealth-tax Act, 1957 with a view to rationalise certain provisions.
- (vi) Amendment of the Gift-tax Act, 1958 with a view to rationalise certain provisions.
- (vii) Amendment of the Expenditure Tax Act, 1987 to enhance the rate of tax on chargeable expenditure incurred in certain hotels.
- (viii) Extension of the Income-tax Act, 1961 to the State of Sikkim.

2. Subject to certain exceptions, which have been indicated while dealing with the relevant provisions, the Bill follows the principle that changes in the rates of tax, as also in the provisions of the tax laws, should ordinarily be made operative prospectively in relation to current incomes and not in relation to income of past years. The provisions relating to deduction of tax at source have been generally made applicable with effect from 1st June, 1989. The substance of the main provisions in the Bill relating to direct taxes is explained in the following paragraphs:-

INCOME-TAX

I. Rates of income-tax in respect of incomes liable to tax for the assessment year 1989-90.

3. In respect of incomes of all categories of taxpayers (corporate as well as non-corporate) liable to tax for the assessment year 1989-90, the rates of income-tax (including surcharge thereon) have been specified in Part I of the First Schedule to the Bill and are the same as those laid down in Part III of the First Schedule to the Finance Act, 1988, for the purposes of computation of "advance tax". deduction of tax at source from salaries and computation of tax payable in certain cases during the financial year.

II. Rates for deduction of tax at source during the financial year from income other than "Salaries".

4. The rates for deduction of income-tax at source during the financial year 1989-90 from incomes other than "Salaries" have been specified in Part II of the First Schedule to the Bill. These rates apply to income by way of interest on securities, interest other than "interest on securities", dividends, insurance commission, winnings from lotteries, crossword puzzles and horse-races and income of non-residents (including non-resident Indians) other than salary income. These rates are basically the same as those specified in Part II of the First Schedule to the Finance Act, 1988 for purposes of deduction of tax at source during the financial year 1988-89.

5. During the financial year 1989-90, in respect of any income by way of winnings from lotteries, crossword puzzles and horse-races, tax shall be deducted at source on payment made to a non-resident (including non-resident Indian) as also to a company at the rate of 40 per cent. of such income. This provision is in line with the existing provision applicable to a person resident in India, not being a company.

6. In respect of payments referred to in the preceding paragraph as also to the payment made to a contractor or a sub-contractor where tax is deducted at source, the amount of tax so deducted shall be increased by a surcharge calculated at the rate of 8 per cent. of the amount of tax deducted. However, deduction in respect of surcharge will not be made, where the payment is made to a non-resident (including non-resident Indian) or to a foreign company.

III. Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 1989-90.

7. The rates for deduction of tax at source from "Salaries" during the financial year 1989-90 and also for the computation of "advance tax" payable during that year in the case of all categories of taxpayers have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the financial year 1989-90 on current incomes in cases where accelerated assessments have to be made, e.g., provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year 1989-90, assessment of persons who are likely to transfer property to avoid tax or where an order has to be passed in a case of search and seizure for calculating the amount of tax on the estimated undisclosed income, etc.

8. In the case of a person whose income exceeds fifty thousand rupees, the amount of income-tax deductible or advance tax payable or income-tax payable, as the case may be, shall be increased by a surcharge calculated at the rate of eight per cent. of the tax so deductible or advance tax or income-tax so payable. However, no such surcharge shall be levied in a case where the payment is made to or advance tax or income-tax is payable on the income of, a non-resident (including non-resident Indian) or a foreign company.

IV. Individuals, Hindu undivided families, associations of persons, bodies of individuals, co-operative societies and local authorities.

9. In the case of individuals, Hindu undivided families, associations of persons etc. the rates of income-tax have been specified in Paragraph A of Part III of the First Schedule to the Bill. In the case of co-operative societies and local authorities, the rates of income-tax have been specified in Paragraph B and Paragraph C respectively of Part III of the First Schedule to the Bill, which is the same as in Part I of the First Schedule to the Finance Act, 1988. It is proposed to restructure the rate schedule applicable in the case of individuals, Hindu undivided families (other than those having at least one member with independent total income exceeding the exemption limit), unregistered firms, associations of persons, bodies of individuals and artificial juridical persons by reducing the rate of tax in the slab of income from Rs.18,000 to Rs.25,000 from 25 per cent. to 20 per cent. The impact of this relief on income upto Rs.50,000 shall be as under:-

Table

Total Income	Tax Relief	Total Income	Tax Relief
18,000	Nil	24,000	300
19,000	50	25,000	350
20,000	100	30,000	350
21,000	150	40,000	350
22,000	200	50,000	350
23,000	250		

V.

Companies

10. In the case of companies, the rates of income-tax have been specified in paragraph E of Part III of the First Schedule to the Bill. These rates are the same as specified in paragraph E of Part I of the First Schedule.

VI. Partially integrated taxation of non-agricultural income with income derived from agriculture.

11. As in the past, the Finance Bill provides that in the case of individuals, Hindu undivided families, other associations of persons, etc. the net agricultural income will be taken into account for the computation of "advance tax" and charging of income-tax. These provisions are broadly on the same lines as those in earlier years. [Clause 2 and the First Schedule]

INCENTIVES FOR GROWTH

Incentives under the Exchange Risk Administration Scheme.

12. An announcement was made by the Finance Minister in the Budget Speech for 1988-89 that a scheme will be framed, for the purpose of exchange risk protection of borrowers of foreign currency loans from financial institutions. The Government has since then formulated a scheme known as Exchange Risk Administration Scheme (ERAS) setting up a Fund, namely, the Exchange Risk Administration Fund. With a view to help the growth of this fund in its initial stage, it is proposed to provide the following tax concessions:-

- (i) By amending section 10 of the Income-tax Act, to provide that the income of the Exchange Risk Administration Fund will be exempt, subject to certain conditions;

- (ii) By amending section 10 of the Income-tax Act, to provide that the income in the nature of exchange risk premium received by public financial institutions from the borrowers for being credited to the corpus of the fund will be exempt in their hands;
- (iii) By amending section 36 of the Income-tax Act, to provide that the contribution made by the public financial institutions to the Exchange Risk Administration Fund will be allowed as a business deduction in computing their income;

These amendments will take effect from 1st April, 1989 and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years. [Clauses 4 and 8]

Incentives for Venture Capital Undertakings.

13. In furtherance of the announcement made by the Finance Minister in the Budget Speech for 1988-89 that a scheme to obviate the difficulties faced by new entrepreneurs in raising equity capital would be framed, it has been decided to formulate a scheme for setting up Venture Capital Companies/Funds to extend venture capital assistance to undertakings where the risk element is comparatively high and the entrepreneurs are relatively new and non-affluent. With a view to help the growth of Venture Capital Companies/Funds, by amending section 48 of the Income-tax Act, it is proposed to provide that the venture capital companies in respect of the capital gains arising to them on sale of shares of venture capital undertakings will get a deduction at the same rate as available to non-corporate taxpayers. This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to assessment year 1990-91 and subsequent years. [Clause 11]

Modification of provisions relating to investment in certain new shares.

14. Under the existing provisions of section 80CC of the Income-tax Act, a deduction of fifty per cent. on a maximum investment of rupees twenty thousand is admissible, in respect of certain equity shares forming part of any eligible issue of capital as also in respect of investment in the Units of any Mutual Fund set up by public sector banks or other financial institutions, if such funds subscribe only to eligible issue of capital. With a view to bring the Unit Trust of India at par with mutual funds set up by other public financial institutions and public sector banks, the Bill seeks to amend the provisions of section 80CC of the Income-tax Act, so as to extend its coverage to the investment in the units of any scheme of the Unit Trust of India, if the funds of such scheme are invested in the eligible issue of capital.

Further, with a view to encourage investment in respect of hospitals in the corporate sector, it is proposed to amend the provisions of section 80CC of the Income-tax Act, so as to extend the scope of the provisions to investment in shares of companies which are incorporated for setting up hospitals. These amendments will take effect from 1st April, 1990, and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clause 15]

Tax incentives for poultry farming.

15. Section 80JJ of the Income-tax Act, which, inter-alia, provided a deduction of Rs.15,000/- in respect of income from poultry farming was omitted by the Finance Act, 1985 with effect from 1st April, 1986. Lately, however, it has been brought to the notice of the Government that persons engaged in poultry farming have been facing hardship because of various adverse circumstances. Therefore, with a view to remove the hardship faced by the persons engaged in poultry farming, it is proposed to provide a deduction at the rate of thirty-three and one-third per cent. of the income from poultry farming. This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clauses 16 and 25]

WELFARE MEASURES

Tax concessions in respect of new deposit scheme for retiring employees.

16. It has been observed that retiring Government employees are on the look-out for investment opportunities with maximum post-tax return in regard to the money received by them as retirement benefits on retirement. With a view to obviate the need for retiring Government employees to seek alternative sources for investment of their retirement benefits, and also to maintain the level of funds in various employee welfare schemes, it is proposed to formulate a new deposit scheme in which a retiring Government employee may invest whole or part of his retirement benefits for a lock-in period of three years. The scheme will apply to all Central or State Government employees. It is proposed to extend the following tax concessions to the deposits made under this scheme:-

- (i) By amending provisions of section 10 of the Income-tax Act, to provide that the interest earned in respect of deposits shall be exempt from income-tax; and
- (ii) By amending the provisions of section 5 of the Wealth-tax Act, to provide that the deposits made shall be fully exempt from wealth-tax.

The above amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clauses 4 and 27]

Measures to grant relief to salaried taxpayers.

17. Under the existing provisions of clause (i) of section 16 of the Income-tax Act, in the case of an employee provided with a motor car, motor-cycle, scooter or other moped by his employer for his use, otherwise than wholly or exclusively, in the performance of his duties, the standard deduction in computing the income chargeable under the head "Salaries", is restricted to Rs.1,000/- only. The Explanation 2 to this clause, however, provides that if such vehicle is provided only for journey from residence to office or any other place of work, the use of such vehicle will not be regarded as the use of such vehicle otherwise than wholly or exclusively in the performance of his duties. This

restriction causes hardship to employees in the private sector who are also liable to tax on the value of perquisite of free or concessional use of employers' vehicles.

To provide uniformity in the allowance of standard deduction to employees of public and private sector, it is proposed to delete the proviso to clause (i) of section 16, thereby allowing the standard deduction in full even to those employees who are entitled to conveyance facilities. Further, as a consequential amendment, it is proposed to amend clause (iii) of sub-section (2) of section 17 so as to provide that the use of any vehicle provided to an employee for journey by the employee, from his residence to his office or other place of work, or from office or such place to his residence, shall not be treated as any benefit or amenity granted or provided free of cost or at concessional rates.

Under the existing provisions of section 16 relating to deduction from salaries, no separate deduction is provided towards professional tax paid by a salaried employee. Since the maximum amount payable by way of professional tax was Rs.250/- per annum, it was not considered proper to provide for a separate deduction in this regard. By the Constitution (Sixtieth Amendment) Act, 1988, Article 276(2) has been amended to raise the ceiling of professional tax from Rs.250/- to Rs.2,500/- per annum with the object of enabling the State Governments to raise additional resources. The payment of Rs.2,500/- per annum by way of professional tax will cause hardship to salaried employees, if a separate deduction is not allowed to them. Persons deriving income from business or profession are allowed to claim deduction in respect of such tax as business expense.

With a view to providing relief to the salaried taxpayers, it is proposed to amend section 16 of the Income-tax Act, so as to provide that the tax on employment, by whatever name called, levied by a State under Article 276 of the Constitution shall be allowed as a deduction in computing their income under the head "Salaries".

These amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clauses 5 and 6]

Providing standard deduction in respect of family pension.

18. Under the existing provisions of the Income-tax Act, there is no provision for allowing standard deduction on family pension received by the widows and heirs of deceased employees.

As a welfare measure and to remove the hardship, it is proposed to amend the provisions of the Income-tax Act to provide that in any case where a person is in receipt of family pension, he shall be allowed standard deduction of thirty-three and one-third per cent. of the family pension subject to a maximum amount of Rs.12,000/-.

This amendment will take effect from 1st day of April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clause 13]

Tax concessions in respect of deposits with National Housing Bank.

19. In the Budget Speech for 1987-88, the Prime Minister and Minister of Finance had announced the decision to set up a National Housing Bank. Necessary legislation in this regard has been passed and the National Housing Bank has become operational. In order to help the National Housing Bank to mobilise resources, it is proposed to provide the following tax incentives under the provisions of the Income-tax Act and Wealth-tax Act:-

- (i) By amending section 80C of the Income-tax Act, to provide that deposits made in the Home Loan Account Scheme of the National Housing Bank will qualify for deduction from the gross total income of taxpayers subject to the existing ceiling and rates;
- (ii) By amending clause (h) of sub-section (2) of section 80C of the Income-tax Act, to provide that the repayment of loan to the National Housing Bank will qualify for deduction to the extent of Rs.10,000/- under the overall ceiling of Rs.40,000/-;
- (iii) By amending section 54E of the Income-tax Act, to provide that the taxpayers will now get tax concession on capital gains, if the net consideration is invested in the bonds and debentures issued by the National Housing Bank also;
- (iv) By amending section 5 of the Wealth-tax Act, to provide that the investment made in National Housing Bank will be exempt from wealth-tax subject to the overall ceiling of Rs.5 lakhs.

The above amendments will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clauses 12, 14 and 27]

Extending the tax concession available to totally blind or physically handicapped resident persons.

20. Under the existing provisions of section 80-U of the Income-tax Act, permanently physically handicapped persons are entitled to a deduction of Rs.15,000/- from their gross total income. The deduction is allowed only if the permanent physical disability is such as to have the effect of reducing substantially the capacity of a person to engage in gainful employment or occupation. Under the existing provisions of section 80-U, the tax concession is not available to mentally retarded persons.

Since mental retardation is a disability more severe in nature and consequence than many other disabilities, and the mentally retarded persons face greater problems than other categories of disabled, it is proposed to amend section 80-U of the Income-tax Act so as to extend the tax concession presently available under this section to mentally retarded persons also.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clause 17]

Extension of the provisions relating to tax on profits and gains of life insurance business.

21. Under the existing provisions of section 115B of the Income-tax Act, the profits and gains of life insurance business is taxable at

the rate of twelve and one-half per cent. of the actuarial surplus. Sub-section (2) of section 115B provides that the profits and gains of life insurance business may be taxed at the rate of ten per cent. if two and one-half per cent. of its profits and gains and thirty-three and one-third per cent. of the income-tax so payable is deposited in the Social Security Fund notified by the Central Government. The provisions of sub-section (2) of section 115B were made applicable only in respect of the assessment year 1989-90. With a view to ensure continuity of flow of funds to the Social Security Fund, it is proposed that the assessee engaged in the life insurance business will be taxed at the rate of ten per cent. of its actuarial surplus for another year i.e. assessment year 1990-91, if it deposits two and one-half per cent. of its profits and gains and thirty-three and one-third per cent. of the income-tax so payable during the relevant previous year, in the Social Security Fund set up by the Government of India.

This amendment will take effect from 1st April, 1990 and will be applicable only for one year i.e., for the assessment year 1990-91. [Clause 18]

MEASURES FOR RATIONALISATION .

Clarificatory amendment of provisions relating to agricultural income.

22. Prior to 1st April, 1970, capital gains arising from transfer of agricultural land was not subjected to tax, as agricultural land was excluded from the definition of 'capital asset' in section 2(14) of the Income-tax Act. By virtue of amendment of sub-clause (iii) of clause (14) of section 2 with effect from 1st April, 1970, agricultural land situated in any area comprised within the jurisdiction of a Municipality or Cantonment Board (having a population of not less than ten thousand) or in any area outside the limits of any Municipality or Cantonment Board (having a population of not less than ten thousand) upto a maximum distance of 8 Kms. from such limits as notified by the Central Government was included within the definition of 'capital asset' and hence, any gain arising from the transfer of such agricultural land was brought within the purview of capital gains taxation. Certain Courts have, however, held that profits from the sale of agricultural land constitute 'agricultural income' and, therefore, it is exempt from tax under section 10 of the Income-tax Act. Some Courts have held that such income is taxable. The settlement of the judicial controversy by a decision of the Supreme Court may take a long time. Till then, uncertainty in law would not be desirable.

Therefore, as a measure of rationalisation, it is proposed to clarify by way of insertion of an Explanation that capital gains arising from the transfer of the aforesaid agricultural land will not constitute 'revenue' within the meaning of section 2(1A) of the Income-tax Act. This amendment will take effect retrospectively from 1st April, 1970 and will, accordingly, apply in relation to the assessment year 1970-71 and subsequent years. [Clause 3]

Modification of provisions relating to investment deposit account.

23. Under the existing section 32AB of the Income-tax Act, a deduction of 20 per cent. of the profits is allowed only to those assesseees who carry on 'eligible business or profession', which means (i) business or profession other than the business of construction, manufacture or production of any article or thing specified in the List in the Eleventh Schedule (in case it is not a small scale industrial undertaking) and (ii) the business of leasing or hiring of machinery or plant to an industrial undertaking, other than a small scale industrial undertaking, engaged in the business of low priority items as specified in the List in the Eleventh Schedule. The provisions relating to Investment Deposit Account were enacted as a substitute to investment allowance, which was available to every assessee who purchased a new ship or a new aircraft or installed new machinery or plant in an industrial undertaking, for the purposes of business of construction, manufacture or production of any article or thing not specified in the Eleventh Schedule of the Income-tax Act. The emphasis for availing the benefit of investment allowance was on actual investment in plant and machinery installed to produce or manufacture items of high priority and not on the person who made the investment. However, under the Investment Deposit Account, a person can avail of the benefit even if the investment is made for low priority items. This is not in keeping with the object of development and growth of the priority sector.

To remove this anomaly, the Bill seeks to amend section 32AB of the Income-tax Act, to provide the benefit of deduction to any assessee, deriving income from business or profession, who deposits and utilises the deposit or purchases new machinery or plant to be used in the manufacture or production of priority items i.e. items not specified in the Eleventh Schedule.

In order to give adequate notice to the taxpayers, this amendment is proposed to be made effective from 1st April, 1991 and will, accordingly, apply in relation to the assessment year 1991-92 and subsequent years.

Sub-section (5A) of the Income-tax Act, provides that the amounts deposited with the Development Bank in accordance with the Scheme, shall not be permitted to be withdrawn before the expiry of a period of five years from the date of deposit, except in the case of,-- (a) closure of business, (b) death of the taxpayer, (c) partition of Hindu Undivided family, (d) dissolution of the firm, (e) liquidation of the company, and (f) in such other circumstances as may be specified in the Scheme. This sub-section is being interpreted in a manner that in case a withdrawal is made by a taxpayer of any amount standing to his credit in the deposit account after a period of five years from the date of deposit, the condition regarding the purposes for which a withdrawal can be made as specified in the Scheme do not have to be complied with and no tax will be levied on the amount of withdrawal. Such an interpretation is against the legislative intent and may lead to protracted litigation.

With a view to clarify the correct legislative intention in this regard, the Bill seeks to make an amendment in section 32AB, so as to provide that where any amount is released by the Development Bank even after a period of five years from the date of deposit and the same is not utilised in accordance with and within the time specified in the Scheme, the same shall be deemed to be the profits and gains of business or profession of the previous year in which such withdrawal is made and shall, accordingly, be chargeable to tax.

Further, as the circumstances mentioned at clauses (a) and (d) of sub-section (5A) may be used for tax avoidance purposes, it is also proposed to clarify that money withdrawn or obtained consequent to the closure of the account because of closure of business and dissolution of firm will be subjected to tax in the year of withdrawal or closure of account and shall be assessed in the hands of the same business or firm as if the business was not closed or the firm was not dissolved.

These amendments will take effect retrospectively from 1st April, 1987 and will, accordingly, apply in relation to the assessment year 1987-88 and subsequent years. [Clause 7]

Amendment of provisions relating to certain deductions to be allowed only on actual payment.

24. Under the existing provisions of section 43B of the Income-tax Act, a deduction for any sum payable by way of tax, duty, cess or fee etc. is allowed on actual payment basis only. The objective behind these provisions is to provide for a tax disincentive by denying deduction in respect of a statutory liability which is not paid in time. The Finance Act, 1987 inserted a proviso to section 43B to provide that any sum payable by way of tax or duty, etc., liability for which was incurred in the previous year will be allowed as a deduction, if it is actually paid by the due date of furnishing the return under section 139(1) of the Income-tax Act, in respect of the assessment year to which the aforesaid previous year relates. This proviso was introduced to remove the hardship caused to certain taxpayers who had represented that since the sales-tax for the last quarter cannot be paid within that previous year, the original provisions of section 43B will unnecessarily involve disallowance of the payment for the last quarter.

Certain Courts have interpreted the provisions of section 43B in a manner which may negate the very operation of this section. The interpretation given by these courts revolves around the use of the words 'any sum payable'. The interpretation given to these words is, that the amount payable in a particular year should also be statutorily payable under the relevant statute in the same year. This is against the legislative intent and it is, therefore, proposed, by way of a clarificatory amendment and for removal of doubts, that the words 'any sum payable', be defined to mean any sum, liability for which has been incurred by the taxpayer during the previous year irrespective of the date by which such sum is statutorily payable.

This amendment will take effect from 1st April, 1984.

Under the existing provisions of section 43B of the Income-tax Act, it is also provided that any sum payable by the assessee as an employer by way of contribution to the provident fund or superannuation fund etc. is not allowable as a deduction unless the same is paid 'during the previous year on or before the due date'. The payment in respect of the last month of a previous year shall have to be made by the due date and cannot possibly be made in the previous year itself. It is, therefore, proposed that the words 'during the previous year' occurring in the second proviso to section 43B be deleted.

This amendment will take effect from 1st April, 1989.

Unlike other payments referred to in section 43B of the Income-tax Act, the deduction regarding employer's contribution, if denied in a year, is not available as a deduction in any subsequent year also. On account of various reasons like postal delay, strikes or long holidays, the payment of employer's contributions to the respective authorities is delayed even though the payment by a cheque or draft is tendered before the due date. To avoid any hardship being caused in such cases, it is proposed to provide that, if any sum payable by an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees, if made by a cheque, draft or any other mode, has been tendered by the due date, and the actual payment has been realised within fifteen days of the due date, deduction shall be allowed.

This amendment will take effect from 1st April, 1989 and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years. [Clause 9]

New provision for computing profits and gains of foreign companies engaged in the business of civil construction, etc. in certain turnkey power projects.

25. Under the existing provisions of the Income-tax Act, the income of a foreign company engaged in the business of civil construction, etc. is computed after allowing deduction for all expenses and statutory deductions. This involves complications in the determination of the income accruing or arising, in India to such foreign company.

As a measure of simplification, the Bill seeks to insert a new section 44BBB in the Income-tax Act, providing for determination of income of such foreign companies, as are engaged in the business of civil construction or erection or testing or commissioning of plant or machinery, in connection with a turnkey power project, approved by the Central Government and financed under any international aid programme, at 10 per cent. of the amount paid or payable to such assessee or to any person on his behalf, whether in or out of India.

This amendment will take effect from 1st April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years. [Clause 10]

Modification of provisions relating to time limit for completion of assessment and reassessment.

26. Under the existing provisions of section 153 of the Income-tax Act, no order of assessment can be made at any time after the expiry of two years from the end of the assessment year in which the income is first assessable. Under sub-section (4) of section 139 of the Income-tax Act, a return of income for the assessment year commencing on the first day of April, 1988 or any earlier assessment year can be filed upto two years from the end of the relevant assessment year. Similarly, under sub-section (5) of section 139 of the Income-tax Act, a return of income for an assessment year commencing on the first day of April, 1988 or any earlier assessment year can be revised at any time before the assessment is completed or upto two years from the end of the relevant previous year. Therefore, an anomalous situation may arise when a return of income for the assessment year 1988-89 or any earlier assessment year is filed on the last day of the period so allowed under section 139(4) or (5) of the Income-tax Act. In such a case, as per the existing provisions of section 153 of the Income-tax Act, the assessment will have to be completed on the same day. Therefore, as a measure of rationalisation, the Bill seeks to insert a proviso in section 153(1) of the Income-tax Act, to provide a further time of one year from the end of the financial year in which such return is filed, for completion of the assessment.

A similar anomalous situation can arise under the Wealth-tax and Gift-tax Acts also. It is, therefore, proposed that in respect of a return of wealth/gifts relating to the assessment year commencing on the 1st day of April, 1987 or any earlier assessment year, the assessment

may be completed by 31st March, 1991 and in respect of a return of wealth/gifts relating to the assessment year commencing on the 1st day of April, 1988, the assessment may be completed by 31st March, 1992.

As per sub-section (1) of section 16A of the Gift-tax Act, the time limit for completion of the assessment is one year from the end of the assessment year in which the gifts were first assessable. The time limit for filing a return of gifts or revising the same is also one year. Therefore, if a return of gifts is filed or revised on the last day, there will be no time left for completing the assessment. With a view to rationalise, it is, therefore, proposed that the period of one year for completing the assessment is enhanced to two years from the end of an assessment year in which the gifts were first assessable.

These amendments will take effect from 1st April, 1989. [Clauses 20, 28 and 31]

Modifications of the provisions relating to tax deduction at source.

27. Under the existing provisions of sub-section (2A) of section 192, relating to deduction of tax at source on any income chargeable under the head "Salaries", the employer has been given power to deduct tax at source after taking into consideration relief allowable under sub-section (1) of section 89 of the Income-tax Act in respect of salary paid in arrears or in advance to employees of Government or public sector undertakings.

With a view to simplify the procedure from the point of view of the employees and to reduce infructuous work in the Income-tax Department, it is proposed to amend sub-section (2A) of section 192 of the Income-tax Act so as to give similar powers to the employers owning a company, co-operative society, local authority, institution, association or body.

Under the existing provisions of section 193 of the Income-tax Act, tax has to be deducted at source by the person responsible for making any payment in the nature of "interest on securities" at the time of payment. The liability to deduct tax at source was being postponed by making a provision for such payment.

In order to prevent the postponement of liability to deduct tax and payment to the credit of the Central Government, it is proposed to amend section 193 so that tax will be deducted at source either at the time of credit to the account of the payee or at the time of payment. Proof, whichever is earlier. For this purpose credit to any suspense account or any other account by whatever name called shall be deemed to be a credit of such income to the account of the payee.

Further, clause (v) of the proviso to section 193 of the Income-tax Act provides for non-deduction of tax at source from any interest payable to a resident individual, on debentures issued by a company in which the public are substantially interested, if -

- (a) the interest is paid by the company by an account payee cheque; and
- (b) the amount of such interest or, as the case may be, the aggregate of the amounts of such interest paid or likely to be paid during the financial year by the company to such individual does not exceed one thousand rupees.

With a view to avoid hardship to small investors and to reduce the infructuous workload in the Department, it is proposed to amend clause (v) of the proviso to section 193 so as to increase the monetary ceiling from one thousand rupees to two thousand five hundred rupees. This will bring the monetary limit at par with those provided in sections 194 and 194A relating to tax deduction at source on dividends and interest other than "interest on securities", respectively.

These amendments will take effect from 1st June, 1989. [Clauses 21 and 22]

Amendment of provisions relating to revision of orders prejudicial to Revenue.

28. Under the existing provisions of section 263 of the Income-tax Act and corresponding provisions of the Wealth-tax Act and the Gift-tax Act, the Commissioner of Income-tax is empowered to call for and examine the record of any proceeding and if he considers that the orders passed by the Assessing Officer is erroneous in so far as it is prejudicial to the interest of revenue, he may pass such order hereon as the circumstances of the case justify, including an order enhancing or modifying the assessment, or cancelling the same or directing a fresh assessment. By the Finance Act, 1988, an Explanation was substituted with effect from 1st June, 1988 to the relevant sections of the Income-tax Act, Wealth-tax Act and Gift-tax Act to clarify that the term 'record' would include all records relating to any proceeding available at the time of examination by the Commissioner. Further, it was also clarified that the Commissioner is competent to revise an order of assessment passed by an Assessing Officer on all matters except those which have been considered and decided in an appeal. The above Explanation was incorporated in the Finance Act, 1988 to clarify this legal position to have always been in existence. Some Appellate Authorities have, however, decided that the Explanation will apply only prospectively i.e., only to those orders which are passed by the Commissioner after 1.6.1988. Such an interpretation is against the legislative intent and it is, therefore, proposed to amend section 263 of the Income-tax Act, so as to clarify that the provisions of the Explanation shall be deemed to have always been in existence.

Amendments on the above lines have been proposed in section 25 of the Wealth-tax Act and section 24 of the Gift-tax Act also. [Clauses 23, 30 and 32]

Modification of the provisions relating to submission of statements by producers of cinematograph films.

29. Under the existing provisions of section 285B of the Income-tax Act, a producer of cinematograph films has to file a statement with the Assessing Officer, giving particulars of all payments of over rupees five thousand in the aggregate made by him to each such person as is engaged by him as employee or otherwise. The prescribed statement has to be furnished within thirty days from the end of the financial year or within thirty days from the date of completion of the production of the film. Some film producers have construed the provisions of section 285B in a very restricted manner, with the result that only payments made to employees are being disclosed in the requisite statement. The legislative intent behind the introduction of this provision is that the requisite statement should show payments not only to employees but to others also. To avoid any ambiguity and to eliminate any litigation in this regard, it is proposed to amend

section 285B, by deleting the words 'as employee or otherwise', to provide that the statement to be filed shall include payments made not only to employees but to others also.

This amendment will take effect from 1st June, 1989.

[Clause 24]

MEASURE TO COUNTER TAX AVOIDANCE.

Amendment of the provisions relating to levy of minimum tax on 'Book Profits' of certain companies.

30. Under the existing provisions of section 115J of the Income-tax Act, where the total income of a company is less than 30 per cent. of its book profits for that year, the total income chargeable to tax is deemed to be 30 per cent. of such book profits. For the purposes of the aforesaid provision, 'Book Profit' means the net profit as shown in the profit and loss account in the relevant previous year prepared in accordance with the provisions of Parts II and III of the Sixth Schedule to the Companies Act, 1956, subject to certain adjustments which increase or decrease the book profits.

It has been observed that a large number of companies have interpreted the term 'Book Profit', to mean that in case they are following an accounting year (under the Companies Act, 1956) which is different from the previous year under the Income-tax Act (i.e. the period ending on 31st March) then the provisions of section 115J do not apply to them. The reason advanced is that the aforesaid section does not make it mandatory for a company to prepare its profit and loss account on 31st March of any year in case it is following an accounting year which ends on a different date. As this is against the legislative intent, it is proposed to make it mandatory for all companies, to prepare their profit and loss account for the previous year ending on 31st March, for the purposes of working out 'book profit' for this section.

This amendment will take effect from 1st April, 1989 and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years.

Under the existing provisions certain adjustments are made to the net profit as shown in the profit and loss account. One such adjustment stipulates that the net profit is to be reduced by the amount withdrawn from reserves or provisions, if any such amount is credited to the profit and loss account. Some companies have taken advantage of this provision by reducing their net profit by the amount withdrawn from the reserve created or provision made in the same year itself, though the reserve when created was not added to the book profit. Such adjustments lead to undue lowering of profit and consequently the quantum of tax payable gets reduced.

With a view to counteract such a tax avoidance device, it is proposed to reduce the 'book profit' by the amount withdrawn from reserves or provisions only in two situations, namely:-

- (i) if the reserves have been created or provisions have been made before 1st April, 1988; or
- (ii) if the reserves have been created or provisions have been made after 1st April, 1988 and have gone to increase the book profits in any year when the provisions of section 115J of the Income-tax Act, were applicable.

This amendment will take effect from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

[Clause 19]

EXTENSION OF DIRECT TAX LAWS TO THE STATE OF SIKKIM.

31. Hitherto the Income-tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958, did not apply to the State of Sikkim. By a notification of the Government of India, Ministry of Home Affairs No. S.O. 1028 (E), dated 7th November, 1988 and the Central Government's notification No. S.O. 148(E) dated 23rd February, 1989 issued in pursuance thereto, the Income-tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958 have been extended to the State of Sikkim. The Income-tax Act has been extended with effect from the 1st April, 1989, i.e. from the assessment year 1989-90. The Wealth-tax Act, 1957 has been extended with effect from 1st April, 1990 so as to apply to the net wealth of the residents of Sikkim, on the valuation date of 31st March, 1990 or thereafter. The Gift-tax Act, 1958 has been extended with effect from 1st April, 1990 so as to apply in respect of the gifts made by a person residing in the State of Sikkim on or after the 1st day of April, 1989.

In view of certain difficulties pointed out by the Government of Sikkim and also to have uniformity in the matter of extension of the three direct tax laws to Sikkim, it is proposed to extend the Income-tax Act, 1961 to the State of Sikkim from the 1st day of April, 1990 and will, accordingly, apply in relation to the assessment year 1990-91 and subsequent years.

Any law corresponding to the Income-tax Act, 1961 which immediately before such commencement, was in force in the state of Sikkim will be deemed never to have ceased to have effect in relation to the previous year beginning with 1st April, 1988 and ending with the 31st March, 1989.

In the case of residents of Sikkim it is also proposed to exempt winnings from lotteries in respect of draws made pursuant to arrangements entered into between the State Government of Sikkim with organising agents of lotteries on or before the 28th day of February, 1989.

[Clause 26]

WEALTH-TAX.

Exemption from wealth-tax of the right or interest in any annuity plan of the Life Insurance Corporation of India referred to in section 80CCA of the Income-tax Act, 1961.

32. Under the existing provisions of section 80CCA of the Income-tax Act, any deposit made under the National Savings Scheme or any amount intended to effect or to keep in force an annuity plan of the Life Insurance Corporation of India (as the Central Government may determine) is eligible for deduction from the income of a taxpayer in the year of deposit or payment. There is a ceiling of rupees twenty thousand for the assessment year 1988-89 and rupees thirty thousand for the assessment year 1989-90 and subsequent years which can

qualify for a deduction under this section. Under the Wealth-tax Act, whereas the right or interest in any of the annuity plans of the Life Insurance Corporation of India notified by the Central Government are taxable, the deposits under the National Savings Scheme are fully exempt. In order to place both the above saving schemes of the Government at par, it is proposed to exempt fully from wealth-tax, the right or interest of a taxpayer in any annuity plan of the Life Insurance Corporation of India referred to in section 80CCA of the Income-tax Act.

This amendment will take effect retrospectively from 1st April, 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years. [Clause 27]

Exemption from wealth-tax of societies registered under the Societies Registration Act, 1860.

33. Under the existing provisions of section 21AA of the Wealth-tax Act, in the case of an association of persons including a society registered under the Societies Registration Act, 1860, wealth-tax is payable either at the normal rates or at the rate of three per cent., whichever is more beneficial to revenue. Under section 167B of the Income-tax Act, a society registered under the Societies Registration Act, has been excluded from the purview of that section which provides for taxation of association of persons at the maximum marginal rate. As a measure of rationalisation, it is proposed to exclude societies registered under the Societies Registration Act, 1860 from the purview of the section 21AA of the Wealth-tax Act.

This amendment will take effect from 1st April, 1989 and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years.

EXPENDITURE TAX.

[Clause 29]

Enhancing the rate of tax.

34. Under the provisions of section 4 of the Expenditure Tax Act, tax is chargeable at the rate of ten per cent. of any chargeable expenditure incurred in a hotel to which the Act applies. To discourage conspicuous consumption, it is proposed to enhance the rate of such tax from ten per cent. to twenty per cent..

This amendment will take effect from 1st June, 1989.

[Clause 33]

CUSTOMS

(Effective from 1.3.1989 unless otherwise stated)

Estimated net
revenue effect in
one full year (Rs.
in lakhs)

The proposals include the following :-

1. Continuance of the auxiliary duties of customs at the existing rates.		(+)	100
2. Increase in import duty for munacca black raisins to Rs. 35 per kg.		(+)	500
3. (a) Increase in the rate of import duty on cinnamon from Rs. 20 per kg. to Rs. 20 per kg + 90% <i>ad valorem</i> and on cloves from Rs. 60 per kg. to Rs. 95 per kg.		(+)	500
(b) Tariff rates of customs duty are being modified as under :-			
	tariff rate (Standard)		
(i) Cinnamon	Rs. 20 per kg. + 150% <i>ad valorem</i>		
(ii) Cloves	Rs. 120 per kg.		
(iii) Nutmeg & mace	150% <i>ad valorem</i>		
(c) The notifications providing effective rates under chapters 7,8 and 15 are being reissued to align the descriptions with those in the tariff to the extent possible.		(+)	75
4. Merging of the additional customs duty on Alcohols with basic duty and increase in the basic duty to Rs. 20 per litre or 35% <i>ad valorem</i> whichever is higher.		(-)	262
5. Reduction in the rate of customs duty on Zinc Ash from 160% <i>ad valorem</i> (115% basic + 45% auxiliary) to Rs. 5000 per MT (basic) + 30% <i>ad valorem</i> (auxiliary).		(+)	3500
6. Increase in the basic customs duty by 5 percentage points on oleopine resin, wood pulp, waste paper, low ash coal, N-paraffin, raw petroleum coke, horological raw material and coal tar pitch.		(-)	2
7. Reduction in basic customs duty on:		(-)	130
(a) X-ray phosphor imported for manufacture of X-ray intensifying screens from 70% to 45% <i>ad valorem</i> ;		(-)	60
(b) Silicon carbide and synthetic aluminium oxide including Zirconia aluminium oxide for the manufacture of grinding wheels and other abrasive products from 70% to 40% <i>ad valorem</i> ;		(+)	218
(c) Cubic boron nitride imported for manufacture of cutting tools and grinding wheels from 70% to 40% <i>ad valorem</i> .		(+)	143
8. Increase in import duty on Ethylene dichloride (EDC) and Vinyl chloride Monomer (VCM) for manufacture of PVC; specified olefins for the manufacture of oxoalcohols, Styrene monomer by 5 percentage points and withdrawal of countervailing duty of customs exemption on isopropyl alcohols.		(-)	96
9. Increase in basic customs duty on Benzene from existing nil rate to 25% <i>ad valorem</i> .		(-)	1620
10. Reduction in import duty on:		(-)	50
(a) Two amino acids namely, L Lysine and DL Methionine from the existing 70% basic + 45% auxiliary + 15 % CVD (total 147.25%) to 25% Basic + 45% auxiliary + nil CVD (total 70%).		(-)	660
(b) Paraxylene from existing 75% (basic) + 45% (auxiliary) + nil CVD (total 120%) to 45% (basic) + 45% (auxiliary) + nil CVD (total 90%) and to extend the validity of notification No. 251/86 -Cus dated 16-4-1986 upto 30-4-1990 which exempts CV Duty on imported paraxylene for manufacture of DMT/PTA.		(-)	50
11. Exemption from import duty in excess of 40% <i>ad valorem</i> (total) on Lyophiliser (freeze drier) to promote immunisation programme.		(-)	660
12. I. Exemption from import duty on:		(-)	660
(a) Fifteen life saving drugs;			
(b) Insulin crystals required for indigeneous manufacture of highly purified insulin (except CVD);			
(c) Fifty three drug intermediates from the existing rate of duty of 115% to 90% <i>ad valorem</i> (basic + auxiliary)			
II. Deletion of vincristine sulphate injection from item number 46 of sub- heading No. 9901.00 of the Customs Tariff ;			
13. Increase in the import duty on three specified drug intermediates and withdrawal of CVD exemption on imported 7-ADCA			Negligible
14. Reduction in customs duty on Polycarbonates, Polyacetals, Polyphenylene Oxide (including chemically modified P.P.O.) from the existing level of 98% to 62% <i>ad valorem</i> (total)		(-)	300
15. Restructuring the import duty on PVC (suspension grade) from the prevailing rate of Rs. 2,000 per MT (basic) plus Rs. 2,000 per MT (auxiliary) to Rs. 1,000 per MT (basic) + Rs. 3,000 per MT (auxiliary).		(+)	500
16. Increase in the basic customs duty on glazed newsprint from the existing rate of Rs. 550 per tonne to 30% <i>ad valorem</i> .		(+)	1220

		Estimated net revenue effect full year (Rs. i lakhs)
17.	Reduction in import duty on graphic art films, stereo trongs, off set printing plates(pre sensitized) from the existing rates to 40% (basic + auxiliary).	(-) 200
18.	Exemption from customs duty on plans, drawings and designs	(-) 150
19.	Reduction in the import duty on raw silk from 75% to 50% ad valorem	(-) 300
20. (a)	Exemption from customs duty on raw wool to be imported by Khadi & Village Industries Commission and State Khadi and Village Industries Boards from whole of the duty.	(-) 80
	(b) Exemption from countervailing customs duty on imported plain felt falling under heading No. 56.02, when used in the manufacture of card clothing.	(-) 2
21.	Reduction in the import duty on low phosphorous coke from 85% to 20% ad valorem to encourage the domestic production of low phosphorous pig iron.	(-) 300
22.	Increase in the additional (countervailing) duty on iron and steel items	(+) 1800
23. (a)	Fixation of basic customs duty rate in respect of copper waste & scrap, brass waste & scrap and steel hoops and strips on specific rate basis instead of ad valorem basis.	Negligible
	(b) Increase in the statutory basic customs duty rate on copper waste and scrap from 100% ad valorem to 100% ad valorem plus Rs. 5000 per tonne	
	(c) Textual amondments to the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) to bring it in line with the legal text of the Harmonised System of Nomenclature.	Negligible
24.	Reduction in customs duty on :	
	(a) Aluminium ingots from Rs. 500 per MT (basic) + 5% (auxiliary) to nil (basic + auxiliary) .	
	(b) Aluminium waste and scrap from 35% (basic + auxiliary) to 20% (basic + auxiliary).	
25.	Concessions given for export promotion:	
	(a) Reduction in customs duty on 74 specified machinery for the rubber and canvas footwear sector to 40% from the existing rates;	(-) 200
	(b) Addition of 16 more machinery to the existing list of 10 machinery prescribed with concessional duty for the textile sector.	(-) 500
	(c) Prescribing concessional duty of 40% on 10 specified machinery for the sericulture sector and on automatic and semi automatic reeling machinery for mulberry and tasar silk industry.	(-) 100
26. (a)	Prescribing concessional duty of 40% on machinery and components imported for the manufacture of fuel injection equipments. These concessions would be restricted to the units which have phased manufacturing programme approved by the Department of Industrial Development	(-) 1600
	(b) Prescribing concessional auxiliary duty of 30% on components of power transmission system imported for manufacture of earth moving machinery, fork lift trucks, locomotives etc. on which concessional rate of basic customs duty has been prescribed in terms of notification No. 315/88-Cus dated the 15th December, 1988	
27. (a)	Addition of 13 items of machinery to the existing list of the food processing sector so as to prescribe concessional duty of 40% ad valorem	(-) 600
	(b) Reduction in the customs duty on machinery for marine food processing sector from the existing level of 61% to 40% ad valorem and also to add 3 items of machinery to the list of items covered by the existing notification and to amend the description of certain existing entries.	
28. (a)	Extension of the concessional duty of 40% ad valorem on machinery for manufacture of fishnets.	(-) 50
	(b) Extension of concessional duty on outboard motors being allowed to be imported by State Fisheries Corporation to Fisheries Cooperative Federation recognised by the concerned State Government.	
29.	Prescribing concessional duty of 40% ad valorem on 12 specified machinery /equipments for the development of seed sector.	(-) 200
30.	Concessions given for technological upgradation :	
	(a) Inclusion of the cutting tool industry under the technological upgradation scheme by extending concessional duty of 40% ad valorem on 34 specified machinery.	(-) 850
	(b) Inclusion of the commercial tool room under the technological upgradation scheme by extending concessional duty of 40% ad valorem on 33 specified machinery required for this sector;	
	(c) Inclusion of 15 more items to the list of 21 items of machinery for the manufacture of the machine tool sector under the existing notification for this scheme.	
	(d) Extension of the concession to paper machinery and textile machinery.	
31.	Prescribing concessional duty of 50% ad valorem on 4 specified components for the manufacture of High Pressure Sodium Vapour Lamps.	(-) 500

32. Increase in countervailing customs duty on colour TV picture tube from Rs.600 to Rs.1000 per tube.	(+)	2500
33. Increase in import duty on specified raw material and piece parts required for the manufacture of electronic components from the existing rate of 35% <i>ad valorem</i> and 50% <i>ad valorem</i> respectively to 40% <i>ad valorem</i> and 60% <i>ad valorem</i> respectively, and enlarging the list of items eligible for concessional rate .	(+)	1100
34. Increase in the rate of basic customs duty on paper capacitors from 60% to 100% <i>ad valorem</i> .	(+)	50
35. Reduction in import duty on:		
(a) specified raw materials required for the manufacture of optical communication cables from the existing rates to 80% <i>ad valorem</i> .	(-)	1500
(b) thirty five specified professional electronic equipments to 100% <i>ad valorem</i> from the existing rates.	(-)	1100
(c) one hundred and twelve specified machinery and equipments required by the electronic industry from 60% to 40% <i>ad valorem</i> . Also prescribes 60% duty on 122 specified machines and components of such machines.	(-)	400
(d) five specified machinery required for the manufacture of large scale and very large scale integrated circuits (LSI/VLSI) from the existing rates to 15% <i>ad valorem</i> .	(-)	200
(e) diodes, transistors and other similar semiconductor devices in specified types of packages from 145% to 80% <i>ad valorem</i> .	(-)	100
36. Extension of existing concessional rate of import duty of 55% <i>ad valorem</i> applicable to parts imported by auto ancillaries for the manufacture of specified components supplied for the manufacture of fuel efficient motor vehicles to parts of additional components, namely Distributor Assembly, fuel / oil pumps.	(-)	300
37. Reduction in import duty on components required for the manufacture of specified instruments from the existing rates to 60% <i>ad valorem</i> (total).	(-)	1000
38. Prescribing concessional rate of duty of 40% <i>ad valorem</i> on 25 specified equipment for safety in chemical industry and for environmental pollution control.	(-)	300
Measures relating to Capital goods:	(-)	10000
39.(I) Reduction in import duty on :		
(a) general machinery and general projects from the existing rate of 90% to 80% <i>ad valorem</i> and corresponding reduction in import duty on components imported for the manufacture of machinery by 10 percentage points.		
(b) components of textile machinery and machine tools from the existing rate of 65% to 55% <i>ad valorem</i> .		
(c) specified machinery/equipments for the hotel industry from 90% to 80% <i>ad valorem</i>		
(II) Increase in the rate of import duty on :		
(a) specified items of machinery from the existing concessional rates ranging from 25% to 35% <i>ad valorem</i> to 40% <i>ad valorem</i> . This will cover the machinery for certain sectors like gem and jewellery, leather garment and hosiery, silk, woollen, bicycles, tea, specified food packaging machinery and technological upgradation of selected capital goods industry.		
(b) power projects of capacity 50 MW and below from 35% to 40% <i>ad valorem</i> and of capacity above 50 MW from 25% to 30% <i>ad valorem</i>		
(c) electronics project from 30% to 40% <i>ad valorem</i> .		
(d) prescribing a uniform rate of import duty of 60% <i>ad valorem</i> on specified machinery and components, which were hitherto having concessional rates of duty ranging from nil to 35% <i>ad valorem</i>		
(e) Abolition of tariff heading No. 98.06 of the First Schedule to the Customs Tariff Act, 1975 from a date to be notified later.		
40. Prescribing an import duty of 40% <i>ad valorem</i> on all types of infusion sets		Negligible
The net effect of the proposals in a year is as shown below :		
(i) Gain in revenue due to increase in import duties	(+)	11706
(ii) Loss in revenue due to reduction in import duties	(-)	23712
Net loss	(-)	12006
(Clauses 34 and 35 of the Finance Bill)		

ABSTRACT

Chapter No.	Brief description	(+)	Revenue effect (Rs. in lakhs) (-)	(Net)
8 & 9	Munacca black raisins, cinnamon & cloves	600		600
22	Alcohols	75		75
26-29	Petroleum Products & Chemicals	3861		3861
30	Pharmaceutical products		2470	1391
39	Plastics	500	710	-710
48	Paper board & newsprint	1220	300	200
50	Silk			1220
72 & 73	Iron & steel	1800	382	-382
84	Machinery			1800
84	Electrical & Electronic goods	3650	4400	-4400
85	Motor vehicle parts		3800	-150
87	Instruments		300	-300
90	Capital goods & project imports		1000	-1000
84 & 98	Others		10000	-10000
			350	-350
	TOTAL	11706	23712	-12006

UNION EXCISE DUTIES

1. ABBREVIATIONS

B	Basic + Special excise duty	Adv.	<i>Ad valorem</i>
AST	Additional duty in lieu of sales tax	MODVAT	Modified Value Added Tax
AT&T	Additional duty on textile and textile articles ¹	CE	Central Excises
CET	Schedule to the Central Excise Tariff Act, 1985(5 of 1986)		

2. All changes are effective from 1.3.1989 unless otherwise stated

The proposals include the following :-

estimated net revenue
effect in one full year
(Rs. in lakhs)

A. General

1. The schedules to the Central Excise Tariff Act, 1985 and the Additional Duties of Excise (Goods of Special Importance) Act, 1957 are being amended vide clauses 36 and 38 read with Fourth and Fifth schedules of the Bill to give effect to the Budget proposals relating to the Union Excise Duties and to rationalise some of the entries of the schedules. In some cases tariff rates are being raised without changing the effective rates of duty.

2. Continuance of the levy of special excise duties at the existing rate.

Imported goods are exempted from the Special Excise Duty component for the purpose of additional (countervailing) duty of customs.

B. Proposals involving changes in rates of duty, whether by amendment of tariff rates or by notifications.

1. Increase in the rates of excise duty by 5% of the existing rates with suitable rounding off in respect of the following commodities attracting specific rates of excise duty ;

(+)	18567		(B)
(+)	2558		(AST)
(+)	875		(AT&T)

aerated water; cement; marble; Chlorine, Oxygen, Carbon dioxide, Ammonia, Acetylene; PU foam and articles; tread rubber and rubber articles; tyres, tubes and flaps; paper and paper board & articles thereof; silk yarn, flax yarn, ramie yarn, man-made fibres & yarns, blended yarn, man-made fabrics, waste of fibre and yarns, other textile and textiles articles; glass & glassware; copper & specified articles thereof, zinc & specified articles thereof, lead & specified articles thereof; refrigerators & air-conditioners, compressors; typewriters audio/video tape/cassettes; VCR/VCP, railway wagons and body built motor vehicles. Tariff rates are also being revised in selected areas.

2. Reduction in excise duty rates on skimmed milk powder and condensed milk to 10% adv. from the existing rates and withdrawal of full exemption to skimmed milk powder in one kg pack. (-) 28 (B)

3. Reduction in excise duty rates on preparations of fish or meat in unit containers, cocoa butter, certain food preparations containing cocoa and preparations of tapioca and sago in unit containers from 15% to 10% adv. (-) 64 (B)

4. Exemptions to namkeens such as bhujiya, chabena and to ready-to-cook mixes namely, idli-mix, dosa-mix, vada-mix, jalebi-mix and gulabjamun-mix. (-) 70 (B)

5. Tariff rates of excise duty on sugar are being modified as under :

TARIFF RATES

	Existing (RUPEES PER QUINTAL)	Proposed
Free sale sugar		
Basic	24	45
Additional	36	45
Levy sugar		
Basic	17	25
Additional	21	25

The present effective rates will continue.

6. Increase in excise duty rate on molasses from Rs. 60 per tonne to Rs. 120 per tonne and to increase the credit of money for use of alcohols in the manufacture of chemicals from Rs. 258 per KL to Rs. 520 per KL. Extension of the credit of money scheme to ethyl acrylate. (+) 1140 (B)

7. Existing excise duty rates of cigarettes rationalized/restructured as under: (+) 6565 (B)

Present rates	Proposed rates
(Basic + additional, per packet of 10's)	

(+)
3535 (AST)

Non filter of length

(a) not exceeding 60 mm	New slab	Rs. 1.00
(b) exceeding 60 mm but not exceeding 70 mm	Rs. 1.50	Rs. 1.60

Filter of length

(a) not exceeding 70 mm	Rs. 2.00	Rs. 2.10
(b) exceeding 70 mm but not exceeding 75 mm	Rs. 3.00	Rs. 3.75
(c) exceeding 75 mm but not exceeding 85 mm	Rs. 4.00	Rs. 4.75
(d) exceeding 85 mm but not exceeding 100 mm	Rs. 6.00	Rs. 6.75

estimated net revenue
effect in one full year
(Rs. in lakhs)

8. Increase in excise duty rates on pan masala containing tobacco from 25% to 30% ad valorem, pan masala not containing tobacco and of which the value does not exceed Rs. 75 per kg from Rs. 10 per kg to Rs. 20 per kg. and pan masala not containing tobacco of which value exceeds Rs. 75 per kg from Rs. 20 per kg to Rs. 40 per kg.	(+)	800	(B)
9. Deletion of heading No. 22.04 of the Central Excise Tariff.			
10. Increase in the tariff rate of cut tobacco from 10 paise per kg to 225% adv. Effective rate on cut tobacco cleared for use in cigarettes kept at 10 paise per kg.			Negligible
11. Creation of a separate sub-heading No. 2404.60 so as to cover creamy snuff at 12% adv. rate in the CET and a separate sub-heading No. 2404.60 at NIL rate under the Additional Excise Duty (Goods of Special Importance) Act.			Negligible
12. (a) Prescribing a concessional rate of Rs. 115 per tonne in respect of cement produced in mini cement plants using vertical shaft kiln, subject to certain conditions; (b) reduction in excise duty on granite slabs falling under Heading No 2505.00 from 12% to 10% adv.	(-)	1004	(B)
13. Prescribing nil rate of duty for coal gas, water gas etc. falling under heading No. 27.05 of CET.			
14. Creating single subheadings 2713.20, 2714.10 & 2715.10 with duty rates of Rs. 160/- per tonne.	(-)	5	(B)
15. (I) The following excise duty concessions namely : (a) lower rate of excise duty on naphtha used in the manufacture of 20 specified chemicals (b) full exemption to intermediate goods falling under Chapter 27 manufactured and captively consumed (c) concessional rate to kerosene used in the manufacture of Linear Alkyl Benzene (LAB) (d) exemption to intermediate goods produced and cleared for manufacture of other specified chemicals. which are presently available only to factories declared as refineries being extended with some modifications to all factories without any condition of declaring the factory as refinery.			Negligible
(II) Simultaneous increase in the concessional rate of duty on naphtha from Rs. 30 per kl. to Rs. 60 per kl. Various orders in existence declaring petrochemical factories as refineries will stand withdrawn from 10th March, 1989.			Negligible
16. Increase in excise duty rates on potassium chlorate from 15% adv to a specific rate of Rs. 5 per kg.	(+)	300	(B)
17. Exemption to Liquid Nitrogen intended for use in processing and storing of semen for artificial insemination purposes.	(-)	16	(B)
18. Prescribing tariff rate of central excise duty of 15% ad valorem on : (a) "sulphonamides" falling under tariff sub-heading 2935.00 (b) "Quinine and its salts" falling under tariff sub-heading 2939.10 and (c) "Medicaments including those used in Ayurvedic, Unani, Siddha, Homoeopathic or biochemic systems" falling under tariff sub-heading 3003.30.		Nil	
19. Reduction in the basic excise duty on synthetic organic dye stuffs, from 35% to 30% adv.	(-)	1900	(B)
20. Reduction in excise duty rates on matches produced in various sectors. The rates will be:- Present rates Proposed rates (per gross boxes of 50 matches each)	(-)	1400	(B)
(i) mechanised sector		Rs. 5.85	Rs. 4.50
(ii) semi-mechanised sector		Rs. 4.15	Rs. 3.00
(iii) non-mechanised sector		Rs. 3.50	Rs. 2.50
(iv) cottage sector		Rs. 1.60	Rs. 1.10
21. Reduction of excise duty rates on feature films.	(-)	400	(B)
22. Reduction in excise duty rates on : (a) plastic doors, windows and their frames and thresholds for doors from 20% adv. to 10% adv. (b) PVC corrugated roofing sheets from 35% to 10% adv. (c) waste, parings and scrap of flexible polyurethane foam from Rs. 40 per kg to 40% adv. and to restrict the clearances of the same to 10% of total production of flexible PU foam and articles thereof. (d) resins including moulding powders of Phenol Formaldehyde, Melamine Formaldehyde and Urea Formaldehyde, from 25% adv. to 15% adv. (e) polyester resin and epoxide resin from 20% to 15% adv.	(-)	350	(B)

estimated net revenue
effect in one full year
(Rs. in lakhs)

23.(i) Fixation of specific excise duty rate of Rs. 15000 per tonne on PVC(paste and battery grade) in place of existing rate of 60% adv.			Negligible
(ii) Fixation of statutory basic duty rate of 60% adv. + Rs. 25 per kg for heading No. 39.04 of CET.			
24. Withdrawal of exemption in respect of specified articles of plastics falling within Chapter 39 of CET, and prescribing basic excise duty of 15% adv. on such articles.	(+)	100	(B)
25. Reduction in excise duty on foam rubber lubricating pads which is required by the railways to 15% adv. as against the existing rate of 60% adv.	(-)	185	(B)
26. I. Extension of full excise duty concession to those varieties of paper and paper board which contain 75% of pulp from raw jute/mesta. The excise duty structure on paper laminates rationalised.	(-)	500	(B)
II. Introduction of a tariff rate of 20% adv. for sub- heading Nos. 4802.10, 4804.11 and 4804.21 and to maintain the effective rate at 'NIL' for bagasse based paper.			Negligible
III. Exemption to all the items falling under sub-heading 4817.00 (envelopes, cards etc.) from whole of the excise duty.			Negligible
27. Exemption to jute yarn supplied to registered handloom co-operative societies, KVIC, KVIBs, or Government approved organisations, subject to certain conditions	(-)	50	(B)
28. Prescribing uniform rate of Rs. 8.35 per kg (total) on Viscose Staple fibre.	(+)	1240	(B)
	(+)	160	(AT&T)
29. Reduction in the excise duty rates on PPSF from Rs. 8.30 per kg to Rs. 5 per kg (total).	(-)	20	(B)
	(-)	3	(AT&T)
30. Exemption from whole of the excise duties in respect of covered rubber yarn falling under Heading No. 56.04 and spandex yarn falling under heading No. 56.06.	(-)	25	(B)
31. Prescribing separate sub- heading for narrow woven fabrics of silk, wool, cotton and man made textile material under heading No. 58.06 in the First Schedule to CET Act, 1985, and inclusion of this new sub heading in the Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, with nil rate of duty. Corresponding changes would also be made in the Central Sales Tax Act.			Negligible
32. Exemption from whole of the excise duty for wrapper cloth falling under Chapter 59 of CET.	(-)	12	(B)
33. Exemption to "chindies" of coated, laminated and impregnated fabrics falling under heading No. 59.03 from whole of the duty of excise leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957.			Negligible
34. Prescribing uniform rate of duty on round mesh mosquito nets irrespective of its classification under Chapter 52, Chapter 58 and Chapter 60 of CET.	(-)	25	(AST)
35. Exemption from whole of the excise duty in respect of synthetic shoddy blankets of value upto Rs. 60 per sq.mtr., falling under Chapter 63 of CET, and to make minor amendment in notification No. 65/87-CE, dated the 1st March, 1987 relating to towels.	(-)	75	(B)
36. Exemption to plaster of paris moulds and refractory containers (saggars) from whole of the excise duty for captive consumption.	(-)	3	(B)
37. Exemption to ceramic tableware, kitchenware, other household articles and toilet articles other than of porcelain or china from whole of the excise duty.	(-)	5	(B)
38. Exemption to imitation jewellery from whole of the excise duty.	(-)	2	(B)
39. Increase in excise duty rates on :	(-)	2	(B)
(I) Iron and steel items other than stainless steel	(+)	15000	(B)
(a) pig iron and certain products of iron from Rs. 80 per tonne to Rs. 200 per tonne.			
(b) ingots, semi-finished products and waste and scrap from Rs. 365 per tonne to Rs. 500 per tonne.			
(c) plates and universal plates from Rs. 385 per tonne to Rs. 600 per tonne.			
(d) hot-rolled flat products not exceeding 5 mm in thickness such as sheets, strips, flats, etc. from Rs. 500 per tonne to Rs. 700 per tonne.			
(e) hot-rolled flat products other than alloy steel exceeding 5 mm in thickness such as strips, flats, etc. from Rs. 365 per tonne or Rs. 385 per tonne to Rs. 500 per tonne.			
(f) hot-rolled flat products of alloy steel exceeding 5mm in thickness from the existing rates to Rs. 600 per tonne.			

estimated net revenue
effect in one full year
(Rs. in lakhs)

(g) cold-rolled flat products like sheets, strips, flats, etc. from Rs. 715 per tonne to Rs. 900 per tonne.			
(h) flat-rolled products plated or coated with zinc from Rs. 935 per tonne to Rs. 1200 per tonne and flat-rolled products plated or coated with tin from Rs. 970 per tonne to Rs. 1200 per tonne.			
(j) flat-rolled products of silicon-electrical steel from Rs. 715 per tonne to Rs. 900 per tonne.			
(k) bars and rods, angles, shapes and sections, wire etc. from Rs. 365 per tonne to Rs. 500 per tonne.			
(l) rails and sleepers (cross-ties) used for railway tracks from Rs. 190 per tonne to Rs. 250 per tonne.			
(m) seamless tubes and pipes from Rs. 385 per tonne to Rs. 600 per tonne.			
(n) forgings and forged articles of steel from the existing rates to Rs. 600 per tonne.			
(o) castings and cast articles of steel from the existing rates to Rs. 600 per tonne.			
(II) Stainless steel			
(p) ingots, semi-finished products, waste and scrap, bars and rods, angles, shapes and sections, wire, hot-rolled flat products and "pattis" and "pattas" from the existing rates to Rs. 1000 per tonne.			
(q) cold-rolled flat products from Rs. 715 per tonne to Rs. 1500 per tonne.			
(r) seamless tubes and pipes from Rs. 385 per tonne to Rs. 1000 per tonne.			
(s) castings and cast articles, forgings and forged articles from the existing rates to Rs. 1500 per tonne.			
40. Increase in excise duty on :		(+) 5000	(B)
(a) aluminium ingots, bars and rods (including wire rods) etc. from 18% adv. to 20% adv. + Rs. 2500 per tonne.			
(b) aluminium waste and scrap, powders and flakes and certain products like aluminium containers, stranded wires, cables etc. from 20% adv. to 30% adv.			
(c) aluminium products like plates, sheets, tubes, pipes etc. from 25% adv. to 35% adv.			
(d) aluminium circles having thickness of and above 0.56 mm but not above 2 mm from 18% adv. to 30% adv. and on aluminium foil from 15% to 25% adv.			
(e) aluminium wire rods etc. produced by secondary manufacturers availing of MODVAT credit from Rs. 4700 per tonne to Rs. 9500 per tonne.			
(f) aluminium sheets intended for use in the electrolytic process for manufacture of aluminium and zinc from 18% to 30% adv.			
41. Increase in the statutory rates of excise duty on certain items of iron and steel, copper, aluminium, lead, zinc and vessels and other floating structures for breaking up.		(-) 150	(B)
42. Partial exemption to parts of refrigerating appliances and machinery and compressors intended to be used in refrigerated vans including including wagons for transport of perishables and food or dairy products, in excess of 15% adv.		(-) 20	(B)
43. Reduction in the excise rate on evaporative type of coolers from 35% to 15% adv.		(-) 10	(B)
44. Reduction of excise duty on circular looms used in the jute industry from 15% to 10% adv. and deletion of computers from general Small Scale exemption Scheme.		(+) 2400	(B)
45. Increase in the excise duty rates on computers from 10% to 15% adv. and deletion of computers from general Small Scale exemption Scheme.		(+) 12400	(B)
46. Increase in statutory rates of excise duty on T.V. sets and picture tubes. The new effective rates are :			
(a) colour TV sets based on functional features :			
-ordinary type without remote control facility	Rs. 2250 per set		
-remote control type	Rs. 2500 per set		
-picture in picture type	Rs. 4000 per set		
(b) black & white TV tubes of screen size upto 36 cms. from the existing rate to Rs.200 per tube.			
(c) black & white TV sets of screen size exceeding 36 cms from the present rate of Rs. 300 to Rs.500 per set. The excise duty on picture tube of such sets will also be increased from Rs. 150 to Rs. 300 per tube.			
(d) colour TV tubes from Rs. 600 to Rs. 1000 per tube.		(+) 1000	(B)
47. Introduction of uniform rate of 20% on all types of radios, two-in-ones, cassette recorders etc.			Negligible
48. (a) Relaxation of excise duty rates on combination sets in view of the changes in (b) to (d) of item No. 46 above, (b) withdrawal of the concessional rate of 10% excise duty on electronic components and (c) rationalisation of duty structure on video tapes/cassettes.			
49. Reduction in the excise duty rate on high pressure sodium vapour lamps to 10% from the existing rates.		(-) 250	(B)

		estimated net revenue effect in one full year (Rs. in lakhs)	
50. Prescribing uniform rate of basic excise duty of 35% adv. on all motor vehicles falling under heading No. 87.03 of CET.	(+)	10000	(B)
51. Increase in excise duty rates on :	(+)	2630	(B)
(a) two-wheelers of engine capacity exceeding 50 cc but not exceeding 100 cc to 20% adv.			
(b) two-wheelers of engine capacity exceeding 150 cc to 30% adv. from the existing level.			
52. Increase in the excise duty on watches and watch components from 2% to 5% adv.	(+)	500	(B)
53. Exemption to certain non-wooden furniture from basic excise duty in excess of 20% adv.	(-)	400	(B)
54. Exemption to buttons and button blanks from the whole of the excise duty .	(-)	5	(B)
55. Exemption to kerosene pressure lanterns and parts thereof from the whole of the excise duty.	(-)	35	(B)
56. (a) Exemption to excisable goods (some goods to which the Small Scale Exemption Scheme is presently applicable) manufactured by institutions employing physically or mentally handicapped people and recognized as engaged in such activities by the Department of Social Welfare.	(-)	50	(B)
(b) Extension of the scheme presently available for KVIC units to cover furniture and all ceramic products falling under Chapter 69 of CET.			
57. Other changes :			
(a) Modification of the general small scale exemption scheme so as to (i) restrict the full exemption limit of Rs. 30 lakhs only in a case where a unit manufactures goods falling under two or more Chapters instead of two or more headings as at present (ii) extend the concessions in respect of goods manufactured by a SSI unit under the name of KVIC/KVIB and (iii) the list of goods covered by the notifications is being modified using the description given in the tariff, to the extent possible.	(+)	1500	(B)
(b) Extension of the concession under Small Scale Exemption Scheme to rubber solution.	(-)	40	(B)
(c) Extension of the benefit of captive consumption of goods manufactured in one factory and consumed in the other factory of production of the same manufacturer.			Negligible
(d) Enlarging the scope of Small Scale Exemption Scheme in respect of tyres and restrict the exemption to certain specified sizes of animal drawn vehicles tyres only, from whole of the excise duty.	(+)	50	(B)
58. Amending the Central Sales Tax Act, 1956 as a consequential amendment on account of creation of a separate sub-heading No.2404.60 of CET and the First Schedule to the Additional Duties of Excise(Goods of Special Importance) Act,1957.			Nil

(Clauses 36,37,38 and 50 of the Finance Bill)

OTHER EXCISE DUTIES

Amendment relating to Medicinal and Toilet preparations (Excise Duties) Act, 1955

Under Article 268 of the Constitution, duties of excise on medicinal and toilet preparations containing alcohol or opium, Indian hemp and other narcotic drugs and narcotics are levied by the Government of India but are collected by and assigned to the States except in the case of Union territories.

By an amendment to the above Act, the existing specific rates of duties are being enhanced. There will, however, be no change in the ad-valorem rates wherever applicable.

The revenue yield on account of these changes will accrue to the State Governments and the Union Territories.

(Clause 39 of the Bill)

A B S T R A C T

Chapter No.	Brief Description	Revenue Effect (Rs. in lakhs)		
		(+)	(-)	(Net)
	Indexation of specific rated commodities	22000		22000
4,16 & 21	Food Preparations		162	-162
17	Molasses	1140		1140
24	Cigarettes	10100		10100
24	Pan Masala	800		800
25	Cement		1004	-1004
27	Petroleum products		5	-5
28 & 29	Chemicals	300	16	284
32	S.O. dye stuffs		1900	-1900
36	Matches		1400	-1400
37	Cinematographic films		400	-400
39	Plastics	100	350	-250
40	Rubber & Tyres	50	135	-135
43	Paper & paper board		500	-500
55 & 56	Man-made fibres and yarns	1400	48	1352
53,56,58 & 60	Other textiles		162	-162
68 & 69	Specified articles of stoneware and ceramic products		8	-8
	Gem & jewellery		2	-2
71	Iron & steel items	15000		15000
72 & 73	Aluminium	5000		5000
76	Refrigerating appliances & evaporative coolers		170	-170
84	Machinery		10	-10
84	Electronic items	15800	250	15550
85	Motor vehicles	12630		12630
87	Watches & watch components	500		500
91	Other concessions		530	-530
	SSI Scheme	1500		1500
	TOTAL	86320	7102	79218

SUMMARY

	CENTRE	STATE	TOTAL
Basic including special excise duty	39665	32453	72118
Additional excise duty (TTA)	1032		1032
Additional excise duty (ST)	122	5946	6068
TOTAL	40819	38399	79218

INLAND AIR TRAVEL TAX

It is proposed to introduce a new tax, to be called as "INLAND AIR TRAVEL TAX", on inland air travel at a rate of 10% of the total fare (excluding fuel surcharge and passenger service fee). The tax will come into force from a date to be notified later.

This measure is expected to result in a revenue gain of Rs. 40 crores during the financial year 1989-90.

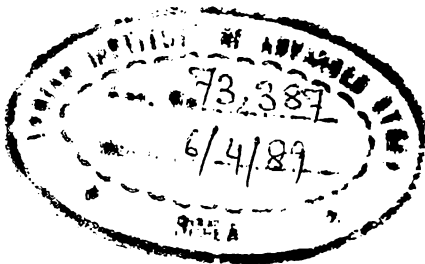
(Clauses 40 to 49 of the Finance Bill).

FOREIGN TRAVEL TAX

It is proposed to revise the rates of - FOREIGN TRAVEL TAX - from the present rates of Rs.100/50 per ticket to Rs. 300 / 150 per ticket with effect from a date to be notified later.

This is expected to result in a revenue gain of Rs. 45 crores during the financial year 1989-90.

(Clause 51 of the Finance Bill).



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