The Registered Accountants' Journal

(Conducted under the auspices of the Society of Auditors, Madras.)

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Firms of Accountants.—There are more Accountants practising in India individually on their own, and, partnership firms are only exceptions. This feature is peculiar to this Country alone. Amalgamation of individual businesses to form well established firms carry with it very great advantages which it is too apparent to narrate. It is a wonder to us, therefore, that there are very few firms going. In the best interests of the profession we would urge that steps should be taken to encourage the profession to move in this direction. It is upto the Senior Registered Accountants now practising to bestow their thought and take a lead in the matter.

Audit Certificate of Banking Companies.—We invite our Readers' attention to the special Article published in this issue regarding the form of Auditors' Certificate to Banking Companies with a number of branches. It has been the practice in this country and elsewhere to state in such certificates that the books at H. O. and the certified returns from the branches have been examined. The view taken by the Registrar of Joint Stock Companies, Madras, is therefore, a matter to which the practising Registered Accountants will have to give deep consideration, as this affects them to a great extent. We shall be glad to hear our Readers' views in the matter.

Amendment to Madras Hindu Religious Endowments Act.—The principle of introducing any great and far—reaching reform affecting the social conditions and order by an Advisory Government when fresh elections are impending is undoubtedly a questionable one. But no question of ethics appear to deter the Madras Government in carrying out vital amendments to the Madras Hindu Religious Endowments Act. The bill recently published by them for public opinion envisages drastic changes in the law relating to the control and management of Religious and Charitable Institutions. We are concerned most with the proposed amendment introducing a Departmental audit in place of the present system of audit by practising Registered Accountants. The very system of the control of the profession by the Indian Accountancy Board, still a quasi Governmental affair, and the stiff examinations which are by no means inferior to those conducted by the Institute of Chartered Accountants in England, and the rigid rules of professional etiquette should inspire great confidence in the minds of the Public. In fact the biggest Companies wherein crores of Rupees are involved, are audited by Registered Accountants. We are struck, in the circumstances, by the placid statement of the Government of Madras in their objects clause that "there is no effective control over the audit nor is there uniformity or standardisation in the method of audit." We have no option but to challenge this statement and to demand statistics from the Hindu Religious Endowment Board in support of this charge.

Educational Standards of R. A. Candidates.—We welcome the decision of the Government of India to raise the minimum Educational standard of the candidates entering the Profession from Matriculation to Intermediate as set out in their circular letter published in this issue. There are, however, certain doubtful points on which clarification by the Government is necessary. The position of Matriculates who have passed First R.A. examination and who do not enter into Articles before 31—12—1945 appears to be anomolous. The vacancies for Articled clerks are few and it will be a hardship on those who have already partly qualified themselves. There are also the Matriculates who have put in several years of audit clerkship and who may be successful in the coming First R.A. Examinations to be held in April 1946. Their position is also not clear. We would urge the Government to go into these questions and clarify their attitude.

SPECIAL ARTICLES

Audit of Banking Companies—Branches in India—section 145 (2) (c) and (3) of the Indian Companies Act, 1913

A reference has been made to the Society of Auditors, Madras, that the local Registrar of Joint Stock Companies, acting on the legal opinion obtained by him in this regard from the Madras Government Solicitor, wants that the auditors conducting the audit of a Bank having branches within India should examine the original books

maintained at the Branches *before the submission of their report on the Balance Sheet of the Bank* instead of accepting certified returns from the Branches and reporting accordingly to the members. The strict interpretation given in the said legal opinion is that, as according to clause (c) of of Sub-section (2) of Section 145, every auditor of a Company is bound to state in his report whether or not the Balance Sheet exhibits a true and correct view of the state of the Company's affairs according to the best of his information and the explanations given to him *and as shown by the books of the Company*, it is incumbent on the part of the auditor to examine the books of the Company—both Head Office and the Branches—before the Balance Sheet and Profit and Loss Account are reported upon to the shareholders.

The practice obtaining both in this country and in England has all along been otherwise and accepting certified returns from branches for purposes of incorporation in the Balance Sheet appears to be the time-honoured method. This does not mean that the auditors depend blindly on the certified returns from the branches without their obtaining all the necessary informations and explanations required by them and completely satisfying themselves about the method of inspection and internal check prevailing in the institutions and the true and correct financial positions of the branches on the date of the Balance Sheet. The convention of auditors not actually going round to all the numerous branches that a bank may have under its control and restricting the audit of branches to the extent of a thorough scrutiny of the returns sent to the Head Office and reconciling them with the books of the Head Office may be owing to the practical difficulties in completing the audits of branches and the cost and elaborate time involved in the course. Banks especially would require their Balance Sheets to be compiled and placed before the share-holders as quickly as possible after the close of the financial year and it may turn out to be a difficult job to conduct simultaneous audit of all the branches at the same time as the close of the year.

Analysing the legal aspect of the matter, it seems to me that the law is not so clear on the matter as expressed by the Government Solicitor and that there should be more specific and positive provisions in Section 145 of the Indian Companies Act regarding the audit of branches of Companies situated in India. This cannot be left for a negative construction out of Sub-section (3) of the said Section. This is probably the reason why in the Cohen Committee's recommendations on the English Company Law amendments suggested by them, Section 134 is suggested to be amended on the following lines reproduced from "The Accountant" issue dated 25th August 1945.

Section 134.—(1) The Auditors shall make a report to the members on the accounts examined by them, and on every Balance Sheet and Profit and Loss Account, or Income and Expenditure Account, as the case may be, laid before the Company in general meeting during their tenure of office, and the report shall state—

(*a*) whether in their opinion proper books of account have been kept or, in the case of a Company with Branches whose books have not been examined by the auditors, whether proper books of account have been kept at the principal office and branches visited by the auditors and *proper accounts and returns adequate for purposes of their audit have been received from other branches*;

(*b*) whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of their audit;

(*c*) whether the balance Sheet and profit and loss account or income and expenditure Account, referred to in the report, are in agreement with the books, accounts and *returns*, and whether in their opinion and to the best of their information and according to the explanations given to them the accounts are properly drawn up in accordance with the provisions of the New Act and exhibit a true and fair view of (1) the state of affairs of the company as at the date of the Balance sheet; and (2) the Profit or Loss, or net Income or Net Expenditure, for the period ended that date; and

(*d*) . . . . .

(2) Every auditor of a company shall have a right of access at all times to the books, *returns*, accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the Company such information and explanations as are in his opinion necessary for the performance of his duties.

N.B.—Italics by the writer of the article.

(3) . . . . .

The amendments referred to above throw good light on the present practice prevailing in England and it is desired to have it confirmed by amendment of the Statute thus making it clear in the Act itself. Indian Companies Act is very analogous to the English Companies Act in all respects and it is the Government of India that should take up the question raised and make all the clarifications in this regard and amend section 145 of the Indian Companies Act suitably defining in unequivocal terms the duties of an auditor so far at least as the audit of branches of companies is concerned.

If Directors were to appoint certain local qualified auditors where branches are situated, it would even then seem to be not a correct compliance of the Act if their reports are accepted by the auditors appointed by the share-holders of the Company, since if really the statutory obligation of auditing the branches' books is cast on the statutory auditors of the Company appointed at the annual General Meeting it rests on them to conduct the work themselves or to themselves secure the services of other Accountants by their direct contact.

The views of not only other members of the profession in this Presidency and elsewhere but that of other Banks, Commercial concerns and responsible public men may be very useful in this matter.

V. SOUNDARARAJAN, B.A., G.D.A., R.A

More Light on Section 42 of the Income-tax Act.

More light has been thrown on the applicability of Section 42 in the recent decision of the Bombay High Court in COMMISSIONER OF INCOME-TAX Vs. WESTERN INDIA LIFE INSURANCE COMPANY LTD. In this case, Their Lordships took the view that the language of Section 42 (1) would be inappropriate when considered in relation with a resident assessee and the application of the section to a resident assessee would be improper. It will be useful in this connection to reproduce the Departmental Instructions in regard to Section 42 (1).

"The amendments made in Sub-section (1) of this Section make it applicable to BOTH RESIDENTS AND NON-RESIDENTS and this sub section now covers all income, profits or gains accruing or arising through or from any BUSINESS CONNECTION, PROPERTY, ASSET, OR SOURCE OF INCOME in British India or through or from ANY MONEY LENT AT INTEREST AND BROUGHT INTO BRITISH INDIA, in cash or in kind. This sub-section extends to all income which arises in a primary sense in British India even though that income may not be received or brought into British India."

Their Lordships found themselves difficult to reconcile the above interpretation with the expressions in section 42, the retention of the word "non-residents" in the margin of the section and the inclusion of the section in Part V of the Act.

It is attempted in the following paragraphs to examine the implications of Sub-section 3 of Section 42 *vis a vis* the legal decision referred to above. If section 42 (1) is not applicable to a resident assessee Sub-section 3 of this section, the application of which is restricted to cases falling under section 42 (note the words DEEMED UNDER THIS SECTION) will also not apply to a resident assessee. The position will then be that if a resident assessee buys goods in British India and sells them abroad the profit will be assessable under section 4 (1) (b) (ii) subject to the reliefs provided under section 4 and other sections of the act, as buying goods in British India by itself does not constitute a business but only a business connection. The non-resident assessee, on the other hand, will be liable under similar circumstances on the profits attributable to the buying operations in British India which constitute a business connection contemplated in section 42 (1).

Let us now examine the liability of a non-resident assessee who sells in British India goods manufactured outside British India. The departmental view has been that the entire income arises on sale in British India under section 4 (1) (c) and where the first part of section 4 (1) (c), which defines the scope of the liability of a non-resident under the Act, applies section, 42 (1) is cut out.

It is agreed that section 42 (1) defines the income which is DEEMED TO ACCRUE OR ARISE referred to in Section 4 (1) (c). The natural inference therefore, is that section 42 (1) is complementary to section 4 (1) (c). The whole of section 4 is SUBJECT TO THE PROVISIONS OF THE ACT and the liability of a person, whether resident or non-resident, has to be computed with reference to the scheme of the entire Act.

Section 2 (4) defines a business as including "any trade, commerce, or manufacture or any adventure or concern in the nature of trade, commerce or manufacture." What is considered as one business may be carried on in several places and the income from the business may arise in more than one place. In the case of a sale in British India by a non-resident of goods manufactured abroad, the business of merchanting is in British India and the income attributable to the selling part of the business, no doubt, arises in British India under section 4 (1) (c), but the profit attributable to manufacture cannot be said to accrue or arise in British India notwithstanding sales in British India. But if, under the above mentioned circumstances, the buying of goods required for manufacture was in British India, so much of the income from manufacture as is attributable to buying is deemed to accrue or arise in British India under section 4 (1) (c) read with section 42.

The result is, therefore, that section 42 (3) clearly provides for allocation of the profit of a non-resident manufacturer between merchanting and manufacturing. The Departmental view that section 42 (3) was enacted only to cast the net wider and is not intended to provide any relief is open to question.

A. K. SIVARAMAKRISHNAN, R.A.

READERS' FORUM

This Section is intended to serve our readers in two ways. Firstly, difficult problems of each individual professional accountant is discussed and answers are obtained. Secondly, the readers who consider the answers get the benefit of the intense study that the answering of the problem implies and all readers get the benefit of the general discussion.

QUERIES

Q. 4. **Income-tax Deduction Certificates.**—The Income-tax Deduction Certificates from the Government relating to Government bonds acquired by me is in the name of my bankers in whose name the bonds stand. In my income-tax assessment, I wish to claim the tax already paid under that certificate. Is it necessary for my bankers to endorse the certificate to me like a negotiable instrument and if so what is the form of endorsement?

M.L.I.

Q. 5. **Valuation of tools.** One of my clients purchased tools in respect of a single contract work done by him. The tool is practically worn out in that work and he does not expect that the contract work will be repeated. I would like to have your Readers' views on the admissibility for income-tax purposes of writing off the cost of tools against that contract, contrary to the usual procedure of charging only the replacement values of the tools worn out when they are replaced.

SANKARAN.

ANSWERS TO QUERIES

Q. 1. **Valuation of Pictures in Cinema industry.** I would like to know what is the best method of valuing any picture. At present there does not appear to be any uniform method of approach to this question. On the generalisation that the value of the picture, by which term not only the mere cost of production but also its earning capacity is covered, is decreased in geometric proportions in relation to lapse of time, many people adopt a valuation of 40% of the cost of production at the end of first year, 15% at the end of the second year and no value subsequently. I would like your readers, views on the best method with special reference to the circumstances (a) where the display rights are split up and sold in relation to various territories and (b) where the closing date of the accounts of the producer does not coincide with the end of a year of the life of the picture. "V"

A. 1. It is my opinion that none of the present methods of picture valuation is justifiable either on principle or on a question of expediency. The entire cost of the picture should be written off in the year in which the picture is released. Valuing any picture is incorrect as it is not a Tangible Asset after release. The earning capacity, thereafter, can never be correctly predicted as it depends on the whims and fancies of the public. It can at best be only a matter of speculation and there cannot be any scientific assessment of the value of the picture.

(*A Producer.*)

A. 2. In order to spread the profit or loss on any picture over a period of years roughly estimated to be the period during which there will be a demand for the picture, the present method of fixing a value at the end of each year of the picture is followed. The percentage of the cost adopted for the valuation cannot be, in the nature of the circumstances, a fixed one. It will have to vary from picture to picture depending on its popularity, from year to year depending on its retaining such popularity in spite of later pictures and from area to area depending on the language in which the picture is produced and on the story being liked in any area to a greater or a lesser extent. There cannot, therefore, be any rule of thumb principle. Statistics of the gate monies received for the picture from time to time and for similar pictures and in different areas will have to be referred to as a basis. '*Fairness.*'

Q. 2. **Income from Casurina.** In ascertaining the income from sale of casurina trees, can any of your readers suggest a fair method of allotting the expenses of cultivation and of maintenance of trees, which would have been spent over a period of years? "*S*"

A. 3. The income on sale of casurina trees is, as I understand it, the sale proceeds less the entire cost of cultivation and maintenance since the planting began. A tree once cut exists no more and all the expenses incurred should be set off. It is itself the capital asset and the stock-in-trade. In this respect, it is different from tea or rubber plantations, as the asset in those cases remain in-tact for further yield. There is, therefore, no question of allotting expenditure. All the expenses should be written off. '*Planter.*'

A. 4. The problem of ascertaining the income from casurina trees bristles with difficulties of practical nature and the query as worded by your reader "S" does not by any means invite solution to them nor even suggest the existence of any such difficulty. To begin with, it is a matter of common knowledge to the owners of casurina plantations that not all the trees in a specified and marked area are cut at one and the same time. In an area of, say 10 acres, a few trees from one section and a few trees in another section and so on are cut depending on the marketable quality and other factors. In this case, the expense of cultivation cannot be allocated to the particular tree that is cut, in a simple way. Only the total expenses of the entire area todate divided by the number of trees will give a rough idea of the cost in respect of each tree. Even here the problem is not quite as easy since the age of all the trees even in a small area of 10 acres is not the same, as plantings would be done year by year and inter plantings in one and the same area are also common. We are, therefore, left only with an unscientific and arbitrary way of estimating the expenses. Should this estimate be on the sale proceeds, which has no relation whatever to the cost of maintenance of the trees or on the acreage basis for which at least approximate figures will be available, is the next problem. The latter method is obviously the better one. The exact unit of cost per acre will have to be worked out from actual figures. This will vary from district to district depending on the wages paid. The age of the tree is also an important factor. It will be possible, if proper accounts are maintained and details of the plantings are available, to work out the average cost per acre for the initial planting and the average cost per acre per year of maintenance. "*Accountant*"

Q. 3. Workmen's advance. Irrecoverable advances to members of staff in any business are generally disallowed for taxation purposes as an expense not necessary for earning the income. Advance to workmen and artistes appear to be necessary for securing their services. Are any such advances that are found to be irrecoverable also disallowed as not relating to business? "*R*"

A. 5. Workmen's advance is as much a business expenditure as the actual wages paid to them. It is well known that in these days of dearth of skilled labour big initial advances have to be made to induce labourers to undertake the work entrusted to them and such advances, if they turn out to be irrecoverable, should be allowed as a business expenditure in the year in which they become so irrecoverable. '*Industrialist*'

ECUADOR.

Years ago, Jose Maria Velasco Ibarra, now President of Ecuador, tried to learn accounting in a humble government Job. His boss, according to an Ecuador legend, put him in charge of the petty cash box. "Look" he said. "On this page, the credit side, write down everything that comes in. On the other page, the debit side, write everything that goes out."

At the end of the first day, young Velasco submitted his report. Two entries caught his boss's eye. They were: "Credit two nuns came in" "Debit; ten sucres ($ 4.87) went out."

Now Velasco, high-minded and still "impractical," is trying to revive his country, looted for centuries by "practical" rulers. But his view of financing has not changed. Recently in dire need of money for vital public works he noted the $ 6,500,000 which the Central Bank of Ecuador had earmarked to back the country's currency. "It's so simple," he was heard to say. "The money is there. No one is using it. Just take it from one book and put it in another."

The bank's directors resisted, fearing for the currency. They tried to explain to Velasco the financial facts of life. But the President did not share their worries. So the board of directors resigned. The bank got new directors. President Velasco got the money.

Last week his countrymen had a new quip: "It was simple. Credit: Velasco came in. Debit: $6,500,000 went out."

(By acknowledgment to "Time," New York).

NOTIFICATIONS

DEPARTMENT OF COMMERCE

Registration of Accountants

New Delhi, the 8th September 1945.

No. 1.-A (4)/45.—In exercise of the powers conferred by sub-section (2) of section 144 of the Indian Companies Act, 1913 (VII of 1913), the Central Government is pleased to direct that the following further amendments shall be made in the Auditor's Certificates Rules, 1932, the same having been previously published as required by the said sub-section, namely :—

In the said Rules—

1. Rule 63 shall be omitted.
2. In clause (3-A) of Appendix 3, the words "of a limited company" shall be omitted.

Y. N. SUKTHANKAR.
Joint Secretary.

No. 10-A (5) 45
GOVERNMENT OF INDIA.
DEPARTMENT OF COMMERCE

Simla, the 29th August 1945.

FROM

P. N. BHANDARI ESQUIRE,
B. Com., (London), A.C.A., R.A.,
Under Secretary to the Government of India.

TO

ALL REGISTERED ACCOUNTANTS ENTITLED TO TRAIN ARTICLED CLERKS, RECOGNISED INSTITUTIONS AND ASSOCIATIONS OF ACCOUNTANTS.

SUBJECT:—*Raising of educational qualification of candidates for admission to the First R.A. Examination.*

Sir,

I am directed to say that the Central Government has decided in consultation with the Indian Accountancy Board to raise the minimum educational qualification of candidates for admission to the First R.A. Examination from Matriculation to Intermediate standard beginning from the examination to be held in 1947 and onwards. (I am, therefore, to request that no candidate who has not passed the Intermediate Examination of a recognised university or an examination recognised as equivalent to that Examination should be taken as an articled clerk after the 31st December 1945.) [I am, therefore, to request that no candidate who has not passed the Intermediate Examination of a recognised university or an examination recognised as equivalent to that Examination should be admitted to your Institution beginning from the academic year 1946-47.]

2. A list of examinations recognised by the Central Government as equivalent to the Intermediate Examination of the several recognised universites will be sent in due coure.

I have the honour to be,
Sir,
Your most obedient Servant,
(*Sd.*) P. N. BHANDARI,
Under Secretary to the Government of India.

DEPARTMENT OF COMMERCE

Registration of Accountants.

New Delhi, the 25th August 1945.

No. 1-A (1)/45.—In exercise of the powers conferred by sub-section (2) of section 144 of the Indian Companies Act 1913 (VII of 1913), the Central Government is pleased to direct that the following further amendment shall be made in the Auditors' Certificates Rules, 1932, the same having been previously published as required by the said sub-section, namely :—

In sub-rule (1) of Rule 38 of the said Rules, between the words "unless" and "for" the following words shall be inserted, namely :—

"he is in practice as a Registered Accountant in India and".

Y. N. SUKTHANKAR,
Joint Secy.

C. No. 43 (1) IT/43.
CENTRAL BOARD OF REVENUE

Simla, the 20th August 1945.

CIRCULAR.

SUBJECT :—*Dividends–Refunds where section 49 C is applicable—Computation of Instruction regarding.*

Attention is invited to the instructions issued in Board's Circular No. 4 of 1945 on the subject noted above.

2. The Board has decided that in cases where owing to the incorrect application of the provisions of section 49-C a lower refund than that to which an assessee would have been entitled was allowed the mistake may be rectified under section 35 by the Income-tax Officer if an application is presented to him by the assessee in this behalf within the time limit laid down in that section. The Income tax Officer need not, however, review these cases with a view to rectifying the mistake on his own motion.

S. RANGANATHAN,
Secretary Central Board of Revenue.

CENTRAL BOARD OF REVENUE.

Income-tax

Simla, the 18th August 1945

No. 32.—The following draft of certain further amendments to the Indian Income-tax Rules, 1922 which the Central Board of Revenue proposes to make in exercise of the power conferred by sub-section (1) of Section 59 of the Indian Income-tax Act 1922 (XI of 1922), is published as required by sub-section (4) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 1st October 1945. Any objection or suggestion which may be received in respect of the said draft before the date specified will be considered by the said Board.

Draft Amendments.

In Rule 8 of the said Rules, in item (xxx) of group B in the sub-head (2) under the head III—Machinery and Plant—

(*i*) an asterisk* shall be inserted after the words 'Iron and Steel Industry'; and

(*ii*) in the column headed 'Remarks' against this item an asterisk and the words 'Replacement of Rollers will be allowed as revenue expenditure' shall be inserted.

S. RANGANATHAN, *Secy.*

CENTRAL BOARD OF REVENUE.

Income-tax

Simla, the 11th August 1945.

No. 31.—The following draft of certain further amendments to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax act, 1922 (XI of 1922), is published as required by sub-section (4) of the said section for the information of all persons likely to be affected thereby and notice is hereby given that the said draft will be taken into consideration on or after the 16th September 1945. Any objection or suggestion which may be received from any person in respect of the said draft before the date specified will be considered by the said Board.

Draft amendments.

In rule 45 of the said Rules—

(1) In entry 4 for the words "Examinations conducted by the association of Certified and Corporate Accountants, London" the words "Final Examination conducted by the association of Certified and Corporate accountants, London" shall be substituted;

(2) In entry 6 for the words "The Diploma in accountancy and Secretariat Practice awarded by the Sydenham College of Commerce, Bombay" the words "The Diploma in Accountancy awarded by the Sydenham College of Commerce and Economics, Bombay" shall be substituted.

S. RANGANATHAN, *Secy.*

DEPARTMENT OF COMMERCE

Registration of Accountants.

New Delhi, the 16th June 1945.

No. 1-A (1)/45.—In exercise of the powers conferred by sub-section (2) of Section 144 of the Indian Companies Act 1913 (VII of 1913), the Central Government is pleased to direct that the following further amendments shall be made in the Auditor's Certificates Rules, 1932, the same having been previously published as required by the said sub-section namely—

For sub rule (1) of Rule 38, the following shall be substituted :—

"(1) No person shall be eligible for inclusion in the list of Registered Accountants entitled to train Articled Clerks unless for a continuous period of not less than three years immediately before the date of the application mentioned in sub-rule (2) he—

(i) has been on the Register of Accountants ; and

(ii) has been either in practice as a Registered Accountant in India or employed as a paid assistant to a practising Registered Accountant in India or partly in such practice and partly so employed :

Provided that the Central Government may for reasons which it deems sufficient condone any break in the continuity of the said period."

K. K. CHETTUR *Joint Scy.*

CENTRAL BOARD OF REVENUE.

Income-tax.

Simla, the 9th June 1945

No. 18.—The following draft of certain further amendments to the Indian Income-tax Rules, 1922, which the Central Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 59 of the Indian Income-tax Act 1922 (XI of 1922), is published as required by sub-section (4) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 23rd July 1945, Any objection or suggestion which may be received in respect of the draft before the date specified will be considered by the said Board.

Draft amendments

In the "Form of return of total income and total world income for individuals, Hindu undivided families, companies, local authorities, firms and other associations of persons required under sub-section (1) or (2) of section 22," set forth in sub-rule (1) of Rule 19 of the said Rules—

(1) In the statement under part II, after item 6, the following item shall be added, namely:—

"7. Earned income allowance".

(2) In the "Notes for guidance in filling up return Form No. I.T. 11", after Note 1, the following shall be inserted namely:—

"1-A. If the total income of an assessee who is an individual, Hindu undivided family, unregistered firm or other association of persons, includes any "earned income" as defined in section 2 (6AA) of the Income-tax Act, such portion of the earned income as is specified in the annual Finance Act is exempt from income-tax and is to be deducted from the "total income" in determining the income-tax (but not super-tax) payable by the assessee."

S. RANGANATHAN, *Secy.*

CONTROL OF CAPITAL ISSUES

Notification No. F. 14 (8)—EC 1/44/1396 dated 20th August 1945.

In exercise of the power conferred by sub-rule (9) of Rule 94-A of the Defence of India Rules and in supersession of the exemption Order No. D/4114-ECI/44 dated 9th June 1944, the Central Government is pleased to grant exemption from the provisions of the said Rules, as follows namely:—

(a) from the provisions of sub-clause (i) of clause (a) of sub-rule (2), and of sub-rule (4) and (7)—

the issue of securities other than debentures being an issue made by a person in the ordinary course of his business and solely for the purposes of that business to another person carrying on the business of banking or to such other persons nominee in respect of advances or over drafts from time to time granted or to be granted by such other person;

(b) from the provisions of sub-rule (5) in so far as such provisions relate to any document publicly offering for sale:—

(i) any security issued in British India before the 17th May 1943, and

(ii) any security issued outside British India before that date being a security of a class of which no further issue has been made after that date by or on behalf of the same company without the consent or recognition of the Central Government;

(c) from all the provisions of the said Rule—the issue of securities by any company, not being a banking company or an insurance company or a provident society incorporated as a company, provided that the value of the consideration involved in such issue together with the value of the consideration involved in any previous issue of securities made by such company within the twelve months next preceding such issue shall not exceed in all one lakh of Rupees;

in this paragraph the expression "the consideration involved" means, in the case of securities without a nominal value, the amount to be raised by the issue of the securities and in the case of securities with a nominal value, the sum of the total nominal value and of any premium, entrance fee or other payment which the person subscribing to the securities may be called upon to pay;

(d) from the provisions of sub-rule (8)—

(*i*) securities the issue of which has involved a contravention of sub-rule (2), sub-rule (4) or sub-rule (5) if such contravention has been condoned under the provisions of sub-rule (6);

(*ii*) any security transferred by the operation of the law of inheritance or succession or by the decree of a competent court.

In this order the expressions "securities", "banking company", "insurance company" and "provident society" shall have the meanings respectively assigned to them by clause (a) of sub-rule (1) of rule 94-A of the Defence of India Rules, 1939, Section 277-F of the Indian Companies Act, 1913, clause (8) of Section 2 of the Insurance Act, 1938, and sub-section (1) of Section 65 of the Insurance Act, 1938.

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