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M.R.O. 14—10,000—21-4-22.

MADRAS RECORD OFFICE.

Government of Madras.

Revenue **DEPARTMENT.**

G.O. No. 1486	Press ~~Mis.~~
364.365	
Dated 25 - 7 - 1861.	

Not to be folded or roughly handled

No. 364. Read the following Extract from the Proceedings of the Government of India, in the Financial Department, dated 20th June 1861, No. 7,852.

Read the following :—

From the Officiating Commissioner for the Government of the Territories of His Highness the Maha Rájá of Mysore, to the Secretary to the Government of India, Foreign Department, Fort William, No. 110, dated Nundydroog, 6th May 1861.

SIR,

1. I have the honor to submit the following statement for the consideration and instructions of His Excellency the Right Honorable the Viceroy and Governor General in Council.

2. Shortly after taking over charge of the Mysore Commission from Sir Mark Cubbon, it came to my knowledge that the question of the levy of Income Tax from the public servants generally in the employ of the Mysore Government, was still an unsettled matter. That it was only the Covenanted European servants of Government who paid, and that they did so not only on the amount received from Her Majesty's Treasury, but also on that disbursed to them from funds of the Mysore State, the amount levied in the latter case being placed monthly in deposit, pending, as I have been given to understand, final instructions from the Supreme Government. The Uncovenanted servants in Mysore have not as yet, it appears, paid any Income Tax whatever.

3. As directed by His Excellency in Council in Mr. Aitchison's letter, No. 3,450 of the 16th of last August, the tax has been levied from all in Mysore who are liable for payment under the provisions of Schedule IV., *i. e.*, on account of all public offices or employments, annuities, salaries, or pensions, payable by the Government of India out of the Imperial Revenue, the instructions issued for guidance in all parts of India having been strictly conformed to as regards the above Schedule.

4. I now beg to state that I have read with care and attention the whole correspondence between the Supreme Government and the Commissioner of Mysore regarding the levy of this tax, and with a view to placing the matter clearly before His Excellency in Council, I beg permission briefly to recapitulate the principal points to which it is necessary to refer with a view to elucidate fully the position of affairs.

5. After the promulgation of Act XXXII. of 1860, Mr. Under Secretary Aitchison transmitted, with the letter marginally noted, certain detailed instructions for guidance, but in his second paragraph stated as follows:—

No. 3,450, of 16th August 1860.

"His Excellency in Council desires me to state that the tax is not to be collected in "Mysore, except on salaries, annuities, and pensions, paid by Government under Schedule 4."

6. Under the above injunction, the tax was not levied from any individual whose salary was not payable by the British Government, or out of the Imperial Revenues of India.

7. On the promulgation of the Supplemental Act No. XXXIX. of 1860, which refers only to the duties mentioned in Sections I. and III. of the former Act, a doubt seems to have arisen in Sir Mark Cubbon's mind as to whether or not public servants in the Mysore State were liable to the imposition of the Income Tax. He accordingly despatched a telegram under date the 29th October 1860, copy of which is appended, putting the question to Government. A reply from the Financial Department, under date the 20th November, copy of which is also forwarded for ready reference, was in due course received. This reply intimated that the President in Council was of opinion that the Native servants of Mysore were liable to assessment, and added that instructions would be forwarded by the Accountant General. These instructions never came, it appears, and consequently the question as regards the Uncovenanted public servants, remained in abeyance. But on the 15th January 1861,

Sir Mark Cubbon addressed the Accountant General asking for the instructions above referred to, and a reply was received from the Accountant General, dated the 7th of February, which only reached this on the 1st of March, the day on which I took over charge of my present duties; a copy of this letter is also forwarded. It only gave cover to a copy of the general instructions previously issued to other Officers, and referred the Commissioner to the Financial decisions in the *Calcutta Gazette*, but gave no specific instructions whatever regarding Mysore.

8. On the issue of pay in last month, finding how matters stood, I have thought it right, after a careful perusal of all the papers connected with the subject, to submit this statement, together with the following observations regarding the peculiar position of Mysore, for the consideration of His Excellency in Council.

9. The financial arrangements of this territory, when considered relatively with those of almost all other Non-Regulation Provinces, are so distinct in their character, consequent upon this being essentially a Foreign State, and upon the entire separation of its liabilities from those of the Imperial Government, that its position has attracted my most careful attention, and I trust that some special reference to the subject will not be considered out of place here. In the first instance, I have no doubt that it was the peculiar position of this Province that led His Excellency in Council to exempt Mysore from the payment of Income Tax, as authorized in the 2nd paragraph of the letter of the 6th of August above referred to; for I need scarcely mention here the fact that with the exception of the net Military pay of the Officers of the Commission, no portion whatever of the salaries either of the Covenanted or Uncovenanted European or Native public servants is disbursed out of the revenues of the British Government, nor indeed out of the subsidy of 24½ lacs which the Mysore State annually pays over to the Imperial Treasury. It would, therefore, appear that the revenue from which the public servants are paid does not at any time stand to the credit of the British Government, and is simply disbursed by us consequent upon our Officers being engaged in carrying on the Government of the country; and as there are still a great many individuals in the public offices who were originally appointed by His Highness the Maha Rájá, and who in consequence, even under the provisions of the Supplemental Act, would have to be exempted, it appears to me that to levy the tax upon their fellow servants appointed by us and to exempt them, would make an invidious distinction in their favor, which Government may not consider desirable.

10. There is one other point which I think it right to mention. Mysore, generally, as regards the mercantile, the trading, and the monied communities, being entirely exempt, a feeling of discontent and dissatisfaction will necessarily be felt by the public servants when they find themselves the only portion of the community liable to be assessed, more particularly in a country like this where the majority of the Native officials in the districts are already much underpaid, many of them not receiving more now than they did under the Native Government, when their perquisites were both numerous and lucrative.

11. Had the Income Tax, under the orders of my predecessor, been levied from the Native public servants of the Mysore State, from the date of its introduction throughout British India, I should not have hesitated to continue to deduct it, without further reference, from all salaries which fall within the scope of the Act, nor should I have deemed it advisable to submit any representation in the matter; but while I feel that I can no longer allow the existing annuity from taxation, which has been enjoyed by the above classes, to continue without laying myself open to the charge of neglecting the Government interests, and have therefore determined to apply for explicit instructions as to the course which should be adopted for the future in the matter. I consider that I should not be acting consistently with my duty were I to conceal from superior authority the fact that a very general impression is entertained by the Natives themselves that the British Government is not entitled to claim Income Tax levied by deductions made from salaries which are not paid out of its own revenues, and, moreover, that the authoritative imposition of the Income Tax in Mysore is made abundant use of, as an argument in favor of restoring the administration of the country to the Rájá of Mysore by those of the Native community, and especially the Bramins, who advocate that measure.

12. Having submitted these explanations, I have only to request the favor of being informed whether it is the wish of His Excellency in Council that the tax should be levied from all the public servants of Mysore, Covenanted or Uncovenanted, European or Native, whether paid exclusively out of the revenues of the Province or not, or if the exemption referred to in the letter of the 16th of last August is to be maintained, and the tax is to be levied only under the provisions of Schedule 4.

13. In case His Excellency should, under these circumstances, consider it correct to order, the levy of the tax from all in public employ in Mysore, who from the amount of salary they receive may be liable to the provisions of the Act, I have only one request to submit for favorable consideration, namely, that in the case of the Native public servants, at least, the order may be prospective in its effect.

From C. U. AITCHISON, Esq., Under Secretary to the Government of India, Foreign Department, to Lieutenant General Sir M. CUBBON, K.C.B., Commissioner for the Government of the Territories of His Highness the Rájá of Mysore, No. 3,450, dated Fort William, 16th August 1860.

SIR,

1. I am directed by the Governor General in Council to forward for your information and guidance the accompanying copy of a letter from the Secretary to the Government of India, in the Home Department, dated 10th instant, together with a copy of the instructions alluded to therein, for the management, assessment and collection of the Income Tax.

2. His Excellency in Council desires me to state that the Tax is not to be collected in Mysore, except on salaries, annuities and pensions paid by Government under Schedule 4.

Telegram from the Commissioner of Mysore, to Foreign Secretary to Government of India, Calcutta, dated Bangalore, 29th October 1860.

Doubts being expressed by many persons, the Commissioner respectfully solicits instructions as to whether Section 1 of Act XXXIX. is intended to apply generally to the Native public servants of the Mysore State employed under the Commission in every branch of the administration, or only to the European Officers, and how the duty, when levied, is to be carried to account.

No. 11,492, FINANCIAL DEPARTMENT, FORT WILLIAM, THE 20TH NOVEMBER 1860.

RESOLUTION.—With reference to the above inquiry, the Honorable the President in Council observes that under Section 1 of Act XXXIX. of 1860, the Native public servants of the Mysore Commission appear clearly to be subject to assessment of Income Tax, if they receive their appointments from "any Government or public servant of Her Majesty in India."

The duty, when levied, will be carried to the credit of "Income Tax," in such manner as may be ordered by the Accountant General, under the instructions already issued to him in respect to the Income Tax in other parts of the country.

Ordered, that a copy of the above be forwarded to the Foreign Department.

Ordered, also, that a copy of the above be published in the *Calcutta Gazette*, for general information and guidance.

No. 5,691, FOREIGN DEPARTMENT, FORT WILLIAM, THE 26TH NOVEMBER 1860.

Copy forwarded to the Commissioner of Mysore, for his information and guidance, with reference to his telegram of the 29th ultimo.

From Lieutenant-General Sir M. CUBBON, K.C.B., Commissioner of Mysore, to the Accountant General, Fort William, No. 27, dated Nundydroog, 15th January 1861.

SIR,

With reference to a communication, No. 11,492, dated November 20th 1860, from the Financial Department, I have the honor to request that I may be favored with the instructions or order therein referred to.

From the Honorable E. DRUMMOND, Accountant General to the Government of India, to the Commissioner of Mysore, No. 1,864, dated 7th February 1861.

SIR,

As requested in your letter, No. 26, dated Nundydroog, 15th January 1861, I have the honor to forward copies of the general instructions* issued from this office on the subject of Income Tax, to Treasury Officers. For further information, I beg to refer you to the Notifications of Financial decisions, in the *Calcutta Government Gazette*, and I may add that it is the intention of Government to publish in the *Gazette*, in future, summaries of such decisions from time to time.

* Circular, No. 883, dated 31st August 1860.
Do. No. 676, dated 3rd August 1860.
Rule for refunds or remissions.
Circular, No. 804, of 24th August 1860.

CIRCULAR No. 883.

INCOME TAX ACCOUNT.

To

THE

SIR,

A question having arisen as to the proper construction of Sections 192, 193 and 194 of the Income Tax Act, I have the honor to request, under authority of Government, that you will adopt the following form of credit entry in your cash accounts from the current month, in lieu of that prescribed in my Circular of the 31st ultimo.

INCOME TAX ACCOUNT.

	2 per cent.	*3 per cent.*	*1 per cent.*	*Total.*
Duty levied under Schedule 1	000	000	000	000
Ditto ... Ditto ... 2	000	000	000	000
Ditto ... Ditto ... 3	000	000	000	000
Ditto ... Ditto ... 4	000	000	000	000
Fines, forfeitures, and penalties				000

2. The subsidiary monthly statement which you were requested to furnish with your monthly cash account, should be in the following form:—

Separate statement of one per cent. Income Tax realized at the ———Treasury, *vide* Sections 190 to 194 of the Act.

Total duty paid on account of 1 per cent. Tax		000
Duty assessed on persons residing in or carrying on business in the District, *vide* Section 192	000	
Duty on interest, salaries, &c., *vide* Section 193	000	000

I have, &c.,
(Signed) E. DRUMMOND,
Accountant General to the Government of India.

FORT WILLIAM,
The 31st August 1860.

CIRCULAR No. 676.

To

THE

SIR,

In continuation of the preliminary instructions contained in my Circular of the 31st ultimo, directing the opening in your Treasury accounts of a head to be styled "Income Tax Account," for the exhibition of collections under the operation of that Act, I have now the honor to request your attention to the following remarks:—

Charges especially incurred on account of salaries, establishments, &c., defrayable from the tax, should be supported with bills passed by the Civil Auditor, and debited to the head of "Income Tax Account."

Refunds, whether of collections or fines, &c., all which will appear under the same head, should be vouched with the original order of the Officer empowered to sanction them thus:—

	2 per cent.	*4 per cent.*
"Refunds under Schedule (1, 2, 3, or 4, as the case may be)" each payment being separately specified and No. of voucher cited	000	000

The column headed "3 per cent." in my Circular of the 31st should be altered to "2 per cent." and "1 per cent." to "4 per cent."

I have, &c.,
(Signed) E. DRUMMOND,
Accountant General to the Government of India.

CALCUTTA,
The 3rd August 1860.

RULE.

All repayments of duties imposed by Act 32 of 1860, directed to be made under Sections 138, 139, and 140 of the said Act, shall be made by an order upon the Treasury into which such duties have been paid, signed by the Collector or Commissioner by whom the remission has been granted, and in the following form, the amount remitted and the date thereof being at the same time entered by the Collector or Commissioner upon the receipt, if any have been given for the duties previously paid.

All repayments so ordered, shall be notified by the said Collector or Commissioner to the Assessor, by whom the duties were originally assessed, who shall enter a note thereof in his record of assessments.

FORM.

To_____ Dated_____

I hereby certify that it has been proved to my satisfaction, upon the application of A. B., who has been assessed for duty under Act 32 of 1860, in my district, that he his entitled to repayment under Section———of Act 32 of 1860 of Rupees———(Rupees———) duties paid under the said Act into your Treasury on the———under Schedule———as noted at foot, and you are hereby authorized and directed to pay the said sum of Rupees———to the said A. B., debiting the amount under the head of Refunds of Income Tax, for which this is in your warrant.

Collector or Commissioner for———} Under Act 32 of 1860.

	2 or 3 per cent.	1 per cent.	Total.
Schedule 1			
„ 2			
„ 3			
„ 4			

I hereby certify that it has been proved to my satisfaction, upon the application of A. B., who has been assessed for duty under Act 32 of 1860, in my District, that he is entitled to repayment, &c.

CIRCULAR No. 804.

To _____

SIR,

In explanation of Section 4 of Act XXXII. of 1860, I have the honor to inform you that, in computing Income Tax, fractions of an Anna are invariably to be rejected.

FORT WILLIAM,
The 24th August 1860.

(Signed) E. DRUMMOND,
Accountant General to the Government of India.

No. 2,869, FOREIGN DEPARTMENT, FORT WILLIAM, THE 3RD JUNE 1861.

Forwarded to the Financial Department, for consideration and orders. Original papers to be returned.

FINANCIAL DEPARTMENT, FORT WILLIAM, THE 20TH JUNE 1861.

Resolution.

With reference to the above, the Governor General in Council is pleased to resolve that Income Tax be levied only upon such pay as any Officers in Mysore receive from the British Government.

To the Foreign Department, for communication to the Commissioner of Mysore.
,, ,, Government of Fort Saint George.
,, ,, Deputy Auditor and Accountant General, Madras.
,, ,, Civil Pay Master, Ditto.

(A true Extract.)

(Signed) C. H. LUSHINGTON,
Secretary to the Government of India.

No. 365. ORDER THEREON, 25th July 1861, No. 1,486.

Communicated to the Military Department.

(Signed) C. G. MASTER,
Deputy Secretary to Government.

CIRCULAR No. 804.

To _____

SIR,

IN explanation of Section 4 of Act XXXII. of 1860, I have the honor to inform you that, in computing Income Tax, fractions of an anna are invariably to be rejected.

FORT WILLIAM,
The 24th August 1860.

E. DRUMMOND,
Accountant General to the Government of India.

No. 2869, FOREIGN DEPARTMENT, FORT WILLIAM, THE 3RD JUNE 1861.

FORWARDED to the Financial Department, for consideration and orders. Original papers to be returned.

FINANCIAL DEPARTMENT, FORT WILLIAM, THE 20TH JUNE 1861.

Resolution.

WITH reference to the above, the Governor General in Council is pleased to resolve that Income Tax be levied only upon such pay as any officers in Mysore receive from the British Government.

To the Foreign Department, for communication to the Commissioner of Mysore.
,, ,, Government of Fort Saint George.
,, ,, Deputy Auditor and Accountant General, Madras.
,, ,, Civil Pay Master, Ditto.

(A true Extract)

Secretary to the Government of India.

[Exd. E. C. Doss]

Recd 1861 Sept 6
Pro: of Govt for July.

No 1674.

Extract
from the Pro: of the
Govt of India Fin
Depart.

Date d 20th June 1861
Recd 15th July No
1852

Ind Money

Ruling that Income
Tax should be levied on
the Pays of Church officers
in the same manner as receive
them from the British
Government.

No 1486. 25. July
Wm Taylor

No 364 & 365

Rec 18 July Rep

No 1486

Communicated to the
Military Department.

Fort St. George
25 July 1861

Copies to Mr Military Dept Pro 25

1846