

**JOINT/SELECT COMMITTEE
REPORTS OF LEGISLATIVE
ASSEMBLY - 1933**

**The Indian Income-Tax
(Amendment) Bill**

List of Reports of Select or Joint Committees
presented in the Legislative Assembly in 1933.

Serial No.	Short title of the Bill.	Date of presentation.	Remarks.
1.	The Hedjaz Pilgrims (<u>Muallims</u>) Bill.	6.2.33.	
2.	The Workmen's Compensation (Amendment) Bill.	14.2.33.	
3.	The Land Acquisition (Amendment) Bill.	14.2.33.	
4.	The Auxiliary Force (Amendment) Bill.	14.2.33.	
5.	The Indian Wireless Telegraphy Bill.	23.2.33.	
6.	The Indian Railways (Amendment) Bill (Sec. 51).	24.3.33.	
7.	The Indian Income-tax (Amendment) Bill.	1.4.33.	
8.	The Indian Income-tax (Second Amendment) Bill.	10.4.33.	
9.	The Indian Medical Council Bill.	1.9.33.	
10.	The Indian Merchant Shipping (Second Amendment) Bill.	4.9.33.	
11.	The Murshidabad Estate Administration Bill.	7.9.33.	
12.	The Reserve Bank of India Bill.	20.11.33.	Report of the Joint Committee
13.	The Imperial Bank of India Bill.	20.11.33.	-do-
14.	The Indian Khaddar (Name Protection) Bill by Mr. Gaya Prasad Singh.	29.11.33.	
15.	The Indian Tariff (Second Amendment) Bill.	1.12.33.	

LEGISLATIVE ASSEMBLY.

WE, the undersigned, Members of the Select Committee to which the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (amendment of section 4) was referred, have considered the Bill, and have now the honour to submit this our Report, with the Bill as amended by us annexed thereto.

A proposal that sub-clause (b) of clause 2 should be omitted was lost by a majority. In the view of those of us who support the retention of the sub-clause if profits or gains brought into British India after the expiry of three years from the year in which they accrued or arose are to be exempt the effect is to confer an advantage upon the wealthy man who can afford, as the poor man cannot, to leave his money abroad for three years. It was argued by some of our members that, under the law as it will stand if this Bill is passed, the temporary resident in India will have an advantage over the permanent resident inasmuch as the temporary resident need not bring into British India profits or gains now made assessable to income-tax, but may leave them abroad to be enjoyed by him after his retirement from British India; while the permanent resident himself, or his children after him, must at some time bring such monies into British India.

We consider that the Bill should make it perfectly clear that the changes now made are not to have retrospective effect, that is to say, that profits or gains of business accruing or arising before the passing of the Act should be exempt unless they are brought into British India within three years of the end of the year in which they accrued or arose, and other profits or gains which accrued before the passing of the Act should be exempt no matter when they are brought into British India.

We further decided by a majority that if an accumulation of profits and gains extending over a period of several years is brought in in any one year and the assessee is liable to super-tax, the rate or rates of super-tax applicable to the accumulation should be computed by taking into account only a portion of the accumulation representing the total divided by the number of years included in the period and applying the rates so

determined in turn to the amounts representing each of the years included in the period. Thus to take a concrete example :

A person's total British Indian income is Rs. 50,000. He brings in in one year a sum of Rs. 3 lakhs earned abroad over a period which includes three years or parts of three years. In calculating his super-tax his total income will be computed not as Rs. 3,50,000 but as Rs. 50,000 plus Rs. $\frac{3,00,000}{3}$, that is, Rs. 1,50,000. The rates of super-tax applicable will thus be—

- for the first thirty thousand rupees—*nil*.
- for the next twenty thousand rupees—9 pies
in the rupee.
- for the next fifty thousand rupees—15 pies
in the rupee.
- or the next fifty thousand rupees—21 pies
in the rupee.

The highest rates applicable to Rs. 1,00,000 of foreign income are, thus, 15 pies for Rs. 50,000 and 21 pies for the second fifty thousand. The rupees 1,00,000 of foreign income will be treated as that portion of the total income of Rs. 1,50,000 which carries the highest rates, i.e., as the Rs. 50,000 taxable at 15 pies and the Rs. 50,000 taxable at 21 pies. These rates will then be applicable to each of the sums of Rs. 1,00,000 representing the foreign income of the second and third years. The total super-tax payable will thus be—

- 9 pies on Rs. 20,000,
- 15 pies on Rs. 50,000 × 3,
- 21 pies on Rs. 50,000 × 3.

In our redraft of the Bill we have endeavoured to give effect to these decisions. We have also inserted the word "income" before the words "profits or gains" whenever they occur to bring the wording of sub-section (2) of section 4 into line with that of sub-section (1).

2. The Bill was published in the Gazette of India, dated the 10th September, 1932.

3. We think that the Bill has not been so altered as to require republication.

- *B. L. MITTER.
- *GEORGE SCHUSTER.
- *J. B. VACHHA.
- *N. N. ANKLESARIA.
- *MOHD. AZHAR ALI.
- *H. S. GOUR.
- VASUDEVA RAJAH.
- *COWASJI JEHangIR (JUNIOR).
- *SATYENDRANATH SEN.
- *R. T. H. MACKENZIE.
- MOHAMMAD YAKUB.
- *B. V. JADHAV.

NEW DELHI,

The 1st April, 1933.

MINUTES OF DISSENT.

We dissent from the recommendations contained in the report "that if an accumulation of profits and gains extending over a period of several years is brought in any one year and the assessee is liable to super-tax, the rate or rates of super-tax applicable to the accumulation should be computed by taking into account only a portion of the accumulation representing the total divided by the number of years included in the period and applying the rates so determined in turn to the amounts representing each of the years included in the period".

Such a provision is designed to benefit an assessee residing in British India who has money

invested abroad and who for his own convenience has allowed the interest or dividends on such investment to accumulate abroad without annual deductions of British India income-tax. If, as a result of this process, the assessee finds himself liable to pay super-tax on such income when he *does* bring it into British India at higher rates than would have been the case if he had brought it in regularly when received, then he should face the consequences. The remedy lies in his own hands by bringing back his income and paying the tax on it as and when it arises, just as is done by other residents in British India who invest their money in the country. We do not see why the law should go out of its way to protect such individuals.

GEORGE SCHUSTER.

B. L. MITTER.

J. B. VACHHA.

N. N. ANKLESARIA.

We the following members of the Select Committee recommend that in view of the far reaching effects of the Bill it be circulated for the purpose of eliciting opinions thereon before the Select Committee report is considered by the

House. Some of us intended to add this recommendation in the body of the Select Committee's Report but the Chairman ruled it out of order.

B. V. JADHAV,

MOHAMMAD AZHAR ALI,

R. T. H. MACKENZIE.

COWASJI JEHangIR.

SATYENDRANATH SEN.

H. S. GOUR.

The 31st March, 1933.

(Words printed in italics indicate the amendments suggested by the Committee.)

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BILL

*Further to amend the Indian Income-tax Act, 1922,
for a certain purpose.*

WHEREAS it is expedient further to amend the Indian Income-tax Act, 1922, for the purpose **XI of 1922** hereinafter appearing; It is hereby enacted as follows:—

1. (1) This Act may be called the Indian Short title and com Income-tax (Amendment) commencement. Act, 1933.

(2) It shall come into force on the 1st day of April, 1933.

2. In sub-section (2) of section 4 of the Indian Amendment of section Income-tax Act, 1922,— **XI of 1922**, 4, Act XI of 1922.

(a) for the words "Profits and gains of a business" the words "Income, profits and gains" shall be substituted, and before the word "profits", where it occurs for the second time, the word "income," shall be inserted;

(b) the words "provided that they are so received or brought in within three years of the end of the year in which they accrued or arose" shall be omitted;

(c) the following provisos shall be added, namely:—

"Provided that nothing contained in this sub-section shall apply to any income, profits or gains so accruing or arising prior to the 1st day of April, 1933, unless they are income, profits or gains of a business and are received in or brought into British India within three years of the end of the year in which they accrued or arose:

Provided further that where an accumulation of such income, profits or gains accruing or arising over a period of more than one year is received in or brought into British India in one year super-tax if chargeable shall be charged on each separate portion of such accumulation representing the total accumulation divided by the number of years comprised in whole or in part in the period at the rate or rates which would have been applicable if such portion only had been received in or brought into British India in that year, and represented the portion of the assessee's income chargeable with the highest rates applicable.";
and

(d) in the Explanation, before the word "profits" the word "income," shall be inserted.

GOVERNMENT OF INDIA.
LEGISLATIVE ASSEMBLY
DEPARTMENT.

Report of the Select Committee on the
Bill further to amend the Indian
Income-tax Act, 1922, for a certain
purpose, with the Bill as amended.