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**STUDIES IN INDIAN ECONOMICS**

**EDITED BY**

**C. N. VAKIL**

**UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY.**

## STUDIES IN INDIAN ECONOMICS

A series of volumes dealing with the economic history and problems  
of Modern India

EDITED BY

C. N. VAKIL

UNIVERSITY PROFESSOR OF ECONOMICS, BOMBAY

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**TAXATION OF INCOME**  
**IN**  
**INDIA**

BY

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## EDITOR'S PREFACE

The object and scope of this work have been lucidly explained by the author in the Introduction. When Mr. Rao began his studies in Income-Tax under my guidance, as a research scholar in this School in 1927, the only economic work of importance on the subject was Dr. Pagar's 'Indian Income Tax'. This is a historical study and does not contain an analysis of the Indian system. In view of the increasing importance of Taxation of Income in this country, a critical analysis of the prevailing system and its comparison with that of other countries was likely to meet a real want. Mr. Rao entered on this task full of enthusiasm and an idealistic outlook imbibed from the teachings of Professor P. A. Wadia who is well-known in Western India as the inspiring teacher of many grateful young men now shouldering the responsibilities of life in different spheres. Mr. Rao finished his work in April 1929, and was awarded the M. A. degree of this University with distinction on the same. Before he could revise the work with a view to publication, two other works were published dealing with Indian Income-Tax, namely, (1) Dr. Bannerjee's 'History of Indian Taxation' and (2) Mr. Niyogi's 'Evolution of the Indian Income-Tax'. The former contains a long chapter on Income-Tax, and the latter is, by its very title a historical volume, though some attempt to analyse the present system has been made in it. Though the present work takes note of some more points of historical importance than is the case with Dr. Pagar's book, it must be admitted that the historical aspect is treated more fully in the volumes referred to above. The historical portion in the present work serves as an introduction to a more detailed study of the problems of the Indian Income-Tax system in the light of the experience of other countries, and of the latest theoretical principles regarding the subject. It is in this sphere that the real importance of Mr. Rao's work lies, particularly in view of the possibility of a

complete overhauling of the Indian system which has been promised by Sir George Schuster, Finance Member, Government of India. His approach in most cases is bold, and attacks the root of the problem; his enthusiasm is tempered by the rigid requirements of scientific treatment, and his conclusions are therefore refreshing on the one hand and convincing on the other.

I may add that the authorities of the University of Bombay very kindly gave a substantial grant towards the cost of this publication.

*C. N. Vakil.*

School of Economics  
and Sociology,  
University of Bombay,  
1st May 1931.

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## LIST OF ABBREVIATIONS

- F.S. .... Financial Statement together with discussions on  
the same in the Imperial Legislative Council.
- S. C. .... Select Committee on East Indian Finance.
- M. M. P. .... Moral and Material Progress of India—Reports,  
annual and decennial.
- B. C. C. .... Report of the Bombay Chamber of Commerce.
- I. T. C. .... Income Tax Cases.
- I. T. M. .... Income Tax Manual.
- T. E. or T. E. } Taxation Enquiry Committee—Report and Minutes  
Committee } of Evidence.
- R. C. on I. T. Royal Commission on Income Tax—Report and  
Minutes of Evidence.
- L. A. D. .... Legislative Assembly Debates.
- F. A. .... Finance Act.

## INTRODUCTION

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Along with the growth of the democratic ideal in the political field during the last century, there also grew up a corresponding tendency to apply principles of justice to the realm taxation. This tendency found concrete expression in the introduction of the income-tax. Like a number of other democratic institutions, the income-tax first originated in England, though its immediate cause was more the need for revenue to meet the expenses of the Revolutionary Wars than an appreciation of its ethical qualities. As a matter of fact, the tax met with a very hostile reception, and had to be given up at the end of the Napoleonic Wars, though its fiscal effectiveness was proved beyond question during the short tenure of its existence. It is characteristic of English genius for theory to follow practice, and the income-tax was an exception. The tax was reintroduced by Sir R. Peel and managed to survive, in spite of repeated forecasts of its extinction including the celebrated "bribe to the electors" made by Gladstone in 1874; and to-day it forms the corner stone of the English tax system yielding an annual income of £ 285 millions,<sup>1</sup> as contrasted with the £ 18 millions it yielded at its first inception. Besides being a powerful fiscal engine, the tax has been improved almost beyond recognition by the addition of differentiation, graduation and family allowances; so that it is an embodiment of justice in taxation, based, as it is, on the canon of "ability to pay". From England, the tax moved to the continent and rapidly increased in popularity, gaining additional significance as a redistributor of tax burdens, and thereby becoming a plank in the Fabian-cum-socialist platform. The advent of the Great War of 1914 with its immense need for additional revenue gave a further impetus to the extension of the income-tax, and several important countries

<sup>1</sup> Approximately for 1928-29, Statistical Abstract of U. K., Seventy-fourth Issue.

joined the ranks of income-tax levying nations. To-day there is hardly a country of note which does not levy an income-tax, while those which do not are fast trying to fall into line by introducing it<sup>1</sup>. The income-tax has undoubtedly come to stay.

For the first and probably the best exposition and popularisation of the principles underlying the income-tax, the world owes a great debt of gratitude to Professor Seligman. It was he who gave the final death-blow to the vociferous claims of the principle of proportion and established the majesty of that of progression. He followed it by a very detailed study of the income-tax in 1913, which is still a classic on the subject. Simultaneously the British Foreign Office published an enquiry into the systems of income-tax prevalent abroad, and it was followed in 1926 by a somewhat similar, though more restricted study by Mr. A. Bernard for the Senate of the United States of America. The reports and minutes of evidence given before the British Royal Commission on *Income-Tax* in 1920, form the most valuable material ever printed with regard to the income-tax, both in relation to theory and practice. The latest study on the subject comes from Mr. H. B. Spaulding of the London School of Economics whose work is a comparative study of the income-tax systems of Great Britain and the United States of America. It is clear that the income-tax has as much succeeded in attracting the attention of theorists as it has in forcing itself on practical financiers.

We may now turn our attention to the Indian position. Income-tax was first introduced in India in 1860 by Wilson, the first Finance Member of the Indian Government. It had a chequered career for the next 13 years, when it was allowed to lapse in 1873. It was revived in 1886, and continues to exist to the present day after acquiring a fairly steep progression as a result of the War.

The history of the Indian income-tax is interesting for the way in which expediency and the need of the moment have dominated its provisions and principles. It was introduced in 1860 in order to make up an expected deficit; it was abandoned

<sup>1</sup> Ceylon is the latest example of such an attempt.

in 1873 because of its unpopularity. It was revived in 1886 to meet pressing financial needs. Progression was added to it in 1916 out of similar motives. It was reformed in 1918 because of administrative difficulties in its working; it was remoulded in 1922 on account of a perverse High Court decision. And every year sees new amendments intended to meet difficulties found to exist in practice. In recent years substantial additions to the rates have also been made. Throughout the whole of its long career, the Indian income-tax has never been subjected to a rigorous theoretical scrutiny. There has been nothing in India corresponding to the different Select Committees appointed by the House of Commons at various times (1859, 1869, 1905, 1908) to enquire into the principles and working of the British income-tax; nor has there been any Indian Commission or Committee corresponding to the British Royal Commission on Income-Tax. No attempt has been made to enquire whether the Indian income-tax is based on and contains all the elements arising from correct principles of taxation; whether it corresponds to modern theory and modern practice, and whether it needs a more or less thorough overhauling. The need for such an analytical and comparative study of the Indian Income-Tax and its relation to modern principles of taxation as illustrated and modified by modern practice is undoubtedly great; and such a study was long overdue. It was in order to supply this want that the present writer took up this subject as a research student in the University of Bombay.

The work has been divided into two parts, viz. Historical and Analytical. The historical portion is a comparatively short survey, and reviews the history of the tax from its original inception in 1860 to the latest amendment in 1929<sup>1</sup>. This historical survey finds place in this work chiefly because the present position and our criticisms thereon cannot be properly understood except in the light of the past. The main portion of this work, however, is the analytical one. This contains an analysis of the Indian Income-Tax system in the light of the doctrine of ability, enunciated by Sir Josiah Stamp in his "Fundamental Principles of Taxation", as

<sup>1</sup> Recent changes have been given in an appendix.



modified by the prevalent practice abroad. The arrangement is on similar lines; Chapters IV, V and VI examine the scope of the tax, Chapter VII analyses the income concept from the point of view of the time element and the expenses involved in the creation of the income. Chapters VIII and IX look to the personal side of the income. Chapter VIII deals with the way in which the income is spent, while Chapter IX is concerned with the amount of the income and the way in which it is earned. Chapter X treats of the impersonal classes of income-tax payers such as companies, firms and *Hindu Undivided Families*, while Chapter XII contains a brief discussion of some of the administrative problems attendant on our income-tax system. No apology is needed for Chapters XI and XIII. The former deals with the well-known problem of double taxation which has attracted world-wide attention, and has formed the subject of a series of conferences held under the auspices of the League of Nations. Chapter XIII attempts to make use of available income-tax statistics, in drawing certain conclusions regarding the economic condition and progress of the Indian people during the last 45 years and more. The concluding chapter briefly reviews Government's income-tax policy, and contains a summary of the main changes in the Indian Income-Tax system proposed by us. If the publication of this work results in the creation of an intelligent public opinion on the subject of income-tax, and if it helps to create in the country a well thoughtout and popularly backed scheme of income-tax reform, the author would regard his labour as well rewarded. There is, however, one point to which he would like to draw the reader's attention. Several of his proposals mean an increase of taxation; these are necessary to create justice in the incidence of our tax system; but before the people of this country press for the adoption of these proposals they should be certain that the money so raised would be spent for nation-building purposes, and not on the already expensive essential services.

## APPENDIX I

### RISE IN THE EXEMPTION LIMIT, 1903.

#### DEMAND FOR HIGHER EXEMPTION

The question was raised in the Imperial Legislative Council in the year 1889 and was followed by the definite suggestion that the minimum should be raised from Rs. 500 to Rs. 1000. The plea was revived, ten years later, by the Maharajah of Darbhanga. This demand was not merely confined to the Legislative Council but also extended beyond its confines. Ever since 1887 the Indian National Congress—the premier representative body of Indian public opinion—had been persistently passing resolutions in favour of raising the exemption limit. The agitation thus started in 1897 reached its culminating point in 1902. The Government had been receiving continuous surpluses and yet had made no provision for raising the taxable minimum. The Honourable Mr. Turner, a member of the Council, thereupon suggested that the exemption limit should forthwith be raised to Rs. 1200 per year. His proposal was greeted with a chorus of approval from the non-official members—both Indian and non-Indian.<sup>1</sup>

#### ANALYSIS OF THE DEMAND

Analysing the arguments of these members, there are revealed three distinct grounds on which the raising of the minimum was advocated.

- (1) The assesseees in the lower grades were mainly clerks and petty traders—middle class people, burdened with large families, and obliged to keep up appearances not a little inconsistent with their earnings. For them the pressure of the tax was very acute.
- (2) The general price level had appreciably risen since the imposition of the tax and the cost of living had gone

<sup>1</sup>The Maharajah of Darbhanga, Messrs. Hardy, Charlu, Siri Ram, G. K. Gokhale, etc. were among those who enthusiastically supported the proposal.

up. So that the persons with a nominal income of Rs. 500 had their real income much below the statutory level.

- (8) The assessees in the lower grades formed 60% of the total number, but paid even less than 20% of the total tax realised. At the same time, there was no satisfactory way by which the real income of persons of this class should be ascertained with accuracy. The petty traders and such others who came under these grades kept no accounts. And once they were reported as taxable persons they seldom escaped payment, for, in the absence of accounts, they could not successfully rebut the presumption raised against them. Thus, administrative difficulties were much more in evidence in connection with these assessees.

The popular case was undoubtedly strong, and Government promised to bear it in mind. Strangely enough, the promise was kept, the minimum being raised to Rs. 1000 by the Income-Tax Amendment Act of 1903. The long fight thus ended in success; and non-official opinion now received official consecration.<sup>1</sup>

#### THE NEW EXEMPTION IN PRACTICE

The class affected by the remission numbered 3,24,044 or nearly 61% of the total number of assessees; the tax paid by them amounted to Rs. 38 lakhs, or 19% of the total tax collected. In the natural course of events therefore the next year ought to have seen the tax reduced by 10%, the assessees by 61%. Actual results, however, proved otherwise, and the tax was reduced only by 14% and the assessees only by 57%.<sup>2</sup>

<sup>1</sup> It was admitted that under these grades, the tax fell largely on petty traders, clerks and widows in receipt of pensions. The Finance Member also alluded in euphemistic terms to his fear that "it is in the lower categories of incomes that hardship is perhaps felt in the matter of inquisitorial proceedings on the part of the assessors." F. S. 1903-04.

<sup>2</sup> In other words:—

Expected decrease in number of assessees.....	3,24,044.
Actual " " " " " " .....	2,89,995.
Expected decrease in amount of Tax .....	Rs. 37,86,997.
Actual " " " " " " .....	Rs. 30,04,538.

Statistics of British India, Part IV, Table 9 of Income-tax.

Two possible explanations were offered. One ascribed the unexpected increase in revenue in 1904 to a 'natural' increase in prosperity and an improvement in administrative machinery.<sup>1</sup> The other traced it to an unsatisfactory application of the new exemption, persons having been included, who ought not to have been in the lists.<sup>2</sup> It is the duty of the scientific historian of the Indian Income-Tax to examine these rival contentions and attempt an explanation that will be in accordance with facts.

Examining the figures of income-tax Collections from the various income grades for the years 1902 and 1903, we find that out of Rs. 7, 84, 164 that formed the total increase in 1903 (over the corresponding figure of 1902) Rs. 4, 17, 824 were furnished solely by the lowest grade—the one between Rs. 1000 and 1250. While thus the bulk of the increased revenue was contributed by the lowest income class, out of the 30,049 new assesses, a good majority, viz., 28,407, were again from that same grade. The only probable conclusion is that a number of persons, who in 1902 had been returned under Rs. 500-750 or Rs. 750-1000 and who ought to have been exempted under the new Act were now assessed as persons with incomes above Rs. 1000.

It was very easy for the Tashildar—in fact it was the line of least resistance—to thus nullify the effects of the Amendment to a certain extent, and include persons whose incomes were below the legal minimum. A historical examination of the figures of assesses<sup>3</sup> and the tax collected under the income grade 1000-1250 further strengthens our conclusion, for with the exception of the

<sup>1</sup> "The intended benefit was secured by all classes entitled to it and the difference between the estimated loss and that which has actually been incurred may be due to the increasing prosperity of the classes affected and also to improving administration" F. S. 1906-07.

<sup>2</sup> The Hon'ble Siri Ram Bhadur asserted that it "raises in one's mind a very strong suspicion that many persons who ought to have been exempted have either got no exemption at all or that they have been re-assessed. F. S. 1906-07.

<sup>3</sup> We have no All-India figures of appeal for these years; but even the right of appeal could avail the unfortunate assesses little, for they kept no accounts and in addition the appellate authority—the Collector—was the very person who assessed them to income-tax.



## APPENDIX II

## STATISTICS OF REVISION AND APPEAL, 1886-1919

The following are the only available figures relating to Revision and Appeal. They are obtained from the Annual Reports on the Moral and Material Progress of India for the earlier years when no triennial reports on income-tax were published, and from the available triennial provincial reports on the administration of the income-tax for the later years. It may be pointed out that Dr. Pagar's book contains figures only for a period of three years (1911-13) and that too only for the Province of Bombay.

Table	1.	Original demand—number of assessees.
„	2.	Revision by Collector—No. of petitions or objections.
„	3.	Revision by Commissioner—No. of petitions or objections.
„	4.	Final demand—No. of Assessees.
„	5.	Original demand—Amount of tax.
„	6.	Revision by Collector—Demand after disposal.
„	7.	Revision by Commissioner—Demand after disposal.
„	8.	Final demand—Amount of tax.
„	9.	Consolidated statistics of Appeals.
„	10.	Statistics of Appeals—Revision by Collector.
„	11.	Statistics of Appeals—Revision by Commissioner.
„	12.	Percentage of successful appeals by provinces.

TABLE I.  
ORIGINAL DEMAND—NUMBER OF ASSESSEES

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nagpur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1898-1900	88,719										
1900-1901	86,806										
1901-1902	90,929										
1902-1903	91,402	127,742	47,584								266685
1903-1904	47,114	52,864	20,771								120749
1904-1905	45,972	53,864	21,207								120732
1905-1906	44,377	52,554	21,684							16284	126148
1906-1907	46,878	42,848	22,702							16996	129634
1907-1908	46,705	44,051	22,120							17617	133812
1908-1909	47,527	46,100	25,254							18670	126265
1909-1910	48,422	46,974	25,376							19742	142221
1910-1911	51,220	42,204	25,722							20652	147142
1911-1912	52,972	42,578					49222			20222	172222
1912-1913	52,072	42,222					50222			22222	122222
1913-1914	52,542	51,212		2172	12422		54522	2222	24222	22222	222222
1914-1915	65,222	52,212	31,204	5212	12722	12414		2222	25222	24222	222222
1915-1916	62,052	54,272	22,422	5612	12022	12722			26122	22222	222222
1916-1917	72,222	55,422	22,074	6022	12222	12222			27222	24062	271202
1917-1918	22,222	42,222	22,422	6072		12222				22222	172222
1918-1919										25722	

REVISION BY COLLECTOR—NO. OF PETITIONS OR OBJECTIONS .

	Bombay	Bengal	Punjab	As- sam	Bihar and Orissa	Nag- pur	Madras	N. W. Province	U. P.	Burma	TOTAL
1899-1900	18,619										18619
1900-1901	19,018										19018
1901-1902	25,367										25367
1902-1903	25,809	11,656	14,846								52307
1903-1904	15,065	8,499	8,293								31857
1904-1905	12,563	6,614	7,598								26775
1905-1906	9,825	4,809	6,860							3668	25362
1906-1907	10,580	4,092	7,809							3466	26867
1907-1908	11,110	5,387	7,274							3271	27049
1908-1909	11,303	5,531	9,650							3935	30419
1909-1910	11,952	5,371	8,991							4100	30414
1910-1911	13,148	5,815	8,388				11,535			4087	31388
1911-1912	12,987	3,895					12,101			3668	32265
1912-1913	14,547	4,439					14,089			4144	35231
1913-1914	15,294	4,218	10,697	773	3400			961	3108	4551	46344
1914-1915	16,740	3,937	10,569	759	3155	1632		864	3000	4410	45204
1915-1916	17,126	4,022	11,640	593	3038	1560			2620	4365	43911
1916-1917	18,112	5,364	14,053	742	3151	1776			2790	3962	47537
1917-1918	20,422			674		1462				4148	40769
1918-1919										2344	





**TABLE 4.**  
**FINAL DEMAND—NUMBER OF ASSESSEES**

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nag- pur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1899-1900	82,961										
1900-1901	82,312										
1901-1902	83,579										
1902-1903	84,197	1,26,109	45,965								255571
1903-1904	41,484	51,478	19,114								119078
1904-1905	42,394	52,493	20,300								115187
1905-1906	42,632	41,955	20,004							14508	119094
1906-1907	44,273	43,455	21,014							15667	124399
1907-1908	44,723	43,479	21,723							16653	128571
1908-1909	45,495	46,317	23,115							17399	132326
1909-1910	46,239	47,715	23,579							18129	135708
1910-1911	48,997	48,237	24,039							18864	140737
1911-1912	51,579	48,312					47,865			19390	167146
1912-1913	55,580	50,600					49,768			20675	176923
1913-1914	59,805	52,878		4,949	18,141		53,234	2,023	35839	22355	247994
1914-1915	62,735	54,176	29,509	5,359	18,445	19,894		2,076	34630	22434	242251
1915-1916	65,082	54,736	30,406	5,509	18,768	18,334			35286	21506	244697
1916-1917	70,678	58,338	34,578	5,857	19,385	14,975			36985	22224	263020
1917-1918	80,081		40,690	5,954	15,514					23929	166169
1918-1919										24309	24309

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TABLE 5.  
ORIGINAL DEMAND—AMOUNT OF TAX (In thousands of Rupees)

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nag-pur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1899-1900	46,47										46,47
1900-1901	42,65										42,65
1901-1902	39,61										39,61
1902-1903	40,09	53,99	12,95								107,93
1903-1904	34,73	45,77	10,31								91,01
1904-1905	35,48	45,84	10,93								92,25
1905-1906	34,66	42,75	11,04							14,39	102,78
1906-1907	45,96	44,71	12,00							13,94	115,91
1907-1908	47,12	48,10	12,29							15,72	123,16
1908-1909	45,90	53,17	13,61							16,63	128,61
1909-1910	45,87	52,24	13,19							17,11	127,42
1910-1911	49,39	50,41	13,68							17,35	130,83
1911-1912	52,05	48,46					29,49			17,50	147,50
1912-1913	57,55	51,32					30,75			17,50	157,12
1913-1914	66,87	61,42		3,60	11,88		34,32	1,13	23,19	21,12	223,54
1914-1915	69,68	65,62	15,66	3,83	12,34	7,57		1,14	23,53	24,05	222,32
1915-1916	77,89	66,55	16,48	3,94	12,36	7,92			23,92	22,97	232,04
1916-1917	158,43	171,37	24,45	6,00	17,74	11,03			37,21	32,94	466,19
1917-1918	223,51		32,61	7,34		12,99				42,59	324,84
1918-1919										64,08	64,08

REVISION BY COLLECTOR—DEMAND AFTER DISPOSAL (In thousands of Rupees)

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nagpur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1899-1900	33,06										33,07
1900-1901	33,35										33,35
1901-1902	33,17										33,17
1902-1903	34,11	52,76	12,23								99,10
1903-1904	29,86	44,28	9,67								83,81
1904-1905	32,75	44,70	10,18								87,63
1905-1906	33,14	42,07	10,91							12,87	98,99
1906-1907	43,25	43,96	11,04							12,84	111,10
1907-1908	44,08	47,46	11,32							14,46	117,32
1908-1909	42,63	52,31	12,24							14,23	122,11
1909-1910	41,47	51,40	12,09							15,39	120,35
1910-1911	45,59	49,67	12,64							15,81	123,71
1911-1912	48,30	47,77					28,55			15,94	140,56
1912-1913	52,64	50,63					29,77			16,06	149,10
1913-1914	61,02	60,53		3,49	11,59		33,21	1,05	22,35	19,45	212,69
1914-1915	63,19	64,82	14,65	3,73	12,00	7,12		1,07	22,75	21,86	210,25
1915-1916	67,54	65,74	15,28	3,84	12,19	6,82			23,26	20,54	215,14
1916-1917	140,57	167,22	23,08	5,88	17,23	10,44			25,47	28,79	439,38
1917-1918	202,10		30,74	7,19		12,46				46,10	298,59
1918-1919										63,11	63,11

**TABLE 7.**  
**REVISION BY COMMISSIONER—DEMAND AFTER DISPOSAL (In thousands of Rupees)**

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nag-pur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1899-1900	14,73										14,73
1900-1901	33,35										33,35
1901-1902	33,13										33,13
1902-1903	33,31	52,74	12,20								98,45
1903-1904	29,26	44,29	9,63								83,11
1904-1905	32,50	44,63	10,14								87,27
1905-1906	32,76	42,05	10,12							12,89	97,82
1906-1907	42,86	43,96	10,98							12,81	110,69
1907-1908	43,54	47,46	11,29							14,43	116,78
1908-1909	42,32	52,29	12,12							14,90	121,70
1909-1910	41,02	51,35	12,04							15,33	119,74
1910-1911	45,68	49,66	12,59							15,79	123,72
1911-1912	48,13	47,77					98,44			15,89	140,17
1912-1913	52,18	50,62					29,63			15,96	148,39
1913-1914	60,09	60,53		3,48	11,59		33,10	1,02	22,29	19,36	211,47
1914-1915	62,51	64,89	14,54	3,73	12,00	7,18		1,05	21,79	21,82	209,36
1915-1916	67,16	65,70	13,24	3,81	12,11	6,06			23,19	20,36	213,63
1916-1917	140,02	167,87	23,03	5,88	17,15	10,41			35,39	36,02	435,99
1917-1918	200,42		30,68	7,13		12,44				43,56	294,23
1918-1919										62,99	

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FINAL DEMAND—AMOUNT OF TAX (In thousands of Rupees)

	Bombay	Bengal	Punjab	Assam	Bihar and Orissa	Nag-pur	Madras	N. W. F. Province	U. P.	Burma	TOTAL
1899-1900	33,06										33,06
1900-1901	33,36										33,36
1901-1902	33,14										33,14
1902-1903	34,06	52,74	12,20								99,20
1903-1904	29,85	44,29	9,63								83,70
1904-1905	32,83	44,63	10,14								87,60
1905-1906	33,12	42,05	10,19							12,81	98,17
1906-1907	43,26	48,96	10,98							12,81	111,01
1907-1908	44,26	47,46	11,29							14,43	117,44
1908-1909	42,62	52,29	12,10							14,19	121,21
1909-1910	41,63	51,35	12,04							15,33	120,35
1910-1911	45,68	49,66	12,59							15,79	123,72
1911-1912	48,46	47,77					28,42			15,58	140,53
1912-1913	52,78	50,63					29,60			15,96	148,97
1913-1914	61,21	60,53		3,48	11,59		33,08		22,29	19,36	212,66
1914-1915	63,38	64,22	14,54	3,73	12,09	7,18		1,02	21,71	21,83	210,84
1915-1916	67,70	65,70	15,24	3,84	12,11	7,53		1,06	23,19	20,47	215,79
1916-1917	140,52	167,87	23,04	5,68	17,24	10,42			35,39	26,09	436,38
1917-1918	201,96		30,68	7,20		12,44				43,48	295,76
1918-1919										63,05	63,05

**TABLE 9.**  
**CONSOLIDATED STATISTICS OF APPEALS**

	Percentage of Objections to original Demand.	Percentage of successful Objections to total objections.
1899-1900	21	29
1900-1901	22	23
1901-1902	28	27
1902-1903	20	45
1903-1904	26	27
1904-1905	22	23
1905-1906	20	25
1906-1907	21	19
1907-1908	22	18
1908-1909	21	24
1909-1910	21	24
1910-1911	19	21
1911-1912	19	21
1912-1913	18	17
1913-1914	18	17
1914-1915	17	24
1915-1916	17	24
1916-1917	17	18
1917-1918	23	17

**TABLE 10.**  
**STATISTICS OF APPEALS—REVISION BY COLLECTOR**

Percentage of objections before Collector to Total number of assessees.		Percentage of deduction of Original Assessment by Collector's Revision.
899-1900	21	
900-1901	22	22°0
901-1902	28	16°0
902-1903	20	8°1
903-1904	26	8°0
904-1905	23	5°0
905-1906	20	5°0
906-1907	21	4°0
907-1908	22	5°0
909-1910	21	6°0
910-1911	19	5°0
911-1912	19	5°0
912-1913	18	5°1
913-1914	18	5°0
914-1915	17	5°0
915-1916	17	7°1
916-1917	17	6°1
917-1918	23	9°2



**TABLE 11.**  
**STATISTICS OF APPEALS – REVISION BY COMMISSIONER**

	Percentage of objections before Commissioner to objections before Collector	Percentage of reduction of assessment by Commissioner's Revision
1900-1901	5·7	·0
1901-1902	2·6	·1
1902-1903	4·9	·7
1903-1904	6·2	·8
1904-1905	7·3	·4
1905-1906	6·7	·5
1906-1907	6·3	·5
1907-1908	6·7	·5
1908-1909	6·2	·3
1909-1910	6·0	·5
1910-1911	7·0	·3
1911-1912	7·0	·3
1912-1913	6·2	1·0
1913-1914	6·3	·6
1914-1915	4·2	·5
1915-1916	4·5	·7
1916-1917	4·3	·8
1917-1918	4·0	1·2

**TABLE 12.**  
**PERCENTAGES OF SUCCESSFUL APPEALS BY PROVINCES**

	Bengal	Bombay	N. W. Provinces	Madras	Punjab	Lower Burma	Assam
1888— 89	41.0	nil	30.0	43.0	31.0	40.0	
1889— 90	42.0		29.0	38.0	29.0		46.0
1890— 91	38.0		30.0	35.0	33.0	63.0	51.0
1891— 92	36.0		31.0				
1892— 93	36.0	3.5 to 5.0	31.0	32.0	37.0	62.0	42.0
1893— 94	37.0	5.0	29.0		32.0	42.0	45.0
1894— 95	33.0	4.0	31.0	29.0	30.0	42.0	39.0
1895— 96	31.0		27.0	30.0	35.0	32.0	48.0
1896— 97	32.0		28.0	26.0	34.0	60.0	38.0
1897— 98	33.3		27.5	24.0	34.0	52.0	44.0
1898— 99	33.8				36.0		
1899—1900	33.0			21.0	31.0	42.0	

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## APPENDIX III

FIGURES OF ASSESSEES, TAX COLLECTED, COST OF COLLECTION AND NET YIELD FOR THE PERIOD, 1886-1916

Period	No. of Assessee (in thousands).	Amount of Tax collected (in lakhs).	Cost of Collection (in lakhs).	Net yield (in lakhs).
1886-87	351	137	5.3	134
1887-88	394	140	9.8	137
1888-89	410	149	9.7	146
1889-90	417	155	9.8	152
1890-91	426	158	9.9	155
1891-92	436	161	3.0	158
1892-93	445	166	3.0	163
1893-94	456	171	3.1	168
1894-95	466	179	3.0	175
1895-96	477	182	3.0	179
1896-97	477	186	3.0	183
1897-98	481	188	3.2	185
1898-99	491	190	3.2	187
1899-00	502	193	3.3	190
1900-01	499	197	3.3	194
1901-02	514	204	3.5	200
1902-03	531	210	3.6	206
1903-04*	246	180	3.4	177
1904-05	243	189	3.1	184
1905-06	249	197	3.4	194
1906-07	256	212	3.6	205
1907-08	262	224	3.9	220
1908-09	268	230	4.0	226
1909-10	276	232	4.1	228
1910-11	278	230	4.2	226
1911-12	289	240	4.4	236
1912-13	304	253	4.6	248
1913-14	322	264	4.8	279
1914-15	339	298	5.0	293
1915-16	343	305	5.3	300

\* The minimum exempted was raised from Rs. 500 to Rs. 1000 per annum.

SOURCE: This Table is compiled from figures given in Return 1 and 2 relating to Income-Tax Statistics of British India, Part iv (a) for 1910-11 and preceding years; the figures for 1911-12 to 1915-16 are gathered from Tables 117 and 118 of the Statistical Abstract of British India Vol. II . . . 1917.

## APPENDIX IV

DETAILS OF DEPRECIATION ALLOWANCE UNDER THE  
INDIAN INCOME-TAX ACT.

The percentages of the original cost allowed as depreciation allowance on various buildings, machinery, plant and furniture are given below. They are taken from Rule 8, Part II. of the Indian Income-Tax Manual.

Class of buildings, machinery, plant or furniture	Rate percentage on prime cost
1. Buildings <sup>1</sup> . . . . .	
(1) First class substantial buildings of selected materials . . . . .	2½
(2) Buildings of less substantial construction . . . . .	5
(3) Purely temporary erections such as wooden structures . . . . .	10
2. Machinery, plant or Furniture <sup>2</sup> . . . . .	
General rate . . . . .	5
Rates sanctioned for special industries . . . . .	
Flour Mills, Rice Mills, Bone Mills, Sugar Works, Distilleries, Ice Factories, Aerating Gas Factories, Match Factories . . . . .	6½
Paper Mills, Ship Building and Engineering Works, Iron and Brass Foundries, Aluminium Factories, Electrical Engineering Works, Motor Car Repairing Works, Galvanizing Works, Lime Works, Patent Stone Works, Oil Extraction Factories, Chemical	

<sup>1</sup> Double these rates may be allowed for buildings used in industries which cause special deterioration, such as chemical works, soap and candle works, paper mills, and tanneries.

<sup>2</sup> The special rates for electrical machinery given below may be adopted, at firm's (assessee's) option, for that portion of their machinery.

Class of buildings, machinery, plant or furniture	Rate Percentage on prime cost
Works, Soap and Candle Works, Lime Works, Saw Mills, Dyeing and Bleaching Works, Furniture and Plant in hotels and boarding houses, Cement Works using rotary kilns... ..	7½
Plant used in connection with Brick Manufacture Tilemaking Machinery, Optical Machinery, Glass Factories, Telephone Companies, Mines and Quarries.	10
Sewing Machines for canvas or leather ... ..	12½
Motor Cars used solely for the purpose of business, Indigenous sugarcane crushers (Kohlus or Belnas)	15
Motor taxis, motor lorries and motor buses ...	20
3. Electrical Machinery ... ..	
(a) Batteries ... ..	15
(b) Other electrical machinery including electrical generators, motors (other than tramway motors), switchgear and instruments, transformers and other stationary plant and wiring and fittings of electric light and fan installations ... ..	7½
(c) Underground cables and wire ... ..	6
(d) Overhead cables and wires ... ..	2½
4. Hydro-Electric concerns ... ..	
Hydraulic Works, pipe lines, sluices and all other items not otherwise provided for in this statement ... ..	2½
5. Electric tramways ... ..	
Permanent way	
(a) Not exceeding 50,000 car miles per mile of track per annum ... ..	6½
(b) Exceeding 50,000 and not exceeding 75,000 car miles per mile of track per annum ...	7 1/7
(c) Exceeding 75,000 and not exceeding 125,000 car miles per mile of track per annum ...	8 1/3

Class of buildings, machinery, plant or furniture	Rate Percentage on prime cost
Cars, car trucks, car bodies, electrical equipment and motors ... ..	7
General plant, machinery and tools ... ..	5
6. Mineral Oil Companies... ..	
A. Refineries ... ..	
(1) Boilers ... ..	10
(2) Prime movers ... ..	5
(3) Process Plant ... ..	10
B. Field operations ... ..	
(1) Boilers ... ..	10
(2) Prime movers ... ..	5
(3) Process plant ... ..	7½
Except for the following items ... ..	
(1) Below ground—All to be charged to revenue ... ..	
(2) Above ground ... ..	
(a) Portable boilers, drilling tools, well-head tank, rigs, etc. ... ..	25
(b) Storage tanks ... ..	10
(c) Pipe-lines... ..	
(i) Fixed boilers ... ..	10
(ii) Prime movers ... ..	7½
(iii) Pipe line ... ..	10
7. Ships ... ..	
(1) Ocean ... ..	
(a) Steam ... ..	5
(b) Sail or tug ... ..	4
(2) Inland ... ..	
(a) Steamers (over 120 ft., in length) ... ..	5
(b) Steamers including cargo launches (120 ft. in length and under)... ..	6
(c) Tug Boats ... ..	7½
(d) Iron or Steel flats for cargo, etc. ... ..	5

Class of buildings, machinery, plant or furniture.	Rate Percentage on prime cost.
(e) Wooden cargo boats up to 50 tons capacity	10
(f) Wooden cargo boats over 50 tons capacity	7½
8. Mines and Quarries ... ..	
(1) Railway siding <sup>1</sup> (excluding rails)... ..	5
(2) Shafts ... ..	5
(3) Inclines ... ..	5
(4) Tramways on the surface (excluding rails)	10

<sup>1</sup> Depreciation on rails, used for tramways and sidings, and inclines where the rails are the property of the assessee, is allowed at 10 per cent. under item 2 above (plant used in connection with Mines and Quarries) in addition to any depreciation allowance on the cost of constructing the tramways sidings or inclines.

## APPENDIX V

BASIS FOR ESTIMATING THE AMOUNT OF INCOME-TAX  
REALIZABLE FROM TEMPORARILY SETTLED ESTATES

The number of persons holding more than 500 acres per head amount in the Bombay Presidency to 3169, out of which 2251, are residents of Sind. The incidence of Land Revenue per acre calculated from figures compiled from the Bombay Land Revenue administration Report 1926-27, amounts to Rs. 1-8-9. Reference to appendix S. of the Bombay Land Revenue Assessment Committee Report, shows that the maximum percentage of rent taken by land revenue did not exceed on an average 29%. If we take the normal rate to be 20% then, the rent realised per acre would amount to Rs. 7-11-9, or approximately eight rupees. Rent however is only a part of the cultivator's profits; we should make an allowance for his own cost of subsistence and interest on his capital. If we assume these to be as much as the rent, then the real income from an acre will be Rs. 16. On this basis, there are 3169 persons in this Presidency getting more than Rs. 8000/- per year. If we assume that 500 of these persons to have more than Rs. 80,000/- we can easily realise from them a tax of about thirty lakhs of rupees. Making allowances for the land Revenue payable, the net benefit to the state will hardly be more than Rupees ten lakhs. Mr. Mackay, Settlement Commissioner and Director of Land Records, Bombay, estimated the revenue at Rs. 20 lakhs. Mr. Montford, Commissioner of Central Division, estimated it at 25 lakhs. Their figures however do not falsify our estimate, their methods being just as crude, pages 398 and 437 Vol. VI. T. E.

In the Madras Presidency there are 3635 Pattas (certified ownership of the land) paying Land Revenue of Rupees over 500 per head:—from them 926 pay more than Rs. 1000/- each. (vide Madras Land Revenue Report 1913-14.) The Taxation Enquiry Committee has pointed out (page 77 Vol. 1) that the average percentage of assessment to rental is somewhere about 17. Adopting this percentage, and making an allowance for labour



charges and agricultural profits, we may say that the net income per every rupee of land revenue paid will probably be Rupees twelve. On this basis, there are about 926 persons with income exceeding Rs. 12,000/-. When we further remember that more than one Patta is held by the same person, it will not be rash to assume that there are about 600 persons with incomes exceeding Rs. 30,000/-. Probably Rs. 40 lakhs, can be realised from them by way of income and super-taxes. Making an allowance for land revenue, we can estimate a net addition of Rs. 20 lakhs.

The tea estates of Assam can safely be estimated to yield Rupees twenty-five lakhs. (Page 388-4: Vol. V. T. E. Ibid. evidence of Mr. Grimson, Commissioner of Income-tax Assam.)

From the Central Provinces, it is expected that Rupees 40 lakhs will be realised. (Vide evidence of commissioner of income-tax; page 284 Vol. IV. T. E.); but as our scheme contemplates the taxation of only persons with incomes above Rs. 30,000, and as land revenue will also be deductible from the income-tax, we can only hope for about Rupees ten lakhs.

In Burma the total land revenue collected is Rs. 392 lakhs. (Vide Land Revenue Administration Report for 1926-27.) According to Mr. Smith, Commissioner, North-Western Border division, Burma, cultivators with more than Rs. 2000/- a year are hardly more than 1% of the total number. Similar percentage in Bombay is somewhere above the same level. Persons holding more than 100 acres getting more than a thousand Rupees each formed about 3% of the total number. We can therefore, assume that the yield in Burma will also be about five lakhs.

The yield from Punjab will not be very appreciable.

For the United Provinces there are no figures available and we can roughly take the yield at Rupees five lakhs.

Bombay...	10,00,000
Madras ...	20,00,000
Assam ...	25,00,000
Central Provinces ...	10,00,000
Burma ...	5,00,000
United Provinces ...	5,00,000
Total from all the temporarily settled provinces Rs.	75,00,000

## APPENDIX VI

STATEMENT SHOWING DIFFERENT SCHEMES OF  
PROGRESSION ADVANCED BEFORE THE TAXATION  
ENQUIRY COMMITTEE

The following statement sets forth the various schemes of progression proposed by several witnesses before the Taxation Enquiry Committee: They all suffer from the defect of not providing a remedy for jumps; and with the exception of Mr. Mountford's scheme, the others do not contemplate any changes in the super-tax rates.

## GRADUATION

Khan Wali Muhammad (Commissioner of Income-Tax of C. P.) proposed the following schedule of rates in place of the existing one.

Income Grade	Present Rate	Proposed Rate.
1000- 1,999	Nil	4 pies.
2000- 3,499	5 pies	5 "
3500- 7,499	5 and 6 pies	6 "
7500-12,499	6 and 9 "	9 "
12,500-14,999	9 "	12 "
15,000-19,999	9 "	15 "
20,000-29,999	12 "	18 "
30,000-39,999	13 "	21 "
40,000 and over	18 and 24 "	

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Mr. L. J. Mountford, Commissioner, Central Division suggested the following scheme, with the first £100 being free from:—

£	Present	Proposed	England
300	2'6	4	0-68
500	3'12	6	3'3-13'5
1000	4'7	7	10'8-18'8
2000	7'8	10	17 -22'7
5000	11'5	15	28 -30'8
10000	14'6	20	38 -39
50000	32'9	40	50 -50
and upwards			

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Mr. H. G. Cocke, M. L. A. suggested the following scale of Graduation in place of the existing one.

When income is less than Rupees 1500 ... .. Nil
.. .. between 1500 and 5000 ... 6 pies in the Rupee
.. .. 5000 ... 10,000 ... 7 .. ..
.. .. 10,000 ... 15,000 ... 9 .. ..
.. .. 15,000 ... 20,000 ... 10 .. ..
.. .. 20,000 ... 30,000 ... 13 .. ..
.. .. 30,000 ... 40,000 ... 16 .. ..
Over ... .. 40,000 ... .. 20 .. ..

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Mr. Middleton (Commissioner of Income-Tax, Bihar and Orissa)

Rs. 1500- 2499- 3 pies in the Rupee
.. 2500- 4999- 5 .. ..
.. 5000- 9999- 6 .. ..
.. 10,000-14,999- 9 .. ..
.. 15,000-19,999-12 .. ..
.. 20,000-29,999-15 .. ..
.. 30,000-39,999-18 .. ..

Rupees 40,000 and upwards 24 pies in the Rupee

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Professor Solomon of the Aligarh University suggested the following scheme of graduation in place of the existing one:—

1. Income below	Rs.	1200 per annum ... Nil
2. .. between	...	1200- 2430 .. .. 3 pies in Re.
3. .. ..	...	2400- 3600 .. .. 4 .. ..
4. .. ..	...	3600- 6000 .. .. 5 .. ..
5. .. ..	...	6000-10,800 .. .. 6 .. ..
6. .. ..	...	10,800-18,000 .. .. 9 .. ..
7. .. ..	...	18,000-24,000 .. .. 12 .. ..
8. .. ..	...	24,000-36,000 .. .. 18 .. ..
9. .. ..	...	36,000-60,000 .. .. 24 .. ..

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## APPENDIX VII

PERCENTAGE OF INCOME TAKEN BY WAY OF INCOME  
AND SUPER-TAXES IN DIFFERENT COUNTRIES

rates of income	India	United Kingdom	Canada Dominion	South Africa Union	Japan	United States
2052	2'58				3	
4999	2'58	4'00			5	
5096	3'12	4'03			6	
9999	3'12	11'00	10'71	5'01	8	'06
10163	4'68	11'16	0'71	5'01	8	0'08
19999	4'68	15'50	3'34	5'23	9'5	0'78
20332	6'25	15'57	3'42	5'23	9'5	0'80
20999	6'25	17'42	5'43	5'38	13	1'58
30607	7'81	17'83	5'53	5'39	13	1'62
39999	7'81	19'20	7'40	6'73	13	2'65
40686	9'37	19'33	7'53	6'96	13	2'69
50000	9'37	20'85	9'30	9'81	15	3'65
100000	12'50	27'68	15'62	17'39	17	7'89
150000	14'58	31'96	18'94	21'38	21	10'90
200000	16'41	33'93	21'56	25'33	21	13'53
250000	18'13	36'62	23'81	29'26	21	15'51
300000	19'79	38'34	25'89	33'18	23	17'09
350000	21'43	39'73	27'68	34'84	23	18'16
400000	23'05	40'63	29'30	34'87	23	19'01
450000	24'65	41'67	30'64	34'88	23	19'68
500000	26'25	42'51	31'99	34'89	23	20'21
550000	27'84	43'19	32'84	34'90	23	20'71
600000	29'43	43'75	33'77	34'91		21'01

This table of rates is prepared from a calculation of the rates of the tax given in the British Finance Act 1936, the 26th Japanese Financial and Economic Annual, the United States Revenues Act (1926) and Income Taxes in British Dominions. The Japanese rates rise to 36% on incomes exceeding Rs. 55 lacs and the Canadian rates rise to 41.83% on incomes exceeding 15 lacs. The rates of Exchange are taken from page 162, Spaulding Dictionary of the World's Currencies.

The amounts of income given in column 1 (on which the rates for the different countries are calculated) are chosen because they coincide with the amounts on which the Indian rates of Tax are charged.

## APPENDIX VIII

EFFECTIVE RATE OF INCOME-TAX AND SUPER-TAX  
(COMBINED) UNDER THE PRESENT SYSTEM AND THE  
PROPOSED SCHEME

Incomes (Rs.)	Present Rate	Proposed Rate
2052	2.58	Nil.
4000	2.58	1.56
6000	3.19	3.13
8000	3.19	3.91
10000	4.68	4.38
12000	4.68	5.20
14000	4.68	5.36
15000	4.68	5.42
17000	4.68	6.25
19000	4.68	6.91
21000	6.25	7.44
23000	6.25	7.75
25000	6.25	8.23
27000	6.25	8.56
29000	6.25	8.64
30,000	6.30	8.96
40,000	9.37	10.23
50,000	9.37	11.31
100,000	12.50	14.91
150,000	14.58	17.23
200,000	16.41	19.17
250,000	18.13	21.27
300,000	19.79	23.46
350,000	21.43	25.91
400,000	23.05	26.14
450,000	24.66	30.39
500,000	26.25	32.67
550,000	27.84	33.68
600,000	29.43	35.42
650,000	30.77	37.88
700,000	31.92	41.08

## APPENDIX IX

SUPER-TAX ON THE UNDISTRIBUTED INCOME OF  
COMPANIES IN GREAT BRITAIN

The first attempt of such a character was made in 1922 by section 21 of the Finance Act of that year, which authorized the special Commissioners to treat as distributed any undistributed income of companies when in their opinion, the companies have not distributed a reasonable portion of their income, having regard not only to the current requirements of the companies' business, but also to such other requirements as may be necessary and advisable for the maintenance and development of that business. The Section was to apply to companies whose shareholders do not number more than 50, whose shares have not been open to public subscription, and who are under the control of not more than 5 persons. This was replaced in 1927 by subsection 3 of Section 1 of the Finance Act of that year which reads as under:—

“This section shall not apply to any Company which is under the control of not more than five persons and which is not a subsidiary company or a company in which the public are substantially interested.”

The evidence of substantial public interest was to be found in not less than 25 per cent. of the shares of such a company being held by the public, and in such shares being quoted in the official list of a recognised stock exchange.

We have already pointed out the defect of these qualifications. Though a share may be quoted on the stock exchange, in practice it may not be available for purchase; and though 25 per cent. of the shares may be nominally held by the public, in reality the whole company might be a one-man concern. Under the circumstances, we feel that the section if embodied in the Indian Law, should embrace all companies, discretion being given to the Income-Tax Officer to decide which companies, by an unreasonable

building up of reserves, are evading the personal super-tax due from their shareholders. The Indian Law should contain the same provisions for appeal which are contained in the British Law. Similar provision must also be made to tax such companies when they go into voluntary liquidation. With the modification suggested above, it is worth while embodying the British portion of the Law relating to the taxation of the undistributed income of companies into the Indian Statute.

## APPENDIX X

BASIS FOR ARRIVING AT THE NUMBER OF HINDU  
JOINT FAMILIES ASSESSED TO INCOME-TAX

The following method has been adopted in arriving at the number of Hindu Undivided Families paying tax.

Return No. IV.-A. of the All India Income Tax Report and Return gives figures of tax realized from these Families per each income grade. Thus, in 1926-27, Hindu Undivided Families with incomes between Rs. 2,500 and 3,000 paid a tax of Rs. 3,52,149.<sup>1</sup> The tax payable by a Hindu Undivided Family with an income of Rs. 2,500 is, at the rate of 5 pies, Rs. 64-9-4; similarly the tax payable by a Hindu Undivided Family with an income of Rs. 3,000 is, at the rate of 5 pies, Rs. 78-0-9. The mean of these two amounts is Rs. 71-5-0 which is the average tax paid by these families with incomes between Rs. 2,500 and Rs. 3,000. Dividing the total tax realized from this grade viz. Rs. 3,52,149 by the average tax payable, we get the number of Hindu Undivided Families paying income-tax with their incomes between Rs. 2,500 and 3,000, which is 4,938. The figure of assessee is of course not completely correct, as some families might have their income just above Rs. 2,500 and some others just below Rs. 3,000. All the same, it can be asserted that the figure is fairly accurate.

In a similar way, we have found the number of Hindu Undivided Families paying tax under each grade, and then added them up to get the total number of tax-paying Hindu Undivided Families. The results of our calculations for the four years between 1923 and 1927 are reproduced in the accompanying table.

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<sup>1</sup> Return IV. A. All India Income Tax Report and Returns 1926-27.



## HINDU UNDIVIDED FAMILIES

(Assessees in Income Grades)

Income Grade	1923-24	1924-25	1925-26	1926-27
2000- 2500	5,075	5091	6,305	7,995
2500- 3000	2,980	3,043	3,675	4,939
3000- 3500	2,303	2,366	3,081	4,366
3500- 5000	3,712	3,944	5,209	7,341
5000- 7500	2,815	3,150	4,018	5,744
7500-10000	1,033	1,355	1,825	2,599
10,000-12,500	751	760	1,021	1,543
12,500-15,000	339	360	469	683
15,000-20,000	441	484	592	837
20,000-25,000	380	255	343	476
25,000-30,000	162	141	195	268
30,000-40,000	182	153	226	302
40,000-50,000	80	100	97	133
50,000 & upwards*	264	277	278	251
Total ... ..	10,766	21,479	27,014	37,476

Note:—This table is prepared from figures given in Return IV-A, Reports of the Central Board of Revenue for the years 1923-24 to 1926-27. The method employed has already been described.

\* The figures given for Rs. 50,000 and upwards are taken from table V-A, which relate to super-tax; and are therefore, strictly speaking figures of income of Rs. 75,000 and upwards.

## APPENDIX XI

GOVERNMENT NOTIFICATION ON DOUBLE TAXATION  
BETWEEN BRITISH INDIA AND INDIAN STATES

This notification issued by the Government of India deals with the problem of double taxation between British India and the Indian States.

## FINANCE DEPARTMENT (CENTRAL REVENUES)

## NOTIFICATION

Income-tax

*Simla, the 1st July, 1926*

No. 25. In exercise of the powers conferred by section 60 of the Indian Income-tax Act, 1922 (XI of 1922) the Governor-General-in-Council is pleased to make the following modifications in respect of Income-tax, in favour of income on which Income-tax has been charged both in British India and in one of the Indian States referred to in the schedule to this notification hereinafter called the said schedule) namely:—

## 1. In this notification

- (a) the expression "State Income-tax" means Income-tax and Super-tax charged in accordance with the provisions of the Law relating to Income-tax for the time being in force in the State concerned;
- (b) the expression "State rate of tax" means the amount of State Income-tax divided by the amount of the larger of the two incomes on which Income-tax and Super-tax respectively have been charged by the State; and
- (c) the expressions "Indian Income-tax" and Indian rate of tax have the same meanings as in clauses (a) and (b), respectively, of section 49 (2) of the Act.

2. (1) If any person who has paid Indian Income-tax for any year on any part of his income, proves to the satisfaction of the

Income-tax Officer that he has paid State Income-tax for the corresponding year in any of the States mentioned in the said Schedule, he shall be entitled to the refund of a sum calculated on that part of his income at a rate equal to half the State rate of tax.

Provided that the rate at which the refund shall be given shall not exceed one-half of the Indian rate of tax.

(2) For the purpose of sub-paragraph (1) the Central Board of Revenue may from time to time determine the year of assessment in any State which shall be deemed to correspond with any British Indian year of assessment.

3. Every application for refund of income-tax under this notification shall be made to the Income-tax Officer of the district in which the applicant is chargeable directly to income-tax or if he is not chargeable directly to income-tax, to the Income-tax Officer for the district in which the applicant ordinarily resides, or if he is not resident in British India.

- (i) to the Income-tax Officer of the district or area in which he was last charged directly to income-tax when so resident, or
- (ii) if he has never been so resident, to the Income-Tax Officer of the district or area where the income-tax for the refund of which application is made was deducted.

Such application may be presented by the applicant in person or by a duly authorised agent or may be sent by post.<sup>1</sup>

#### SCHEDULE

1. Baroda. Madras States Agency.	5. Bahawalpur.
2. Travancore. Central India Agency.	6. Jind.
3. Dhar. Punjab States Agency.	7. Kapurthala.
4. Patiala.	8. Laharu.
	8A. Maler Kotla. Bombay.
	9. Sachin.

<sup>1</sup> The form of the application for relief is omitted from this Appendix.

- |                    |                   |
|--------------------|-------------------|
| 10. Akalkot.       | 18. Makrai.       |
| 11. Phaltan.       | 19. Kawardhs.     |
| United Provinces.  | 20. Khairagarh.   |
| 12. Benares.       | 21. Korea.        |
| Central Provinces. | 22. Nandgaon.     |
| 13. Bastar.        | 23. Chhuikhadan.  |
| 14. Kanker.        | Bihar and Orissa. |
| 15. Raigarh.       | 24. Mayurbhanj.   |
| 16. Jashpur.       | Punjab.           |
| 17. Sarangarh.     | 25. Baghat.       |

The following Indian States have made no arrangement for relief from double income-tax.<sup>1</sup>

Chhota-Udepur. Indore. Kalsia. Mallerkotta. Mainpur.

<sup>1</sup> Vide p. 23. Income-Taxes in British Dominions.

## APPENDIX XII

INCOME-TAX STATISTICS WITH REFERENCE TO  
ECONOMIC CONDITIONS

- Table No. 1. Figures of gross taxable income.
- Table No. 2. Details of income-tax payers with incomes above Rs. 2,000 arranged in income grades, for the years 1886-1926.
- Table No. 3. Quinquennial average of income-tax payers in income grades for the years 1886-1926.
- Table No. 4. Collection of income-tax classified by sources along with the proportion of the tax contributed by the different sources, 1886-1926.
- Table No. 5. Table showing the percentages of the total income-tax realized from the different provinces.
- Table No. 6. Number of assesseees under each income grade in the different provinces for the year 1926-27.
- Table No. 7. The percentage of the different provinces in the assesseees under each income grade for the year 1926-27.
- Table No. 8. Classification of income-tax by sources realized from the different provinces for the year 1926-27.

TABLE No. 1.

FIGURES OF GROSS TAXABLE INCOME, NUMBER OF ASSESSEES, AND INCOME PER ASSESSEE (FOR PERSONS WITH INCOMES OF AND ABOVE Rs. 2000.) (1886-1926).

Years	Number of Assesseees	Gross Taxable Income	Income per Assessee
1886-87	44,941	33,28,38,336	7406
1887-88	52,567	33,32,39,537	6338
1888-89	54,885	34,69,65,136	6647
1889-90	56,059	38,25,77,680	6826
1890-91	56,808	38,52,13,862	6781
1891-92	58,573	39,45,84,368	6734
1892-93	59,908	40,45,95,225	6765
1893-94	60,998	40,01,73,164	6585
1894-95	62,891	44,07,86,379	7008
1895-96	65,291	44,67,10,348	6841
1896-97	66,354	45,99,21,000	6931
1897-98	68,995	46,19,94,624	6696
1898-99	69,075	46,79,41,964	6773
1899-00	71,070	47,59,70,496	6693
1900-01	70,932	48,77,82,835	6876
1901-02	72,843	50,71,96,683	6962
1902-03	75,822	51,90,57,551	6846
1903-04	75,933	53,08,38,382	7006
1904-05	80,933	56,12,19,353	6934
1905-06	83,812	58,63,40,888	6996
1906-07	87,375	64,19,43,398	7346
1907-08	90,777	69,56,79,201	7551
1908-09	93,035	70,34,48,077	7560
1909-10	96,048	70,21,66,541	7310
1910-11	95,647	69,25,71,110	7240
1911-12	100,347	77,39,95,187	7714
1912-13	106,323	76,81,09,069	7224
1913-14	112,284	87,45,83,156	7788
1914-15	118,819	91,73,23,161	7746
1915-16	120,324	93,93,23,404	7806
1916-17	129,941	88,03,07,904	6775
1917-18	143,910	108,87,01,641	7565
1918-19	175,185	174,67,60,542	9981
1919-20*	185,791	174,54,42,290	9389
1922-23	273,311	235,77,97,328	8626
1923-24	286,438	236,86,97,063	8269
1924-25	294,492	215,33,78,743	7312
1925-26	297,152	223,12,67,817	7509
1926-27	304,335	225,27,31,784	7402

As explained in the introduction to the statistical appendix, this table has been calculated from figure of tax realized by income grades given in the different issues of statistical abstract of British India (Financial Statistics); for the years 1922-26, they are taken from the All India Income-Tax Report and returns 1925 and 1926.

\* The figures of 1919-20 relate to preliminary assessment. No figures are available for the years 1920 and 1921.

**TABLE No. 2.**  
**NUMBER OF INCOME-TAX PAYERS WITH INCOMES ABOVE Rs. 2000 A YEAR (1886-1926).**  
 Details in Income Grades.

YEARS	From 2,000 to 4,999	From 5,000 to 9,999	From 10,000 to 19,999	From 20,000 to 29,999	From 30,000 to 39,999	From 40,000 to 49,999	Rs. 50,000 and More	Total No. of Assessees
1886-87	32,055	78,448	3,096	936	485	904	927	44,941
1887-88	35,942	10,276	4,318	1,047	388	194	407	52,567
1888-89	37,917	10,448	4,392	1,051	433	184	460	54,885
1889-90	38,838	10,554	4,405	1,151	416	195	500	56,059
1890-91	39,243	10,897	4,403	1,112	418	215	520	56,808
1891-92	40,669	11,098	4,485	1,117	461	222	521	58,573
1892-93	41,495	11,410	4,595	1,082	483	242	501	59,808
1893-94	42,121	11,744	4,798	1,170	477	227	461	60,998
1894-95	43,028	11,828	5,332	1,331	588	252	532	62,891
1895-96	44,636	12,413	5,439	1,389	604	264	553	65,891
1896-97	45,589	12,556	5,439	1,313	558	278	621	66,354
1897-98	47,282	13,298	5,569	1,417	543	275	611	68,995
1898-99	47,549	13,309	5,507	1,343	528	266	573	69,075
1899-00	49,197	13,683	5,501	1,350	511	257	573	71,070
1900-01	49,085	13,542	5,518	1,357	558	280	592	70,932
1901-02	50,118	14,076	5,829	1,400	561	267	597	72,843
1902-03	52,746	14,317	5,940	1,398	539	272	605	75,822
1903-04	52,228	14,616	6,259	1,441	557	286	636	75,776
1904-05	55,985	15,325	6,286	1,577	574	289	697	80,933
1905-06	57,661	16,241	6,629	1,673	600	309	689	83,812
1906-07	60,210	16,876	6,815	1,678	643	299	854	87,375

1907-08	62,556	17,388	7,141	1,790	666	337	905	90,777
1908-09	63,713	17,885	7,518	1,727	730	352	910	93,035
1909-10	66,276	18,816	7,380	1,738	687	322	829	96,048
1910-11	65,320	19,217	7,410	1,979	706	352	863	95,647
1911-12	68,230	20,441	7,879	1,816	734	367	870	1,00,337
1912-13	72,609	21,581	8,192	1,880	741	402	918	1,06,323
1913-14	76,403	22,922	8,648	1,969	828	411	1,103	1,12,264
1914-15	81,057	24,025	9,160	2,274	769	427	1,107	1,18,819
1915-16	82,396	24,308	8,986	2,273	821	432	1,108	1,20,324
1916-17	84,764	28,273	11,643	2,702	830	470	1,239	1,29,941
1917-18	93,576	31,460	12,437	3,251	1,043	594	1,649	1,43,910
1918-19	1,12,370	38,753	14,577	4,369	1,447	780	2,831	1,75,185
1919-20*	1,22,850	38,195	14,726	4,325	1,437	747	2,599	1,85,791
1922-23*	1,76,465	56,892	25,272	6,266	2,124	1,010	2,065	2,70,856
1923-24	1,80,597	58,137	25,612	6,522	2,508	1,759	2,963	2,86,438
1924-25	1,84,017	63,678	26,585	6,702	2,449	1,299	2,498	2,94,492
1925-26	1,84,523	63,051	28,341	7,081	2,707	1,282	2,369	2,97,152
1926-27	1,88,933	64,629	28,655	7,640	2,755	1,281	2,405	3,04,335

\* The figures for 1919-20 relate to Preliminary Assessment. No figures are available for the years 1920 and 1921. The Figure for 1922-23 excludes Companies and Firms for which Statistics are not available.

*Sources.*

Statistics of British India Part iv (b)—5th Issue pp. 160.

do. do. 9th do. 269.

do. do. 10th do. 269 and 270.

All India Income-Tax Report and Returns—(1925-26) pp. 35.

do. do. do. (1926-27) pp. 32.



**TABLE No. 3.**  
**QUINQUENNIAL AVERAGE OF INCOME-TAX PAYERS IN INCOME GRADES**  
**FOR THE YEARS 1886-1926.**

Period	From Rs. 2,000 to Rs. 5,000	From Rs. 5,000 to Rs. 10,000	From Rs. 10,000 to Rs. 20,000	From Rs. 20,000 to Rs. 30,000	From Rs. 30,000 to Rs. 40,000	From Rs. 40,000 to Rs. 50,000	From Rs. 50,000 and Upwards	Total Number of Assesseees
1886-87 to 1890-91	36,399	10,005	4,122	1,059	418	198	451	52,652
1891-92 to 1895-96	42,390	11,698	4,932	1,216	523	241	514	61,514
1896-97 to 1900-01	47,740	11,274	5,507	1,356	540	271	593	67,281
1901-02 to 1905-06	53,747	15,015	6,192	1,498	562	285	645	77,944
1906-07 to 1910-11	63,615	18,036	7,265	1,782	686	332	872	92,588
1911-12 to 1915-16	76,139	22,655	8,773	2,042	778	408	1,033	111,828
1916-17 to 1919-20*	82,712	27,336	10,677	2,929	951	518	1,628	126,751
1920-21 to 1926-27	182,907	61,357	26,893	6,862	2,509	1,326	2,464	284,218

\* As observed in the Note to this Appendix, no figures for the years 1919-20 and 1920-21 are available.

TABLE No. 4.

COLLECTIONS OF INCOME-TAX CLASSIFIED BY SOURCES ALONG WITH THE PROPORTION OF THE TAX CONTRIBUTED BY EACH SOURCE (1886-1926).

(Amount of Tax shown in Lakhs of Rupees.)

*Year	Total Tax	INCOME FROM SALARIES		INCOME FROM INTEREST ON SECURITIES		INCOME FROM HOUSE PROPERTY		INCOME FROM BUSINESS		INCOME FROM PROFESSION		INCOME FROM OTHER SOURCES	
		Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age
1886-87	136.9	41.3	30.1	7.3	5.2	4.3	3.1	78.1	55.8	5.9	4.2		
1887-88	139.7	41.2	29.4	8.5	6.0	4.7	3.4	79.1	56.4	6.3	4.5		
1888-89	149.3	45.5	30.2	9.2	6.1	5.5	3.6	82.8	55.2	6.1	4.1		
1889-90	155.4	45.9	29.7	9.3	5.7	6.1	3.8	87.1	56.1	6.7	4.5		
1890-91	157.8	46.4	29.1	9.9	6.1	6.1	3.7	88.4	55.2	6.8	4.3		
1891-92	160.9	47.5	29.6	9.3	5.8	6.5	3.9	90.3	56.4	7.1	4.4		
1892-93	165.6	48.1	28.2	9.4	5.5	7.1	4.1	93.4	55.1	7.4	4.4		
1893-94	171.1	51.1	30.1	9.1	5.4	6.9	4.1	96.1	56.4	7.6	4.4		
1894-95	178.6	53.5	29.7	10.6	5.9	7.2	4.0	99.5	56.3	7.8	4.3		
1895-96	181.7	55.0	30.5	9.1	5.0	7.6	4.2	102.0	56.3	7.9	4.4		
1896-97	185.6	54.7	28.7	9.2	4.9	7.7	4.1	105.8	55.6	8.1	4.2		
1897-98	187.5	55.7	29.2	9.5	5.0	8.0	4.2	106.1	55.8	8.2	4.3		
1898-99	190.5	56.3	29.1	9.6	5.0	8.1	4.2	108.2	57.4	8.3	4.5		
1899-00	193.3	56.9	29.4	9.9	5.2	8.3	4.3	109.2	59.1	8.6	4.6		
1902-03	208.2	60.2	28.9	9.6	4.6	8.4	4.0	118.4	56.9	8.7	4.2	3.0	1.4

*Year	Total Tax	INCOME FROM SALARIES		INCOME FROM INTEREST ON SECURITIES		INCOME FROM HOUSE PROPERTY		INCOME FROM BUSINESS		INCOME FROM PROFESSION		INCOME FROM OTHER SOURCES	
		Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age	Amount	Percent-age
1903-04	178.1	52.8	29.6	9.7	5.5	8.1	4.5	97.7	54.9	7.5	4.2	2.3	1.3
1904-05	188.0	54.6	29.0	9.9	5.3	8.5	4.5	104.9	55.8	8.0	4.3	2.1	1.1
1905-06	195.5	57.0	29.1	10.1	5.3	8.6	4.4	109.3	55.9	8.2	4.2	2.3	1.2
1906-07	211.7	59.8	28.2	10.5	5.0	9.2	4.4	120.4	56.9	8.5	4.1	2.8	1.4
1907-08	224.4	63.2	28.3	11.0	4.9	10.4	4.7	127.3	57.0	8.8	4.0	2.5	1.1
1908-09	230.2	65.6	28.9	11.6	5.0	11.5	5.0	128.2	56.0	9.2	4.0	2.6	1.1
1910-11	229.6	64.1	28.2	11.9	5.2	12.3	5.4	126.1	55.4	10.4	4.6	2.8	1.2
1911-12	240.3	68.4	28.7	12.7	5.3	12.1	5.1	131.3	55.2	10.4	4.4	3.1	1.3
1913-14	284.0	74.3	26.4	12.8	4.5	15.1	5.4	163.8	58.3	11.9	4.2	4.0	1.4
1916-17	554.8	111.0	20.2	33.6	6.1	25.1	4.6	351.3	63.9	18.2	3.3	10.8	1.9
1919-20	909.9	157.2	16.9	37.2	4.1	20.1	2.2	586.4	64.5	15.0	1.7	24.1	13.5
1922-23	1216.0	239.2	19.7	61.2	5.1	46.6	3.8	798.6	65.2	24.4	2.0	45.9	3.6
1923-24	1316.4	254.9	19.3	65.1	5.0	52.3	4.5	856.5	65.1	28.8	2.2	51.8	3.9
1924-25	1233.8	260.7	21.1	55.8	4.5	61.5	5.0	775.6	62.9	31.5	2.5	48.7	4.0
1925-26	1303.0	284.0	21.8	65.1	5.0	64.7	4.9	814.2	62.5	30.9	2.4	44.0	3.4
1926-27	1320.6	290.2	22.0	73.4	5.6	68.6	5.2	814.3	61.6	30.7	2.3	43.3	3.3

\* Figures of the years 1900-01, 1901-02, 1909-10, 1912-13, 1914-15, 1915-16, 1917-18, 1918-19, 1920-21 and 1921-22 are not available in any published Government Report.

TABLE No. 5.

TABLE SHOWING THE PERCENTAGES OF THE TOTAL INCOME-TAX REALIZED FROM THE DIFFERENT PROVINCES

1887-88	Bombay	Bengal	Madras	United Provinces	Burma	Punjab	Assam	Central Provinces	Bihar and Orissa*	Other Provinces and Departments of Government
1887-88	23.7	25.4	10.7	15.2		6.9	1.5	2.2		14.4
1888-89	22.4	25.0	9.8	14.3	3.6	6.8	1.4	2.2		14.5
1889-90	22.3	25.1	10.1	14.1	3.6	7.1	1.4	2.4		13.9
1890-91	21.8	25.1	10.7	14.0	3.7	7.4	1.3	2.3		14.0
1891-92	22.0	25.2	10.6	13.2	4.1	7.4	1.4	2.2		13.6
1892-93	22.5	24.6	10.9	13.6	4.1	7.3	1.4	2.4		13.2
1893-94	21.3	24.5	11.9	13.7	4.4	7.3	1.5	2.3		13.1
1894-95	21.5	24.7	12.1	13.3	4.3	7.2	1.5	2.2		13.2
1895-96	21.6	25.5	12.1	13.2	4.1	7.0	1.6	2.1		12.8
1896-97	20.9	25.6	12.9	12.9	4.2	7.3	1.6	2.2		12.5
1897-98	20.4	25.1	13.0	12.9	5.0	7.5	1.6	1.9		12.4
1898-99	20.2	25.9	13.4	12.6	5.3	7.2	1.7	2.0		11.7
1899-00	19.8	26.1	14.2	12.6	5.4	7.2	1.7	2.0		11.4
1900-01	19.3	26.0	13.7	12.9	5.7	7.5	1.5	1.8		11.6
1901-02	18.6	27.4	13.9	12.3	5.9	6.9	1.5	1.7		11.8
1902-03	18.6	27.7	13.9	12.2	5.8	6.9	1.5	1.7		11.7
1903-04	20.1	27.3	13.0	11.1	6.6	6.5	1.4	1.6		12.1
1904-05	19.9	26.4	13.2	10.8	7.2	6.4	1.3	2.2		11.9
1905-06	19.4	23.5	13.1	10.5	7.8	6.3	4.8	2.2		11.8
1906-07	21.9	22.9	12.8	9.9	7.3	6.3	4.8	2.3		11.3
1907-08	21.7	23.0	13.1	9.7	7.9	6.1	4.9	2.6		11.2
1908-09	20.5	24.4	12.8	9.7	7.7	6.1	5.1	2.5		11.1
1909-10	20.2	24.5	13.4	9.5	7.9	6.2	5.2	2.3		11.5
1910-11	22.1	23.3	13.3	10.5	8.2	6.5	5.4	2.6		8.3
1911-12	22.3	22.2	13.1	10.0	8.1	6.7	1.6	2.2	4.9	8.2
1912-13	22.7	21.9	13.5	9.9	7.4	6.9	1.6	2.2	5.2	7.8
1913-14	23.3	23.3	12.8	9.3	8.0	6.6	1.5	2.2	4.8	7.2
1914-15	22.9	23.3	13.3	8.9	8.5	6.6	1.5	2.2	4.7	7.3
1915-16	23.7	23.2	13.0	9.1	8.1	6.4	1.5	3.5	4.6	7.1
1916-17	25.1	30.4	10.4	7.6	7.0	5.4	1.2	2.3	3.6	7.5
1917-18	28.9	29.0	10.3	6.5	6.6	4.9	1.1	2.1	3.1	7.7
1918-19	33.5	30.3	8.7	6.2	6.8	3.4	0.7	1.6	2.4	6.4
1919-20	31.1	32.5	9.3	5.2	7.2	3.6	0.6	2.1	2.5	5.9
1920-21	30.0	32.2	7.1	4.3	8.4	2.0	0.5	1.7	1.8	4.9
1921-22	37.6	29.7	7.7	5.1	6.9	2.6	0.4	2.6	1.9	5.0
1922-23	43.4	17.9	7.3	5.4	8.5	4.2	0.5	3.3	3.2	6.1
1923-24	28.9	32.6	9.2	4.8	8.1	4.1	0.8	3.1	2.6	5.8
1924-25	34.9	34.2	8.1	4.8	10.9	3.7	1.5	3.1	2.5	6.1
1925-26	21.7	36.7	8.7	4.9	11.6	4.0	1.2	2.3	2.3	6.6
1926-27	20.2	34.9	8.3	4.7	12.9	4.2	2.2	2.5	3.6	6.8

\* The Province of Bihar and Orissa was created only in 1911.

\*\* "Other provinces and departments of Government" include North-West Frontier Province, Delhi, Baluchistan, Ajmer-Merwara, Coorg, Mount Abu, in addition to the tax realized from the civil and military station, Bangalore and India (Central).

**TABLE No. 6.**  
**NUMBER OF ASSESSEES UNDER EACH INCOME GRADE IN THE DIFFERENT PROVINCES**  
**FOR THE YEAR, 1926-27.**

	From Rs. 2,000 to Rs. 4,999	From Rs. 5,000 to Rs. 9,999	From Rs. 10,000 to Rs. 19,999	From Rs. 20,000 to Rs. 29,999	From Rs. 30,000 to Rs. 39,999	From Rs. 40,000 to Rs. 49,999	Rs. 50,000 and over.	TOTAL
Madras ... ..	22,619	9,445	4,039	1,179	468	176	287	38,216
Bombay ... ..	44,496	13,463	6,106	1,722	657	363	708	67,515
Bengal ... ..	22,269	9,812	4,387	1,167	457	223	532	38,847
United Provinces ...	15,090	4,688	1,536	364	156	60	98	22,892
Punjab ... ..	16,504	5,974	2,310	542	171	68	148	25,717
Burma ... ..	16,258	4,974	2,718	815	388	224	397	25,774
Bihar and Orissa ...	8,585	3,275	1,347	349	120	69	89	13,834
Central Provinces and Berar ... ..	9,007	2,846	1,061	250	71	30	56	13,321
Assam ... ..	3,212	1,386	649	190	69	14	20	5,340

TABLE No. 7.

THE PERCENTAGE OF THE DIFFERENT PROVINCES IN THE NUMBER OF ASSESSEES  
UNDER EACH INCOME GRADE FOR THE YEAR, 1926-27.

Income grade	Madras	Bombay	Bengal	United Provinces	Punjab	Burma	Bihar and Orissa	Central Provinces and Berar	Assam
From Rs. 2,000 to Rs. 4,999	14·3	27·9	14·01	10·06	10·3	10·2	5·5	5·7	2·02
From Rs. 5,000 to Rs. 9,999	16·907	24·10	17·56	8·39	10·69	8·903	5·86	5·07	2·48
From Rs. 10,000 to Rs. 19,999	16·72	25·28	18·16	6·35	9·56	11·25	5·57	4·39	2·68
From Rs. 20,000 to Rs. 29,999	17·89	26·13	17·71	5·52	8·22	12·37	5·29	3·79	2·88
From Rs. 30,000 to Rs. 39,999	18·30	25·69	17·87	6·10	6·68	15·17	4·69	2·77	2·69
From Rs. 40,000 to Rs. 49,999	14·34	29·58	18·17	4·88	5·54	18·25	5·62	2·44	1·14
From Rs. 50,000 and over	12·30	30·32	22·77	4·12	6·33	17·002	3·81	2·39	0·85

APPENDIX

TABLE No. 8.

CLASSIFICATION OF INCOME-TAX BY SOURCES REALIZED FROM  
THE DIFFERENT PROVINCES FOR THE YEAR, 1926-27.AMOUNT IN THOUSANDS OF RUPEES AND PERCENTAGE TO TOTAL TAX REALIZED  
UNDER EACH SOURCE

Name of Province	Business		Salaries		Securities		Property		Professional earnings	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BOMBAY	15,885	19.5	3,118	17.6	3,438	46.8	2,653	38.68	918	99.9
BENGAL	25,239	31.0	5,947	21.8	1,002	13.6	1,615	23.6	617	80.1
MADRAS	8,761	10.8	2,208	7.6	248	3.4	480	7.0	364	11.8
U. P.	3,953	4.9	1,613	5.6	176	2.4	368	5.4	297	9.7
PUNJAB	4,238	5.2	1,265	4.4	223	3.1	529	7.7	267	8.7
BURMA	14,491	17.8	2,659	9.1	169	2.3	655	9.5	241	7.9
BIHAR AND ORISSA	2,433	3.0	1,238	4.3	34	.5	155	2.3	201	6.5
CENTRAL PROVINCES	2,805	3.4	630	2.2	24	.3	146	2.1	103	3.3
ASSAM	2,015	2.5	1,057	3.6	5	.07	20	.3	23	.7

## APPENDIX XIII

## RECENT CHANGES IN THE INDIAN INCOME-TAX.

Since the original preparation of this book, a number of changes have been effected in the Indian income-tax system. The more important of these are three in number and relate to graduation, Company taxation and administrative procedure.

The Finance Bill of 1930 revised income-tax rates uniformly by one pie in the rupee. The Finance Bill of 1931 effected more drastic addition to the rates, substantially altering the curve of graduation. The new rates of income-tax are as under:—

Annual income		Pies per Rupee.
From Rs.	2000 to	
	Rs. 4999 ...	6
" "	5000 ,,	9
" "	10000 ,,	12
" "	15000 ,,	16
" "	20000 ,,	19
" "	30000 ,,	23
" "	40000 ,,	25
On incomes of more than Rs. 100000 ...		26

The exemption limit for super-tax has now been reduced from Rs. 50,000 to Rs. 30,000 for individuals and unregistered firms, the exemption for Hindu Undivided Families remaining undisturbed at Rs. 75,000. The new rates of super-tax are as under:—  
For Hindu Undivided Families:—

	Rate per Rupee.
On the first 45 thousand rupees in excess of 30,000	Nil.
On the next 25,000	1 anna 3 pies
<b>For individuals and unregistered firms:—</b>	
On the first 20 thousand rupees in excess of 30,000	9 pies
On the next 50,000	1 anna 3 pies



**For individuals, Hindu undivided families  
and unregistered firms:—**

On every rupee of the next 50,000	...	1 anna 9 pies
"    "    "    50,000	...	2 annas 8 pies
"    "    "    50,000	...	2 annas 9 pies
"    "    "    50,000	...	3 annas 8 pies
"    "    "    50,000	...	3 annas 9 pies
"    "    "    50,000	...	4 annas 8 pies
"    "    "    50,000	...	4 annas 9 pies
"    "    "    50,000	...	5 annas 8 pies
"    "    "    50,000	...	5 annas 9 pies
On every rupee of the remainder of such excess	...	6 annas 8 pies

The maximum rate of super-tax has thus been increased by 8 pies in the rupee. The super-tax on companies remains unchanged at one anna in the rupee.

Act XXI of 1930 effects an important change by the addition of section 21-A which gives power to the Income-Tax Officer to assess individual members of such firms, associations and companies as are suspected of having been formed or being used for the purpose of evading or reducing the liability to tax of the members thereof. Whenever the firm or association is a one-man concern, the Income-Tax Officer has power to direct that income-tax be not levied on the firm or association, and thereupon the individual member will become liable to both income and super-tax on his income from such a concern at his personal rates. In the case of a company, similar measures are to be taken when the company is under the control of not more than five persons and has accumulated reserves beyond its reasonable needs. The provisions are not to apply to subsidiary companies and to companies in which the public are substantially interested, the evidence of such interest being the holding of 25 per cent of the shares by the public, and dealings in the same in any stock exchange in British India. These measures are not accompanied by a repeal of the company super-tax on such companies.

It is also provided that appeals against the order of any Income-

Tax Officer under the new Section 21-A shall be to a Board of Referees which shall not be revised by the Commissioner of Income-Tax. The Board shall consist of not less than three and not more than five persons, of whom not less than one-half shall be non-officials having business experience, and one shall be a judicial officer of not less than ten years' standing.

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