

GOVERNMENT OF MADRAS.

REVENUE DEPARTMENT.

READ—the following letter from D. BARBOUR, Esq., Secretary to the Government of India, Department of Finance and Commerce (Separate Revenue, &c.—Assessed Taxes), to the Secretary to the Government of Bombay, Financial Department, dated Simla, 20th May 1886, No. 810.

I am directed to acknowledge the receipt of your letter, No. 996, dated the 7th April 1886, requesting the instructions of the Government of India on the following questions in connection with the income-tax to be levied under Act II of 1886:—

- (a) Is the recipient of a salary, under part I of schedule II to the Act, to be questioned as to his other income in order to determine whether he is liable to the tax, or are all salaries, &c., to be exempt if they are less than Rs. $\frac{5}{12}$ a month, irrespective of other income?
 - (b) Is a person whose monthly salary is Rs. $\frac{5}{12}$ or more, but whose total income in the year from all sources is, owing to absence on leave, less than Rs. 500 for the year, entitled to claim a refund of the tax deducted from salary in the months in which he drew it in full? If so, how should the refund be made, seeing that there is no provision in the Act for refunds under part I?
 - (c) If the full monthly salary is Rs. $\frac{5}{12}$ or upwards, but the salary claimable in any month is less than Rs. $\frac{5}{12}$, is the salary for that month exempt from reduction under section 7 as not liable to tax?
 - (d) If a person receives salary less than Rs. $\frac{5}{12}$ a month, and also has other income less than Rs. 500 a year, but the salary and income together are Rs. 500 or upwards, is the salary exempt from tax under part I, and the other income exempt under part IV, so that the person escapes altogether? If not, how is he to be taxed?
2. In reply, I am to state as follows:—
- (a) Salary less than Rs. $\frac{5}{12}$ a month is liable to the tax if the recipient has other income coming under parts II, III or IV, which brings the total income up to Rs. 500 or more. The person paying the salary should not, however, question the recipient as to his other income. He should deduct the tax solely with reference to the month's salary, unless the Collector brings to his notice that the recipient has other income.
 - (b) In the circumstances described in paragraph 1 (b) the person will be entitled to claim refund at the end of the year of the amount of tax deducted from his monthly salary. In order to obtain refund he should, after the close of the year, apply to the Collector stating—
 - (i) his total income in the year, giving detail of the several sources;
 - (ii) the amounts deducted from his salary in any months of the year.

The Collector, if satisfied that the total annual income is under Rs. 500, will declare the applicant entitled to refund of the amount deducted, and the amount will be paid like an ordinary refund. The Local Government may, if it considers necessary, prescribe a form on which the Collector's certificate can be given and the refund paid.

- (c) If the salary drawn in any month is less than Rs. $\frac{5}{12}$, deduction need not be made on account of the tax on the ground that the salary of other months has been or will be such as to bring the salary of the year up to Rs. 500. The tax on salary should be deducted with reference to the salary of each month separately.

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(d) In the case described in paragraph 1 (d) the salary under part I is liable to the tax, while the other income under part IV is not liable, as stated by the Advocate-General. As to the levy of the tax under part I, I am to refer to (a) of this paragraph.

3. It is observed from paragraph 1 of your letter that the Government of Bombay proposes to embody the orders in the present case in a rule to be issued under section 38 of the Act. I am directed to say that the Governor-General in Council is of opinion that it will be better not to embody these orders in a rule having the force of law. Effect may be given to them by executive instructions.

Copy forwarded to the other Local Governments and Administrations, to the several Departments of the Government of India, to the several Accountants-General and Comptrollers, to the Comptroller of India Treasuries, the Comptroller and Auditor-General, to the Director-General of the Post Office of India, the Commissioner, Northern India Salt Revenue, the Mint Masters, Calcutta and Bombay, the Head Commissioner of Paper Currency, and the Superintendent of Government Printing.

(By Order.)

(Signed) J. F. FINLAY,
Offg. Under Secy. to the Govt. of India.

ORDER—dated 11th June 1886, No. 467, Revenue.

Miscellaneous.

The decision of the Government of India on points (a) and (d) accords with Board's Proceedings, No. 1002, dated

1st May 1886, recorded in G.O., No. 402, dated 31st May 1886, except that the tax must be collected by the Treasury officer from the salary of the individual concerned, on intimation received from the assessing officer and not by the latter under part IV of the Act.

2. The ruling on point (b) agrees with paragraph 3, clause (a) of Board's Proceedings recorded in G.O., No. 320, dated 5th May 1886, but the application for refund should be entertained only at the end of the year. A special form of certificate for refund appears unnecessary. No form has been prescribed for refunds under section 33 of the Act.

3. The instructions in paragraphs 1 and 2 of Board's Proceedings, No. 931, dated 16th April 1886, recorded in G.O., No. 320, dated 5th May 1886, should be modified to accord with the decision of the Government of India on point (c) which directs the levy of the tax with reference to the salary of each month separately.

(True Extract.)

(Signed) J. F. PRICE,
Ag. Secretary to Government.

To the Public, &c., Departments.
 „ the Military Department.
 „ the Public Works Department.
 „ the Board of Revenue.
 „ the Director of Revenue Settlement and Agriculture.
 „ the Superintendent, Revenue Survey.
 „ the Inam Commissioner.
 „ the Government Botanist and Director of Cinchona Plantations and Parks.
 „ the Superintendent, Government Central Museum.
 „ the Accountant-General.

Exd. P. L. Pereira.

200 Copies.

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Gobt. of (1886) Madras.
REVENUE.

Issued

Recd.

Encl.

G.O., 11th June 1886, No. 467.

June.

Income-tax Act of 1886.

Passing orders on Government of India instructions relative to certain questions raised by the Bombay Government in connection with the —.

5TH MAY 1886, Nos. 320, 320A, REVENUE.

GOVERNMENT OF MADRAS
REVENUE DEPARTMENT.

READ—the following Proceedings of the Board of Revenue, dated 16th April 1886, No. 931 :—

Read—the following letter from F. A. NICHOLSON, Esq., Acting Collector of Anantapur, to the Secretary to the Board of Revenue, dated 26th March 1886, No. 136 :—

I have the honor to request that you will be so good as to inform me at an early date whether I should deduct the amount payable under the Income Tax Act of 1886 from the salaries of persons who are in temporary and acting appointments drawing per month Rs. 41-10-8 or more, but whose pay will probably not exceed Rs. 500 per annum in consequence of the acting or temporary appointment lasting but for a short time during the year.

Resolution—dated 16th April 1886, No. 931.

The Board observe that the minimum income taxable under the Act is Rs. 500 per annum, section 5, clause *j*; no *monthly* minimum has been fixed as under the old Acts, section 7 of Acts XVI of 1870 and XII of 1871. They are therefore of opinion that no tax should be deducted from the monthly salaries in the case referred to by the Collector, as by the terms of the appointment the *annual* income is not likely to reach the prescribed minimum. The fact that the acting pay and allowance drawn in a particular month exceed Rs. 41-10-8 is beside the question.

2. Cases may, however, arise where, in consequence of subsequent promotion, the aggregate salary of an individual comes within the taxable limit. In such an event there is nothing to prevent his being held liable to the tax on the whole amount drawn for the year and the tax being deducted from the salary payable to him within the year.

3. The Board take this opportunity to request the orders of Government in the following cases :—

(a) Where a public servant holding a permanent appointment of Rs. 41-10-8 or more per mensem has paid the tax on his salary for the first few months of the year, and is subsequently degraded to a lower appointment and the aggregate salary drawn by him for the year falls below the minimum of Rs. 500, is the tax already levied to be refunded to him on application? The Board think that it should be, though there are no specific provisions in the Act for granting such refunds.

(b) In the case of servants whose services are lent to Court of Wards or public bodies is the tax to be levied on the gross pay or on the net amount after deducting pensionary contributions? Under clause *g*, section 5 of the Act, an abatement of the tax is allowed only on payments made to insurance companies or for the purpose of securing an annuity. Pensionary contributions are nowhere referred to in the Act, nor do they come within the scope of rule 3 of the rules sanctioned by the Government of India, under which the tax is not chargeable on sums compulsorily deducted from

salary on account of regimental or band funds or the like. The Board think that as the pay of the appointment includes the allowance on account of pensionary contribution, the tax should be levied on the gross and not on the net pay.

(A true Copy and Extract.)

(Signed) C. F. MacCARTIE,
Acting Secretary.

To the Secretary to Government, Revenue Department.

Copy to the Collector of Anantapur.

" " Accountant-General.

" to all other Collectors.

ORDER—dated 5th May 1886, No. 320, Revenue.

Miscellaneous.

The questions raised in the foregoing paper will be submitted for the orders of the Government of India.

2. In the case stated in clause (b), paragraph 3, Government are inclined to think, looking to the terms of rule 8, section 9, Chapter III of the Pension Code, that pensionary and leave contributions made by officers lent for foreign service should be treated as compulsory deductions under No. 3 of the income-tax rules issued by the Government of India and exempted from taxation.

3. Government agree with the Board in their views as regards the other cases.

(True Extract.)

(Signed) J. F. PRICE,
Ag. Secretary to Government.

To the Board of Revenue.

" the Accountant-General.

" the Public, &c., Departments.

" the Military Department.

" the Public Works Department.

" the Director of Revenue Settlement and Agriculture.

" the Superintendent, Revenue Survey.

" the Inam Commissioner.

" the Government Botanist and Director, Cinchona Plantations.

" the Superintendent, Government Central Museum.

No. 320-A.

Copy to the Government of India, Department of Finance and Commerce.

(Signed) J. F. PRICE,
Ag. Secretary to Government.

Exd. W. H. French.

150 Copies.

Order thereon No: 1335 of 28.5.86.

Communicated to
the Examiners P.N. Act.

(J.S.)

Govt. of (1886) Madras.

REVENUE.

Issued

Recd.

Encl.

G.O., 5th May 1886, Nos. 320, 320A.

No 1335 of 28th May/86

MAY.

Income Tax Act.

Certain questions raised by the Collector of Anantapur in connection with the —, forwarded for the orders of the Government of India with an expression of the views of Government.

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