

GOVERNMENT OF MADRAS.
REVENUE DEPARTMENT.

READ—the following letter from J. F. FINLAY, Esq., Officiating Under Secretary to the Government of India, Department of Finance and Commerce (Separate Revenue, &c.—Assessed Taxes), to the Accountant-General, Bengal, dated Simla, 26th April 1886, No. 391 :—

I am directed to acknowledge the receipt of your letter No. 937-E., dated the 25th March 1886, requesting, with reference to Act II of 1886 and the rules framed thereunder, that authoritative rulings may be laid down in the following cases :—

- A.—Whether sums earned by licensed pilots during March 1886, which represent payments for and on account of particular work done, are liable to the tax under the Act.
- B.—Whether, for the purposes of assessment, the commission which is paid twice a year to zilladars and certain other amlah of the Opium Department, and without which their salaries would not become liable to the tax, should be considered with reference to the month in which the commission is declared, or distributed in six equal portions over the months for which it is declared, and then added to the salary.
- C.—Whether the following allowances are liable to the tax :—
 - (1) Special maintenance allowance, family maintenance allowance, and education allowance granted to establishments required to accompany the Government of India to Simla.
 - (2) The allowances granted under the Darjeeling Allowance Code to establishments accompanying the Government of Bengal to Darjeeling.
 - (3) Presidency allowance to officers in the Survey and Public Works Departments, and the local allowance of the Accountant-General, Bengal.
 - (4) Rewards for passing examination.
 - (5) Scholarships held by students of the University.

2. In reply, I am to communicate the following orders of the Government of India on the several points raised :—

- A.—Any sums due and ordinarily payable in March 1886 are not liable to the tax, even though the payment thereof be not taken until April 1886. Your provisional ruling on this point is approved.
- B.—The tax should be levied with reference to the salary drawn in each month; that is to say, the tax in the case referred to should be levied on the salary *plus* the commission paid to the employes of the Opium Department in the month in which the commission is paid, and no account taken of the commission in other months.
- C. (1) and (2).—The various allowances granted under the several Hill Allowance Codes are liable to or exempt from the tax according as they are granted to meet general or specific expenditure.

This principle being applied to the two Hill Allowance Codes to which you refer, the reply to your inquiries is as follows :—

The education allowance under section 23, the house-rent under sections 24 to 28, and the value of free quarters under section 36 of the Simla Allowance Code are granted to meet specific expenditure, and are exempt under the terms of section 3 (4) of the Act.

The special maintenance allowances under sections 15 and 16, the family maintenance allowances under sections 17 to 22, the deputation allowance under sections 34 and 35, and the consolidated salary and the extra allowance of 15 per cent. under section 36 of the Simla Allowance Code are granted to meet general and not specific expenditure, and are therefore not exempt. Similarly, the extra allowances under part II, D and F, and the charge allowance under part III of the Darjeeling Allowance Code are not exempt.

- C. (3) Presidency allowances and the local allowance of the Accountant-General, Bengal, are for the same reason liable to the tax. Presidency house-rent, however, is exempt, as granted to meet specific expenditure.
 C. (4) Rewards for passing examinations are liable to the tax.
 C. (5) Scholarships, if granted to meet the cost of education, are exempt; otherwise they are liable.

Copy forwarded to the several departments of the Government of India; to the several Local Governments and Administrations; to the Comptroller and Auditor General; and to the other Accountants-General and all Comptrollers for information and guidance.

(By Order.)

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

ORDER—dated 12th May 1886, No. 336, Revenue.

Miscellaneous.

Communicated to the departments of the Secretariat, the Board of Revenue, and the Accountant-General.

(True Extract.)

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

To the Public, &c., Departments.
 „ the Military Department.
 „ the Public Works Department.
 „ the Board of Revenue.
 „ the Accountant-General.
 „ the Private Secretary to the Right Honorable the Governor.

Exd. W. H. French.

120 Copies.

No 1341 Wd/27th May 1886

Communicated to officers
of the P.W. Department for
information.

Wd/27th May

Gobt. of (1886) Madras.
REVENUE.

Issued
Recd. Encl.

G.O., 12th May 1886, No. 336.

No 1341 Wd/27th May 1886

MAY.

Ch. Engr. for Span
Consig. Engineer for Ry
Supg. Engineers
Supt of W. S. M. S.
Consig. Archt to Govt.
Supt. M. S. W.
Exec P. W. Archt
" State Ry. Archt
" Gtd Ry. Archt
Engr. in - Ch. M. S. Ry.

Income Tax Act, 1886.
Communicating to certain authorities orders of
the Government of India regarding the liability
of certain cases to tax under the Act.

With order

21st MAY 1886, No. 369, REVENUE.

GOVERNMENT OF MADRAS.
REVENUE DEPARTMENT.

READ—the following letter from the Engineer-in-Chief, Madras State Railway Survey, to the Joint Secretary to Government, Public Works Department, Railway Branch, Madras, dated Bangalore, 19th April 1886, No. 531 :—

I have the honor to forward herewith copy of letter No. 33, of 16th instant, from the Executive Engineer, No. III Survey Party, together with extract from the disallowance list from the salary bill for March 1886, and to request that you will settle the matter. The Examiner, State Railway Accounts, appears to be entirely in the wrong.

ENCLOSURES.

Copy of letter from the Executive Engineer-in-Charge, No. III Survey Party, to the Engineer-in-Chief, Madras State Railway Surveys, dated Bangalore, 16th April 1886, No. 33.

I have the honor to bring to your notice item (e) in the Examiner's list of disallowances from the salary bill of this division for March in which income-tax has been charged on two amounts, Rs. 38-11-3 and Rs. 33-14-0, being arrears of salary due to Messrs. Beveridge and Shepherd since the month of August last. This salary was disallowed by the Examiner as he insisted upon treating their appointments as new ones instead of as transfers and owing to various references and delays has only now been audited.

2. The payment of income-tax on salaries due for March is felt to be a severe grievance. As it, of course, falls on Government servants only, it is however specially provided for in the Act, but it is difficult to believe that it was ever intended to deduct it from salary due before the tax was ever contemplated and payment of which has been deferred by the Examiner's mistaken action in disallowing it; moreover, by adding these amounts to their salaries for March, the amounts audited are in excess of the four pies limit of Rs. 166-10-8, and advantage is taken of this to tax the whole amount at 5 pies per 1. The Examiner also declines to admit in mitigation of income-tax Mr. Beveridge's monthly subscription to a Pension Fund on the grounds of its being for the month of January, but paid in March. As the tax is levied on March's income it would appear reasonable, and within the meaning of the Act, to deduct any payment made during March for provision for his family without reference to the month for which the payment is made, the fact of his being in arrears remaining a private one between himself and the fund. In both these cases the Examiner seems to have very unnecessarily strained the meaning of the Act to the detriment of the individuals concerned.

Extract from list of disallowances from the salary bill for March 1886.

Name of rank.	Amount disallowed.	Reason of disallowance.	Explanation by Executive Engineer, &c.
(e) Mr. Beveridge and Mr. Shepherd.	..	* Deduction of Income-tax. (e) Rs. 38-11-3 and Rs. 33-14-0 (being the amount of arrears passed to these subordinates respectively in this bill) are also liable to taxation as the sums will be paid in April 1886. The necessary entry has been made in the deduction column of the bill by this office. No credit can be given for the sum paid by Mr. Beveridge to the General Family Pension Fund, as the payment was made in March and was on account of January 1886. The original receipt is herewith returned, and it is requested that its receipt may be acknowledged in the column of explanation to this disallowance list. It is pointed out that as required by this office circular a certified copy of the fund receipt in addition to the original should have been furnished with the bill for record in this office. Please do so in future months.	

(Signed) A. GRANT,
Examiner of Accounts, M. S. Ry.

No. 57-D.

Referred to the Judicial Department, for favor of opinion.

OOTACAMUND,
29th April 1886.(Signed) W. H. COAKER, Major, R.E.,
Ag. Joint Secy. to Govt., P.W.D.,
Railway Branch.

No. 729-C.

Transferred to the Revenue Department.

OOTACAMUND,
5th May 1886.(Signed) E. F. WEBSTER,
Chief Secretary.

ORDER—dated 21st May 1886, No. 369, Revenue.

Miscellaneous.

The questions raised are :—

- (1) whether salary which was due and ordinarily payable anterior to the date on which the Income Tax Act came into force, but which happened to be drawn subsequent to that date, is liable to the tax ;
- (2) whether a payment made in March 1886 to the General Family Pension Fund on account of subscription due for January 1886, should not be set aside from the salary drawn in April 1886, and exempted from the tax.

2. The answer to the first question is in the negative. Arrears of salary due and ordinarily payable before the date on which the Act came into force are not liable to the tax though drawn in April 1886 (*vide* clause A, paragraph 2 of the letter of the Government of India, No. 391, dated 26th April 1886, embodied in G.O., No. 336, dated 12th May 1886). The rate and amount of tax leviable from Messrs. Beveridge and Shepherd in the case reported in the foregoing papers should, therefore, be calculated without reference to the arrears passed to them in the salary bill for March 1886.

3. Adverting to the second question, Government are of opinion, looking to the wording of No. 4 of the Government of India rules, that the payment made to the Pension Fund in March should be allowed for in the pay drawn for that month, subject to the restriction that the amount so exempted does not exceed one-sixth of the salary.

(True Extract.)

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

To the Judicial Department.
 „ the Public Works Department.
 „ the Public Works Department, Railway Branch.
 „ the Public, &c., Department.
 „ the Board of Revenue.
 „ the Accountant-General.

Exd. W. H. French.

120 Copies.

P. W. Dept.
Govt. of (1886) Madras.

REVENUE.

No. 1483 W. d. 11 June 1886

Communicated to officers
of the P. W. Department for
information in continuation
of G. O. No. 1341 W. d. 29th May
1886.

1/24/1886

Issued

Recd.

Encl.

G.O., 21st May 1886, No. 369.

B. No. 1483 W. d. 11 June 1886

MAY.

Income Tax Act.

Passing orders on questions regarding the
construction of certain provisions of the —.

With orders

*Ch. Engr. for Secy.
Consy. Engr. for Ry.
S. Engrs
Supt of W. S. M. S.
Consy. Architect to Govt
Engr. in Ch. M. S. Ry.
Secy. P. W. A.
" Gtd Ry. A.
" State Ry. A.
Supt M. S. W.*

[C. No. 8.]

GOVT.
OF MADRAS.

1886.

(P. W.
DEPT.)

EXAMINER, P. W. ACCOUNTS.

Madras, 21 JUNE 1886

OFFICE NOTE No. 225

To

E. W.

Encl. 1

FORWARDED IN ORIGINAL

< TO BE RETURNED > FOR FAVOR OF
ORDERS IN REGARD TO ITEM < A >.

KEEP-WITH

Genl. No.

dated

188

[Signature]

[Signature]

21/6

1483 W 11-1-86
No. 1341 W 29-5-86

14814

B/
No. 1657 W. d/ 30 June 1886
The sum of Rs 446-15-4,
which Colonel
Pennycook received in
March as an advance
of pay for that month,
was not "due and
ordinarily payable
in March 1886", and
is therefore liable to
deduction on account
of Income Tax in
accordance with
ruling A. of the
G. of I. Communicated
with G.O. No. 1341 W. dated
29-5-86.
29-5-86.

22/6/86

No. 1657 W. d/ 30 June 1886.

23/6/86

W
25-6-86
Exr. P.W. Accts
with 1 enclos. Decd
23-6-86 30/6/86
C. 23-6-86 A. 23-6-86

Entd in RR 9/7

1341 W. 8
29. 5. 86 lays
down that any
sums "due and
ordinarily payable
in March 1886 are
not liable to the
tax". The amount
regarding which
the present refer-
ence is made
was not due in
March as it
was an advance
of pay for that
month.

FR
22.6.86

