

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.

85

Press

Mis.

176-77

Dated

13-1-1820

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Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
13th January 1870.*

No. 176. Read the following letter from the Officiating Secretary to the Government of India, Financial Department, (Separate Revenue—Assessed Taxes,) to the Secretary to Government of Bombay, dated Fort William, 17th December 1869, No. 3,177:—

I AM directed to acknowledge the receipt of the papers, forwarded with your communication, No. 1,491, dated the 13th ultimo, on the subject of the assessment for Income-tax of profits derived from land in the Kaira District.

2. The Governor-General in Council observes that in your letter, No. 744, dated the 9th June 1869, it was stated that the gross realizations of land held directly from Government "may be assumed to be equal to three times the assessment, deducting therefore one-third for rent and one-third for cost of realization, the net balance of profit will be found equal to the assessment." On this understanding, the Government of India, in Orders, No. 1,614, dated the 29th June, sanctioned the rule that the profits of such land should, for the purposes of the Income-tax Act, be assumed as equal to the land-revenue payable therefor.

3. Subsequently, it was intimated to the Government of Bombay, in Orders, No. 3,080, of the 6th September, that it was competent to them to modify the rule in exceptional cases.

4. It now appears, from the report of the Collector of Kaira, that it would not be an excessive estimate to assume that in the Kaira District one rupee of land-revenue indicate five rupees of profit. If this or anything approaching to this is the true state of the case, it is evident that the data on which the present rule is founded do not apply to the Kaira District, and that it was quite competent to the Government of Bombay to modify that rule in that district.

5. In the opinion of the Governor-General in Council this would have been the proper course to pursue.

6. But the Governor-General in Council would now ask the Government of Bombay to re-consider the Resolution which was recorded on the Proceedings, and in which are the following words:—"A recent and distinct guarantee having been given that the new rates of assessment cover all demands on the part of Government on account of land-revenue, it is perhaps more than questionable whether the State, under the denomination of Income-tax, is justified in enhancing these rates." The Governor-General in Council is constrained to observe that the above argument virtually questions the propriety of levying any Income-tax whatever on any lands which have been assessed with land-revenue, during the currency of the settlement. This argument, if it has any force, applies to all land paying revenue to Government, whether the settlement be temporary or permanent, whether it has been recently made, or is of long standing, so long as it is current. It is an argument which has frequently been put forward notably by the land-owners of Bengal under the permanent settlement, and, I am to add, its fallacy has frequently been exposed. On this subject I am directed to refer the Government of Bombay to the exhaustive remarks of the late Mr. James Wilson in his financial statement of the 18th February 1860, when introducing his Income-tax Act. The Governor-General in Council cannot admit that any guarantee, direct or implied, against a general measure of taxation is given by Government when it makes a settlement of its land-revenue, or, in other words, of its share as supreme proprietor in the gross

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profits of land. Under a general Income-tax Act the share of the gross profits, which is left under the land-revenue settlement to be enjoyed by the parties in possession, is clearly liable to assessment equally with income from any other source.

7. It was not with any desire to lessen the incidence of the Income-tax on profits from land that a rule for assuming the amount of these profits with reference to the land-revenue was suggested, but in order to introduce an element of certainty into the assessment, and to save the necessity of inquisitorial proceedings.

8. If, as stated by the Collector of Kaira, the profits of ryots in that district equal five times the land-revenue, the object of the rule would be completely obtained by modifying it, and declaring that, for the purposes of the Income-tax Act, the profits should be assumed at five times the amount of the land-revenue.

9. The Governor-General in Council will not now ask for interference with the assessments for the present year; but he is not prepared to sanction hereafter the continuance of a rule by which the State loses four-fifths of the Income-tax revenue fairly due from agricultural profits in the Kaira District.

10. The Governor-General in Council therefore requests that the Government of Bombay may be pleased to direct that each Collector in the Bombay Presidency may be called on to report, after careful inquiry, what may on the average be assumed to be the actual proportion of profits from land to land-revenue in his district. These reports, with those of the Revenue Commissioners, should be submitted as early as possible to the Government of India, with the view to the alteration next year, if necessary, of the present rule ~~for income-tax assessment on~~ agricultural profits.

11. In conclusion, the Government of India has every confidence that the Government of Bombay will, on a review of the circumstances relating to the levy of the Income-tax on income from land, ensure that full regard is paid to this important point by the Revenue authorities.

Copy to Government of Madras, with a request that similar inquiries may be made in that Presidency and reported to the Government of India.

(Signed) G. H. M. BATTEN,
Under-Secretary to the Government of India.

No. 177. ORDER THEREON, 13th January 1870, No. 85.

Miscellaneous.

COMMUNICATED to the Board of Revenue, with a request that the reports required by the Government of India

may be called for and submitted to the Government.

(True Extract.)

(Signed) R. A. DALYELL,
Acting Secretary to Government.

To the Board of Revenue.

Exd. F. R. Bartleman.

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18.85.

Communicated to the B. of Rev.
with a request that the reports required
by the Port of India may be called for
and submitted to the J. & G.

13th Jan/70.

11. Sol. Secy. to Govt. of India

Govt. of India
REVENUE.

THE BOARD OF REVENUE.

Dated January, 13th.

Recd.

G. O., 13th January 1870, No. 85.

From the Secy. to the
Board of Revenue
14th Jan/70
1870
124570
JANUARY.

NOS. 176-177.

Income-tax on profits derived from land.
—Board of Revenue to furnish the information
required by the Government of India on this subject.