Proceedings of the Madras Government, Revenue Department,
22nd January 1872.

No. 242. Read the following letter from the Acting Accountant-General, Madras, to the Secretary to Government, Revenue Department, dated Fort St. George, 11th January 1872, No. 489 :—

I HAVE the honour respectfully to request that His Excellency in Council will be pleased to reconsider the decision contained in G. O. No. 9, dated the 4th instant, as it seems to me to be at variance with the spirit of the Income-tax Act, Section 8, which requires the levy of the tax at the time of payment of salary. I would observe also that the payment of future Income-tax on a larger income than would otherwise be taxable in cases like the present one is not a matter of certainty, inasmuch as the party making anticipatory payments in redemption of his liability to regular monthly fund deductions may die before any tax can be levied from him, in which case Government would be a loser to the extent of the tax unlevied. The deduction of the tax, therefore, monthly, is, I submit, not only the only legal but the safest course in the interests of Government, and in no way a hardship to the person taxed, as refunds are allowed at the end of the year if necessary. I have also to point out that Rule V. of the Notification referred to in the G. O. quoted above should be read together with Rule VI., and that, when so read, it is evident that exemption from tax of payments to Service Funds alone should be allowed only to the extent of one-tenth of salary, because that is the limit allowed both to such payments and payments to Insurance Companies.

2. Should these arguments not commend themselves to His Excellency in Council, I request that the matter may be referred to the Government of India for final orders.

No. 243. ORDER THEREON, 22nd January 1872, No. 124.

Miscellaneous.

THE Government are at a loss to understand the Acting Accountant-General's arguments.

The case appears to them to be a very simple one and free from all doubt.

2. Dr. vanSomeren was liable to make certain monthly payments to the Medical Fund for his family, and was entitled, under the sanctioned rules, to redeem these periodical payments by a single lump payment in anticipation.

3. He was also entitled, under the Governor-General's Notification of 1st April 1871, to claim deduction from his salary before assessment to Income-tax of "all sums stopped under the authority of Government on account of payment to Pension or Annuity Funds."

4. He claimed accordingly to deduct the payment made in gross in the months in which it was made, the effect being to leave a larger unreduced salary taxable every month in future.

5. The Acting Accountant-General, however, refused to admit the claim, and asserted his right to tax the salary less only the small periodical payment that had been redeemed, and to continue this procedure in all future months when, in fact, no such claim for reduction on account of periodical payment could be made, and a larger income would really be taxable.

Proceedings of the Madras Government, Revenue Department,
22nd January 1872.

6. This procedure appears to the Government to be clearly opposed to the Governor-General's Notification and in no way prescribed by the Act but rather opposed to it.

7. The Government are also unable to accept the Acting Accountant-General's interpretation of Rules V. and VI. as absolutely limiting deductions on account of payments to Service Funds to one-tenth of salary. They read the rules as entitling to deduction of *all* sums payable under the rules of the funds which are authorized by Government without reference to their amount.

8. The papers will be referred for the decision of the Supreme Government.

(True Extract.)

(Signed) W. HUDLESTON,
Secretary to Government.

To the Acting Accountant-General.
,, the Board of Revenue.

Revenue Department.

No. 124

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PROCEEDINGS of the MADRAS GOVERNMENT,

Under date the 22d January 1872.

Read the following letter from the Ag. Accountant General.

Requesting that the decision contained in G.O. No 9 dated 4 January 1872 Revenue Department may be reconsidered. (A.C. 11 January 1872. No 189)

The Government are at a loss to understand the Ag. Acct. General's arguments.

The case appears to them to be a very simple one and free from all doubt.

2 Dr Vansomeren was liable to make certain monthly payments to the Medical fund for his family and was entitled under

[illegible] procedure rules
to redeem these periodical
payments by a single
lump payment in antici-
pation

3. He was also entitled
under the Governor Generals
Notification of 1st April 1871
to claim deduction from
his salary before assessment
to Income tax of "all
sums stopped under
the authority of Government
on account of payment to
Pension or Annuity funds.

4 He claimed accordingly
to deduct the payment made
in gross in the months in
which it was made, the
effect being to leave a
larger unreduced salary
to be every month in future

5. The Ag. Accountant General
however refused to admit
the claim and asserted
his right to tax the salary
less only the small periodical
payment

payment that had been
redeemed and to continue
this procedure in all
future months when in fact
no such claim for reduction
on account of periodical
payment could be made
and a larger income would
really be taxable.

6. This procedure appears
to the Govt to be clearly
opposed to the Governor
Generals Notification and
in no way prescribed by the
Act but on the contrary opposed
to it.

7. The Govt are also unable
to accept the Ag. Accountant
Generals interpretation of
rules 5 and 6 as absolutely
limiting deductions on
account of payments to
Service funds to 1/10 of salary.
They read the rules as
entitling to deduction of
all sums payable under
the rules of the Funds
which are authorised by
Govt

Govt., with out reference to
their Amount.

8. The papers will be
reserved for the decision
of the Supreme Govt as
desired by the Ag. Accountant
General.

L.N.

6. To the Ag. Accts. Kyl. Dept. 23/1/72
14. Bd of Revenue