

Act No. XX of 1948

[PASSED BY THE DOMINION LEGISLATURE]

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

(Received the assent of the Governor General on the 30th March 1948)

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:—

- (1) This Act may be called the Indian Finance Act, 1948. Short title and extent.
- (2) It extends to all ^{the whole} the Provinces of India ~~except Part B States~~. ^{Part B States and Part C States}
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. ^{Discontinuance of salt duty.}
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. ^{Inland postage rates.}
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.
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:

VI of 1898.

Alteration of certain duties of customs. XXXII of 1934.

Additional duties of customs. XXXII of 1934.

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

Price anna 1 or 1½d.

1. Subs. by A.O. 1950.

2. Subs. by A.O. (No. 3) 1951.

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

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 hand-loom 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.”

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

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;”

(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.

(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.

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

Amendment of
Act XI of 1922.

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

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

(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.

1. Subs. by A.O. 1950.

[the taxable territories] ✓

(3) The amount by which the tax payable by an assessee is reduced on account of an exemption under this section shall no 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. Subject to the provisions of sub-sections (3), (4), (5) 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.

(2) 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

1. Subs. by A.O. 1948.

[The taxable territories]

Income-tax and super tax.

X of 1922.

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 XX of 1947. 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 XX of 1947. same proportion as the amount of such inclusion bears to his total income.

(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 any 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 (7), 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.

Amendment of
Act XXI of 1947.

10. The following amendments shall be made in the Business Profits Tax Act, 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 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."

Business Profits
Tax.
XXI of 1947.

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,

(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

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

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 (3), 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 rupee
3. On the next Rs. 5,000 of total income	Two annas in the rupee.
4. On the next Rs. 5,000 of total income	Three and a half annas in the rupee.
5. On the balance of total income	Five annas in the 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—

Rate

On the whole of total income 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 ;

(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 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—

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.