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FINANCE ACT, 1961

14 of 1961

[29th April, 1961]

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SCHEDULE 1:-1

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FINANCE ACT, 1961

14 of 1961

[29th April, 1961]

An Act to give effect to the financial proposals of the Central Government for the financial year 1961-62. Be it enacted by Parliament in the Twelfth Year of the Republic of India as follows:-

1. Short title and commencement :-

- (1) This.Act may be called The Finance Act, 1961.
- (2) Save as otherwise provided in this Act, section 3 to Section 10 inclusive shall be deemed to have come into force on the first day of April, 1961.

2. Income-tax and super-tax :-

- (1) Subject to the provisions of sub-sections (2), (3) and (4), for the year beginning on the 1st day of April, 1961,-
- (a) income-tax shall be charged at the rates specified in Part I of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge, calculated in either case in the manner provided therein; and
- (b) super-tax shall, for the purposes of Section 55 of the Income tax Act, 1922 (hereinafter referred to as the Income-tax Act), be charged at the rates specified in Part II of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge, calculated in either case in the manner provided therein.
- (2) In making any assessment for the year ending on the 31st day of March, 1962,-
- (a) where the total income of an assessee, not being a company, includes any income chargeable under .the head "Salaries", the income-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 income-tax payable according to the rates applicable under the operation of Finance Act, 1960, on his total income the same proportion as the amount of such inclusion 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, 1961, 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 Finance Act, 1960 on his total income the same proportion as the amount of such inclusion bears to his total income.
- (3) In making any assessment for the year ending on the 31st day of March, 1962, where the total income of a

company, other than the Life Insurance Corporation of India established under Life Insurance Corporation Act, 1956 , includes any profits and gains from life insurance business, the super-tax payable by it shall be the aggregate of the tax calculated-

- (i) on the amount of profits and gains from life insurance business so included, at the rate applicable to the Life Insurance Corporation of India in accordance with Paragraph E of Part II of the First Schedule; and
- (ii) on the remaining part of its total income, at the rate applicable to the company on its total income.
- (4) In cases to which Section 17 of the Income tax Act, 1961 applies, the tax chargeable shall be determined as provided in that section, and with reference to the rates imposed by sub- section (1).
- (5) In cases in which tax has to be deducted under Section 18 of the Income tax Act, 1961 at the prescribed rates, the deduction shall be made at the rates specified in Part III of the First Schedule.
- (6) 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.

3. Amendment of Act XI of 1922 :-

Note.-This Act of 1922 is now repealed and replaced by the Income-tax Act, 1961 (43 of 1961).]

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10. Amendment of Act XI of 1922 :-

Note.-This Act of 1922 is now repealed and replaced by the Income-tax Act, 1961 (43 of 1961).]

11. Amendment of Act 32 of 1934 :-

Note. This section contained amendments then made in the Schedule to Indian Tariff Act, 1934. This latter Act is now repealed and replaced by the Customs Tariff Act, 1975.]

12. Amendment of Act I of 1949 :-

This section amended the Indian Tariff (Amendment) Act, 1949, which now stands repealed by this Customs Tariff Act, 1975.

13. Amendment of Act I of 1944 :-

Note.- This section amends First Schedule to the Central Excises and Salt Act,1944. These amendments were incorporated in that Act, then.]

14. Amendment of Act 74 of 1956 :-

Note.- This section amends section 14 of Central Sales Tax Act, 1956. This amendment was then incorporated in that Act.]

15. Amendment of Act 58 of 1957 :-

Note.- This section amends sections 2, 3 and First Schedule of Additional Duties of Excise (Goods of Special Importance) Act, 1957. These amendments were incorporated in that Act then.]

16. Amendment of Act 2 of 1899 :-

Note.- This section amends Schedule I to Indian Stamp Act, 1899. Theseamendments were incorporated in that Act.]

17. Discontinuance of salt duty :-

For the year beginning on the first day of April, 1961, no duty under Central Excises and Salt Act, 1944 or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

SCHEDULE 1

1

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Hindu undivided family has or where the Hindu undivided dent on him or where the Hindu no minor coparcener, family has one minor cop
family has more than one minor coparcener. \Rs. \Rs. \(1) On the first \3,000 of total \3,300 of total \3,600 of total \Nil \income. \in
On the next \2,000 \1,700 \1,400 \3% (3) On the next \2,500 \2,500 \2,500 \6% (4) On the next \2,500 \2,500 \2,500 \2,500 \9% (5) On the n
\2,500 \11% (6) On the next \2,500 \2,500 \2,500 \14% (7) On the next \5,000 \5,000 \5,000 \18% (ii) In the case of every individual v
every individual or Hindu undivided family whose total income in either case exceeds Rs. 20,000 and in the case of every unregistered firm
of persons, not being a case to which any other Paragraph of this Part applies:- Per cent. (1) On the first Rs. 1,000 of total income ...
total income exceeds the said limit; (iii) the income-tax payable by an individual who is married or a Hindu undivided family whose total
either case Rs. 20,000 shall not exceed the aggregate of- (a) the income-tax which would have been payable if the total income had been
the amount by which the total income exceeds Rs. 20,000: .The limit aforesaid shall be- (i) Rupees 6,000 in the case of every Hindu undi
at the end of the previous year satisfies either of the following conditions, namely :- (a) that it has at least two members entitled to claim
less than eighteen years of age; or (b) that it has at least two members-entitled to claim partition who are not lineally descended one fror
are not lineally descended from any other living member of the family; (ii) Rupees 3,000 in every other case. Surcharges on income-tax T
tax computed at the rates hereinbefore specified shall be increased by the aggregate of the surcharges calculated as under: (a) A surchar
Union equal to the sum' of- (i) five per cent of the amount of income-tax; and (ii) where the earned income included in the total income e
ten per cent of the difference between the amount of income-tax which would have been payable on the whole of the earned income inclu
if such earned income had been the total income and the amount of income-tax payable on a total income of Rs. 1,00,000; (b) A special s
cent of the difference between the amount of income-tax on the total income and the amount of income-tax on the whole of the earned in
in 'the total income if such earned income had been the total income:. Provided that- (i) no surcharge for purposes of the Union shall be i
income does not exceed the limit specified below; (ii) no special surcharge shall be payable in the case of an assessee whose total income
income from dividend on ordinary shares if his total income does not exceed the limit specifier below, and where the total income include
ordinary shares, such limit shall be increased by Rs. 1.500 or the amount of the said dividends, whichever is less: Provided further that- (
income includes any dividends on ordinary shares, the surcharge for purposes of the Union and the special surcharge shall not in each cas
amount by which the total income exceeds the respective limits applicable in either case; (b) the surcharge for purposes of the Union and
both together, shall not execeed half the amount by which the total income exceeds the limit specified below; The limit aforesaid shall be
15,000 in the case of every Hindu undivided family which satisfies as at the end of the previous year either of the following conditions, na
at least two members entitled to claim partition who are not less than eighteen years of age: or (b) that it has at least two members entitle
who are not lineally descended one from the other and who are not lineally descended from any other living member of the family; (ii) Ru
other case. 'Explanation.- For the purposes of this Paragraph, in the case of every Hindu undivided family governed by the Mitakshara law
deemed to be entitled to claim partition of the coparcenary property against his father, or grandfather notwithstanding any custom to the
In the case of every local authority, - Rate of Income-tax Per cent. On the whole of the total income ... ... ... ... ... .10 Surcharge on Incom
income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of 5 per cent of the ai
Paragraphn C In every case in which under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate,- Rate
On the whole of the total income ... ... ... 25 Surcharges on Income-tax The amount of income-tax computed at the rate hereinbefor
increased by the aggregate of the surcharges calculated as under: (a) a surcharge for purposes of the Union of five per cent of the amoun
(b) a special surcharge of fiteen per cent of the amount of income-tax. Paragraph D In the case of every company Rate of Income-tax Per
the total income ... ... ... ... 20 Paragraph E In the case every registered. firm. - \Per cent (I) On the first Rs. 40,000 of total income \N
35,000 of total income \5 (3) On the next Rs. 75.000 of total income \6 (4) On the balance of total income \9 PART II Super-tax and surc
Paragraph A In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case
Paragraph of this Pan applies, Per cent (1) On the first Rs. 20.000 of total income ... ... ... Nil (2) On the next Rs. 5.000 of total income
(3) On the next Rs. 5,000 of total income ... ... ... ... 15 (4) On the next Rs, 10,000 of total income ... ... ... ... 20 (5) On the next F
income ... ... ... ... ... ... 30 (6) On the next Rs. 10.000 of total income ... ... ... ... ... ... 35 (7) On the next Rs. 10,000 of lota) income ... ... ...
the aggregate of the surcharges calculated as under:- (a) A surcharge for purposes of the Union equal to the sum of- (i) five per cent. of
tax; and (ii) where the earned income included in the total income exceeds Rs. 1,00,000, ten per cent. of the difference between the amount
would have been payable on the whole of the earned income included in the total income, if such earned income had been, the total incor
super-tax payable on a total income of Rs. 1,00,000; (b) A special surcharge at fifteen per cent of the difference between the amount of s income and the amount of super-tax on the whole of the earned income, if any, included in the total income, if such earned income had b
Paragraph B In the case of every local authority,- Rates of super-tax Per cent. On the whole of the total income ... ... ... ... ... 16 Surchard
amount of super-tax computed at the rate hereinafter specified shall be increased by a surcharge for purposes of the Union of 12'/2 per ce
super-tax. Paragraph C In the case of every association of persons being a co-operative society as defined in clause (5B) of Section 2 of t
1961 ,- Rates of super-tax Per cent. (1) On the first Rs. 25,000 of total income ... ... ... ... Nil (2) On the balance of total income ... .
on super-tax The amount of super-tax computed at the rates hereinafter specified shall be increased by a surcharge for purposes of the Ui
of the amount of super-tax. Paragraph D In the case of every company, other than the Life Insurance Corporation of India established und
Corporation Act, 1956, - Rates of super-tax Per cent, On the whole of the total income ... ... ... ... 55 Provided that- (i) a rebate at the
so much of the total income as consists of dividends from a subsidiary Indian company formed and registered before the 1st day of April,
per cent. on so much of the total income as consists of dividends from any other Indian company formed and registered on or after the 1s
and at the rate of 35 per cent. on the balance of the total income shall be allowed in the case of any company which- (a) in respect of its
under the Income-tax Act for the year ending on the 31st day of March, 1962, has made the prescribed arrangements for the declaration a
India of the dividends payable out of such proits in accordance with the provisions of sub-section (3D) of section 18 of that Act; and (b) i
referred to in sub-section (9) of S.23A of the Income tax Act, 1961 with a total income not exceeding Rs. 25,000; (ii) a rebate at the rate
much of the total income as consists of dividends from a subsidiary Indian company formed and registered before the 1st day of April, 19
per cent on so much of the total income as consists of dividends from any other Indian company formed and registered on or after the 1st
and at the rate of 30 per cent on the balance of the total income shall be allowed in the case of [any **** company which satisfies] cor
condition (b) of the preceding clause; (iii) a rebate at the rate of 45 per cent on so much of the total income as consists of dividends fron
company formed and registered before the 1st day of April, 1961; at the rate of 35 per cent on so much of the total income as consists of
other Indian company formed and registered on or after the 1st day of April, 1959; at the rate of 25 per cent on so much of the total inco
royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern on or after the 1st day of Apri
been approved by the Central Government in this behalf; and at the rate of 12 per cent on the balance of the total income shall be allowed
company not entitled to a rebate under either of the preceding clauses. Provided further that- (i) the amount of the rebate under clause (i)
preceding proviso shall be reduced by the sum if any, equal to the amount or the aggregate of the amounts, as the case may be, compute
on the aggregate of the sums computed in the manner provided in clause (i) of the second pro- at the rate viso to Paragraph D of Part II (
the Finance Act, 1960 as reduced by the of 100% amount, if any, which is deemed to have been taken into account, in accordance with cl
proviso, for the purpose of reducing the rebate mentioned in clause (i) of the said pro- viso to nil; and (b) on the amount representing th
bonus shares or the amount of any bonus at the rate issued to its shareholders during the previous year with a view to increasing the paid
(ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with
as the case may be, of the preceding proviso only so much of the amounts of reduction mentioned in sub-clauses (a) and (b) of clause (i)
sufficient, in that order, to reduce the rebate to nil shall be deemed to have been taken into account for the purpose: Provided further that
by a company, the total income of which exceeds rupees twenty-five thousand, shall not exceed the aggregate of- (a) the super-tax which
payable by the company of its total income had been rupees twenty-five thousand; and (b) half the amount by which its total income exce
thousand. Explanation.- For the purposes of this Paragraph, where any portion of the profits and gains of a company is not included in its
of such portion being agricultural income, the amount representing the face value of any bonus shares and the amount of any bonus issue
shall each be deemed to be such proportion thereof as the average of the total income of the company in the five previous years in which
in receipt of taxable income immediately preceding the relevant previous year bears to the average of its total profits and gains (excluding
the preceding five years aforesaid, reduced by such allowances as may be admissible under the Income-tax Act which have not been taken
company in its profit and loss accounts for the preceding five years aforesaid. Paragraph E In the case of the Life Insurance Corporation o
under Life Insurance Corporation Act, 1956, Rate of super-tax Per cent On the whole of its profits and gains from life insurance business
for deduction of tax under Section 18 of the Income tax Act, 1961 at the prescribed rates In every case in which under the provisions of S
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	Income tax Act, 1961 , tax is to be deducted at the prescribed rates, deduction shall be made from the income subject to deduction at the
	\ \ Income-tax \ \ Super tax \

1. In the case of a person other than a company- (a) in every case, on the 25% 1.25% 3.75% whole income exclud- ing interest payable Central Government issued or declared to be income-tax free), and (b) in additon where the Super-tax and surcharges on person is one w accordance with the the person responsible provisions of clause (b) of sub-sec- for paying the income tion (1) of section 17 of the In- has come-tax Act. lieve to be resident in the taxable territories, on the whole income. 2. In the case of a company- (a) in every case- (i) on the (excluding interest payable on any security of the 20% Central Government issued or declared to be income-tax free); and (ii) on the whole dividends payable by an Indian company 10% referred to in S.56A of the Income tax Act, 1961): and (b) in addition, where the company company nor a com- pany which has made the prescribed arrangements for the declaration and payment of dividends within India,- (i) or dividends (excluding dividends payable by an Indian company referred to in S.56A of the Income tax Act, 1961)-

	Ra
tax Super-tax	
dividends payable by any of its subsidiary Indian companies formed and registered before the 1st day of April 1961	Nil (2) on di
other other Indian company formed and registered on or after the 1st day of April, 1959 $\\\ 10\%$ (3) on any other div	idends
the income from royalties payable by an Indian concern in pursuance of an agreement which is made by it with the Indian	concern on or a
April, 1961 and which has been approved by the Cen- tral Government in this behalf 20% (iii) on any oth	er income, not
dividends. 33%	

SCHEDULE 2

2

(See section 11) (Note.- This Schedule amended by the First Schedule to Indian Tariff Act, 1934, which is now repealed and replaced by the Customs Tariff Act, 1975,]