

Local & Munl. (1898) Department.

MISCELLANEOUS.

G.O., No. 1246 M.

DATED 11-7-98.

INDEXED

DESPATCHED

[Despatch Abstract.]

Tax on Arts.

Declining to advise the Municipal Council
of Calicut ^{and Mangalore.} whether the _____ should be levied
on the gross or the net income and directing the
Councils to take legal advice and act on ^{their} ~~its~~
responsibility.

4-9-11 BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Local & Munl. (1897) Department

CURRENT No. 148/0

Use Cno. 148/797 + 20621/98
Orders No. 1246 M. No. 11-7-98.

From

SECRETARY TO GOVERNMENT
 21 JUL - 1897
 MUNICIPAL DEPARTMENT
 No. 1436

The Government is not prepared to advise the municipal Councils in the matter, in which they should act on their own responsibility, taking legal advice, if necessary.

Dated 19th July 1897
 Received 21. "
 Registered "
 Enclosures one
 Spare copies

SUBJECT.

Note. Please see the notes below.

To The Chairman, M.C. Calicut
 " " M.C. Mangalore

Copy 13/7/98

Soliciting orders of Government as to the profession of as per Section A of act 10 of 1884 as amended by act III of 1897 is to be levied on (was on) net income

217 a/2026

BACK PAPERS.

G.O.	No.	Department.	Date.
Go	1307h	Press.	8-12-87
Go	906h		2-1-89
	589h	Press.	8-5-94
1307h	231	7 14-4	91

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Extract from the Proceedings of the Municipal Council, Calicut at a Meeting held on the 14th July 1897.

Present

Rao Sahib S. Swaminathan Esq. B.A. Chairman
 Captain A. A. W. Hamilton Port Officer
 Mr. K. Kishanbhai Esq. B.A. Jaisildar
 " C. Sambasiva Esq. B.A. Secretary
 " P. A. Kishanbhai Esq. B.A.
 " Mr. Chappu Esq. B.A.
 " P. P. Karunakaran Esq. B.A.
 Mr. Zachariah Esq. B.A.
 Mr. P. Karunakaran Esq. B.A.
 " P. Kishanbhai Esq. B.A.
 " Mr. Kishanbhai Esq. B.A.
 " D. Ganpat Rao Esq. B.A.
 Mr. J. Mathai
 Mr. J. W. Gomes.

12) Read letter dated 3rd July 1897 from Messrs. J. H. Henry & Co requesting to be informed whether the profession tax is levied on persons not in commerce.

The matter will be referred to Government.

(Sd) S. Swaminathan Esq. Chairman

(True Extract)

[Signature]

(2) Same expended for msd

pe
no

no 10 list with

municipal office

urgent

Calicut 19th July 1897

From

Rao Sahab S. Swaminatha Iyer M.A. B.A.

Chairman, municipal council
Calicut

The Secretary to Government
Local & Municipal Department
Coastal Command

Sir,

I have the honor to
solicit the favor of your instructions
on the following point.

2. Under Schedule A of Act IV of 1884
as amended by Act III of 1897, the
amount of tax on arts, professions,
trade and callings has to be fixed
with reference to the income derived
from the business. The word income
is not defined in the act - the
point for decision is whether the
income which forms the basis
classification under classes I to
in Schedule A is the gross or

Encl
148/10

net income derived from the business.

3. Under the Income tax act of 1886, the net income alone is assessed under Para IV (Boards

proceedings H. 251 dated 14th April 1891)

Similarly it seems to me that in classifying the incomes under Schedule A of the municipal act, the net income alone should be taken into account.

4. It may be urged that the tax contemplated in Schedule A is a tax on profession and not on income actually derived and that consequently the tax should be fixed on the gross income.

I think this view of the case may work much hardship.

The gross earnings of a Soda water manufactory or of a firm may be large, but after deducting the expenses incidental to the business, the net earnings may be small.

to classify them according to the gross earnings may be hard. Though the tax is for the profession, still so long as the classification is made to depend on the income derived, I think the net income alone should be taken into account and not the gross income.

5. I placed the matter before the Municipal Council and a copy of the resolution asking me to solicit orders of Government is herewith submitted.

I have the honor to be,
Sir,

Your most obedient servant

B. C. M. M. M.
Chairman

200
19/7/97

no 525 - it is nothing -
- 912/10 but with

profession or trade.
(2) Sums expended for insur

Local & Munl. (189) Department.

CURRENT No. 2062

Order

From The Chairman,
Municipal Council
Mangalore

Reminder No. II on
No. 1
1898-99

Dated 14th June 1898

Received 18th June 1898

Registered

Enclosures

Spare copies.

SUBJECT.

Soliciting the favour
of early orders on the
question whether the
profession tax is assess-
able on the gross or net
income

G.O.	No.	Department.	Date.
	fo 2797	wh	15-12-97
	cuo 1203	h/98	

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Enclosures.-

Nil.

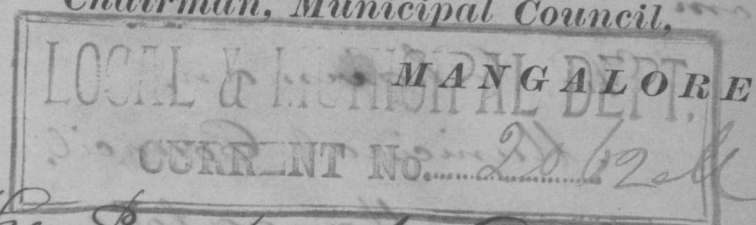
fo 2797
15-12-97
cuo 1203 h/98

No. 1

MUNICIPAL OFFICE,
MANGALORE, 14th June, 1898

From

M. R. R. D. Ananthaya Avarga
Chairman, Municipal Council,



To

The Secretary to Government,
Local and Municipal Department,
Madras

Sir,

I have the honour to invite your attention to my letter No. 1150 of 29th March last and to solicit the favour of early orders on the question whether "Profession Tax is assessable on the gross or the net income" - referred to in this office letter, dated 19th October last, No. 579.

I have the honour to be,

Sir,

Your most obedient servant,

Chairman.

Copd. Ltn.
compd. M.

Municipal (1898) Department.

The Chairman,
Municipal Council,
Mangalore.

The Secretary to Government,
Local and Municipal Department,
Madras.

Dated 14th June, 1898.
Despatched 15th June, 1898.
Registered

Profession Tax. - Soliciting
the favour of early orders
on the question whether the
— is assessable on the
gross or the net income.

[L & M.]
150-30-6-97.

LOCAL AND MUNICIPAL DEPARTMENT.

Papers to be read in proceedings:—

Again G.O., No.	dated	189
Again G.O., No.	dated	189
Current No. 148.004 of 1897,	dated 19 th July 1897,	from The Chairman. m.c. Calicut
" "	" 189 , "	" "
" "	" 189 , "	" "

Ps.
ORDER.

Office.
I took this in person
to the H.C. & discussed
with him the effect of
introducing the income
tax system with all its
machinery, imperatorial
investigations & other
disadvantages into the
Municipal Revenue of
Tana. He ~~was~~ agreed
that the subject sh.
be re-investigated.
The Office has now the
general file - curst
no 525 - & is noting -
- sh. to list with

The Government con-
siders that in calculating the in-
come derived from the several trades,
and professions and callings for the
purpose of classifying them under
Schedule A annexed to Act IV of 1884,
as amended by Act III of 1897, the
legitimate expenses of carrying on
the trades, professions and callings
should be deducted from the total
receipts. The following deductions
and allowances may therefore
be made in estimating the income
in such cases, as in the case of
the income-tax:—

(1) Sums expended in the repairs
of implements, utensils, or articles
used solely for the purpose of the
profession or trade.

(2) Sums expended for insu-

or keeping insured, the buildings, machinery, implements and stock used for the purposes of the profession or trade, and the rent paid for any premises used for such profession or trade: provided that, if such premises shall not have been exclusively used for such profession or trade, a fair proportion only of such rent shall be deducted from the gross receipts.

(3) Actual expenditure during the year on repairs and renewal of such premises, if such repairs and renewal are at the cost of the company or person carrying on the profession or trade.

(4) Sum expended in the payment of persons employed solely in such profession or trade.

(5) The amount of any losses of the stock in trade. The excess loss sustained in any one or more professions or trades over and above the profits thereof may be set off against the excess profits of any other profession or trade, exercised by the same company or person carrying on the profession or trade.

(6) The amount of any bad debts for the first time ascertained within off as such during the year.

that - when the whole question will be dealt with

8.7.20/09

15
(7) Interest paid on money borrowed for the purpose of the trade or profession.

(8) Amt. actually expended from the profits of the year on order maintenance, repair of machinery & plant.

(9) Such amt. as may be actually set apart from the profits of the year for depreciation up to a limit of 10 per cent on the value of the machinery & plant.

8/7

16

[Faint handwritten text, mostly illegible]

Decision as to whether the tax on the under the 5th Indian Act should be calculated on the gross income or on the net income.

LOCAL AND MUNICIPAL DEPARTMENT.

Again G.O., dated

189 , No.

Current No. 148 (Copy) of 1897, dated

19th July 1897 from the Chairman, Mumbai Council, Calcutta

Current No. of 189 , dated

from the

SUBJECT.

FOR ORDERS.

Schedule A appended to Act IV of 1884, as amended by Act III of 1897, runs as follows:-

"Every person holding any office or appointment, public or private or employed in any capacity, whose pay, salary or pension amounts to Rs 2000 a month or upwards and every person falling under any of the following denominations, whose income is estimated to amount to Rs 2000 a month or upwards"

The Schedule then goes on to enumerate the several taxable trades, professions and callings. The question which has now been raised for consideration is whether the basis of classification of the several trades

be the gross or the net income derived from them

2. The term "Salary" is defined in the Act as meaning "pay and acting pay or payment by way of Commission, but not "allowances for house-rent, carriage "hire or travelling expenses". vide Section 3 of Act IV of 1884, as amended by Act III of 1897. In the absence of any express provision in the Act to the contrary, it appears that in classifying offices and appointments from which a salary is derived, the gross salary of the office, appointment &c. has to be taken into account and not the net salary (exclusive of income-tax and other deductions). In this connection attention is invited to the letter from the Engineer in Chief, Bezvada Madras Railway, from which it will be seen that, in the city of Madras, the classification of appointments is made with reference to the gross salary. If the gross salary is taken for the purpose of classifying offices, appointments &c, there seems to be no reason, why the gross income

* Ldg. 2134/17 (2)
19.12.96

⑦ Schedule A appended to Act II of 1884, as amended by Act III of 1897, is exactly on the same line as the one annexed to the Chief of Madras under Act I of 1880.

should not be taken as the principle of classification in the case of the other trades and callings. Moreover the tax being one on "trades and professions" and not on "income", as in the case of the Imperial income tax, the Chairman's argument that on the analogy of the latter tax, only the net income should be taken into account for the purpose of classifying the trades under Schedule A, does not appear to be sound.

V.A.
3/5/97

144.

I don't quite understand what is meant by gross income & net income. In one sense a man who spent the whole of his income or more might be said

no "net" income; but that
 w^d not excuse him from
 part of ^{an} income tax. The
 difficulty I presume arises
 in the case of persons who
 carry on a trade or business.
 In that case the legitimate
 expenses of carrying on the
 business sh^d be deducted.
 The total earnings of a business
 do not form the income of the
 person who carries it on.
 I think the deductions & allowances
 indicated in the instructions
 given in Form E of the
 imperial income tax act
 vide pp. 99-101 Income tax
 Manual ~~will~~ give a just
 estimate of income & may
 be adopted in calculations
 for the purpose of Sched A of
 the Rates Act.

Should not make any allow-
 for income tax. It can hardly
 be said to be a legitimate expense
 of carrying on a business. It is an
 impost on the net receipts after
 deducting the legitimate charges incurred
 in the business, which are ~~given~~ ^{substantiated} with
 sufficient accuracy in the Inc. Tax form.
 Should say the same deductions might
 be made under the Inc. Act.

BS
 1078797

8/2 7/8797

When given for copying _____
 When copied _____
 When examined _____
 When signed _____ 1247

READ AGAIN G.O. No. _____, DATED _____ 189 .

CURRENT No. _____

ENCLOSURES TO C. No. _____

ORDER OF GOVERNMENT

LETTER OF GOVERNMENT.

STATEMENT WITH DITTO.

PAPERS NOT FILED UP, BEING MEANT FOR DESPATCH
 IN ORIGINAL.

N.B.—
 A = Copy in full.
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it.

ending
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