

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No. 94

Press
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185-186

Dated

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Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
14th January 1861.*

No. 185. Read the following letter from W. BALMAIN, Esq., Officiating Secretary Government Savings Bank, to T. PYCROFT, Esq., Chief Secretary to Government, Fort Saint George, dated 13th December 1860, No. 930:—

SIR,

1. I have the honor to submit for the orders of Government, the accompanying papers* in regard to the levy of Income Tax on interest on deposits in the Government Savings Bank.

2. Up to this time the tax has not been levied, but under the opinion of the Advocate General, I presume it must in future be taken. The question for consideration is as to whether the course recommended by the Accountant General of assessing every one and allowing them afterward to claim a refund is to be followed, or whether in regard to general considerations this strict procedure may be departed from.

3. It will be seen from the Memorandum which accompanies, that the total possible revenue cannot exceed Rupees 1,600 per annum, and if deduction is made for those who will only have to pay at 2 per cent. and those altogether exempted, the real receipts will be much less than this sum. The average Income Tax on each depositor, assuming all to pay at 4 per cent., will be about 2½ Annas per annum. To realize this it will, in the first instance, be necessary to tax 9,000 depositors on their annual accounts when made up, and probably to refund to more than half of them the tax levied.

4. I would submit for the consideration of Government, that the principle applied to official salaries of exempting all those whose incomes are below the limit, without supposing them to be possessed of other property, might well be extended to this case; with the depositors scattered all over the Presidency, how the necessary particulars to prove claims to refunds are to be submitted to the *ex-officio* Assessor, and how he is to come to a satisfactory decision, I am unable to conceive.

5. If as I understand has been done in Madras, parties are required and allowed to include in their Income Tax returns to the regular Assessor, the interest on their Savings Bank deposits, it is probable that all those whose receipts are worth taxing will pay the tax.

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Memorandum from the Officiating Secretary Government Savings Bank, 12th December 1860.

The Officiating Secretary Savings Bank begs to forward, for the information of the Directors, a letter regarding Income Tax on interests on deposits, up to this time the tax has not been levied, but by the opinion of Mr. Ritchie the Secretary Savings Bank is an *ex-officio* Assessor under Section 26. Some rules are necessary for the guidance of the Office in regard to the levy of the tax. Is the interest on all deposit whether Military or Civil to be taxed: or will the former be exempted, or the supposition that their pay and allowance will almost invariably be less than a Captain's pay Section 127? What proof is to be required that persons claiming exemption are not possessed of other property? as the amount of revenue involved is very inconsiderable, it would appear as well to throw on the parties themselves the responsibility of showing this part of their income in their returns to the regular Assessor. It may be stated in round numbers that the amount of interest on deposits per annum is Rupees 40,000 and the number of depositors is 9,500, so that 4 Rupees is the average receipt of each. The tax on 40,000 Rupees at 4 per cent. would be only 1,600 Rupees, if all deposits were taxed at the higher rate which would certainly not be the case.

—

Directors of the Savings Bank.

The Secretary to the Savings Bank as Sub-Treasurer is an *ex-officio* Assessor, not otherwise—I am of opinion that under the opinion of the Advocate General of the Government of India which is acted on in Bengal should levy Income Tax on all interest paid. Section 127 of the Income Tax Act refer to the *pay* and *allowances* of Officers, Non-Commissioned and Privates, &c., and not to other sources of income, such as interest of money invested whether in the Savings Bank or in Government Securities. I consider that the Sub-Treasurer, Secretary to the Savings Bank, should assess Income Tax on all interest paid by him to

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depositors. If the depositor is able to show that his total income is less than 200 Rupees the Sub-Treasurer may under Mr. Ritchie's opinion grant exemption, if claimed.

12th December 1860.

(Signed) R. P. HARRISON, Accountant General.

13th December 1860.

(„) C. S. ELLIOT, Brigade Major.

From J. I. HARVEY, Esq., Secretary Government Savings Bank, Fort William, to
W. BALMAIN, Esq., Officiating Secretary to the Government Savings Bank, Fort
Saint George, dated 28th November 1860, No. 335.

SIR,

In reply to your letter No. 728, dated the 14th instant, I have the honor to inform you, that Income Tax on the interest on Savings Bank deposits, is levied in this Presidency by me, on the final closing of an account, and in other cases, at the close of the official year, when the interest account is made up and credited to the depositors, in accordance with the opinion of the Advocate General, copy of which is annexed for your information. The total amount of assessment being exhibited in the annual balance sheet prepared for submission to Government.

2. Depositors having incomes less than 200 Rupees a year, are at liberty to apply for exemption from the duties to the Commissioners of Income Tax under Act XXXII of 1860.

OPINION.

I am of opinion that Income Tax is assessable on the interest of monies deposited in the Government Savings Bank. Such interest is payable out of the Revenues of India, and is therefore chargeable under Schedule 3, and does not fall within any exemption of the Act, unless the recipient can show that his total income is less than Rupees 200 per annum. If the only income of the depositor consists of interest money, in the Savings Bank, or of other income assessable by the Accountant General or Sub-Treasurer, the depositor may claim and obtain such exemption in the first instance, from such *ex-officio* Assessor. If the depositor have any other source of income charged under the Act, he must seek exemption from the Income Tax Commissioner, and must submit to the assessment and deduction in the first instance upon the interest payable to him from the Savings Bank.

4th October 1860.

(Signed) W. RITCHIE.

(True Copy.)

Signed) O. C. DUTT,
Actuary Government Savings Bank.

No. 186.

ORDER THEREON, 14th January 1861, No. 94.

The Honorable the Governor in Council approves and authorizes the course proposed in paragraph 4 of this letter.

(Signed) J. D. BOURDILLON,

Secretary to Government.

For or send.

though the course proposed in para
5 of Mr. Balmain's letter is opposed to the
rules from calculation, it might be as
well, considering the very small sums
to be realized, and the number of con-
tributors who, after having been taxed,
w? claim a refund, to allow the pay-
tees themselves to make the return,
as has been done in many cases
already in the Presidency.

Etc. The safest plan would
probably be for the Act to be
to tax all above the minimum
& leave all below it to return
this part of their income
to the ordinary com^{rs} or to
the [?] ? J.D.S.

It seems to me advisable to adopt the course
proposed in P4 of Mr. Balmain's letter

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to Swedenborg

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No. 930

Enclosure 601

[illegible]

Submitting for the
orders of Government
papers regarding the
for income tax on
Deposits on deposits of
the Government Savings
Bank -

Will you order

1894.

The Hon. the Governor
Council of the State and the
High the same. Therefore
we have at this letter



of
Wm. A. Geo: D

14 Jan'y 1841.

1 Copy.

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The dear old George must not forget me

13 " 1847

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Thos. A. Lewis
Deborah Lewis