

The Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1964

(ACT NO. 11 OF 1964)

[*As on the* 30*th August*, 2026]

AMENDING ACT

The Delegated Legislation Provisions (Amendment) Act, 1985 (04 of 1986).

LIST OF ABBREVIATIONS USED

Cl., cls.	*for*	Clause, clauses.
Ins.	„	Inserted.
Notifn.	„	Notification.
S., ss.	„	Section, sections.
Sch.	„	Schedule.
Subs.	„	Substituted.
w.e.f.	„	with effect from.

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THE TAXATION LAWS (CONTINUATION AND VALIDATION OF RECOVERY PROCEEDINGS) ACT, 1964

ARRANGEMENT OF SECTIONS

SECTIONS

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THE TAXATION LAWS (CONTINUATION AND VALIDATION OF RECOVERY PROCEEDINGS) ACT, 1964

ACT NO. 11 OF 1964

[12*th May*, 1964.]

An Act to provide for the continuation and validation of proceedings in relation to Government dues and for matters connected therewith.

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

1. Short title.—This Act may be called the Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1964.

2. Definitions.—In this Act, unless the context otherwise requires,—

(*a*) "assessee", in relation to—

(*i*) the Excess Profits Tax Act, 1940 (15 of 1940), or the Business Profits Tax Act, 1947 (21 of 1947), means a person by whom the tax or any other sum is payable under that Act;

(*ii*) the Estate Duty Act, 1953 (34 of 1953), means a person accountable or an accountable person as defined in that Act;

(*iii*) any other scheduled Act, means an assessee as defined in that Act;

(*b*) "Government dues", in relation to any scheduled Act, means any tax, duty, penalty, fine, interest, annuity deposit or any other sum payable to the Government by an assessee under that Act;

(*c*) "scheduled Act" means an Act specified in the Schedule;

(*d*) "Taxing Authority", in relation to any scheduled Act, means an officer (by whatever name called) empowered to serve upon an assessee a notice of demand in respect of any Government dues under that Act;

(*e*) "Tax Recovery Officer", in relation to any scheduled Act, means a Tax Recovery Officer as defined in that Act and where there is no such definition, means an officer (by whatever name called) to whom a certificate for the recovery of arrears of Government dues may be issued under that Act.

3. Continuation and validation of certain proceedings.—(*1*) Where any notice of demand in respect of any Government dues is served upon an assessee by a Taxing Authority under any scheduled Act, and any appeal or other proceeding is filed or taken in respect of such Government dues, then,—

(*a*) where such Government dues are enhanced in such appeal or proceeding, the Taxing Authority shall serve upon the assessee another notice of demand only in respect of the amount by which such Government dues are enhanced and any proceedings in relation to such Government dues as are covered by the notice or notices of demand served upon him before the disposal of such appeal or proceeding may, without the service of any fresh notice of demand, be continued from the stage at which such proceedings stood immediately before such disposal;

(*b*) where such Government dues are reduced in such appeal or proceeding,—

(*i*) it shall not be necessary for the Taxing Authority to serve upon the assessee a fresh notice of demand;

(*ii*) the Taxing Authority shall give intimation of the fact of such reduction to the assessee, and where a certificate has been issued to the Tax Recovery Officer for the recovery of such amount, also to that officer;

(*iii*) any proceedings initiated on the basis of the notice or notices of demand served upon the assessee before the disposal of such appeal or proceeding may be continued in relation to the amount so reduced from the stage at which such proceedings stood immediately before such disposal;

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(*c*) no proceedings in relation to such Government dues (including the imposition of penalty or charging of interest) shall be invalid by reason only that no fresh notice of demand was served upon the assessee after the disposal of such appeal or proceeding or that such Government dues have been enhanced or reduced in such appeal or proceeding:

Provided that if as a result of any final order such Government dues (other than annuity deposit) have been reduced and the penalty imposed on the assessee for default in payment thereof exceeds the amount so reduced, the excess shall not be recovered, and if it has already been recovered, it shall be refunded to the assessee on an application made by him to the Taxing Authority wihin such time and in such manner as may be prescribed by rules made under this Act:

Provided further that if the amount of penalty imposed on the assessee for failure to make any annuity deposit exceeds one-half of the amount of the annuity deposit required to be made as a result of such order, the excess shall not be recovered and if it has already been recovered, shall be refunded to the assessee on an application made by him to the Taxing Authority within such time and in such manner as may be prescribed by rules made under this Act:

Provided further that where any Government dues are reduced in such appeal or proceeding and the assessee is entitled to any refund thereof, such refund shall be made in accordance with the provisions of that Act.

(*2*) For the removal of doubts, it is hereby declared that no fresh notice of demand shall be necessary in any case where the amount of Government dues is not varied as a result of any order passed in any appeal or other proceeding under any scheduled Act.

(*3*) The provisions of this section shall have effect notwithstanding any judgment, decree or order of any court, tribunal or other authority.

4. Power to amend the Schedule.—The Central Government may, by notification in the Official Gazette, add the name of any Central Act providing for the imposition or levy of any tax or duty in the Schedule and on the issue of any such notification, the Act so added shall be deemed to be an Act specified in the Schedule within the meaning of clause (*c*) of section 2.

5. Act to have retrospective effect.—The provisions of this Act shall apply and shall be deemed always to have applied, in relation to every notice of demand served upon an assessee by any Taxing Authority under any scheduled Act whether such notice was or is served before or after the commencement of this Act.

6. Power to remove difficulties.—If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the purposes of this Act, as appear to it to be necessary or expedient for removing the difficulty.

7. Power to make rules.—(*1*) The Central Government may[1][by notification in the Official Gazette] make rules for carrying out the purposes of this Act.

(*2*) Every rule made under this Act shall be laid as soon as may be after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or[2][in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid] both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, that rule shall thereafter have effect, only in such modified form or be of no effect, as the case may be, so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

1. Ins. by Act 4 of 1986, s. 2 and Sch. (w.e.f. 15-5-1986).
2. Subs. by s. 2 and Sch., *ibid*., for certain words (w.e.f. 15-5-1986).

THE SCHEDULE

[*See* section 2(*c*)]

1.The Indian Income-tax Act, 1922 (11 of 1922).

2.The Excess Profits Tax Act, 1940 (15 of 1940).

3.The Business Profits Tax Act, 1947 (21 of 1947).

4.The Estate Duty Act, 1953 (34 of 1953).

5.The Wealth-tax Act, 1957 (27 of 1957).

6.The Expenditure-tax Act, 1957 (29 of 1957).

7.The Gift-tax Act, 1958 (18 of 1958).

8.The Income-tax Act, 1961 (43 of 1961).

9.The Super Profits Tax Act, 1963 (14 of 1963).

[1][10. The Companies (Profits) Surtax Act, 1964 (7 of 1964).]

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1. Added by Notifn. No. S.O. 1914, dated 1-6-1964.

STATEMENT OF OBJECTS AND REASONS

Recently in the case of Income-tax Officer, Kolar and another vs. Seghu Buchiah Setty, the Supreme Court had occasion to consider the scope of sections 29 and 45 of the Indian Income-tax Act, 1922, and it has been held in that case that when a demand levied by the Income-tax Officer as a result of an assessment is varied by an appellate or revising authority, the original order of the Income-tax Officer merges into the order of such authority and consequently in all cases of an order varying the assessment, the original order goes and all steps already taken for the recovery of the demand become null and void and that in such cases it is the duty of the Income-tax Officer to issue a fresh notice of demand in the prescribed form and serve it upon the assesses. Though the judgment is with reference to the Indian Income-tax Act, 1922, which has been repealed but kept alive only for some limited purposes, the same interpretation may hold good with respect to the corresponding provisions in the Income-tax Act, 1961, and in the other Acts relating to the imposition of direct taxes.

2. The above decision of the Supreme Court will create difficulties in the collection of income-tax and; other direct taxes. The number of assessments involved in the arrear demands of the direct taxes is nearly 6 lakhs and recovery certificates have been issued to Collectors or Tax Recovery Officers in approximately 2,25,000 cases and the revenue involved comes to Rs. 157 crores. In view of the above decision of the Supreme Court, in most of these cases, fresh notices of demand may have to be served upon the assesses and the assesses will have to be allowed a further period for paying the tax. It will be only after the expiry of the said period that fresh proceedings for recovery can be started. The result would be that recalcitrant assesses would get sufficient time to withdraw their funds or alienate their properties with a view to defeating the claims of revenue.,

3. In order to overcome these difficulties, it is proposed to provide that in such cases, it shall not be necessary to take proceedings afresh or to serve fresh notices of demand except that in the case of an enhancement of assessment, another notice of demand shall be served upon the assesses with respect to the amount by which the assessment has been enhanced. Opportunity has also been taken to provide for certain matters which are ancillary to the above proposal.

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NEW DELHI;
The 23*rd April*, 1964.

T.T. KRISHNAMACHARI.