

**JOINT /SELECT
COMMITTEE REPORTS OF
LEGISLATIVE ASSEMBLY -
1948**

The Indian Finance Bill

List of Reports of Select Committees presented to
the Constituent Assembly of India(Legislative)
in 1948.

S. No.	Short title of the Bill.	Date of presentation.	Date of publication.
1.	The Minimum Wages Bill./	28.1.48.	7.2.48.
2.	The Industrial Finance Corporation Bill.	28.1.48.	7.2.48.
3.	The Dock Workers (Regulation of Employment) Bill.	28.1.48.	7.2.48.
4.	The Pharmacy Bill.	28.1.48.	7.2.48.
5.	The Damodar Valley Corporation Bill.	28.1.48.	7.2.48.
6.	The Indian Army and the Indian Air Force(Amenment) Bill. /	28.1.48.	14.2.48.
7.	The Dentists Bill. /	28.1.48.	14.2.48.
8.	The Rehabilitation Finance, Administration Bill.	9.2.48.	21.2.48.
9.	The Workmen's State Insurance, Bill.	11.2.48.	21.2.48.
10.	The Electricity(Supply) Bill./	4.3.48.	20.3.48.
11.	The Taxation on Income(Investigation Commission) (Amdt.)Bill,	8.3.48.	20.3.48.
12.	The Provincial Insolvency (Amendment) Bill.	16.3.48.	20.3.48.
13.	The Indian Finance Bill.	22.3.48.	27.3.48.
14.	The Delhi and Ajmer-Merwara Land Development Bill.	29.3.48.	3.4.48.
15.	The Estate Duty Bill. (PRELIMINARY REPORT)	9.8.48.	14.8.48.
	The Factories Bill./	9.8.48.	21.8.48.

S. No.	Short title of the Bill.	Date of presentation.	Date of publication.
17.	The Hindu Code.	12.8.48.	21.8.48.
18.	The Income-tax and Business Profits Tax (Amdt.) Bill.	13.8.48.	21.8.48.
19.	The Indian Railways (Second Amendment) Bill.	24.8.48.	11.9.48.
20.	The Mines and Minerals (Regulation and Development) Bill.	25.8.48.	11.9.48.
21.	The Central Silk Board Bill.	26.8.48.	11.9.48.

214

CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE)

**REPORT OF THE SELECT COMMITTEE ON THE INDIAN FINANCE
BILL, 1948**

We, the undersigned members of the Select Committee, to which the Bill to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1948, 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.

Clause 6.—As regards the export duty on manganese ore, we consider that the imposition of a flat rate will have the undesirable result of higher grade ores being exported in preference to lower grade ores, and we have accordingly proposed an *ad valorem* duty of 25 per cent.

After considering the possible effect of the proposed export duty on the export of oil seeds as against the export of vegetable oils, we propose that in order to give a definite incentive to the latter the export duty on vegetable oils should be Rs. 100/ per ton instead of Rs. 200 per ton.

Clause 7.—We have modified the proposed rates of excise duty on vegetable oils, tea and coffee. The rate of Rs. 7 per cwt. on vegetable oils gives the round figure of one anna per lb. and has been adopted in preference to the proposed rate of Rs. 7/8/ per cwt. In the case of tea and coffee we consider that a doubling of the existing rate of excise duty is not justified and recommend an increase by 50 per cent. only.

Clause 8.—We have omitted the original sub-clause (4) which provided for a deduction of any sums paid by the owner on account of municipal taxes while calculating his income from property under section 9(1) of the Income-tax Act. The equities of making any such deductions for purposes of income-tax are by no means clear. We think that it would be more appropriate to go into the question thoroughly in a regular income-tax amendment Act than in the Annual Finance Bill.

In sub-clause (5) (as renumbered) we have revised the proposed new section 15B of the Income-tax Act, incorporating in it the limits provided in sub-clause (3) of clause 9 of the Bill as introduced and prescribe a further maximum limit on the amount of rebate of income-tax permissible under the section on account of donations. The rebate should not, in our opinion, exceed half the amount of income in respect of which the exemption is allowed, since otherwise the bulk of the donations would in the higher income range actually come from the tax payable by the assessee to Government. We have also provided that the exemption should be allowed only in respect of donations made on or after 1st April next.

The additions made in sub-clauses (6) and (10) (as renumbered) are consequential on the different rates of income-tax now proposed in paragraphs B and C of Part I of the Second Schedule.

In sub-clauses (8) and (9) (as renumbered) we have provided for a power to prescribe the nature of "effective arrangements" to be made by foreign companies in regard to the deduction of super-tax from dividends and the declaration and payment of dividends within the Provinces of India.

Clause 9.—The original sub-clause (3) has been omitted, since as explained above its provisions have been incorporated in sub-clause (5) (as renumbered) of clause 8. The addition of a new paragraph (a) in sub-clause (3) (as renumbered) is consequential on the raising of the taxable minimum income from Rs. 2,500 to 3,000.

Clause 10.—We have provided for a further amendment to the definition of "chargeable accounting period" in section 2(4) of the Business Profits Tax Act to cover cases where the accounting period of the assessee is different from the financial year.

Second Schedule.—In Part I we have suggested

(a) the raising of the taxable minimum from Rs. 2,500 to Rs. 3,000 in the case of individuals, Hindu undivided families, unregistered firms and associations;

(b) a lower rate of two and a half annas in the rupee in the case of small Indian companies whose total income does not exceed Rs. 25,000 and the usual marginal relief in the case of other companies whose income exceeds that limit; and

(c) a rebate of half anna in the rupee, in the case of small Indian companies and one anna in the case of all other companies on the amount of undistributed profits "ploughed back" into capital.

Other necessary and consequential amendments have been carried out in the Bill.

2. The Bill was published in Part V of the *Gazette of India*, dated the 6th March, 1948.

3. We think that the Bill has not been so altered as to require circulation under Standing Order 41(5) and we recommend that it be passed as now amended.

B. R. AMBEDKAR

R. K. SHANMUKHAM CHETTY

*THAKUR DAS BHARGAVA

*M. ANANTHASAYANAM AYYANGAR

AMMU SWAMINADHAN

BIKRAMLAL SONDHI

*KHURSHED LAL.

N. G. RANGA

MOHAN LAL SAKSENA

ROHINI KUMAR CHOUDHURI

*R. K. SIDHWA

SURENDRA MOHAN GHOSH

*BISWANATH DAS

NEW DELHI;

The 22nd March, 1948.

*Subject to a minute of dissent.

MINUTES OF DISSENT

I.

The taxation of the Hindu Undivided family as such as an individual is a grievance against which the community has been smarting for the last 87 years. It is extremely unjust in its incidence specially to the poorer families among the Hindus, Sikhs and Jains. Apart from the devastating effects when enhanced rates on higher incomes are applied to such families; in many cases of poorer families the taxable minimum is reduced to a ridiculously low level of income. The injustice and the enormity of the evil are too patent to be denied. Many Finance Ministers have time after time admitted that change is necessary but they had not the courage of undoing the wrong. Sanction was not accorded to a private Bill brought by me to remedy the evil.

I must thank the present Finance Minister for his kindly admitting that change is called for and assuring me that justice shall be done from the next year. But I remain unconvinced that he is unable to do justice to the Hindu undivided family in this Finance Bill or at any rate give fair measure of relief which is amply deserved. The greater the period during which injustice has been done, the greater is the necessity and the urgency of its removal or at least giving a respite from it on howsoever moderate a measure.

NEW DELHI;

THAKUR DAS BHARGAVA.

The 22nd March, 1948.

II

The provisions regarding exemption of donations for charity are in the nature of a permanent amendment of the Income-tax Act, and introduce a new feature in our Income-tax Law. They are not going to affect the budget of 1948-49, as the exemption will only apply to donations made on or after 1st April 1948, which can be taken into account only while making the assessments for 1949-50 on the basis of the income of "previous year". We are of opinion that this change should not have been introduced by incorporating it into the Finance Bill which is primarily concerned with the income of a particular year, more so, when the income of that year is not going to be affected by the proposed exemption. A separate Bill providing for the amendment of the Income-tax Act to introduce the exemption should have been placed before the Legislature, so that attention of the Legislature and the country could have been specifically directed towards this matter, and its pros and cons fully discussed before making it a permanent feature of the Statute Book. As mentioned above, there is no urgency about this matter, as it is not going to affect the revenues of 1948-49. We, therefore, suggest that this exemption should not form part of the Finance Bill, 1948, and the Government if they so desire should introduce a specific Bill to amend the Income-tax Act for the purpose.

KHURSHED LAL

M. ANANTHASAYANAM AYYANGAR.

NEW DELHI,

The 22nd March, 1948.

III

I am unable to agree with the majority decision of the Select Committee in certain essential points and this note explains the causes of such differences:—

1. *Tax exemption for donations to charity.*—The Finance Bill offers inducements of tax exemption to the rich to make donations for charitable purposes

to be prescribed by Government. Charity is its own reward and sets its own limitations. A proposal offering material inducements for charity with prescription of objects is foreign to our culture and is opposed to our *Shastras*. Charitable Indians always preferred to be anonymous. No material inducement was felt for Dr. H. S. Gour (C.P.) or Dr. Yeervikramadeva Burina (Orissa) or for Dr. Allagapachettiar (Madras) for their princely endowments. This is equally so for such other endowments—charity being its own reward. India closely follows the British system of tax on incomes. Even in Britain, such donations are not free from tax.

True it is that the Select Committee has removed much of the sting in refusing retrospective operation and limiting tax exemption inducement to 50 p.c. in place of 80 p.c. of the State contribution in all big donations proposed in the Bill. History of the endowments of Tatas, Birlas and other merchant princes proves that endowments flow from generous hearts without inducement. Inducements offered for charity are a grave injury to our culture and traditions and limitations prescribed are an insult to injury.

Inducements provided in the Bill hardly bring any relief to the ordinary well-to-do. Thus a person with an annual income of Rs. 12,000 gets little relief from income-tax after deducting his allowable contribution of about Rs. 2,000 from Insurance and Provident Fund contribution, while, a person with an income of about rupees three lakhs or more gets a fifty percent State contribution for his donations. Donations from such questionable and unholy means are bound to give our great seats of learning a dubious and precarious prosperity. Time has now come for the State to assume full responsibility for the maintenance of all such institutions ensuring them freedom of action, security of their existence, devotion to duty and efficiency. If we must commit this mistake accepting proposals contained in the Bill, allow the donors to pay their so called donations direct to Government and not to any institution. Allocation from this so called charity pool be made by the Government to deserving institutions in consonance with the purposes prescribed.

2. *Income-tax concession to small companies.*—One fails to understand why any company be specially singled out for favours. Apart from the highly cumbersome nature of the scheme embodied in the Government amendments providing half rate concession to small companies, administration required for the same, calls for immense watch and ward as also of mathematical ingenuity. Such a process opens the gate to bigger companies to split themselves up into a number of smaller companies. Retrospective operation of these provisions are a further contribution to this convenient course. Statutory provisions in the E.P.T. prevented splitting up of bigger companies into smaller ones to avoid taxation. The Honourable Finance Minister undertakes to keep a watch over such transformations. Even the eagle eye of the Finance Ministry with all its alertness, could hardly be a proper substitute for distinct provisions in an Act of the Legislature.

Concessions are justified in the name of a higher production. If it were so, why not organise small industries on a co-operative basis—such societies being exempt from taxation? Managing agency companies as also non-producing companies should have no claim for such concessions. This again offers an inducement to non-companies to change themselves into small companies for taxation benefits. The unlimited scope should, therefore, be circumscribed to avoid fraudulent company promoters. Loss under this head is estimated at rupees twelve lakhs. Assuming that this is accurate, loss under the head is bound to multiply into crores as years pass on without any corresponding benefit to the State.

3. *Conclusion.*—While thanking the Honourable Finance Minister for accepting a scrutiny of his Finance Bill by a Select Committee, I must record the way the Select Committee was disposed of. Though the Government amendments were more acceptable than the provisions in the Bill, these amendments were delivered on the 19th mid-day for the Select Committee to meet on the 20th morning giving the members hardly time to read and think over these complicated proposals. The fact that discussions were over within 2½ hours speaks for itself about the scope of the discussions allowed. Few members were able to clear their doubts and difficulties.

If easy collection and simplest process of assessment are the aims of Income-tax Law, the provisions of this Bill—I am afraid—are least helpful. Complicated process devised in the Bill is to me a call for multiplication of officers and staff.

BISWANATH DAS

NEW DELHI;

The 22nd March, 1948.

IV

The Bill seeks to give relief to industrialists, for reasons, I do not want to dispute; at the same time however I must state, a man in the street also expects equal, if not more, relief.

I would have expected the Select Committee to reduce the price of matches which is three pice per box. I would have desired it brought down to one pice per box. (It may be mentioned that ten years ago price of one box of match was half a pice). Then again I would have desired the duty on push cycles to have been reduced. In 1946 India imported push cycles of the total value of Rs. 1,97,09,084. From the above figures it will be seen that push cycle which is used by a common man both in the city and the village as cheap transport and communication, is not given any relief. On the other hand the duty on push cycle tyres is sought to be increased. I could similarly cite other articles in daily use by villagers which items could not be questioned as such by anybody, but under the rules I am not allowed to propose any new item for increase or decrease of import or excise duty. I have therefore confined my remarks to two items only viz. matches and duty on tyres for push cycles, covered under the Bill.

In the original Bill two annas per lb. increase in tea and coffee was proposed, but the Select Committee has reduced to one anna. I am glad of this reduction. If however the question of additional revenue is involved then I think preference should have been given for relief to the above two items and the original proposal of two annas on tea and coffee should have been retained as I feel tea and coffee is not used by all villagers. Certainly it is not so used in O.P., U.P., Bihar and Orissa. In Bombay cities, workers take to tea, and so in South India a large number take coffee. I have no idea of Bengal and Assam. In calculating the cost of tea, the cost of milk and sugar has also to be borne in mind. From these facts it will be seen that an average peasant or a villager cannot afford a cup of tea as his daily beverage. If he did, the average cost of standard of living would considerably change. The additional two annas per pound would mean an additional two annas per month in a family of five which is not much for a lower middle class man. In any case I am equally for giving relief to the lower middle class but not at the cost of very poor class which uses matches and other articles everyday.

R. K. SIDHWA.

NEW DELHI;

The 22nd March, 1948.

[AS AMENDED BY THE SELECT COMMITTEE]

(Words under-lined or side-lined indicate the amendments made by the Committee; and asterisks indicate omissions.)

BILL

to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1948.

VI of 1898.

WHEREAS it is expedient to discontinue the duty on salt manufactured in, or imported into, the Provinces of India, to fix maximum rates of postage under the Indian Post Office Act, 1898, to alter certain duties of customs and excise, to levy certain additional duties of customs and excise, to fix rates of, and make certain provisions relating to, income-tax and super-tax, and to continue, subject to certain modifications, for a period of one year the tax imposed by the Business Profits Tax Act, 1947 ;

XXI of 1947.

It is hereby enacted as follows :—

Short title and extent.

- 1. (1) This Act may be called the Indian Finance Act, 1948.
- (2) It extends to all the Provinces of India.

Discontinuance of salt duty.

- 2. For the year beginning on the 1st day of April, 1948, no duty shall be levied on salt manufactured in, or imported by sea or by land into, the Provinces of India.

Inland postage rates.

- 3. For the year beginning on the 1st day of April, 1948, the Schedule contained in the First Schedule to the Indian Finance Act, 1945, shall again be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act.

VI of 1898.

Alteration of certain duties of customs. XXXII of 1934.

- 4. In the First Schedule to the Indian Tariff Act, 1934,—
 - (a) in Item No. 24, for the entry in the fourth column, the entry " Rs. 13 per lb." shall be substituted ;
 - (b) in Item No. 24 (1), in the entry in the fourth column, for the letters and figures " Rs. 7-8 ", the letters and figures " Rs. 12-8 " shall be substituted ;
 - (c) in Item No. 24 (2), in the entry in the fourth column, for the words, letters and figures " Rs. 18-12 per thousand or Rs. 7-8 per lb." the words, letters and figures " Rs. 31-4 per thousand or Rs. 12-8 per lb." shall be substituted ; and
 - (d) in Item No. 75 (1), for the figures " 37½ " in the fourth column, the figures " 50 " shall be substituted, and for the figures " 30 " in the fifth column, the figures " 42½ " shall be substituted.

Additional duties of customs. XXXII of 1934.

- 5. Where any goods chargeable with a duty of customs under the First Schedule to the Indian Tariff Act, 1934, or under the said Schedule read with any notification of the Central Government for the time being in force, are assessed to duty, there shall, up to the 31st day of March, 1949, be levied and collected as an addition to, and in the same manner as, the total amount so chargeable—
 - (a) a sum equal to one-half of such amount, in the case of goods comprised in Items Nos. 22 (3) and 22 (4) and sub-items (a), (c) and (d) of Item No. 22 (5) of the said Schedule, and

(b) a sum equal to one-fifth of such amount, in any other case :

Provided that such additional duty of customs shall not be levied and collected on the goods specified in the First Schedule to this Act.

6. In the Second Schedule to the Indian Tariff Act, 1934, Items Nos. 6 and 7 shall be omitted, and in lieu thereof, the following Items shall be inserted, namely :—

6. Cloth of any description manufactured either wholly from cotton, or partly from cotton and partly from any other substance and containing not less than ten per cent. of cotton by weight, but excluding cloth of handloom manufacture	25 per cent. <i>ad valorem</i> .
7. Manganese ore	25 per cent. <i>ad valorem</i>
8. Oil seeds	Rs. 80 per ton.
9. Vegetable oils	Rs. 160 per ton."

7. (1) In the First Schedule to the Central Excises and Salt Act, 1944,—

(a) in each of the sub-items (1) and (2) of Item No. 2,—

(i) clause (i) shall be omitted,

(ii) clauses (ii), (iii) and (iv) shall be renumbered as clauses (i), (ii) and (iii), respectively, and

(iii) in clause (i) as so renumbered, the words "more than forty, but" shall be omitted;

(b) in Item No. 9,—

(i) for the entry in the third column against sub-item I (2) (b), the entry "Twelve annas" shall be substituted;

(ii) in the entries in the third column against sub-item I (3), for the words "Nine annas", at both places where they occur, the words "Twelve annas" shall be substituted, and for the words "Three annas", at all the three places where they occur, the words "Four annas" shall be substituted; and

(iii) in sub-item II, before the word "Cigars", the brackets and figure "(1)" shall be inserted, and to that sub-item, the following shall be added, namely :—

"(2) Cigarettes of which the value—

	<i>Per thousand</i>
(i) exceeds Rs. 50 a thousand	Twelve rupees and eight annas.
(ii) exceeds Rs. 40 a thousand, but does not exceed Rs. 50 a thousand.	Ten rupees.
(iii) exceeds Rs. 30 a thousand but does not exceed Rs. 40 a thousand.	Seven rupees and eight annas.
(iv) exceeds Rs. 25 a thousand but does not exceed Rs. 30 a thousand.	Six rupees and four annas.
(v) exceeds Rs. 20 a thousand but does not exceed Rs. 25 a thousand.	Five rupees.
(vi) exceeds Rs. 15 a thousand but does not exceed Rs. 20 a thousand.	Three rupees and twelve annas.
(vii) exceeds Rs. 10 a thousand but does not exceed Rs. 15 a thousand.	Two rupees and eight annas.
(viii) does not exceed Rs. 10 a thousand	One rupee and four annas."

Imposition and alteration of certain export duties. XXXII of 1934.

Imposition and alteration of certain duties of excise. I of 1944.

(c) in Item No. 10, for the words "Ten per cent." the words "Fifteen per cent." shall be substituted ;

(d) in Item No. 11, for the words "Five rupees" the words "Seven rupees * * *" shall be substituted ;

(e) Item No. 12 shall be omitted ;

(f) in Item No. 13, for the words "Two annas" the words "Three annas" shall be substituted ; and

(g) in Item No. 14, for the words "Two annas" the words "Three annas" shall be substituted.

I of 1944.

(2) In Part A of the Second Schedule to the Central Excises and Salt Act, 1944, the figure and word "2: Betel-nuts" shall be omitted, and for the figure "3", the figure "2" shall be substituted.

Amendment of Act XI of 1922.

8. The following amendments shall be made in the Indian Income-tax Act, 1922 :—

(1) In section 2, after clause (7), the following clause shall be inserted, namely :—

VII of 1913.

"(7A) 'Indian company' means a company as defined in the Indian Companies Act, 1913, the registered office of which is situate in British India ;".

(2) In *Explanation 3* to sub-section (1) of section 4, after the words "dividend paid", the words "by an Indian company" shall be inserted.

(3) In clause (xii) of sub-section (3) of section 4, for the figures "1948" the figures "1950" shall be substituted.

* * * * *

(4) In sub-clause (a) of clause (vi) of sub-section (2) of section 10, for the figures "1948" the figures "1950" shall be substituted.

(5) After section 15A, the following section shall be inserted, namely :—

"15B. *Exemption on account of donations for charitable purposes.*—(1) The tax shall not be payable by an assessee in respect of any sums paid by him as donations to any institution or fund which is established in British India for a charitable purpose and is approved by the Central Government for the purposes of this section :

Provided that the total of the sums so paid is not less than two hundred and fifty rupees :

Provided further that in the case of a company this exemption shall apply only in respect of the income-tax, and not in respect of any super-tax, payable by it.

Explanation.—In this section, 'charitable purpose' includes relief of the poor, education, medical relief and the advancement of any other object of general public utility

(2) The aggregate of any sums exempted under this section shall not exceed—

(a) one-twentieth in the case of a company, and one-tenth in any other case, of the assessee's total income as reduced by any portion thereof exempt from tax under any other provision of this Act, or

(b) two hundred and fifty thousand rupees, whichever is less.

(3) The amount by which the tax payable by an assessee is reduced on account of an exemption under this section shall not in any case exceed half the amount in respect of which the exemption is allowed under this section."

(6) In section 16, in clause (a) of sub-section (1), for the words and figures "section 14 and section 15", the words, figures and letter "section 14, section 15 and section 15B" shall be substituted; and in sub-section (2), for the words "of a company" the words and brackets "of the company (without taking into account any rebate allowed or additional income-tax charged)" shall be substituted.

(7) In sub-section (3) of section 17, after the words and figures "of section 14" the words, figures and letter "or under section 15B" shall be inserted.

(8) In sub-section (3E) of section 18, for the words "by a company" the words "by an Indian company or by a company which has made such effective arrangements as may be prescribed for the deduction of super-tax from such dividends" shall be substituted.

(9) In section 19A, after the words "every company", the words "which is an Indian company or a company which has made such effective arrangements as may be prescribed for the declaration and payment of dividends in British India" shall be inserted.

(10) In section 49B, for the words "such person shall be deemed" the words "such person shall, if the dividend is included in his total income, be deemed" shall be substituted, and for the words "total income of a company" the words "total income of the company" shall be substituted.

9. (1) Subject to the provisions of sub-sections (3), (4), (5) Income-tax and super-tax. and (6), for the year beginning on the 1st day of April, 1948,—

(a) income-tax shall be charged at the rates specified in Part I of the Second Schedule to this Act, and

(b) rates of super-tax shall, for the purposes of section 55 of the Indian Income-tax Act, 1922 (hereafter in this section referred to as "the Income-tax Act"), be those specified in Part II of the Second Schedule to this Act. X of 1922.

(c) In making any assessment for the year ending on the 31st day of March, 1949, there shall be deducted from the total income of an assessee, in accordance with the provisions of section 15A of the Income-tax Act, an amount equal to one-fifth of the earned income, if any, included in his total income, but not exceeding in any case four thousand rupees.

* * * * *

(3) In making any assessment for the year ending on the 31st day of March, 1949,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" as reduced by the deduction for earned income appropriate thereto, or any income chargeable under the head "Interest on securities", or any income from dividends in respect of which he is deemed under section 49B of the Income-tax Act to have paid

XX of 1947.

income-tax imposed in British India, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Indian Finance Act, 1947, on his total income the same proportion as the amount of such inclusions bears to his total income :

- (b) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable, according to the rates applicable under the operation of the Indian Finance Act, 1947 on his total income the same proportion as the amount of such inclusion bears to his total income.

XX of 1947.

(4) In making any assessment for the year ending on the 31st day of March, 1949, where the total income of an assessee consists partly of earned income and partly of unearned income, the super-tax payable by him shall be—

(i) on that part of the earned income chargeable under the head "Salaries" to which clause (b) of sub-section (3) applies, the amount of super-tax computed in accordance with the provisions of that sub-section, *plus*

(ii) on the remainder of the earned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of earned income the same proportion as such remainder bears to his total income, *plus*

(iii) on the unearned income, the amount which bears to the total amount of super-tax which would have been payable on his total income had it consisted wholly of unearned income the same proportion as the unearned income bears to his total income.

(5) In making any assessment for the year ending on the 31st day of March, 1949,—

(a) where the total income of a company includes an profits and gains from life insurance business, the super-tax payable by the company shall be reduced by an amount computed at the rate of two annas in the rupee on that part of its total income which consists of such inclusion ;

(b) where the total income of an assessee, not being a company, includes any profits and gains from life insurance business, the income-tax and super-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of such taxes payable according to the rates applicable under the operation of the Indian Finance Act, 1942, on his total income the same proportion as the amount of such inclusion bears to his total income, so however that the aggregate of the taxes so computed in respect of such inclusion shall not in any case exceed the amount of tax payable on such inclusion at the rate of five annas in the rupee.

XII of 1942.

(6) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, but with reference to the rates imposed by sub-section (1), and in accordance, where applicable, with the provisions of sub-sections (3), (4) and (5) of this section.

(7) For the purposes of making any deduction of income-tax in the year beginning on the 1st day of April, 1948, under sub-section (2) or sub-section (2B) of section 18 of the Income-tax Act from any earned income chargeable under the head "Salaries", the estimated total income of the assessee under this head shall, in computing the income-tax to be deducted, be reduced by an amount equal to one-fifth of such earned income, but not exceeding in any case four thousand rupees; but no abatement shall be allowed by the person responsible for paying the salary in respect of any donations made by the assessee to which section 15B of the Income-tax Act is or may be applicable.

(8) For the purposes of this section and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

10. The following amendments shall be made in the Business Profits Tax Act, 1947:— Amendment of Act XXI of 1947.

(1) In clause (1) of section 2, after the words "chargeable accounting period" the words and figures "ending on or before the 31st day of March, 1947," shall be inserted, and after the words "the period of one year" the following shall be inserted, namely:—

"and, in respect of any chargeable accounting period beginning after the 31st day of March, 1947, such sum as may be fixed by the annual Finance Act."

(2) In sub-clause (a) of clause (4) of section 2, for the figures "1947" the figures "1948" shall be substituted, and to the said clause (4), the following proviso shall be added, namely:—

"Provided that where an accounting period falls partly before, and partly after, the end of March, 1947, so much of that accounting period as falls before, and so much of that accounting period as falls after, the end of March, 1947, shall be deemed each to be a separate chargeable accounting period."

(3) In section 4, for the words "which shall be equal to sixteen and two-thirds per cent. of the taxable profits," the following shall be substituted, namely:—

"which shall, in respect of any chargeable accounting period ending on or before the 31st day of March, 1947, be equal to sixteen and two-thirds per cent. of the taxable profits, and in respect of any chargeable accounting period beginning after that date, be equal to such percentage of the taxable profits as may be fixed by the annual Finance Act."

11. (1) The tax imposed by section 4 of the Business Profits Tax Act, 1947, shall, in respect of any chargeable accounting period beginning after the 31st day of March, 1947, be an amount equal to ten per cent. of the taxable profits. Business Profits Tax. XXI of 1947.

(2) For the purposes of the said Act, "abatement" shall mean, in respect of any chargeable accounting period beginning after the 31st day of March, 1947, a sum which bears—

(a) in the case of a company not being a company deemed for the purposes of section 9 of the said Act to be a firm, to a sum equal to six per cent. of the capital of the company on the first day of the said period, computed in accordance with Schedule II to the said Act, or two lakhs of rupees, whichever is greater, or

(b) in any other case, to two lakhs of rupees, the same proportion as the said period bears to the period of one year.

THE FIRST SCHEDULE

(See section 5)

Goods on which additional duty of customs is not leviable

XXXII of 1934. A. Goods comprised in the following Items of the First Schedule to the Indian Tariff Act, 1934, namely:—

Nos. 8 (2), 8 (3), 9 (5), 20 (1), 20 (3), 20 (4), 24, 24 (1), 24 (2), 24 (3), 25 (1), 27 (4), 27 (5), 27 (6), 28 (15), 28 (16), 28 (17), 28 (18), 29, 29 (1), 30 (9), 30 (10), 43, 44, 46 (3), 61 (2), 61 (3), 62 (1), 62 (2), 63 (30), 63 (31), 63 (32), 63 (33), 70 (2), 70 (3), 71 (7), 71 (8), 72, 72 (1), 72 (2), 72 (3), 72 (11), 75 (1), 75 (5), 75 (6), 75 (7), 75 (8).

B. Goods comprised in the following items of the First Schedule to the Indian Tariff Act, 1934, when the Customs Collector is satisfied that such goods are the produce or manufacture of Burma, namely:—

No. 7 (potatoes and onions only) and Nos. 9, 9 (2), 13 (2), 17 and 34 (4) (a).

THE SECOND SCHEDULE

(See section 9)

PART I

Rates of Income-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which paragraph B, C or D of this Part applies—

	Rate
1. On the first Rs. 1,500 of total income	Nil
2. On the next Rs. 3,500 of total income	One anna in the rup
3. On the next Rs. 5,000 of total income	Two annas in rupee.
4. On the next Rs. 5,000 of total income	Three and a half annas in the rup
5. On the balance of total income	Five annas in rupee.

Provided that—

(i) no income-tax shall be payable on a total income which before deduction of the allowance, if any, for earned income does not exceed Rs. 3,000;

(ii) the income-tax payable shall in no case exceed half the amount by which the total income (before deduction of the said allowance, if any, for earned income) exceeds Rs. 3,000 ;

(iii) the income-tax payable on the total income as reduced by the allowance for earned income shall not exceed either—

(a) a sum bearing to half the amount by which the total income (before deduction of the allowance for earned income) exceeds Rs. 3,000 the same proportion as such reduced total income bears to the unreduced total income, or

(b) the income-tax payable on the income so reduced at the rates herein specified,—

whichever is less.

B. In the case of every company, not being a company to which paragraph C of this Part applies—

On the whole of total income	Rate Five annas in the rupee:
------------------------------	-------------------------------------

Provided that in the case of an Indian company—

(a) where the total income, as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, exceeds the amount of any dividends (including dividends payable at a fixed rate) declared in respect of the whole or part of the previous year for the assessment for the year ending on the 31st day of March, 1949, and no order has been made under sub-section (1) of section 23A of the Indian Income-tax Act, 1922, a rebate shall be allowed at the rate of one anna per rupee on the amount of such excess ; XI of 1922.

(b) where the amount of dividends referred to in clause (a) above exceeds the total income as reduced by seven annas in the rupee and by the amount, if any, exempt from income-tax, there shall be charged on the total income an additional income-tax equal to the sum, if any, by which the aggregate amount of income-tax actually borne by such excess (hereinafter referred to as "the excess dividend") falls short of the amount calculated at the rate of five annas per rupee on the excess dividend ; and

(c) the income-tax payable, after deducting any rebate permissible under clause (a), but without including any additional income-tax chargeable under clause (b), shall not exceed the aggregate of—

(i) the income-tax which would have been payable under the provisions of paragraph C of this Part if the total income had been Rs. 25,000, and

(ii) half the amount by which the total income exceeds Rs. 25,000.

For the purposes of clause (b) of the above proviso, the aggregate amount of income-tax actually borne by the excess dividend shall be determined as follows :—

(i) the excess dividend shall be deemed to be out of the whole or such portion of the undistributed profits of one or more years immediately preceding the previous year as would

be just sufficient to cover the amount of the excess dividend and as have not likewise been taken into account to cover an excess dividend of a preceding year ;

(ii) such portion of the excess dividend as is deemed to be out of the undistributed profits of each of the said years shall be deemed to have borne tax,—

(a) if an order has been made under sub-section (1) of section 23A of the Indian Income-tax Act, 1922, in respect of the undistributed profits of that year, at the rate of five annas in the rupee, and

(b) in respect of any other year, at the rate applicable to the total income of the company for that year reduced by the rate at which rebate, if any, was allowed on the undistributed profits.

C. In the case of every Indian company the total income of which does not exceed Rs. 25,000—

	Rate
On the whole of total income	Two and a half annas in the rupee :

Provided that where the total income, as reduced by four and a half annas in the rupee and by the amount, if any, exempt from income-tax, exceeds the amount of any dividends (including dividends payable at a fixed rate) declared in respect of the whole or part of the previous year for the assessment for the year ending on the 31st day of March, 1949, and no order has been made under sub-section (1) of section 23A of the Indian Income-tax Act, 1922, a rebate shall be allowed at the rate of half anna per rupee on the amount of such excess.]

D. In the case of every local authority and in every case in which, under the provisions of the Indian Income-tax Act, 1922, income-tax is to be charged at the maximum rate—

	Rate
On the whole of total income	Five annas in the rupee :

Explanation.—For the purposes of this Part,—

(a) the expression "dividend" shall be deemed to include any distribution included in that expression as defined in clause (6A) of section 2 of the Indian Income-tax Act, 1922, and any such distribution made during the year ending on the 31st day of March, 1949, shall be deemed to have been made in respect of the whole or part of the previous year ;

(b) the expression "Indian company" shall have the meaning assigned to it in clause (7A) of section 2 of the Indian Income-tax Act, 1922.

PART II

Rates of Super-tax]

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraph of this Part applies—

	Rate, if income wholly earned	Rate, if income wholly unearned
1. On the first Rs. 25,000 of total income.	Nil	Nil
2. On the next Rs. 15,000 of total income.	Two annas in the rupee.	Three annas in the rupee.

	Rate, if income wholly earned	Rate, if income wholly unearned
3. On the next Rs. 15,000 of total income.	Three annas in the rupee.	Four and a half annas in the rupee.
4. On the next Rs. 15,000 of total income.	Five annas in the rupee.	Six annas in the rupee.
5. On the next Rs. 15,000 of total income.	Six annas in the rupee.	Seven annas in the rupee.
6. On the next Rs. 15,000 of total income.	Six and a half annas in the rupee.	Eight annas in the rupee.
7. On the next Rs. 50,000 of total income.	Seven annas in the rupee.	Nine annas in the rupee.
8. On the next Rs. 1,00,000 of total income.	Nine and a half annas in the rupee.	Nine and a half annas in the rupee.
9. On the next Rs. 1,00,000 of total income.	Ten annas in the rupee.	Ten annas in the rupee.
10. On the balance of total income	Ten and a half annas in the rupee.	Ten and a half annas in the rupee.

B. In the case of every local authority—

	Rate
On the whole of total income	Two annas in the rupee.

C. In the case of an association of persons being a co-operative society, other than the Sanikatta Saltowners' Society in the Bombay Presidency, for the time being registered under the Co-operative Societies Act, 1912, or under an Act of a Provincial Legislature II of 1912. governing the registration of co-operative societies—

	Rate
(1) On the first Rs. 25,000 of total income	Nil
(2) On the balance of total income	Two annas in the rupee.

D. In the case of every company—

	Rate
On the whole of total income	Three annas in the rupee:

Provided that a rebate at the rate of one anna per rupee of the total income shall be allowed in the case of any company which, in respect of its profits liable to tax under the Indian Income-tax Act, 1922, for the year ending on the 31st day of March, 1949, has made the prescribed arrangements—

(a) for the declaration and payment in the Provinces of India of the dividend payable out of such profits, and

(b) for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) or (3E) of section 18 of the said Act.

Report of the Select Committee on the Bill to give effect to the financial proposals of the Central Government for the year beginning on the first day of April, 1948.

(As amended by the Select Committee)