

# INCOME-TAX

7422

## IN RELATION TO ACCOUNTS

BY

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THIRD EDITION

BOMBAY:

**D. B. TARAPOREVALA SONS & Co.**

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## PREFACE TO THE FIRST EDITION

When, in March 1918, the various amendments of the Law relating to Income Tax were consolidated into the one Act of 1918, I thought it desirable to bring out a work on the subject, from accountancy as well as legal points of view, in as much as no book existed at that time to help the taxpayer in arriving at a correct estimate of his Income or Profits liable to Income and Super Taxes.

It is, therefore, hoped that this little book may prove useful to Business men, Manufacturers, Lawyers, Tradesmen, Professional men, Landlords, Employees and others, as affording in a concise and clear manner a general idea of the important points requiring their attention before paying Income-tax, Super-tax and Excess Profits Duty. A study of the book will enable them to record the particulars of such taxes more clearly in their books, to fill up the legal Annual Returns (Statements required by the Law relating to Income, Super and Excess Profits Tax) more accurately, to see that they get full benefit of the rights and reliefs to which they are legally entitled, to make claims for the refund of tax in the right direction, and, in short, to satisfy themselves that they are not over assessed. The book may also prove of great use to Accountant Students, intending to practise as Professional Accountants and Auditors.

The manuscript of the first portion of the book relating to Income and Super Tax was ready by September last, but I was waiting to see if any change was brought about in the Super Tax Act, which seemed probable at that time, and also to get more detailed particulars of the Excess Profits Duty. Special pains have been taken to make this little book as clear, concise and practical as possible, but, as its subject matter is a technical one, I shall feel obliged if I am informed of any errors that may have crept into the book, so that they may receive my attention when preparing a second edition.

373, Hornby Road, Fort,  
Bombay, 13th February 1919.

F. R. M.

## PREFACE TO THE THIRD EDITION.

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The passing of several amendments to the Indian Income Tax Act, 1922, as well as the favourable reception accorded to this little book, necessitated a reprint of the second edition. The opportunity has been taken to bring the work thoroughly up to date. Several illustrations to the complicated sections of the Act have also been added.

Criticisms and suggestions from various readers will be appreciated and will be given effect to in the next edition. The views expressed in this book are the author's own and not stated in his official capacity. The Contents and the Index have been prepared by the Press.

*Bombay, 6th May 1928.*

F. R. M.

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# CONTENTS

## CHAPTER I

### PRINCIPLES OF INCOME-TAX PAGE

|   |   |
|---|---|
| 1. Income-Tax Authorities ... ..                                      | 1 |
| 2. Origin of Income-Tax ... ..  | 3 |
| 3. Definition and extent of Income-Tax ... ..                         | 4 |
| 1. Liability to Income-Tax and the Basis of Assessment thereof ... .. | 4 |
| 5. Application of the Income-Tax Act and Exemptions.                  | 5 |
| 6. Income arising outside British India ... ..                        | 7 |
| 7. Heads of Income chargeable to Income-Tax ... ..                    | 7 |
| 8. Rights and Duties of Tax-payers ... ..                             | 8 |

## CHAPTER II

### SALARIES, WAGES, ETC.

|   |    |
|---|----|
| 1. Income taxed at the source ... ..  | 10 |
| 2. Taxable Income ... ..  | 11 |
| 3. Annual Returns ... ..  | 11 |
| 4. Adjustment while deducting Income-Tax at the Source ... ..   | 12 |
| 5. Memorandum of instructions for the recovery of Income-Tax on salaries, pensions, annuities, etc .. | 13 |
| 6. Specimen of Notice calling for the Annual Return ...   | 17 |

## CHAPTER III

### INCOME FROM SECURITIES, INVESTMENTS, ETC.

|   |    |
|---|----|
| 1. Income taxed at source ... ..                                      | 20 |
| 2. Certificate of deduction of tax from Interest on Securities ... .. | 20 |
| 3. Supply of Information regarding Dividends ... ..                   | 21 |

## II

|   | PAGE |
|---|------|
| 4. Certificate by a Company to Share-holders receiving dividends ... .. | 21   |
| 5. Preparation of Accounts ... ..                                       | 21   |

## CHAPTER IV

### INCOME FROM PROPERTY

|   |    |
|---|----|
| 1. Basis of Assessment ... ..                       | 28 |
| 2. Preparation of Accounts, Statements, etc. ... .. | 30 |

## CHAPTER V

### INCOME DERIVED FROM BUSINESS, TRADE, ETC.

|   |    |
|---|----|
| 1. Items allowed to be charged against Profits ... ..                   | 36 |
| 2. Capital Profits... ..  | 41 |
| 3. Losses and Expenses not allowed to be charged against Profits ... .. | 41 |
| 4. Return of Income ... ..  | 44 |
| 5. Assessment ... ..  | 65 |
| 6. Set off of a Loss in Computing Aggregate Income. ... ..              | 65 |
| 7. Inspection of Books, Accounts, etc. ... ..                           | 66 |
| 8. Assessment in case of Discontinued Business ... ..                   | 70 |
| 9. Assessment after partition of a Hindu Undivided Family ... ..        | 73 |
| 10. Change in the Constitution of a Partnership ... ..                  | 74 |
| 11. Change in the Ownership of a Business ... ..                        | 74 |
| 12. Cancellation of Assessment when cause is shown ... ..               | 75 |
| 13. Penalty for concealment of Income ... ..                            | 75 |
| 14. Notice of Demand or Assessment ... ..                               | 76 |
| 15. Appeal against Assessment ... ..                                    | 80 |
| 16. Hearing of Appeal ... ..  | 86 |
| 17. Appeals against orders of Assistant Commissioners. ... ..           | 87 |

### III

|  | PAGE |
|--|------|
| 18. Power of Review ... ..   | 90   |
| 19. Income escaping Assessment ... ..                                  | 90   |
| 20. Rectification of Mistake ... ..                                    | 93   |
| 21. Power to call for Information ... ..                               | 93   |
| 22. Power to inspect Company's Register of Members                     | 94   |
| 23. Accounting period and Accounts ... ..                              | 94   |
| 24. Treatment of Income-tax Account in Joint Stock<br>Companies ... .. | 103  |
| 25. Allocation of Partnership Tax in Accounts ... ..                   | 105  |

## CHAPTER VI

### PROFESSIONAL EARNINGS

|                                   |     |
|-----------------------------------|-----|
| 1. Assessable Profits ... ..      | 114 |
| 2. Preparation of Accounts ... .. | 114 |

## CHAPTER VII

### MISCELLANEOUS

|   |     |
|---|-----|
| 1. Income from other Sources ... ..                                       | 120 |
| 2. Taxable Income ... ..  | 120 |
| 3. Tax to be calculated to nearest anna ... ..                            | 126 |
| 4. Reduction of Tax, when margin above a certain<br>limit is Small ... .. | 126 |
| 5. Appearance by authorised representative ... ..                         | 136 |
| 6. Place of Assessment ... ..   | 136 |
| 7. Insurance Companies ... ..   | 136 |
| 8. Assessment on Owners and Charterers of Tramp<br>Steamers, etc ... ..   | 138 |
| 9. Liabilities of Persons other than Assessee ... ..                      | 142 |
| 10. Liability in Case of discontinued firm or partner-<br>ship ... ..     | 146 |
| 11. Recovery of Tax and Penalties ... ..                                  | 146 |

|   | PAGE    |
|---|---------|
| 12. Religious, Charitable and like Institutions       | ... 156 |
| 13. Refund of Income-Tax                              | ... 156 |
| 14. Summary of Claims for refund of Income-tax        | ... 186 |
| 15. Offences and Penalties                            | ... 193 |
| 16. Indemnity   | ... 196 |
| 17. Statement of Case by Commissioner to High Court.  | 196     |
| 18. Bar of Suits in Civil Court                       | ... 199 |
| 19. Accounts prepared by professional Accountants     | ... 200 |
| 20. Trading by other Governments                      | ... 200 |
| 21. Graduated Scale for Rates of Income-Tax           | ... 201 |
| 22. Graduated scale of Rates for Refund of Income-Tax | ... 202 |

### CHAPTER VIII

#### SUPER-TAX

|  |         |
|--|---------|
| 1. Origin of the Tax                                     | ... 203 |
| 2. Charge of Super-Tax                                   | ... 203 |
| 3. Total income for purposes of Super-tax                | ... 204 |
| 4. Non-residential Partners and Shareholders             | ... 204 |
| 5. Application of Act to Super-tax                       | ... 206 |
| 6. Rates of Super-tax                                    | ... 206 |
| 7. Preparation of the Returns and Accounts for Super-tax | ... 208 |

### CHAPTER IX

#### INDIAN INCOME-TAX ACT, 1922 (ACT NO. XI OF 1922)

|   |         |
|---|---------|
| 1. Short title, extent and Commencement | ... 225 |
| 2. Definitions                          | ... 225 |
| 3. Charge of Income-Tax                 | ... 229 |
| 4. Application of Act                   | ... 229 |
| 5. Income-Tax Authorities               | ... 231 |



|   | PAGE    |
|---|---------|
| 6. Heads of Income chargeable to Income-Tax                     | ... 232 |
| 7. Salaries   | ... 233 |
| 8. Interest on Securities.                                      | ... 233 |
| 9. Property   | ... 234 |
| 10. Business  | ... 235 |
| 11. Professional earnings                                       | ... 239 |
| 12. Other sources   | ... 239 |
| 13. Method of Accounting  | ... 240 |
| 14. Exemptions of a general nature                              | ... 240 |
| 15. Exemption in the case of life insurances                    | ... 240 |
| 16. Exemptions and exclusions in determining the total income   | ... 241 |
| 17. Reduction of tax when margin above a certain limit is small | ... 241 |
| 18. Payment by deduction at source                              | ... 242 |
| 19. Payment in other cases                                      | ... 244 |
| 19A. Supply of information regarding Dividends                  | ... 244 |
| 20. Certificate by Company to Shareholders receiving dividends  | ... 244 |
| 21. Annual return   | ... 244 |
| 22. Return of Income  | ... 245 |
| 23. Assessment  | ... 246 |
| 24. Set off of Loss in computing aggregate income               | ... 247 |
| 25. Assessment in case of discontinued business                 | ... 248 |
| 25A. Assessment after partition of a Hindu Undivided Family     | ... 249 |
| 26 (1). Change in constitution of a firm                        | ... 250 |
| 26 (2). Change of Ownership of business                         | ... 250 |
| 27. Cancellation of assessment when cause is shown              | ... 251 |
| 28. Penalty for concealment of income                           | ... 251 |
| 29. Notice of demand  | ... 252 |
| 30. Appeal against assessment under this Act                    | ... 252 |

## VI

|   | PAGE |
|---|------|
| 31. Hearing of appeal ... ..  | 253  |
| 32. Appeals against orders of Assistant Commissioner .                                      | 253  |
| 33. Power of Review ... ..  | 254  |
| 34. Income escaping assessment ... ..   | 254  |
| 35. Rectification of Mistake ... ..   | 255  |
| 36. Tax to be calculated to nearest anna ... ..   | 256  |
| 37. Power to take evidence on oath, etc. ... ..   | 256  |
| 38. Power to Call for information ... ..  | 256  |
| 39. Power to inspect the register of members of any<br>Company ... ..                       | 257  |
| 40. Guardians, trustees and agents ... ..   | 257  |
| 41. Courts of Wards, etc. ... ..  | 258  |
| 42. Non-Residents ... ..  | 258  |
| 43. Agent to include persons treated as such ... ..   | 259  |
| 44. Liability in case of a discontinued firm or partner-<br>ship ... ..                     | 260  |
| 44A- Special provisions relating to certain classes of<br>shipping. ... ..                  | 260  |
| 44C. Adjustment ... ..  | 261  |
| 45. Tax when payable ... ..   | 261  |
| 46. Mode and time of recovery ... ..  | 262  |
| 47. Recovery of penalties ... ..  | 263  |
| 48. Refunds ... ..  | 264  |
| 49. Relief in respect of United Kingdom income-tax ... ..                                   | 265  |
| 50. Limitation of claims for refund ... ..  | 266  |
| 51. Failure to make payments or deliver returns or<br>statements or allow inspection ... .. | 266  |
| 52. False statement in declaration ... ..   | 267  |
| 53. Prosecution to be at instance of Assistant Commis-<br>sioner ... ..                     | 267  |
| 54. Disclosure of information by a public servant ... ..                                    | 267  |
| 55. Charge of Super-tax ... ..  | 269  |
| 56. Total income for purposes of Super-tax ... ..   | 269  |

## VII

|  | PAGE    |
|--|---------|
| 57. Non-resident partners and shareholders   | ... 269 |
| 58. Application of Act to super-tax  | ... 271 |
| 59. Power to make rules  | ... 271 |
| 60. Power to make exemptions   | ... 272 |
| 61. Appearance by authorised representative  | ... 273 |
| 62. Receipts to be given   | ... 273 |
| 63. Service of notices   | ... 273 |
| 64. Place of assessment  | ... 273 |
| 65. Indemnity  | ... 274 |
| 66. Statement of Case by Commissioner to High Court  | 274     |
| 66A. References to be heard by Benches of High Court,<br>& appeals to be in certain cases to Privy Council | 277     |
| 67. Bar of Suits in Civil Court  | 278     |

## CHAPTER X

### THE INDIAN INCOME-TAX RULES, 1922

---

## INDEX.

---

|  | Page     |   | Page  |
|--|----------|---|---|
| <b>A</b>   |          |   |   |
| Accounting period and Accounts.  | 94       | Application of the Income-Tax Act and Exemptions              | 5   |
| Accounts prepared by Professional Accountants.   | 200      | Assessable Profits  | 114   |
| Adjustment   | 261      | Assessment  | 65, 246                                     |
| Adjustment while deducting Income-Tax at the source  | 12       | Assessment after partition of a Hindu Undivided Family        | 73, 249                                     |
| Agent to include persons treated as such   | 259      | Assessment Form   | 118, 124, 131, 134, 168, 177, 191, 223, 313 |
| Allocation of Partnership Tax in Accounts  | 105      | Assessment in case of Discontinued Business                   | 70, 218                                     |
| Annual Returns   | 11, 244  | Assessment on Owners and Charterers of Tramp Steamers etc.    | 138   |
| Appeal against Assessment  | 80, 252  | <b>B</b>  |   |
| Appeals against orders of Assistant Commissioners  | 87, 253  | Bar of Suits in Civil Court                                   | 199, 278                                    |
| Appearance by Authorized representative  | 136, 273 | Basis of Assessment   | 23  |
| Application for refund of income-tax under section 48 of the Indian Income-tax Act 1922          | 158      | Business  | 235   |
| Application for relief from double income-tax under section 49 of the Indian Income-Tax Act 1922 | 185, 329 | <b>C</b>  |   |
| Application of Act   | 229      | Cancellation of Assessment when cause is shown                | 75, 251                                     |
| Application of Act to Super-Tax  | 206, 271 | Capital Profits   | 41  |
|  |          | Certificate by a Company to Share-holders receiving dividends | 21, 244                                     |
|  |          | Certificate of deductions of tax from Interest on Securities  | 20  |

|  | Page     |   | Page |
|--|----------|---|------|
| Certificate under Section 46 (2) of the Indian Income-Tax Act 1922             | 153      | False statement in declaration  | 267  |
| Change in the constitution of a Partnership                                    | 74, 250  | Form of Appeal against an order refusing to reopen an assessment under Section 27   | 82   |
| Change in the Ownership of a Business  | 74, 250  | Form of Appeal against an order under Section 25 (2)  | 81   |
| Change in the Partners of a Registered Firm.                                   | 218      | Form of Appeal against an order under Section 28  | 83   |
| Charge of Income-Tax   | 229      | Form of Appeal under Section 30 (3) of the Indian Income-Tax Act 1922   | 85   |
| Charge of Super-Tax  | 203, 269 | Form of Appeal under Section 32 (2) of the Indian Income-Tax Act 1922   | 88   |
| Court of wards etc.  | 258      | Form of return of Total Income of a company under Section 22 (1) of the Indian Income-Tax Act 1922  | 46   |
| <b>D</b>   |          | Form of return of Total Income for Individuals, Firms and Hindu Undivided Families under Section 22 (2) of the Indian Income-Tax Act 1922 | 53   |
| Definition and Extent of Income-Tax  | 4        | <b>G</b>  |      |
| Definitions  | 225      | Graduated Scale for Rates of Income-Tax   | 201  |
| Disclosure of information by a public servant                                  | 267      | Graduated Scale of Rates for refund of Income-Tax   | 202  |
| Distress Warrant   | 154      |   |      |
| <b>E</b>   |          |   |      |
| Exemptions and exclusions in determining the total income                      | 241      |   |      |
| Exemptions in the case of life insurances                                      | 240      |   |      |
| Exemptions of a General nature   | 240      |   |      |
| Extract from the Indian Finance Act 1928                                       | 278      |   |      |
| <b>F</b>   |          |   |      |
| Failure to make payments and deliver returns or statements or allow inspection | 266      |   |      |

|   | Page     |  | Page     |
|---|----------|--|----------|
| Guardians, Trustees and agents                              | 257      | Losses and Expenses not allowed to be charged against Profits  | 41       |
| H   |          | M  |          |
| Heads of Income chargeable to Income-Tax                    | 7, 232   | Memorandum of Instructions for the recovery of Income-Tax on Salaries, pensions, annuities etc.  | 13       |
| Hearing of Appeal   | 86, 253  | Method of Accounting   | 240      |
| I   |          | Mode and Time of recovery  | 262      |
| Income arising outside British India                        | 7        | N  |          |
| Income escaping Assessment                                  | 90, 254  | Non-residential Partners and Share holders   | 204, 269 |
| Income from other sources                                   | 120      | Non-residents  | 258      |
| Income tax Authorities                                      | 1, 231   | Notice calling on a Company for a return of total income with the Profit and Loss Account under section 22 of the Indian Income-Tax Act 1922 | 45       |
| Income taxed at the source                                  | 10, 20   | Notice imposing a Penalty under section 46, Indian Income-Tax Act 1922   | 149      |
| Indemnity   | 196, 274 | (Second or Subsequent) Notice of date fixed for the hearing of an Appeal under section 31 Act XI of 1922                                     | 151      |
| Inspection of Books, Accounts etc.                          | 66       |  | 89       |
| Insurance Companies   | 136      |  |          |
| Interest on Securities                                      | 233      |  |          |
| Items allowed to be charged against Profits                 | 36       |  |          |
| L   |          |  |          |
| Liability in case of a discontinued firm or partnership     | 146, 260 |  |          |
| Liability to Income-tax and the Basis of Assessment thereof | 4        |  |          |
| Liabilities of Persons other than Assessee                  | 142      |  |          |
| Limitation of claims for refund                             | 266      |  |          |

|  | Page    |  | Page     |
|--|---------|--|----------|
| Notice of Demand   | 252     | Preparation of Accounts  | 21, 114  |
| Notice of Demand or Assessment                                       | 76      | Preparation of Statements etc.   | 30       |
| Notice of Demand under Section 29 of the Indian Income Tax Act 1922  | 77      | Preparation of the Returns and Accounts for Super Tax  | 208      |
| Notice under Section 22 (2) and 38 of the Indian Income Tax Act 1922 | 51      | Professional earnings  | 239      |
| Notice under Section 34 of the Indian Income Tax Act (XI-22)         | 91      | Property   | 234      |
| O  |         | Prosecution to be at instance of Assistant Commissioner  | 267      |
| Offences and Penalties   | 193     | R  |          |
| Origin of Income-Tax   | 3       | Rates of Super-Tax   | 206      |
| Origin of Super-Tax  | 203     | Receipts to be given   | 273      |
| Other Sources  | 239     | Recovery of Penalties  | 263      |
| P  |         | Recovery of Tax and Penalties  | 146      |
| Payment by deduction at Source                                       | 242     | Rectification of Mistake   | 93, 255  |
| Payment in other cases   | 244     | Reduction of Tax, when margin above a certain limit is small   | 126, 241 |
| Penalty for Concealment of Income                                    | 75, 251 | References to be heard by Benches of High Court, and appeals to be in certain cases to Privy Council | 277      |
| Place of Assessment  | 273     | Refund of Income-Tax   | 156      |
| Power of Review  | 90, 254 | Refunds  | 264      |
| Power to call for information  | 93, 256 | Relief in respect of United Kingdom income-tax   | 265      |
| Power to inspect Company's Register of Members                       | 94, 257 | Religious, Charitable and like Institutions  | 156      |
| Power to make Rules  | 271     | Return of Income   | 44, 245  |
| Power to make exemptions etc.  | 272     | Rights and Duties of tax-payers  | 8        |
| Power to take evidence on oath etc,                                  | 256     |  |          |

V

| S   | Page     |   | Page     |
|---|----------|---|----------|
| Salaries  | 233      | Statement of Case by<br>Commissioner to High<br>Court                           | 196, 274 |
| Service of Notices  | 273      | Summary of claims for<br>refund of Income-<br>Tax                               | 186      |
| Set off of a Loss in<br>Computing Aggregate<br>Income                 | 65, 247  | Summons to witness<br>under Section 37 of<br>the Indian Income-<br>Tax Act 1922 | 69       |
| Short title, extent and<br>Commencement                               | 225      | Supply of Information<br>regarding Dividends                                    | 21, 244  |
| Special provisions rela-<br>ting to Certain Classes<br>of Shipping    | 260      |   |          |
| Specimen of Application<br>for certificate of Indian<br>Tax paid      | 163, 172 | T   |          |
| Specimen of Application<br>for refund of Indian<br>Tax                | 166, 174 | Taxable Income  | 11, 120  |
| Specimen of Certificate<br>of Indian Tax paid                         | 164, 173 | Tax to be Calculated to<br>nearest anna   | 126, 256 |
| Specimen of Certificate<br>of relief allowed in the<br>United Kingdom | 166, 175 | Tax when payable  | 261      |
| Specimen of Notice call-<br>ing for the Annual<br>Return              | 17       | Total Income for purpo-<br>ses of Super-Tax                                     | 204, 261 |
|   |          | Trading by other Govern-<br>ments   | 200      |
|   |          | Treatment of Income-<br>Tax Account in Joint<br>Stock Companies.                | 103      |



## Errata and Addenda.

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### PAGE.

- 2 2nd para : 5th line. add "*such classes of persons or*" after "*in respect of.*"
- 2 Last para. last line. read: "*functions*" for "*function*".
- 3 3rd para. 2nd line. read "1860" for "1886."
- 5 1st line. add "*passed annually by the Legislative Assembly*" after "*the Finance Act.*"
- 5 Last para. 1st line. read "*owned or held*" for "*represented.*"
- 6 1st para. should read thus "*Any capital sum received in commutation of the whole or a portion of a pension, or as compensation for death or injuries, or as insurance policy money, or as the accumulated balance at the credit of a subscriber to a provident fund to which the Provident Funds Act, 1897, applies.*"
- 6 • Para (f). 1st line. add "*wholly and*" after "*expenses.*"
- 6 Below para. (j). add "*The income exempted under the above heads is not to be taken into account at all in computing the "Total Income" and is not liable to income-tax or super tax.*"
- 6 Para (c). 2nd line. omit "*as at the time of assessment.*"
- 6 Para (d). 6th line. add "*to which the Provident Funds Act, 1897, applies,*" after "*subscription.*"
- 7 1st line. read "(b), (c) and (d)" for "(b) and (c)."
- 8 Para (c). add "*and lands appurtenant thereto*" after "*Buildings.*"
- 8 Para (f) (2). 1st line. read "*from*" for "*accrued.*"

## PAGE.

- 11 Below "Explanation" para. add "*Passage-money paid in India by an employer to enable an employee to go on leave is liable to tax.*"
- 16 Heading of Column 9, read "*which tax is*" for "*whith tax in.*"
- 19 Top para. 2nd line. read "*officer or*" for "*officer of.*"
- 28 1st para. 2nd line. add "*appurtenant thereto*" after "*land.*"

31 7th line. read "*Schedule A*" for "*Form D.*"

34 The bottom half of the page, from "Income for self occupied property etc.," should read as follows:—  
Income for self-occupied property will be Rs. 8,100 or

$$\frac{1}{10} \text{ of } \frac{12}{11} \text{ of Rs. } 48,294 \left\{ 48,898 - (5 \cdot 0 + 100 + 4) \right\}$$

whichever be the lower, minus admissible deductions for expenses of self-occupied property, that is to say.—

|   |     |     |       |       |       |
|---|-----|-----|-------|-------|-------|
| $\frac{1}{10} \times \frac{12}{11} \times 48,294$ | ... | ... | ...   | ...   | 5,268 |
| Less one-sixth of Rs. 5,268                       | ... | 878 |       |       |       |
| Insurance premium                                 | ... | 500 |       |       |       |
| Ground Rent                                       | ... | 100 |       |       |       |
| Land Revenue                                      | ... | 4   |       |       |       |
|   |     |     | ————— | 1,482 |       |

Rs. 3,786

A's assessable income is therefore  
Rs 48,898 + 3,786 = Rs. 52,684

- 36 Item (4). add "*Buildings, furniture,*" before "*Machinery or plant.*"

- PAGE,
- 49 Between columns 1 and 2, add column "1 A." for  
"Original cost."
- 50 3rd para. 3rd line. add "*calling for a return of income*"  
after the first word "*notice.*"
- 53 2nd line. add "*Other associations of individuals*" after  
"*Firms.*"
- 54 Item 8. 2nd line. add "*not being income from business*"  
after "*etc.*"
- 58 1st line. add "(b)" before "*Where.*"
- 63 2nd para. 6th line. add "*(which has been registered  
under the Provident Funds Act, 1897)*" after  
"*provident fund.*"
- 64 Item 7. read "1241" and "116-6-0" @ 18 pias for  
"1125" and "nil", respectively.
- 64 The "Grand Total" should be "Rs. 18,018" and  
"787-5-0" instead of "17,902" and "670-15-0",  
respectively.
- 71 3rd line. add "*for one and the same year 1927/28*"  
after "*per rupee.*"
- 72 Last para. 2nd line. read "*Sub-para (1)*" for "*Sub (1)  
para.*"
- 78 1st para. 3rd line from the bottom. add "*within one  
month from the receipt of this notice*" after  
"*apply to me*"
- 80 Last para. 5th line. read "(12)" for "(10)", and in  
the 6th line read "(8) (2) or (13)" for "(8)  
or (11)."
- 80 Last two lines. read "*section 23 (4), as explained in the  
last para. on p. 66*" for "*under para (7) above.*"

## PAGE.

- 81 5th line. read "(12)" for "(10)", and in the 8th line read "had" for "has."
- 93 4th para. 6th line. read "(14)" for "(12)."
- 122 Item 6. read "Islam" for "Moslem."
- 123 5th line. read "from" after "assessee's income."
- 126 Top para. 3rd line. omit "of the taxable income."
- 148 Para (7). 2nd line. read "9 (c)" for "6 (c)."
- 150 5th line. read "at" for "as."
- 155 12th line. read "moveable" for "eable."
- 168 8th line. read "Inland" for "Indian."
- 168 Item 2. read "Do. Do. (taxed at source)" for "Do. Do. (F. of T.)."
- 170 Read "8,09,263" for "8,09,262-8-0," and read "87,846-5-0" for "87,846," and read "372-3-0" for "372."
- 176 6th line from the bottom. read "11,19,316" for "11,99,316."
- 183 Below item 11. read "11 A. Chhota Udaipur."
- 184 Below the 3rd para. add another illustration, viz.,  
The A.B.C. Co., Ltd., has paid income-tax and super tax in Bombay for 1927-28, on its entire profits as disclosed by its accounts for the year ended 31st December 1926.  
The Co. claims necessary refund in respect of income-tax paid to the Travancore State, on the profits earned during the said year by its Alloppey and Quilon branches, viz., Rs. 30,363 in State Currency, which profits have also been taxed in

## PAGE.

Bombay. In support of the claim, the Co. puts in a certificate for the taxes paid to the State.

The Total Income assessed by the State for the year 1101 (Financial year of the State) is Rs. 30,363 in State currency, at 2 chakrams per rupee. This is equivalent to Rs. 29,830 in British Indian Currency (State rupee = 28 chakrams, while British Indian rupee =  $28\frac{1}{2}$  chakrams in the State). The tax paid to the State is Rs. 2130 in British Indian currency, *i. e.*,  $29,830 \times \frac{2}{28}$ .

As the refund on account of double income-tax in the case of the Travancore State is to be allowed at half the lower rate, and since the rate of tax at Travancore is lower than the rate of tax in British India, the Co. would be entitled to a refund of half the tax paid in Travancore, *viz.* Rs. 1,065 (*i. e.*,  $2130 \div 2$ ).

- 193 Item (3). 2nd line. add "section 19 A., before  
"section 21"
- 198 3rd para. 3rd line. read "such interest" for "interest, if  
any."
- 198 4th para. 2nd line. read "lie," for "be".
- 204 Heading above the 3rd para. read "Non-resident" for  
"Non-residential."
- 208 6th line from the bottom. add "is" after "taxable  
income."
- 211 Illustration. 2nd line. read "capital" for "caitol."
- 222 Note—2nd line. add "one" before "anna"
- 225 Below 3rd line. add "(as subsequently amended.)"
- 228 2nd para. 3rd line. read "Central Board of Revenue"  
for "Board of Inland Revenue"

## PAGE.

- 231 Item (a). read "*Central Board of Revenue*" for "*Board of Inland Revenue.*"
- 232 2nd para. 1st line. read "*Central Board of Revenue*" for "*Board of Inland Revenue*"
- 274 2nd para. last line. read "*Central Board of Revenue*" for "*Board of Inland Revenue*"
- 237 Para (C.). 2nd line. read "*repealed*" for "*repeated.*"
- 256 Marginal notes. read "*V of 1908*" for "*1908*" and "*XLV of 1860*" for "*XLV*"
- 266 10th line from the bottom. add "*section 19 A*" after "*in*"
- 269 1st para. 5th line. add "*not being a registered firm,*" after "*individuals,*"
- 272 Below para (e). add
- (3) In cases coming under clause (a) of sub-section (2) where the income profits and gains liable to tax cannot be definitely ascertained, or can be ascertained only with an amount of trouble and expense to the assessee which, in the opinion of the Central Board of Revenue, is unreasonable, the rules made under that sub-section may—
- (a) prescribe methods by which an estimate of income, profits and gains may be made, and
- (b) in cases coming under sub-clause (i) of clause (a) of Sub-section (2) ; prescribe the proportion of the income which shall be deemed to be income profits and gains liable to tax,
- and an assessment based on such estimate or proportion shall be deemed to be duly made in accordance with the provisions of this Act.
- 272 Change paras. (3) & (4) into (4) & (5), respectively.
- 277 2nd line. read "*appeal to lie*" for "*appeal to be*".

## PAGE.

- 277 1st para. 6th line. add "*of any High Court established by Letters Patent*" after "*Patent*"
- 278 Omit: "*Note*", at the foot of the page.
- 283 Para. 2. 7th line. Omit "*at any time etc, till the end of the para.*"
- 284 Para. 4. The whole of this para. should go below para. 2. on page 283.
- 287 Para. 6. 5th line. For "*assessment of the income of the firm is made*" read "*income of the firm for any year is assessed under section 23 or, where the income has in any year escaped assessment under section 34,*"
- 289 1st para 5th line. For "*Collieries*" read "*Mines & Quarries, Tubewell Boring Plant.*"
- 298 For para. (e), substitute.
- (e) Head postmasters for (i) themselves, their gazetted subordinates and the establishments of which the establishment pay bills are prepared by them and (ii) gazetted supervising and controlling officers of whose head quarters post office they are in charge ; Head Record Clerks Railway Mail Service, for themselves and all the staff whose pay is drawn in their establishment pay bills ; the disbursing Officers in the case of the Administrative and the Audit office
- 303 Item 7. add "(net)" after "*companies*".
- 303 Item 8. 3rd line. add "*income*" after "*being.*"
- 304 14th line. read "*had during the said year no*" to "*have no.*"

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