2. RESPONSE TO THE INCENTIVE

As indicated in the preceding chapter, the expenditure incurred only on a rural development programme approved by the prescribed authority was allowed to be deducted under section 35CC in the computation of the assessee's taxable profits. This section was inserted in the Act with effect from September 1, 1977 and programmes could be approved thereunder upto March 16, 1985. Thus the provision was in operation for a period of a little over seven years and six months. As mentioned already, information gathered for this study showed that in six years and seven months till March 31, 1984, the prescribed authority issued 263 approval orders to 140 companies. Table 2.1 gives the year-wise break-up. It will be seen that the number of approvals rose from 42 in the operative seven months of 1977-78 to 65 in 1978-79, and thereafter fell to 44 in 1979-80, 47 in 1980-81, 32 in 1981-82, 28 in 1982-83 and 5 in 1983-84. Table 2.1 also gives the number of approval orders for new programmes, *i.e.*, programmes which were not continuation/extension or programmes approved earlier. The number of approvals for new programmes also registered a steady decline after going up initially. The number which stood at 42 in 1977-78, and 59 in 1978-79 came down to 14 in 1982-83 and nil in the following year. The work relating to approval of programmes was decentralised with effect from June 1, 1979. While the Central prescribed authority gave 107 approvals in $1\frac{3}{4}$ years from 1.9.1977 to 31.5.1979 the State-level prescribed authorities could accord only 156 approvals in $4\frac{3}{4}$ years from 1.6.1979 to 31.3.1984.

The number of companies borne on the registers of the Income-tax Department as on March 31, 1983 was 48,597.[1] Only the relatively more prosperous of them could be expected to take on the burden of rural development. The total number of companies which got their programmes approved under section 35CC may be estimated at 155.[2] This works out to 5.3

per cent of 2,928, the number of companies with income above Rs. 5 lakh.[1] Even allowing for the fact that a large number out of 2,928 companies would be enterprises with operations entirely restricted to urban areas with little interest in villages, it is evident that the corporate sectors's initial response to this incentive was lukewarm. And, it became indifferent over the years. The poor response to the scheme is evidenced also by the fact that the total expenditure involved in the programmes in the $7^1/_2$-year period is estimated at Rs. 875.56 lakh or Rs. 9 crore and the tax revenue forgone at Rs. 497 lakh or roughly, Rs. 5 crore[3] forming only about 0.35 per cent of the income tax collected from companies during the period.

Programmes under section 35CC were generally approved for implementation within a two-year period from the approval date. The year of completion of a programme was the year for which the attendant tax relief could be obtained. Not all the 140 companies which got programmes approved till March 31, 1984 undertook their implementation, e.g., of the 83 out of 86 companies which secured approvals before June 1, 1979 for which the requisite information was available, as many as 16 did not implement the approved programmes.[3] This gives a drop-out rate of about 20 per cent. Further, out of 92 companies for which information regarding deductions claimed under section 35CC could be gathered, as many as 32 companies claimed deduction for one year only during the first three assessment years, *viz.*, 1978-79, 1978-80 and 1980-81 and deductions claimed by 28 companies did not exceed Rs. 2 lakh each. This, in effect, means that about one-third of the companies which availed of the incentive lost interest in it after implementing a relatively modest programme. In other words, their initial enthusiasm tapered off.

Out of Rs. 688 lakh, the total amount claimed as deductions under section 35CC for which company-wise breakup is available, Rs. 595 lakh or 86.5 per cent of the total was claimed by 60 companies which belonged to one or the other of the Large Industrial Houses or were Single Large or Dominant Undertakings (Table 2.2). In terms of expenditure on rural programmes, the houses who account for a significant share are Mafatlal, ACC, Dalmia, Tata, ICI, Birla and Ramakrishna groups. Their combined expenditure constituted 78 per cent of the total. Mafatlal alone accounted for over 38 per cent of the total.

Incidentally, the business houses which showed relatively more interest in section 35CC programmes were generally those which had involved themselves in rural welfare and uplift even before this section came on the statute in 1977, e.g., "a large industrial house" of western India with extensive interest in textiles has been associated with a research-hased foundation set up in 1967 which has done considerable work in cattle development and propagation of high quality and low cost cattle feeds. Another was a leading cement manufacturing company with factories in isolated and backward rural areas in various States believed to have commenced rural development activities in 1952. Another large industrial house had set up its own social welfare board in 1953 for rural uplift in selected areas. A steel manufacturing company belonging to this house had been showing interest in Adivasi welfare from 1974. So far as these houses were concerned, the only change brought about by section 35CC was that to the extent such financial outlay could not be claimed as businesss expense, it allowed them 100 per cent deduction in computation of taxable income of the companies concerned as against the 50 per cent deduction already available under section 80G for donations to house trusts etc., to undertake similar work.

Table 2.3 shows that out of the 86 companies about which equity capital information was readily available, 32 companies accounting for over Rs. 1.9 crore of the deductions claimed under section 35CC belonged to the size-group of Rs. 1 crore to Rs. 5 crore range, and 21 companies accounting for Rs. 2.7 crore deductions belonged to Rs. 5 crore to Rs. 10 crore range. Thus most of the companies belonged to the paid-up capital-size group ranging from Rs. 1 crore to Rs. 10 crore range. Their combined share in the total deduction under section 35CC was 67.6 per cent. The other major contribution of 23.6 per cent came from the seven companies accounting for Rs. 1 6 crore deductions, each having paid-up capital above Rs. 20 crore. Thus, only large companies displayed initiative in the 35CC programmes.

Table 2.4 shows section 35CC deduction claimed *vis-a-vis* total income for the year. This classification also shows that only the relatively prosperous companies came forward to undertake the rural programmes. Roughly 50 per cent of the expenditure on such programmes came from companies whose returned income was above Rs. 1 crore each in each of the assessments in which the claim was made. Another interesting point is the Rs. 214 7 crore deduction claimed in 44 assessments in which total income declared was a loss which forms 31.2 per cent of the total deduction. In these cases, the absence of profit for the relevant year was not a restraining factor as the expenditure on section 35CC programmes was paltry.

Table 2.5 shows the classification of 35CC companies by their major manufacturing activity. *A priori* it is difficult to reason out why some industries showed more initiative than others in such activities. Ordinarily, industries which depend on agricultural inputs or other local raw materials or human inputs could be expected to show a higher degree of initiative than others. However, the empirical support is weak for such a conclusion. The major contributions to activities supported by 35CC came from the textile industry (37 per cent), chemical and chemical products industry (28.9 per cent), cement industry (11.6 per cent) and paper industry (5.6 per cent).

Gains to the Economy

(*a*) *Regional spread of rural programmes*

According to information culled from the prescribed authority files, 263 rural development programmes were approved during the period 1977-78 to 1983-84. These programmes covered over 1100 villages spread over 13 States.

The State-wise distribution of the programmes and their outlays are shown in Table 2.6. The table shows that rural programmes approved and undertaken for section 35CC were concentrated in Gujarat, Maharashtra, Uttar Pradesh, Andhra Pradesh, and Karnataka. About 60 per cent of the 263 programmes were located in these five States, involving 73 per cent of the total expenditure. Also, over two-thirds of the 1100 villages covered belonged to those five States. Among the States which received scant attention, the prominent ones were Assam, West Bengal, Bihar and Tamil Nadu.

(*b*) *Activities covered by rural development programmes*

We made an attempt to find out what type of activities received support from the companies undertaking rural development programmes. The 263 approved programmes are classified under 15 categories. These include schemes relating to self-employment generation, provision of medical facilities, educational facilities, infrastructure such as roads and drainage, drinking water projects, rural electrification, housing, minor irrigation, supply of seeds, fertilisers and pesticides to small and marginal farmers, supply of farm equipment, animal husbandry, technical assistance in developing cottage industries as well as facilities of repairs and maintenance of farm equipment (Table 2.7).

Many of these approved programmes were of a mixed character, touching various aspects of rural development. Out of the Rs. 532.12 lakh outlay for which information was available, Rs. 404.32 lakh (76 per cent) was found to have been spent on multi-activity programmes. This indicates a desire on the part of the sponsors to benefit the selected area in a comprehensive manner in tune with the approach of the national Integrated Rural Development Programme (IRDP). Further, it is also not surprising that the choice of the programme and the location was guided by enlightened business interest or sentimental affinity of persons in control to certain areas. For example, two companies executed programmes (Rs. 3.40 lakh) in areas with which the persons in control had a sentimental affinity. A well-known pilgrim centre attracted considerable outlay (Rs.32.60 lakh) from companies belonging to a large industrial house.

Among the single-category programmes, more popular were the schemes for setting up of educational and vocational centres (Rs. 39.97 lakh), rural electrification (Rs. 36.88 lakh), setting up of dispensaries, medical centres, etc. (Rs. 17.74 lakh), assistance in setting np rural industries (Rs. 13.29 lakh) and animal husbandry were more popular.

(*c*) *Extent of fixed asset creation*

Table 2.8 shows the value of fixed assets created under the rural development programmes in different States. Out of the total outlay of Rs. 688.05 lakh, information on fixed asset creation is available in respect of programmes involving Rs. 532.12 lakh. Expenditure on fixed assets was Rs. 131.33 lakh (25 per cent). The proportion of expenditure on fixed assets in the total expenditure varied among the States. For example, in Andhra Pradesh, fixed assets formed 96 per cent of the total expenditure for which programme-wise details are available. The share was 45 per cent in Orissa, 29 per cent in Madhya Pradesh, 27 per cent in Haryana, and so on. Further, buildings constituted a major portion (74 per cent) of the expenditure on fixed assets.

An Evaluation of Section 35CC

(*a*) *Underlying purpose*

In 1976, well before the enactment of section 35CC, the Union Minister of Agriculture and Irrigation emphasised the need for industry to help develop appropriate technology and transfer of necessary skills for the benefit of small farmers.[4] However, this concept was not strictly followed in defining the programme of rural development" for purpose of section 35CC on its enactment in 1977. The definition was made much wider to include any programme for promoting the social and economic welfare of, or uplift of the public in any rural area. Thus, the definition rested on two concepts: welfare (relief of distress) and uplift (eradication of poverty). The 15-category illustrative list of programmes for rural development to be considered for approval by the prescribed authority for purposes of section 35CC included many categories of programmes with more "welfare" than "uplift" content, e.g., establishment and running of dispensaries, maternity, child and family welfare centres; nutrition programmes for school children, construction and maintenance of village streets, pavements and drainage, construction and maintenance of drinking water projects, such as wells, tubewells, etc., and cleaning of wells and ponds, assistance to weaker sections in constructing houses on sites provided in rural areas by government and village panchayats, etc. Thus a large portion of funds made available under section 35CC went towards welfare programmes involving little transfer of skills.

On it becoming clear by 1979, that there was going to be no large-scale direct involvement of the corporate sector in rural development, it was emphasised that it was not so much the financial expenditure of the companies which was important, but efforts had to be made to have managerial inputs and expertise of the companies in management of the rural development projects[5] To quote Dr. M.S. Swaminathan, Member, Planning Commission:

> "On an overall approach, what we call rural development has three major aspects: the minimum needs programme, the rural infrastructural programme and the employment generation programme. Business houses and industrial houses can also play a role in the minimum needs programme like drinking water supply, rural health care and sanitation, elementary education and a wide variety of other ancillary programmes put under the minimum needs programme. They can also play a part in terms of infrastructure in certain cases. But, I think business houses should concentrate on this single purpose which was identified by Mr. Guzder: how do we really increase the family income in rural area ? If one can have that as a single major target instead of getting diversified, if one can have a single focus and thrust instead of chasing too many butterflies at the same time, one can also measure what impact that contribution has made. Putting an ocasional drinking water well here or there is important. These are generally classified as philanthropic activities. The most important and the most meaningful contribution one could make is to increase the family income in rural areas so that the stigma that 48 per cent of our people are below the poverty line could be removed as quickly as possible."[6]

The above approach did not lead to a redrawing of the illustrative list of categories of programmes that could be approved for the purposes of section 35CC. Section 35CC was amended in 1983 to provide that the prescribed authority could approve programmes only out of the classes or categories of programmes of rural development as might be specified by the Central Government in this behalf. However, the notification of 28th January, 1984 which specified seven categories or classes of programmes included three categories which Dr. Swaminathan would have considered as predominantly philanthropic or social in nature, *viz.*, construction and maintenance of drinking water projects, hospitals and dispensaries and family planning centres and rural link roads, village streets, pavements; drainage and sanitary latrines, etc. Thus the classes and categories of programmes which were approved under section 35CC included many programmes which were essentially of a "welfare" nature, and only a fraction of the very limited response to this incentive was channellised for its real purpose, *viz.*, deployment of corporate skills of management and expertise for raising village family incomes.

(*b*) *Reasons for poor initial interest and declining response*

Non-implementation by a significant number of the companies which had got their programmes approved by the prescribed authority indicates the inability or unwillingness on the part of many companies to tackle the managerial and other problems involved in executing a rural development programme on their own. This explains the lukewarm interest in this incentive on the part of the corporate sector, the virtual monopoly of the implemented programmes by the bigger companies and the preponderant role of the Large Industrial Houses. Only they have the requisite administrative infrastructure to undertake obligations not immediately connected with the income-earning process.

Second, the Finance Act, 1978 inserted a new provision in the Act, *viz.*, section 35CCA, to enable tax payers to contribute to rural development. This provision allowed a company (along with other categories of assessees) to obtain full deduction in the computation of its taxable business profits, of the sum paid by it to an association or institution approved for the purposes of section 35CCA and undertaking approved rural development programmes. Section 35CCA became operative from 1.6.1978. As could be expected, section 35CCA became popular at the expense of section 35CC. In fact, a number of companies after getting their programmes approved under section 35CC, preferred to drop them and to make payments covered by section 35CCA. It is, therefore, not surprising that as early as in November, 1980 the Chief Commissioner of Income Tax, Bombay, reported that while 12 applications with proposed financial outlay of Rs. 146 lakh had been approved under section 35CC, the number of applications approved under section 35CCA was 66 involving outlay of Rs. 475 lakh.[7]

It would be inappropriate to view the financial outlay made by industry in implementation of programmes approved under section 35CC (more than half thereof met by the Government as tax forgone) in isolation. There were other tax incentives for the industry to provide funds for rural development as such, *viz.*, section 35CCA (payments to approved associations and institutions for carrying out approved rural development programmes), section 80GGA(2)(b) (deduction in respect of donations for rural development) and section 80GGA(2)(d) pertaining to National Rural Development Fund. A large number of charitable funds and institutions participate in the work of uplift and advancement of poor rural folk, donations to which entitle the donor to tax relief under section 80G of the Act. For an idea as to the total contributions made by the industry for rural development, outlays spurred by all these incentives have to be taken into account. The proper perspective to view section 35CC would be to see it as a new instrument devised to involve industry directly in the cause of rural development. For various reasons, it failed to arouse much enthusiasm.

NOTES

1. Government of India, *Report of Comptroller and Auditor General of India for the year 1982-83*—Union Government (Civil) Revenue Receipts—Vol. II, Direct Taxes, pp. 6-7.
2. Assuming that the number of companies which got approval for the first time in 1984-85 upto March 16, 1985 was about the same which obtained approval for the first time annually during 1981-82 (12) or 1982-83 (14), the total number of companies obtaining approval during the entire period in which approvals could be given, i.e., 1.1.1977 to 16.3.1985 comes to [number of companies obtaining approval upto 31.3.1984: 140 plus estimated number of companies obtaining approval for the first time from 1.4.1984 to 16.3.1985: (15) =155]. For our present purpose, 1983-84 is ignored when the number

of companies securing an approval for the first time was nil. That may be ascribed to the fact that consequent to amendment of section 35CC, effective April 1, 1983, the notification specifying the classes and categories of programmes from which the prescribed authority could accord approval, came to be issued on January 28, 1984.

3. See Appendix.
4. Government of India, Ministry of Agriculture and Irrigation (Department of Rural Development). *Brochure on Rural Development Programmes*—participation of Industrial/business houses (1979). Inaugural address by Shri Jagjivan Ram, Union Minister of Agriculture and Irrigation at the Seminar on Industries Participation in Agricultural & Rural Development, at Ranchi—21st August, 1976.
5. Government of India, Ministry of Rural Reconstruction. Summary record of the meeting of Chairman and Members of the State Level Committees of Income-tax concession under S. 35CC/35CCA held on 28th December, 1979, p. 4, para 18 (i).
6. Proceedings of Seminar on Rural Development: Involvement of Business and Industry, jointly organised by the Indian Merchants' Chamber, Bombay Management Association and Bombay Chamber of Commerce and Industry, 22-23 November, 1980, p. 6.
7. *Ibid.*, p. 90.

Table 2.1

Approval of Programmes by Prescribed Authority for Section 35CC (1977-78 to 1983-84)

Financial year	*Number of approval orders*	*Number of companies granted approval for the first time*	*Number of approval orders out of (2) for new programmes, i.e., programmes which were not continuation/extension of programmes approved earlier*
(1)	(2)	(3)	(4)
1977-78 (1.9.77 to 31.3.78)	42	42	42
1978-79	65	44	59
1979-80	44	15	34
1980-81	47	13	35
1981-82	32	12	19
1982-83	28	14	14
1983-84	5	nil	nil
TOTAL	263	140	203

Note: The number in column (3) is less than in column (2) for the reason that a number of companies obtained approval orders for (*i*) more than one programme in one year, (*ii*) for new programme(s) in subsequent year(s) and (*iii*) continuation/extension of programme(s) approved earlier.

Source: Data furnished by Commissioners of Income Tax, reply to Lok Sabha Unstarred Question No. 655 on February 23, 1979 and information gathered by the study team at Bombay, Calcutta, and Hyderabad.

Table 2.2

Expenditure Incurred on Rural Development Programmes under Section 35CC of Income-tax Act by Large Business Houses

Name of business house	*Number of companies claiming deduction*	*Total deduction claimed (Rs lakh)*	*Relative share in the total (per cent)*
(1)	(2)	(3)	(4)
1. ACC	2	19.52	13.30
2. Bajaj	1	4.13	0.60
3. Bangur	1	6.33	0.92
4. Birla	5	32.96	4.79
5. Dalmia	2	75.92	11.03
6. ICI	3	31.23	4.54
7. JK	1	4.44	0.65
8. Mafatlal	10	263.68	38.32
9. Modi	3	16.93	2.46
10. Ramakrishna	1	16.69	2.43
11. Tata	19	39.96	5.81
12. Walchand	2	0.60	0.90
13. Government companies	1	10.70	1.56
14. Others	41	92.96	13.51
TOTAL	92	688.05	100.00

Source: Income Tax Records.

Table 2.3

Expenditure Incurred by Companies on Rural Development Programmes under Section 35CC of Income-tax Act by Size of Paid-up Capital

Size class of paid-up capital (Rs crore)	*Number of companies obtaining approvals for rural development programmes (estimated)*	*Number of companies claiming deduction*	*Deduction claimed (Rs lakh)*	*Per cent share*
(1)	(2)	(3)	(4)	(5)
Below 1	24	17	33.47	4.86
1— 5	36	32	190.17	27.64
5—10	22	21	274.97	39.96
10—20	12	9	18.95	2.75
Above 20	11	7	162.50	23.62
Unclassified	50	6	7.99	1.16
TOTAL	155	92	688.05	100.00

Source: As for Table 2.2

Table 2.4

Expenditure Incurred by Companies on Rural Development Programmes under Section 35CC of Income-tax Act by Size of Income

(*Rs lakh*)

Size of income as per return	*Number of assessments*	*Total deduction claimed*	*Per cent share*
(1)	(2)	(3)	(4)
Loss	44	214.70	31.20
Below 1	—	—	—
1— 5	6	7.99	1.16
5–10	2	0.12	0.02
10—50	22	49.27	7.16
50—100	10	22.59	3.28
Above 100	118	343.62	49.94
Unclassified	19	49.76	7.23
TOTAL	221	688.05	100.00

Source: As for Table 2.2.

Table 2.5

Expenditure Incurred by Companies on Rural Development Programmes under Section 35CC of Income-tax Act by Type of Industrial Activity

Type of industrial activity	*Number of companies obtaining approvals for rural development programmes (estimated)*	*Number of companies claiming deduction*	*Deduction claimed (Rs lakh)*	*Per cent share*
(1)	(2)	(3)	(4)	(5)
1. Tea	6	4	3.80	0.55
2. Food products	10	4	8.00	1.16
3. Textiles	18	13	253.69	36.66
4. Paper & products	7	5	38.67	5.59
5. Rubber & products	4	4	7.65	1.11
6. Chemicals & products	35	31	200.20	28.93
7. Metal & products	9	1	26.00	3.76
8. Cement & products	9	6	80.10	11.57
9. Engineering	24	10	18.06	2.61
10. Transport equipment	7	3	15.63	2.26
11. Power generation & supply	6	4	5.67	0.82
12. Services	8	6	22.68	3.28
13. Unclassified	12	4	7.90	1.72
TOTAL	155	92	688.05	100.00

Source: As for Table 2.2.

Table 2.6

Distribution of Approved Rural Development Programmes, Proposed Outlay and Expenditure—Statewise

State	Number of companies claiming the deduction under Sec. 35CC	No. of programmes	Approximate no. of villages covered	Proposed outlay (Rs. lakh)	Total deduction claimed	Per cent share in total deduction
1. Andhra Pradesh	32	54	313	121.44	52.54	7.64
2. Assam	2	3	22	4.35	2.08	0.30
3. Bihar	1	1	—	n.a.	8.90	1.29
4. Gujarat	12	35	344	252.11	173.66	25.24
5. Haryana	9	24	25	40.35	41.42	6.02
6. Karnataka	3	4	9	78.25	44.48	6.46
7. Madhya Pradesh	11	17	156	83.04	41.08	5.97
8. Orissa	5	10	13	50.00	42.69	6.20
9. Maharashtra	16	33	130	185.25	98.52	14.32
10. Rajasthan	5	19	23	n.a.	31.24	4.54
11. Tamil Nadu	4	17	7	n.a.	10.01	1.45
12. Uttar Pradesh	10	33	69	n.a.	132.00	19.18
13. West Bengal	6	13	9	37.45	9.43	1.37
TOTAL	116**	263	1100	852.24*	688.05	100.00

Notes: (1)* Approximate figure. (2)**Some companies had programmes in more than one State, thus making the total more than the sample number of 92. (3) n.a.=Not available.

Source: As for Table 2.2.

Table

State-wise Distribution of Expenditure under

	All States	*Andhra Pradesh*	*Assam*	*Bihar*	*Gujarat*
1. Assistance in setting up of rural industries	13.29	—	—	—	2.72
2. Dispensaries, etc.	17.74	—	—	—	0.86
3. Nutrition programmes for children	n.a.	—	—	—	—
4. Educational (vocational) centres	39.97	—	2.08	—	—
5. Road, drainages etc.	n.a.	—	—	—	—
6. Drinking water facilities	0.61	—	—	—	—
7. Rural electrification	36.88	36.88	—	—	—
8. Housing for weaker sections	2.14	—	—	—	—
9. Minor irrigation	n.a.	—	—	—	—
10. Supply of seeds	n.a.	—	—	—	—
11. Supply of fertilizers	0.69	—	—	—	—
12. Supply of plant protection equipments	n.a.	—	—	—	—
13. Animal husbandry	10.18	—	—	—	—
14. Poultry farming, horti-culture, pisciculture	0.88	—	—	—	—
15. Servicing and repairing equipments	5.42	—	—	—	3.25
16. Multi-activity programmes	404.32	0.42	—	8.90	144.07
TOTAL	532.12	37.30	2.08	8.90	150.90

Source: As for Table 2.2.

2.7

Section 35CC According to Activity

Haryana	Karnataka	Madhya Pradesh	Maharashtra	Orissa	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
—	—	—	1.20	3.87	—	—	—	5.50
—	—	14.44	—	—	—	2.44	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1.51	36.38	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	0.61
—	—	—	—	—	—	—	—	—
—	—	—	—	2.14	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	0.06	—	—	—	—	0.63
—	—	—	—	—	—	—	—	—
4.29	—	—	—	—	—	—	5.89	—
—	0.88	—	—	—	—	—	—	—
—	—	—	2.17	—	—	—	—	—
4.94	—	17.98	72.16	—	27.85	2.93	122.39	2.68
9.23	0.88	32.42	77.10	42.39	27.85	5.07	128.23	9.42

Table 2.8

Value of Fixed Assets created under Approved Rural Development Programmes by Category of Assets—Statewise

(*Rs. lakh*)

State	*Amount of expenditure in respect of which programme-wise details are available*	*Buildings*	*Plant and machinery*	*Furniture*	*Others**	*Total fixed assets*	*Share of the fixed assets in total expenditure (%)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Andhra Pradesh	37.30	36.08	0.42	—	—	36.50	(96.36)
2. Assam	2.08	—	—	—	—	—	—
3. Bihar	8.90	—	—	—	—	—	—
4. Gujarat	150.90	1.27	0.82	0.44	2.56	5.09	(3.37)
5. Haryana	9.23	1.85	—	0.47	0.15	2.47	(26.76)
6. Karnataka	0.88	—	—	—	—	—	—
7. Madhya Pradesh	32.42	5.04	1.09	—	3.08	9.21	(28.41)
8. Orissa	42.39	18.85	0.08	—	—	18.93	(44.66)

9. Maharashtra	77.10	3.58	0.05	1.29	1.21	6.13	(7.94)
10. Rajasthan	27.85	2.85	0.15	—	—	3.00	(10.77)
11. Tamil Nadu	5.07	0.74	0.09	0.04	—	0.87	(16.20)
12. Uttar Pradesh	128.28	5.97	0.82	6.79	—	13.58	(10.59)
13. West Bengal	9.42	—	0.63	—	—	0.63	(6.69)
Unclassified	—	20.31	6.82	—	7.79	34.92	—
ALL STATES	532.12	96.54	10.97	9.03	14.79	131.33	(24.65)
Share of each asset in total expenditure on assets (%)		(73.50)	(8.35)	(6.88)	(11.23)	(100.00)	

Notes:* Information on 'others' is not separately provided in form No. 3AA, as sub-section (3) of section 35CC referred only to buildings, machinery plant and furniture. However, claims for deduction of expenditure on 'other' capital assets have been claimed and allowed; the 'other' assets being mobile (medical) vans, jeeps, etc. As provided in Rule 5 of the Income Tax Rules, 1962, these 'other' assets should be taken to fall under 'Machinery and Plant'.

Source: As for Table 2.2.

APPENDIX

Estimates of Total Financial Outlay by the Corporate Sector and Revenue Forgone on account of Programmes Approved under Section 35CC

(*Rs. lakh*)

	From 1.9.77 to 31.5.79	*From 1.6.79 to 31.3.84*	*Total*
(*i*) Number of companies which as per information available obtained approval of a programme for the first time during the period	86	54	140
(*ii*) Number of companies out of (*i*) for which information is available that they did not implement the approved programme	4	3	7
(*iii*) Number of companies out of (*i*) for which no information could be gathered about implementation or otherwise of the approved programme	3	7	10
(*iv*) Number of companies out of (*i*) which did not claim any deduction under section 35CC. In computation of total income for the assessment years for which information is available:			
upto assessment year 1982-83	3	16	
upto assessment year 1984-85	9	3	
	12	19	31
(This includes 5 companies in whose cases the last date for implementation of the approved programme fell after the close of the accounting year relevant to the latest assessment year for which information is available)			

(*v*)	Number of companies out of (*i*) for which information regarding deduction(s) claimed for one or more assessment years is available: (*i*) minus [(*ii*) plus (*iii*) plus (*iv*)] This includes 11 companies for which information regarding deductions claimed is available only for the part of the prescribed period for implementation of the approved programme	67	25	92
(*iv*)	Amount of deductions claimed by 92 companies vide item (*v*) for the assessment years for which information is available.			688.05
(*vii*)	Estimated amount of deductions that may be claimed by 11 companies included in item (*v*) above for the assessment years for which information is not available, on the assumption that the approved programmes were implemented fully.[1]			59.35
(*viii*)	Estimated amount of deductions that may be claimed by 5 companies included in item (*iv*) above, in whose cases the last date for implementation of the programme fell after the close of the accounting years for which no deduction was claimed, on the assumption that the approved programmes were fully implemented with an estimated 20 per cent drop-out rate.[2] (See Ch. 2, Section 1)			10.00
(*ix*)	Estimated amount of deductions that may be claimed by 10 companies vide item (*iii*) above on the assumption that the approved programmes were implemented with an estimated 20 per cent drop-out rate.[3]			23.55
(*x*)	Estimated amount of deductions that may be claimed in respect of the estimated number of 30 approvals accorded during the period 1.4.1984 to 16.3.1985.[4]			89.61
	THUS, ESTIMATED TOTAL OUTLAY			875.56

(*xi*) Estimated tax forgone in respect of (*iv*).[5]	394.51
(*xii*) Etimated tax forgone in respect of (*vii*), (*viii*), (*ix*) and (*x*) above (Rs. 875.56 lakh minus Rs. 688.05 lakh= Rs. 187.51 lakh @ 55 per cent)	103.13
ESTIMATED TOTAL TAX FORGONE	497.63
or, say	500.00

1. In instances where the total financial outlay approved by the prescribed authority is available: Total financial outlay approved minus the financial outlay claimed for the assessment year(s) for which information is available. In instances where the total financial outlay approved by the prescribed authority is not available: by adopting the annual average deduction claimed for the assessment year(s) for which information is available.
2. Due to absence of information regarding financial outlay approved by the prescribed authority: estimated by adopting the annual average deduction claimed by particular class of companies, e.g., companies belonging to Large Industrial Houses, Public Sector Undertakings, other companies in which the public is substantially interested, private companies.
3. Approved financial outlay wherever available, otherwise by adopting the annual average deduction claimed by the particular class of companies.
4. By adopting the average financial outlay per approval, i.e., [(*vi*)+(*vii*)+(*viii*)+(*ix*)] divided by 263 being the number of approvals accorded upto 31.3.1984. The number of approval orders issued during 1981-82 and 1982-83 was 32 and 28 respectively. The number of approval orders issued during the period 1.4.1984 to 16.3.1985 is estimated at their mean, *viz.*, 30. 1983-84 is ignored for the reason stated in Note 2 at page 16.
5. Tax forgone has been calculated by applying the marginal rate for the relevant assessment year to the amount of deduction claimed. The same basis has been adopted for the assessment years for which the total income returned was a loss. This has been done as in many instances the assessment year in which the loss (as determined at the assessment stage) was actually set-off is not known. It has been assumed that the loss carried forward for one or more assessment years should be fully adjusted against profits of subsequent assessment years within the statutory period for carry forward and set-off of losses.