

# 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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## CHAPTER X

### THE INDIAN INCOME-TAX RULES, 1922

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## CHAPTER I.

### PRINCIPLES OF INCOME-TAX

#### 1. Income-Tax Authorities.

In order to understand the Income-Tax principles and procedure, it is necessary to know the functions of different officials appointed to put into execution the Law of Income-Tax.

There are the following classes of Income-Tax authorities for the purposes of this Act, namely :—

- (a) The Central Board of Revenue :
- (b) Commissioners of Income-Tax :
- (c) Assistant Commissioners of  
Income-Tax and
- (d) Income-Tax Officers.

(2) The Central Board of Revenue consists of one or more persons appointed by the Governor-General in Council.

(3) There is a Commissioner of Income-Tax for each Province. He is appointed by the Governor-General in Council, after consideration of any recommendation made by the Local Government in this behalf.

(4) Assistant Commissioners of Income-Tax and Income-Tax Officers are subject to the control of the Governor-General in Council and are appointed by the Commissioner of Income Tax by order in writing. The appointments of Commissioners and Assistant Commissioners also require the approval of the Public Service Commission.



They perform their functions in respect of such classes of persons and such classes of income and in respect of such areas as the Commissioner of Income-Tax may direct. The Commissioner may, by general or special order in writing, direct that the powers conferred on the Income-Tax Officer and the Assistant Commissioner by or under this Act shall, in respect of any specified case or class of cases, be exercised by the Assistant Commissioner and the Commissioner, respectively, and, for the purposes of any case in respect of which such order applies, references in this Act or in any rules made hereunder to the Income-Tax Officer and the Assistant Commissioner shall be deemed to be references to the Assistant Commissioner and the Commissioner, respectively.

(5) The Central Board of Revenue may, by notification in the *Gazette of India*, appoint Commissioners of Income-Tax, Assistant Commissioners of Income-Tax and Income-Tax Officers to perform such functions in respect of such classes of income, and for such area, as may be specified in the notification, and thereupon the functions so specified shall cease, within the specified area, to be performed, in respect of the specified classes of persons or classes of income, by the authorities appointed under sub-para (3) and (4) above.

(6) Assistant Commissioners of Income-Tax and Income-Tax Officers appointed under sub-para (4) are, for the purposes of this Act, subordinate to the Commissioner of Income-Tax appointed under sub-para (3) for the Province in which they perform their function.

In addition to the above high officials, there are also some subordinate officers, *viz.*, Inspectors and Examiners of Accounts.

The duty of Examiners of Accounts is to ascertain the taxable Income or Profits, after satisfying themselves with the Accounts, Statements, Returns, etc., received from various assesseees and to report thereon to the Income-Tax Officers. The Inspectors, however, are engaged more or less on outdoor work. They find out persons chargeable with Income-Tax and report thereon to the Income-Tax Officers. Where no accounts are available, these Inspectors also estimate their Taxable Income or Profits.

## **2. Origin of Income-Tax.**

Though the Law relating to Income-Tax in India came into force on 1st April 1886, the tax was already in existence in Great Britain, ever since 1798, when it was introduced, for the first time, as a temporary War Tax, by the well-known statesman, Mr. Pitt. This Tax was, however, withdrawn in the year 1815, but was reimposed in 1842, and was extended to Ireland in 1853.

The Indian Income-Tax Act of 1886, was modified from time to time and merged into the Indian Income-Tax Act of 1918. Thereafter several amendments were made in 1919 and 1920. All these enactments were consolidated into the present Act of 1922, which received the assent of the Governor-General on 5th March 1922. Since then some more changes were made by the various I. T. (Amendments) Acts, from 1923 to 1928.

### **3. Definition and extent of Income-Tax.**

Income-Tax is a levy made by Government on the Income or Profits of Individuals, Firms, Companies, Hindu undivided families and other associations of individuals, in consideration of the protection by Government of the Assets (which earn such Profits) of such persons, and of Trade and Commerce in general.

It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas, and applies also, within the dominions, of Princes and Chiefs in India in alliance with His Majesty, to British subjects in those dominions, who are in the service of Government, or of a Local Authority established in the exercise of the powers of the Governor General in Council in that behalf and to all other servants of His Majesty in those dominions.

### **4. Liability to Income-Tax and the Basis of Assessment thereof.**

The tax is payable for the year beginning with 1st April by every individual, company, firm, Hindu undivided family and other associations of individuals, resident in British India and the dominions mentioned above, as well as by persons not resident therein, so far as they derive income from Properties, Securities, Trade, Profession or Employment accruing, arising or received or deemed to accrue, arise or to be received in British India and the said dominions and is based on the total income, profits and gains of the assessee for the previous completed year, as per the Graduated Scale of

Rates specified in the Finance Act. (The scale is given at the end of Chapter VII.)

In the case of Joint Stock Companies and Registered Firms (Partnership), the tax shall be levied at the maximum rate, even if the profits be less than Rs. 2,000. "Registered Firm" means a firm constituted under a partnership agreement, particulars whereof as to Capital, Drawings, Interest, Shares of Partners, etc., are registered with the Income-Tax Officer, as required by Rule 3 of the Act.

### **5. Application of the Income-Tax Act and Exemptions.**

The Act shall apply to all Income from whatever source derived, accruing or arising received or deemed under this Act to accrue or arise or to be received, in British India, except:—

- (a) Income derived from Landed Property and Securities held in Trust for Religious, Educational or Charitable purposes. Any claim for the exemption of such income must be supported by the Trust Deed or some such similar document.
- (b) Income of Religious or Charitable Institutions applied solely towards religious or charitable cause. (For details, see Chapter VII.)
- (c) Income of Local Authorities e. g., Municipality, Port Trust, etc.
- (d) Interest on Securities represented by any Provident Fund, to which the Provident Fund Act, 1897, applies.

- (e) Capital sum received by way of Pension, Provident Fund, or compensation for injury or death, *e. g.*, Policy Money.
- (f) Special allowance to meet expenses necessarily incurred in the performance of some duty, *e. g.*, travelling or conveyance allowance.
- (g) Legacies and Devises.
- (h) Capital profits or Income not arising in the ordinary course of regular business or profession, *e. g.*, Profits on sale of Fixed Assets.
- (i) Agricultural Income.

*Exemptions.*—Income-Tax shall not be payable by an assessee in respect of—

- (a) Any sum which he receives as a member of a Hindu undivided family; or
- (b) Any sum which he receives by way of dividend as a shareholder in a company, profits whereof have been assessed; or
- (c) Any sum which he has earned as his share as at the time of assessment in the profits or gains of any firm, the profits whereof have been assessed; or
- (d) Any sum paid by him by way of insurance premium on his own life or on that of his wife (in the case of a Hindu undivided family on the life of a *male* member or his wife) or by way of Provident Fund subscription, not exceeding in the aggregate one-sixth of his total income. This does not apply to Super Tax assessment.

*Note* :—Items (b) & (c) above should be included in the "Total Income" of an assessee.

### **6. Income arising outside British India**

Profits and gains of a business accruing or arising without British India to a person resident in British India shall, if they are received in or brought into British India, be deemed to have accrued or arisen in British India, and to be profits and gains of the year in which they are received or brought into British India, notwithstanding the fact that they did not so accrue or arise in that year, provided that they are so received or brought in within three years of the end of the year in which they accrued or arose.

Profits or gains accruing or arising without British India shall not be deemed to be received or brought into British India by reason only of the fact that they are taken into account in the Balance Sheet prepared in British India.

*Exception* :—Professional Fees paid in any part of India, to a person ordinarily resident in British India, shall be deemed to be income chargeable under the head—"Professional Earnings."

### **7. Heads of income chargeable to Income-Tax.**

Income from various sources may be taxed under any one or more of the following heads :—

- (a) Salaries, including Wages, Annuity, Pension, Bonus, Allowance, Gratuity and other Receipts in lieu of or in addition to Salaries, e. g., Commission, Fees, etc.

- (b) Interest on Securities.
- (c) Income derived from Property (i. e. Buildings.)
- (d) Income derived from Business, Trade, Commerce, Manufacture, Adventure, etc.; and from sales or dealings in property, shares or securities.
- (e) Income derived from Profession, Vocation, etc.
- (f) Income derived from sources other than above :-
  - (1) Interest on Mortgages, Loans, Fixed Deposits, Current Accounts, etc.
  - (2) Income accrued outside British India, which has accrued, arisen or been received directly or indirectly in British India.
  - (3) Director's Fees, etc.
  - (4) Ground Rent.
  - (5) Dividend on shares.
  - (6) Profit accrued from transactions, whether in partnership with others or not which have not been accounted for elsewhere in the above items.

#### **4. Rights and Duties of Tax-payers.**

By keeping proper Accounts, the tax-payer makes sure that he receives full benefit of all the rights and reliefs to which he is legally entitled,

and that he is not over-assessed. Some of the said rights and reliefs may be :—

- (1) To be exempted from the Tax altogether, when his Income from all sources is less than the minimum taxable income for the time being.
  - (2) To set off a loss or losses arising in one or more businesses against a profit or profits arising in another business or businesses.
  - (3) To claim an Allowance in respect of Life Insurance Premium paid, not exceeding one-sixth of the Total Income.
  - (4) To claim a refund of a part or whole, as the case may be, of the tax paid on, or deducted from, the Income at the source thereof, when the Income is less than the maximum taxable limit for the time being.
-



## CHAPTER II.

### SALARIES, WAGES, ETC.

#### 1. Income taxed at the Source.

(a) *Government Officials*.—Salary, Wages, Annuity, Pension, Gratuity, etc., due to Government Officials will be paid to them, after such salary, etc., is reduced by the amount of the tax to which they are liable, provided that the tax shall not be payable in respect of any sum deducted under the authority of Government from the salary of any individual for the purpose of securing to him a Deferred Annuity or of making provision for his wife or children, provided that the sum so deducted shall not exceed one-sixth of the salary.

Any income, which would be chargeable under this head, if paid in British India, shall be deemed to be so chargeable if paid to a British subject or any servant of His Majesty in any part of India, by Government or by a Local Authority established by the Governor-General in Council.

(b) *Servants and Pensioners of Local Authorities*.—The tax to which servants and pensioners of Local Authorities, like Municipality, Port Trust, etc., are liable shall be deducted from their salary, annuity, pension, gratuity, etc., at the time of payment thereof, by the officer whose duty it is to make the payment. The officer will thereafter pay such tax to Government. If the tax is not deducted from any payment of salary, etc., it may be deducted from a subsequent payment. Such

power to deduct tax shall be without prejudice to any other mode or recovery.

If the said officer does not deduct the tax as mentioned above, he will be held personally liable for it.

(c) *Servants and Pensioners in the employment of Companies, Firms or Individuals*:-As regards servants and pensioners of companies, firms and private employers, the tax shall be deducted by the employer, at the time when any portion of the Wages, Gratuity, Fee, Commission, etc., is paid, otherwise he will be liable to fine.

*Explanation*—The right of a person to occupy free of rent, as a place of residence, any premises provided by his employer, is perquisite and chargeable under the head "Salaries." Employer may not deduct Income-tax in such cases.

## **2. Taxable Income.**

Such Income is assessable only when the total Income, including salaries, etc., amounts to Rs. 2,000 per annum (*i.e.* the minimum taxable limit) and upwards. Deduction is, however, allowed for Life Insurance Premium and Provident Fund Subscription, to the extent in aggregate of 1/6th of the total income, after ascertaining the latter.

## **3. annual Returns.**

The prescribed person in the case of every Government office, and the principal officer of every Local Authority, Company, Public Body, Association, Firm, etc., is required to prepare and

deliver to the Income-tax officer within 30 days from 31st March in each year, a written statement called the Annual Return, as prescribed by Rule 17 to the Act, giving the following particulars :—

- (1) The name of every person who was receiving on the said 31st day of March, or has received during the year ending on that date, any Salary, Wages, Annuity, Pension, Gratuity, Fee, Commission, etc., of Rs. 2,000 or more per annum.
- (2) The address and nature of employment of every such person.
- (3) The amount of such salary, etc., so received by each such person, and the time or times at which the same was paid.
- (4) The amount deducted in respect of Income-tax from the income of each such person.

#### **4. Adjustment while deducting Income-Tax at the Source.**

Any person responsible for paying any income chargeable under the head "Salaries" may, at the time of making any deduction by way of Income-Tax, increase or reduce the amount to be deducted for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct.

Notwithstanding anything hereinbefore contained, for the purpose of making the deduction under subsection (2), there shall be included in the amount payable any income chargeable under

the head "SALARIES" which is payable to the assessee out of India by or on behalf of Government, and the value in rupees of such income shall be calculated at the prescribed rate of exchange (vide Rule 11A.)

**5. Memorandum of instructions for the recovery of Income-Tax on salaries, pensions, annuities, &c.**

1. Income-Tax is to be recovered at the rate specified in para. 5 below on salaries, pensions, &c., at the time of payment of such salaries, &c., that is to say, it is to be recovered monthly if salary is paid monthly and remitted to the Income-Tax Officer within one week from the date of the recovery, with a statement in the form shown hereafter.

2. House-rent allowances and value of rent-free quarters form additions to the remuneration of an employee, even when residence in a particular town or building is necessary for the proper performance of the employee's duties. Such allowances or perquisites cover expenses of a personal character which the employee would otherwise have to incur and are, therefore, taxable under section 7 and the tax thereon should be deducted.

3. Information regarding payment of any salary, allowance, benefit or perquisite which is taken as exempt should be given in the remarks column of the statement.

4. In calculating the amount of tax payable, the amount due on a fraction of a rupee should be neglected and, on determining the amount of tax payable, fractions of an anna less than six pies

should be disregarded and fractions of an anna equal to or exceeding six pies should be regarded as one anna.

5. The minimum salary, &c., assessable to the tax is Rs. 167 per mensem. The tax is leviable at the following rates:—

Total salary, &c.	Rate
When the estimated income from salary, commission, bonus, &c., is less than Rs. 2,000 per annum.	Nil.
When the estimated income from salary, commission, bonus, &c., is Rs. 2,000 or more but is less than Rs. 5,000 per annum.	Five pies in the rupee.
When the estimated income from salary, commission, bonus, &c., is Rs. 5,000 or more but is less than Rs. 10,000 per annum.	Six pies in the rupee.
When the estimated income from salary, commission, bonus, &c., is Rs. 10,000 or more but is less than Rs. 20,000 per annum.	Nine pies in the rupee.
When the estimated income from salary, commission, bonus, &c., is Rs. 20,000 or more but is less than Rs. 30,000 per annum.	One anna in the rupee.

When the estimated income from salary, commission, bonus, &c., is Rs. 30,000 or more but is less than Rs. 40,000 per annum. One anna and three pies in the rupee.

When the estimated income from salary, commission, bonus, &c., is Rs. 40,000 or more per annum. One anna and six pies in the rupee.

6. If any member of your establishment makes payments to an insurance company on account of life insurance, he may be allowed a rebate of the tax on his submitting the receipts of the insurance company for the payments made, which should be sent on to this office for scrutiny. Rebate to the extent of only one-sixth of the total income from salary, commission, &c., is allowable in a year.

7. Any excess or deficiency arising out of any previous deduction of tax can be adjusted at the time of any subsequent deduction of tax.

No. of 192 -192 .

INCOME-TAX OFFICE,

Dated 192 .

Forwarded to  
previous correspondence.

with reference to

Income-Tax Officer.

**List of persons in receipt of salaries, annuities, gratuities, commissions, bonus, &c., with the amount of tax recovered from them.**

1 Name.	2 Period for which the salary, &c., has been paid.	3 Date on which the salary, &c., was actually paid.	4 Salary.	5 House-rent allowance or value of rent-free quarters.	6 Amount of bonus, gratuity, fees, commissions, perquisites, or allowance other than those shown in column (5), or profits in lieu of or in addition to salary or wages (each to be shown separately)	7 Total of columns 4 to 6.	8 Contributions to Provident and other Funds	9 Net amount on which tax is recovered.	10 Amount of tax recovered.	11 Remarks.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Total amount of ... Rs.										

I, \_\_\_\_\_, do hereby declare that the above return is correctly prepared in accordance with section 18 of the Income-tax Act of 1922.

Date 192 . \_\_\_\_\_ (Signature of the Officer making the return.)

**6. Specimen of Notice calling for the Annual Return.**

INCOME-TAX OFFICE:

To

Dated 192 .

GENTLEMEN,

SIR,

I have the honour to invite your attention to section 21 of the Indian Income-tax Act, 1922, and to request that you will be so good as to furnish the return of employees in the accompanying form within the period stated therein. Failure to do so will render you liable to a fine extending to Rs. 10 for every day during which the default continues, under section 51 (c) of the Act.

2. House-rent allowances and the value of rent-free quarters of an employee and cost of board provided by the employer form additions to the remuneration of an employee, even when residence in a particular town or building is necessary for the proper performance of the employee's duties. Such allowances or perquisites cover expenses of



a personal character which the employee would otherwise have to incur and are, therefore, taxable and should be specified and included as income in column 6 of the return.

3. Salary or any portion thereof paid outside British India for services in British India is liable to income-tax and it should also be shown in the return.

4. Information regarding payment of any salary, allowance, benefit or perquisite which is taken as exempt and not included in column 5 or 6 of the return may be given in the remarks column.

I have the honour to be,

Getlemen,

Sir,

Your most obedient servant,

Income-tax Officer.

Return under Section 21 of the Indian Income-tax Act, 1922, to be made within thirty days from the 31st day of March in each year by the prescribed person in the case of every Government office, and the principal officer of the prescribed person in the case of every local authority, company or other public body or association and every private employer.

Designation of—Government office; Local authority; Company; Public body; Association; Private employer.

1	2	3	4	5	6	6(A)	7	8	8(A)	9	10	11	12	13
Serial No.	Name of person.	Postal address of residence.	Appointment or nature of employment.	Total amount of salary, wages, annuity or pension paid during the year ending on 31st Mar. '192	House allowance or value of rent-free quarters.	Amount of bonus, gratuity, fees, commissions, perquisites or allowances (other than those shown in column 4) or profits in lieu of or in addition to salary or wages (each to be shown separately).	Total of columns 5, 6 and 6 A.	Provident and other funds—provi-	Life Insurance—Prernia section 15.	Net amount chargeable	Amount of tax payable.	Reduction under section 17	Amount of tax deducted.	REMARKS.
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	

I certify that the above statement contains a complete list of the total amount paid by to all persons who were receiving income on the 31st day of March 192 at the rate of Rs. 2,000 per annum, or have received during the year ended on that day not less than Rs. 2,900 in respect of salary, wages, annuity, pension, gratuity, fees, commissions, perquisites or profits in lieu of or in addition to salary or wages and that all the particulars stated are correct.

Dated

Signature of person by whom the return is delivered

## CHAPTER III.

### INCOME FROM SECURITIES INVESTMENTS ETC.

#### 1. Income taxed at Source.

The person who is empowered to pay interest on any Security of Government or on Debentures or on other Securities, for money issued by or on behalf of a Local Authority or a Limited Company shall deduct income-tax, at the maximum rate, to which such interest is liable, before the tax to Government. The exception is:—

No tax shall be payable on the interest receivable on any Security of the *Government of India*, issued or declared "Free of Income tax" Provided further, that the income-tax payable on the interest receivable on any security of a Local Government issued income-tax free shall be payable by that Local Government, e. g. Bombay Development Loan. For the purpose of ascertaining Total Income, *gross* income from such securities should be taken into account.

If such person does not deduct and pay the tax required by the above clause, he shall be personally liable for it.

#### 2. Certificate of deduction of tax from Interest on Securities

Every person deducting income-tax from the Interest on Securities, in accordance with the Provisions of the first para above, shall, at the time of payment of interest, furnish to the person to whom

the interest is payable a certificate to the effect that income-tax has been deducted, and specifying the amount so deducted, the rate at which the tax has been deducted, and such other particulars, in the form prescribed under Rule 13 of the Act.

### **3. Supply of Information regarding Dividends.**

The principal officer of every company shall on or before the 15th day of June in each year, furnish to the prescribed officer a return, in the form prescribed by Rule 43 and verified in the prescribed manner, of the names and addresses, as entered in the register of shareholders, maintained by the company, of the shareholders to whom a dividend or aggregate dividends, exceeding such amount as may be prescribed (*vide* Rule 42) in this behalf, has or have been distributed during the preceeding year and of the amount so distributed to each shareholder.

### **4. Certificate by a Company to Shareholders receiving dividends.**

The principal officer of every Company shall at the time of distribution of dividends, furnish to every person receiving a dividend a certificate to the effect that the company has paid or will pay income-tax on the profits which are being distributed, and specifying such other particulars, in the form prescribed under Rule 14 of the Act.

### **5. Preparation of Accounts.**

*Illustration*—T. Chinoy instructs his Accountant to prepare a statement, showing his Taxable income, and to ascertain the amount of tax payable

or recoverable by him from the Particulars given below—

He had borrowed, with the object of buying shares, rs. 10,000 from H. Patel, on which he pays interest at 4 per cent. per annum. He has been insured with the Gresham Life Office, for an Annual Premium of rs. 900. He holds the following Securities and Investments:—

10 6% Preference Shares of A. B. C. Company, Limited ... ..	2,000
20 Shares of the X, Y. Bank Ltd. ... ..	12,000
10 Shares of the Infants Dairy Company, Ltd.	1,000
5 Shares of the Edward Mills Company, Ltd.	2,500
100 Shares of the Eastern Maritime, Ltd. ... ..	2,500
10 Shares of the Eastern Investment of Commerce, Ltd. ... ..	1,000
3½% Government Promissory notes ... ..	2,000
5½% War Bonds (Free of Income-tax) ... ..	5,000
4% Port Trust Bonds ... ..	1,000
Loan on Mortgage, at 6% to D. Laskary ... ..	14,000
Do. do. 5% to K. Morley	
(Income-tax to be paid by the Mortgagor)	5,000
5% Deposit in the Firm of Dalal and Nanayati...	15,000
Interest on Bank of India Current Account ... ..	375

The X. Y. Bank declared an interim dividend at the rate of 10% per annum and a final dividend at the rate of 18% per annum (*both free of income-tax*). The Dairy Company, the Eastern Maritime and the Eastern Investment of Commerce were in their infancy. The Edward Mill declared a dividend of 7½% (*free of tax*), while the dividends on the rest of investments were received "*less tax.*"

## Statement for Income-Tax Assessment.

(a) Income already taxed or not to be taxed :—

Source of Income.	Rate.	Net Income received.	Taxes deducted at source.	Gross income.
		Rs. a. p.	Rs. a. p.	Rs. a. p.
1. X. Y. Bank Shares ...	14%	1,400 0 0	144 13 0	1,544 13 0
2. L. Edward Mill Shares ...	7½%	187 8 0	19 5 0	206 13 0
3. War Bonds	5½%	275 0 0	-	275 0 0
4. A. B. C. Co. Shares ...	6%	108 12 0	11 4 0	120 0 0
5. Government Promissory Notes ...	3½%	63 7 0	6 9 0	70 0 0
6. Port Trust Bonds ...	4%	36 4 0	3 12 0	40 0 0
Total Rs.		2,070 15 0	185 11 0	2,256 10 0

(b) Income to be taxed or taxable Income—

1. 6% Mortgage Loan...Rs.	840		
2. 5% Do.	250		
3. 5% Deposit with Dalal & Nanavati ... ..	750		
4. Bank of India Current Account ... ..	375		
	<u>Rs. 2,215</u>		
Less Interest paid	400		1,815 0 0
Total Income ...		Rs.	<u>4,071 0 0</u>
Rate applicable is 5 pies.			
(c) Net taxable Income—			
Income to be taxed	Rs. 1,815 0 0		
Less Life Insurance Premium (1/6th of Rs. 4072) ... ..	678 0 0	Rs.	<u>1,137 0 0</u>

The amount of income-tax payable by the Assessee would be at the rate of 5 pies in the rupee on Rs. 1137, while that recoverable by him would be at the rate of 13 pies in the rupee on Rs. 1,981-10-0 (*viz.* total of items 1, 2, 4, 5 and 6 in (a) above.) The tax would be set off against the refund due and the net refund allowed.

(1) *Life Insurance Premium*—As the amount of premium paid, *viz.* Rs. 900 exceeds one sixth of the total income from all sources, namely, Rs. 4,070 only a sum of Rs. 678 (one-sixth of Rs. 4,072) has been deducted by way of an allowance therefor. Such deduction is usually not allowed, if the premium receipt is not enclosed with the Annual Return. No such deduction can be allowed for super Tax.

(2) *Rate of tax*—The Assessee will not be exempted from income-tax, simply because his untaxed income of Rs. 1,137 above is less than Rs. 2,000, but his income from other sources is also to be taken into account. As his total income of Rs. 4,072 is more than Rs. 2,000, and less than Rs. 5,000, the rate of income-tax fixed in his case will be 5 pies in the rupee. For ascertaining total income. Interest and Dividends should be taken gross.

(3) *Income Tax to be paid by Mortgagor*:—

Though there is a private arrangement between the mortgagor and the mortgagee, that the former should pay Income-tax on the Interest, the Income-tax authorities are not concerned therewith, and the mortgagee (*i. e.* the recipient of interest) has always got to pay the tax.

The Assessment Form, in the case of the above illustration, would be written up thus:-

ASSESSMENT FORM.

ASSESSMENT FOR 1927-1928.

*District or Area—Bombay.*

Name of Assessee: T, Chinoy. } Number in General  
Index 89.  
Address : 6, New Queen's Road. } Number of Miscellaneous  
Record 82.

Serial No.	Detailed source of income.	Amount of income.	Tax deducted at source	Remarks.
		Rs.	Rs. a.	
1	Salary ... ..	...	...	
2	Interest on Securities... Do. (F. of T.)...	110 275	10 5 ...	
3	Property ... ..	...	...	
4	Business ... ..	...	...	
5	Profession ... ..	...	...	
6	Other Sources(840+250 +750+375-400) ...	1,815	...	
7	Dividends ... ..	1,871	175 6	

	Rs. a.	Rs. a.
(i) Total income ... ..	...	4,071 0
(ii) Deduction on account of provident fund, insurance premia, etc.	678 0	
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax.	1,871 0	
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government ... ..	275 0	2,824 0



	Rs.	a.	Rs.	a.
(v) Income now to be taxed...			<u>1,247</u>	0
(vi) Rate applicable <i>Five</i> pies per rupee				
(vii) Amount of tax ... ..			32	8
(viii) Deduction under section 17 ...				
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ... ..	10	5		
(x) Abatement on account of dividends (at 13 pies per rupee) on Rs. 1,871 ... ..	126	11		
(xi) Abatement on account of income from a registered firm (at— pies per rupee) ... ..			<u>137</u>	0
(xii) Net amount of refund ... ..			104	8
(xiii) Penalty under section 28 or section 25 (2) ... ..			...	
(xiv) Total sum to be refunded—(in figures as well as in words) ...			<u>104</u>	8
Rupees: One Hundred four Annas: Eight.				

B. C. D.

Dated 21st September 1927.

Income-tax Officer.

where deduction of income-tax is not made by or on behalf of Government.

Description of securities.	Numbers of securities.	Dates of securities.	Amounts of securities.	Period for which interest is drawn.	Amount of interest.	Amount of tax
			Rs.		Rs.	Rs. a.

Place.....  
 Date.....192  
 Signature.....  
 Designation.....

## CHAPTER IV.

### INCOME FROM PROPERTY.

#### 1. Basis of Assessment.

Income-tax shall be paid by the owner of any building or land, in addition to Municipal and other rates and taxes, on the *bona fide* Annual Letting value, equivalent to approximate Annual Rent, of his property. This annual value is usually equal to the Gross Rateable value fixed by the Municipality for Property Tax, in which case the value should be taken from the Municipal Property Tax Bills for the *same* (not the previous) year as the year of assessment, because the Municipality assess on the basis of the previous year's rent.

If the actual gross rent recoverable for the year as per Rent Bill Book is more than such Municipal Value, the former may be considered as the Annual Letting value. If, however, the actual receipts from Rent in a particular year exceed the Municipal value, the former should not merely be taken as Annual Letting value, because the same may also include some arrears of rent.

The allowances which may be claimed against, and deducted from, this annual value are given as follows:—

- (1) Where the property is in the occupation of the owner, or where it is let to a tenant and the owner has undertaken to bear the cost of repairs, a sum equal to one-sixth of such value (*i. e.* 16 $\frac{2}{3}$  per cent. ;

- (2) Where the property is in the occupation of a tenant who has undertaken to bear the cost of repairs, the difference between such value and the rent paid by the tenant up to but not exceeding one-sixth of such value;
- (3) The amount of any annual premium paid to insure the property against risk of damage or destruction, *e. g.*, for Fire Insurance;
- (4) Where the property is subject to a mortgage or charge, or to a ground rent, the amount of any interest on such mortgage or of any such ground rent;
- (5) Any sums paid on account of land-revenue in respect of the property;
- (6) In respect of collection charges, any sum paid, not exceeding the prescribed maximum, *i. e.* 6%;
- (7) In respect of vacancies, such as the Income-Tax Officer may determine, having regard to the circumstances of the case.

Provided that the aggregate of the above allowances shall in no case exceed the annual value.

For the purposes of this section, the expression "annual value" shall be deemed to mean the sum or which the property might reasonably be expected to be let from year to year.

Provided that, where the property is in the occupation of the owner for the purposes of his own

residence, such sum shall, for the purposes of this section, be deemed not to exceed ten per cent. of the total income of the owner.

## 2. Preparation of Accounts, Statements, etc.

*Illustration:*—K. Sorabjee, proprietor of some house properties, has been insured with the Oriental Life Office, at an annual premium of Rs. 1,700. He has no other sources of income. He requests you to prepare a statement, showing his taxable income, from the particulars given below:—

He owned a house in "A" Ward (No. 1257) at 321, Hornby Road, and another in "D" Ward (No. 329) at 651, Girgaum Road. He had also a bungalow, at 105, Cumballa Hill, and a cottage at Dadar. The bungalow was, however, sold in July, (last rent was received for June), while the cottage was sold in October, (last rent was received for September.) The net or rateable values (as per Municipal Bills) and the amounts paid for Fire Insurance premiums, were as follows:—

Property.	Rateable Value.	Insurance.
Hornby Road house...	Rs. 6,570	Rs. 190
Girgaum do. ... "	4,140	" 120
Bungalow ... "	2,430	" 80
Cottage ... "	1,530	" 46

Other expenses were paid as shown below:—

Interest paid to mortgagee of Hornby		
Road house ...	...	Rs. 480
Ground rent paid ...	...	" 109

Paid to the Collector of Bombay for Land Revenue ...	Rs. 17
Rent Collection charges...	873
Vacancy allowance for Girgaum house, as agreed to by the Income-Tax Officer ...	200

*Details of Property (as per Form D.)*

Ward and No.	Name and number of street in which property stands.	In whose name property stands in Municipal Register.	Annual Letting Value.	Deduction claimed.
			Rs.	Rs.
A No. 1257	321, Hornby Road, Fort	K. Sorabji	7,300	
D No. 329	651, Girgaum Road.	Do.	4,600	1,752 (see below)
C No. 71	105, Cumballa Hill.	Do.	675	
A No. 54	57, Dadar Road	Do.	850	
			Rs. 13,425	

*Admissible Allowances*—(Vouchers to be submitted):—

1. Insurance Premium ...	Rs. 353
2. Interest on Mortgage ...	480
3. Ground Rent ...	109
4. Land Revenue ...	17
5. Collection Charge (6% of Rs. 13,225)	793
	Rs. 1,752

*Statement showing Taxable Income.*

Gross Annual Value	...	...	Rs. 13,425	0	0
Less Vacancy Allowance	...	„	200	0	0
				<hr/>	
			Rs. 13,225	0	0
Less Allowances claimed (as above)	...	Rs. 1,752			
1/6th of Total Annual Value of Rs. 13,225 for Repairs	...	„	2,204		
				<hr/>	
			„	3,956	0 0
Total Income	...	...	„	9,269	0 0
Less Life Insurance Premium (1/6th of Rs. 9,269) allowed	...	„	1,545	0	0
				<hr/>	
Taxable Income	...	...	Rs. 7,724	0	0

The Assessee will pay a tax at 6 pies in the rupee on Rs. 7,724, as his total income is more than Rs. 5,000 but less than Rs. 10,000.

## NOTES:—

(1) *Annual Letting Value*.—Annual Letting Value means a sum at which the property might reasonably be expected to be let from year to year. This represents the Gross Rateable Value, which could usually be ascertained from the Net or Rateable Value, which is 90 per cent. of the Gross, stated in Municipal Property Tax Bills. As for

instance, Rs. 7,300 of Hornby Road property has been arrived at thus :—

$$\begin{array}{rcl}
 \text{Net value} & \text{Net Value} & \text{Gross Value} \\
 90 & : & 6,570 & : & 100 & : & ? \\
 \therefore ? & = & \frac{6,570 \times 100}{90} & = & \text{Rs. } 7,300
 \end{array}$$

As the bungalow was sold in July, its rent has been taken for 3 months only. Similarly, 6 months' rent has been taken for the cottage sold in October.

(2) *Property in the occupation of the owner for his own residence.*

The Gross annual value of such property shall not exceed 10 per cent of the total income of an assessee. The total income in this case is equal to  $\frac{12}{11}$  ths. of (the income from all sources, except the rental value of the residence in question) *minus* (the allowances under clauses (iii), (iv) and (v) of § 9 (1). The annual value is one-tenth of the result, and allowances under § 9 (1) (i), (iii), (iv) and (v) should be deducted from it.

Illustration :—

Gross annual letting value of A's property is Rs. 77,850, including the value of his residence of Rs. 8,100. Other expenses are as follows :—

	Rs.
Insurance including Rs. 500 for self occupation ...	3,150
Ground Rent „ „ 100 do. ...	2,476
Land Revenue „ 4 do. ...	20
Collection Charges ...	4,200



Gross Annual Letting Value	77,850
Less do. for self-occupied property	8,100
	<u>69,750</u>

<b>Less Statutory Allowance :—</b>	
One-sixth of Rs. 69,750, for repairs	11,625
Insurance Premium (3,150—500)	2,650
Ground Rent (2,476—100)	2,376
Land Revenue (20—4)	16
Collection charges (up to 6% of Rs. 69,750, or Rs. 4,200, whichever is the lower)	4,185
	<u>20,852</u>
	<u>Rs. 48,898</u>

Income for self-occupied property will be Rs. 8,100, or  $\frac{1}{10}$  of  $\frac{12}{11}$  of Rs. 48,898 (whichever be the lower), minus admissible deductions for expenses of self-occupied property, that is to say—

$\frac{12}{110} \times 48,898$	...	...	...	...	5,334
Less one-sixth of Rs. 5,334	...	...	...	...	889
Insurance Premium	...	...	...	...	500
Ground Rent	...	...	...	...	100
Interest on mortgage	...	...	...	...	Nil
Land Revenue	...	...	...	...	4
					<u>1,493</u>
					<u>Rs. 3,841</u>

A's assessable income is therefore—

Rs. 48,898 + Rs. 3,841 = Rs. 52,739.

(3) *Fire Insurance Premium.*—Here also 12 months' premium has been taken into account in case of houses, while those for the cottage and the bungalow have been taken for 3 months and 6 months, respectively. It would not be out of place to mention here, that the actual amount of premium paid will be allowed by the Income-Tax Officer, and not the amount stated in the premium receipt, wherefrom a rebate or discount is usually allowed by many Fire Insurance Companies.

*Collection Charges.*—Though these charges have been actually paid to the extent of Rs. 873, Rs. 793 only have been taken as an allowance, being the maximum 6 per cent. of the gross rental of Rs. 13,225.

(5) *Life Insurance Premium.*—The Assessee has actually paid Rs. 1,700 for his insurance, but he cannot claim the allowance for more than one-sixth of his Total Income of Rs. 9,269. The said one-sixth amounts to Rs. 1,545, which has been taken as an allowance.

(6) *Property owned and occupied solely for business.*—Where the property is so owned and occupied, no income-tax is payable. Similarly, no charge will be allowed to be made against the business profits by way of rent.

(7) *Vouchers for Admissible Allowances.*—While claiming the admissible allowances as above, vouchers (or certified copies thereof) must be submitted for the satisfaction of the Income-Tax Officer. These vouchers may take the shape of acknowledgments, receipts, contracts, agreements, correspondence, etc.

## CHAPTER V.

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

#### 1. Items allowed to be charged against Profits.

The tax under this head (business, trade, etc.) shall be payable by an Assessee on the profits, gain or income of any business, commerce, trade, manufacture, adventure, etc., carried on by him, subject to the following items allowed to be charged against such profits, by way of expenses and losses arising out of the business:—

(a) *Expenses.*—

(1) Cost of repairs to premises used for business, when this is not allowed to the tenant (Assessee) to be deducted from rent by the land lord. If partly used for dwelling house, proportionate amount only will be allowed.

(2) Interest on loans borrowed for the purposes of the business, at a rate per cent. not varying with the profits.

(3) Fire Insurance premium for buildings, plant, machinery, furniture, stock, stores, etc., used for the purposes of the business.

(4) Current repairs to machinery or plant.

(5) Land revenue, local rates, or municipal taxes in respect of the premises used for the business, if agreed to with the landlord and not deducted from his rent. Any sum paid on account of any cess, rate or tax, varying with or based upon profits

or gains will, however, be treated as an appropriation of profits and not allowed as expenses.

(6) Revenue expenditure incurred in the ordinary course of regular business, and solely for the purpose of earning such profits.

(b) *Losses.*—

(1) Bad debts actually written off. Estimated reserves for them would not be allowed to be charged against profits.

*NOTE.*—Advances to a subsidiary company by the parent company are investments, and losses of such advances could not, therefore, be allowed *Re: English Crown Spelter Co, vs Baker.*

In a money-lending business, irrecoverable loans written off can be allowed as "Bad Debts," such a loss being that of stock-in-trade.

(2) Depreciation of building, plant, machinery or furniture, not exceeding 5% on plant, machinery and furniture and 2½% on buildings (on the original cost thereof to the Assessee.) If in any one year, the full allowance admissible cannot be carried forward and added to the amount claimed in the subsequent period.

*Illustration.*—A lathe was purchased by a Company on 1st January 1922 for Rs. 8000. Suppose, profits prior to charging depreciation thereon were Rs. 500 for 1922, Rs. 300 for 1923, Rs. 200 for 1924, Rs. 900 for 1925, Rs. 100 for 1926 and Rs. 800 for 1927, the Income-Tax Officer allowed depreciation to be charged to Profit and Loss Account at 5% per annum, what would be the amount of depreciation to be charged against the profit of 1927?

Date.	Profit.	Depreciation	Amount to be	Assessable
		taken advantage of.	added to sub- sequent depreciation.	
		Rs.	Rs.	Rs.
31-12-22	500	400	Nil	100
31-12-23	300	300	100	Nil
31-12-24	200	200	300	Nil
31-12-25	900	700	Nil	200
31-12-26	100	100	300	Nil
31-12-27	800	700	Nil	100

The amount of depreciation to be charged against the profit of 1927 will be Rs. 700.

Provided that the total of all such allowances for depreciation claimed, in respect of any one asset, must not exceed the original cost thereof to the Assessee.

*Illustration.*—A gas engine, purchased on 1st January 1905, for Rs. 25,000, was estimated to last for 25 years. The rate for depreciation to be charged against profits and allowed by the Income-Tax Officer was 5% per annum. On 31st December 1905, and thereafter at the end of each year, Rs. 1,250 were charged by way of depreciation to the Profit and Loss Account prepared for income-tax purposes. The twentieth instalment so charged on 31st December 1924 brought the total past allowances to a figure of Rs. 25,000. Though the engine is still being used in 1925 and will perhaps last for a couple of years thereafter, on 31st December 1925 and thereafter, no further amount would be allowed to be charged by way of depreciation on this engine, against assessable profits.

For the purpose of obtaining an allowance for depreciation, full particulars should be furnished, as prescribed by Rule 9 to the Act.

(3) Loss in respect of obsolescence of machinery, namely, the excess of the original cost over the sum of (a) total allowance claimed in respect of depreciation and (b) the net amount realised from the sale of the asset.

*Illustration*—A soda-water machine, bought for Rs. 10,000 in 1917, became obsolete at the end of 1924, inasmuch as, owing to some new invention therein, similar machines, which would turn out double the quantity of work in the same time as the old ones, could then be purchased for Rs. 12,000.

Upon the purchase of the new machine, early in 1925, the old one was sold for Rs. 2,000, Rs. 25 being the commission paid thereon. The total amount of depreciation (allowed by the Income-Tax Officer) charged against profits from 1917 to 1924 was Rs. 4,000. Ascertain the loss sustained through obsolescence upon the sale of the old machine.

Dr.		<i>Old Machine Account.</i>	Cr.	
1917 To Cash (purchase)	Rs. 10,000		1924 By Depreciation (total of the past)	Rs. 4,000
1925 To Commission)	Rs. 25		1925 By Cash (sale proceed)	Rs. 2,000
			1925 By Profit and Loss account	Rs. 4,025
	Rs. 10,025			Rs. 10,025

The loss through obsolescence chargeable against profits will be Rs. 4,025. Such a loss will be allowed only if it is proved that the machinery had become obsolete and for no other reason.

(4) Loss sustained by an Assessee in respect of Animals, which have been acquired for the purpose of carrying on the business and not for sale, and have died or become permanently useless for such purpose. This loss can be ascertained by deducting the proceeds of such animals, or their carcasses, from the original cost value thereof to the Assessee.

(5) Loss sustained by an Assessee in any one or more businesses in any one year may be set off against his profit earned in another or other businesses in that year.

Where the Assessee is a firm, and the loss sustained cannot wholly be set off under sub-section (5) above, any member of such firm shall be entitled to have set off against his personal income, profits or gains of the year in which the loss was sustained in respect of which the tax is payable by him such amount of the loss not already set off as is proportionate to his share in the firm.

*Illustration.—*

Firm of A, B and C sharing  $\frac{1}{3}$ ,  $\frac{1}{3}$  and  $\frac{1}{3}$ , respectively, own two subsidiary concerns.

Firm's profits for 1926 in Oriental Hardware Co. Rs. 15,893.

Firm's loss for 1926 in Western Cycle Stores Rs. 16,493.

C also owns a house, assessable income whereof is Rs. 5,095, and has no other source of income.

Firm is not liable to any tax. On the contrary, the amount of loss in one business which could not be set off against the loss in the other one is Rs. 600 C's share wherein being Rs. 100.

C is liable to tax on Rs. 4,995 only, after deducting his proportionate loss of Rs. 100 from his property income of Rs. 5,095, and that too at 5 pies in the rupee.

**NOTE.**—Such expenses and losses would be allowed only so far as they relate to the accounting period. No prepaid items would be so allowed. Personal or private loss cannot be set off against a share in the income of an unregistered firm.

## **2. Capital Profits.**

The taxable or assessable profits will not include any profit of a capital nature, *e. g.*, profit on the sale of a fixed asset or a part thereof, profit on the re-issue of shares, premium on issue of shares, debentures, etc.

## **3. Losses and Expenses not allowed to be charged against Profits.**

The following items should not be charged against profits, inasmuch as they are either expenses and losses not incurred in the course of regular business, or that they are mere appropriations of profits, namely—

(a) *Expenses and losses not incurred in the course of regular business:*

1. Capital loss on the sale of a fixed asset.



2. Loss on speculation or gambling transaction.
3. Capital expenditure in the shape of renewals or replacements, which go to increase the value of an asset. Replacement of dental and surgical instruments is allowed in Profession, in lieu of depreciation.
4. Gifts, charities, presents, etc.
5. Commissions of irregular nature, e. g., bribes, tips, etc.
6. Any other expenditure not incurred in the ordinary course of regular business.

**NOTE.—Casual or Speculation Losses.**—It is contended that if casual profits are regarded as assessable, it is fair that casual losses of a similar nature should be allowed to be charged against such profits. This is usually allowed in the case of dealers on the Stock Exchange, who have entered into speculative transactions, where they would be allowed to set off such losses sustained against profits so made.

A layman, who occasionally enters into Stock Exchange transactions, is not usually expected to include speculation profit in this return, nor is he allowed to charge speculation loss against his profit or income. If, however, he is continuously dealing in such transactions, he is regarded as a professional speculator, and his speculation profits would become assessable, while his speculation losses may be allowed by the Income-Tax Officer to be charged against profits from other sources.

(b) *Appropriations of Profits:—*

1. Interest on proprietor's or partner's capital accounts.
2. Partner's management salaries.
3. Household expenses and drawings for personal or private use.
4. Income-tax and super-tax.
5. Bonuses paid not subject to a contract of employment.
6. Bad debts and discounts not actually written off, *e. g.*, reserves for bad debts and discounts provided in anticipation.
7. Amount transferred to reserves and other funds.

NOTE.—*Income-tax, an Appropriation of Profits.*—Income-tax is not a necessary expense incurred for earning profits, but one incident in the distribution of profit after the latter has been earned.

Legally, income-tax is an appropriation of profits and not a charge thereon, although in the majority of cases it is treated as such in the accounts of Trading Concerns, inasmuch as it is charged to the Profit and Loss Account and not to the Profit and Loss Appropriation Account.

Besides, it will appear from the following case, that income-tax has been treated as an appropriation for the purpose of computing profits, on which commission may be allowed to the agents of a company, (hence directors, managers and others also) by way of a percentage thereon. The case under

question was Suit No. 930 of 1916, of the Bombay High Court, namely, Purshottamdas Harkisonadas *vs.* The Central India Spinning, Weaving and Manufacturing Company, Limited, wherein the Honorable Mr. (now Sir) Justice Marten held that "Under the Indian Income-Tax Acts, as well as the English Acts, income-tax is in effect paid by a company, on behalf of its shareholders and if that is so, the English decision upon the question of the deduction of income-tax, before the calculation of agents' commission, will be applicable in India as in England." Upon the basis of the above decision, the commission of company-agents, directors, managers and others is calculated on profits before income-tax is charged thereagainst. Income-tax should therefore be debited to Profit and Loss Appropriation Account.

#### 4. Return of Income.

(a) *Limited Companies.*—The principal officer of every company shall prepare, and, on or before the 15th of June in each year, furnish to the Income-tax Officer, a return in the form prescribed by Rule 18 to the Act and verified in the words at the foot thereof of the total income of the company during the previous completed year.

**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.**

INCOME-TAX OFFICE, \_\_\_\_\_

Dated \_\_\_\_\_ 192

To \_\_\_\_\_

1. You are hereby reminded of the provisions of section 22 (1) of the Indian Income-tax Act 1922, under which you are hereby required to prepare a true and correct return of total income in the attached form, so far as it is applicable to your case, and to deliver it to me at my office, duly signed by you as the principal officer of the company, on or before the 15th of June 192 .

2. The return should be accompanied by a copy of the profit and loss account referred to therein.

3. For the purposes of obtaining an allowance for depreciation under section 10 (2) (vi) of the Indian Income-tax Act, 1922, you are required to furnish particulars to the income-tax office in the attached form.

Seal.

\_\_\_\_\_  
*Income-tax Officer.*

**Form of return of Total Income of a  
company under section 22 (1) of the  
Indian Income-Tax Act, 1922 .**

Income-tax year 192 -192 .

Name of Company \_\_\_\_\_

Its principal place of business \_\_\_\_\_

Income, profits or gains from business  
trade, commerce.

	Rs.	A.
Income, profits or gains as per profit and loss account for the year ended—192 .		
Add any amount debited in the accounts in respect of—		
1. Reserve for bad debts ... ..		
2. Sums carried to reserve for provident or other funds ... ..		
3. Expenditure of the nature of charity or presents		
4. Expenditure of the nature of capital ... ..		
5. Income-tax or super-tax ... ..		
6. Rental value of property owned and occupied...		
7. Cost of additions to, or alterations, extensions, improvements of any of the assets of the business		
8. Interest on reserve or other fund ... ..		
9. Losses sustained in former years ... ..		
10. Losses recoverable under an insurance or contract of an indemnity ... ..		
11. Depreciation of any of the assets of the business		
12. Expenses not incurred solely for the purpose of earning the profits ... ..		
<b>TOTAL</b> ... ..		

*educt*—Any profits included in the account already charged to Indian income-tax and the interest on securities of the Government of India or local Governments declared to be income-tax free.

BALANCE	...	

If the Company owns any property not occupied for the purposes of the business, a statement in the form prescribed in the schedule given hereafter should be attached with particulars of the credit and debit on account of such property entered in the accounts,

### Declaration.

I, the \_\_\_\_\_ (Secretary, etc., see section 2 (12) of the Act) of the \_\_\_\_\_ (name of Company), declare that the information against each head in this return is correctly given as shown in the books of the Company as also in the accounts which have been duly audited by the auditors of the Company and which have been adopted by the shareholders of the Company.

Signature

Designation

192 .

*N. B.*—This return must be accompanied by a copy of the profit and loss account referred to above.

	1	Serial number.
	2	Name of village or town where the property is situated.
	3	Name of muhalla or street and number of property if any.
	4	In the case of municipalities the name of the person in whose name the property stands in the municipal registers.
	5	Whether the property is occupied by owner or is let.
	6	Annual letting value of the property.
	7	Amount of rent actually received for the property if let.
	8	One-sixth of the annual letting value shown in column 6.
	9	Premium paid to insure the property against damage or destruction.
	10	Interest paid on a mortgage or charge on the property.
	11	Ground-rent paid for the property.
	12	Land revenue paid for the property.
	13	Collection charges paid.
	14	Total of columns 8 to 13
	15	Net amount to be carried over to the front of the form.

Schedule referred to overleaf.

DEDUCTIONS.

**Form for the purpose of obtaining an allowance for depreciation under proviso (a) to Section 10 (2) (vi) of the Indian Income-tax Act, 1922.**

Description of buildings, machinery, plant or furniture.	Capital expenditure during the year for additions, alterations, improvements & extensions.	Date from which used for the purposes of the business.	Particulars (including original cost, depreciation allowed and value realised by sale or scrap value) of obsolete machinery, plant or furniture sold or discarded during the year, with dates on which first brought into use and sold or discarded.	REMARKS
1	2	3	4	5
		:		

I \_\_\_\_\_ declare that to the best of my information the buildings, machinery, plant and furniture described in column 1 of the above statement were the property of \_\_\_\_\_ during the year ended \_\_\_\_\_ and that the particulars entered in the statement are correct and complete.

Place \_\_\_\_\_

Date \_\_\_\_\_ 192

Signature \_\_\_\_\_

Designation \_\_\_\_\_



(b) *Firms, Hindu undivided family, any other association of individuals not being a firm, or individuals*.—Where the total income is in the Income-tax Officer's opinion liable to income-Tax, the Income-Tax Officer shall serve a notice upon the Assessee requiring him to furnish, within such period, not being less than 30 days, as may be specified in the notice, a return in the form prescribed by Rule 19 to the Act and verified in the words at the foot thereof, setting forth in detail the particulars (as provided for in the notice) of his total income from various sources during the previous year.

If any person has not furnished a return within the time allowed by or under the above para, or having furnished a return discovers any omission or wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made, and any return so made shall be deemed to be a return made in due time.

The Income-Tax Officer may serve on the principal officer of any company or on any person upon whom a notice has been served a notice requiring him, on a date to be therein specified to produce, or cause to be produced, such accounts or documents as the Income-Tax Officer may require:

Provided that the Income-Tax Officer shall not require the production of any accounts relating to a period more than three years prior to the previous year.

If the returns stated in paras. (a) and (b) above are not sent in, the Income-Tax Officer shall make the assessment to the best of his judgment, whereafter an appeal will not be entertained.

**Notice under section 22 (2) and 38  
of the Indian Income-tax Act,  
1922.**

(For Assessees other than Companies.)

No.

INCOME-TAX OFFICE, \_\_\_\_\_

Dated \_\_\_\_\_ 192 .

To

\_\_\_\_\_

\_\_\_\_\_

1. In pursuance of the provisions of section 22 (2) of the Indian Income-tax Act, 1922, you are hereby required to prepare a true and correct statement of  $\frac{\text{your}}{\text{your firm's}}$  total income during the previous year in the attached form and to deliver it to me at my office duly signed  $\frac{\text{by you}}{\text{on behalf of your firm}}$  on or before \_\_\_\_\_ 192 , or within 30 days of the receipt of this notice (should the former date be less than 30 days after the receipt of this notice.)

2. The income to be returned is the total income from all sources during the "previous year," i. e., either (i) the twelve months, ending on the 31st March 192 , or (ii) if the accounts have been made up within the said twelve months in respect of a year ending on any other day than the said 31st March 192 , then, at your option, the year ending on the day up to which the accounts have been so made up. This option, if it has been exercised by you on a previous occasion, cannot, however, be again exercised now so as to vary the meaning of

the expression "previous year" as then applicable to you except with my consent.

3. (*To firms only*) A partner in the firm should also make a separate statement of his total income.

4. The form contains the instructions required for the preparation of the return. If you desire any further information, you should apply to this office.

5. If you represent a Firm or a Hindu Undivided family, you are hereby required under Section 38 to submit with this return a statement giving the names and addresses of the members of such firm or of the Manager or adult male members of such Hindu undivided family as the case may be.

If you are a partner in any firm or firms you are required to furnish with this return a statement giving the name or names and address or addresses of such firm or firms.

6. The amount paid by you as *thathameda* during the preceeding financial year should be shown in your return and your receipt attached. A deduction in respect of the *thathameda* paid will be allowed in case you are found liable to pay income-tax.

7. If you wish your Firm registered or re-registered under Section 2 (14) of the Act and Rules 2 to 6, an application signed by one or more of the partners, in the form and with the accompaniments prescribed in the rules, may be submitted at any time before the assessment is made. It is desirable, however, that it should accompany your return of income.

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*Income-tax Officer,*

**Form of Return of Total Income for Individuals, Firms and Hindu Undivided Families under Section 22 (2) of the Indian Income-Tax Act, 1922.**

Income-tax year 192 -192 .

Name of Assessee \_\_\_\_\_

Designation \_\_\_\_\_

Address \_\_\_\_\_

Statement of total income during the previous year.

I	2	3
Sources of income.	Amount of profits or gains or income during the previous year.	Tax already charged on the income.
1- Salaries (including wages, annuity, pension, gratuity, fees, commission, allowances, perquisites including rent-free quarters) or profits received in lieu of or in addition to, salary or wages. [See note (1)]	Rs.	Rs.   A.
2. Interest on securities (including debentures) already taxed ... [See note (2)]		
3. Interest on securities of the Government of India or of local Governments declared to be income-tax free. [See note (3)]		
4. Property as shown in detail in Schedule A. [See note (4)]		

5. Business, trade, commerce, manufacture, or dealings in property, shares or securities (details as in note 5.)			
	[See note(5)]		
6. Profession ... ..	[See note (6)]		
7. Dividends from companies.	[See note(7)]		
8. Interest on mortgages, loans, fixed deposits, current accounts, etc. ... ..			
9. Ground rent ... ..			
10. Any source other than those mentioned above including any income earned in partnership with others [See note (8)]			
Total ...			
Deductions claimed on account of contributions to provident fund, etc., or insurance premia [see note (9)]			

I declare that to the best of my knowledge and belief the information given in the above statement is correct and complete, that the amounts of income shown are truly stated and relate to the year ended.....and that no other income accrued or arose or was received by  $\frac{\text{me}}{\text{the firm}}$  during the said year and that  $\frac{\text{I}}{\text{the firm}}$  have no other sources of income.

Date..... Signature.....

N. B.—(a) Income accruing to you outside British India received in British India is liable to taxation, and must be entered by you in the form.

(b) All income from whatever source derived must be entered in the form, including income received by you as a partner of a firm.

**Note 1.**—In column 2 should be shown the gross amount of salary and not the net amount after deductions on account of income-tax, provident funds, etc.

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**Note 2.**—“Interest on securities” means the interest on promissory notes or bonds issued by the Government of India or a local Government, or the interest on debentures or other securities for money issued by or on behalf of a local authority or company. Where income-tax has been deducted from the interest, or where the interest has been paid income-tax free, the amount of tax so deducted or paid should be added to the amount of interest actually received, and the gross amount so arrived at should be entered in column 2 of the statement. The term “interest on securities” does not include interest on fixed deposits or mortgages or other loans which have to be shown under heading 8.

The interest on securities of the Government of India or of local Governments declared to be income-tax free should be shown under head 3. Those which are not declared to be income-tax free should be included under this head.

Entries under this head must be supported by the certificate issued by the person or company paying the interest under section 18 (9) of the Act.

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**Note 3 (a)** The income-tax payable on the interest receivable on a security of a local Government issued income-tax free is payable by the local Government and not by the holder of the security.

(b) Only the interest on securities of the Government of India or of a local Government declared to be income-tax free should be entered against this head. Such interest will not be charged to income-tax but it must be included in the statement of total income in order to ascertain the rate of income-tax chargeable on other income. *It is chargeable to super-tax.*

(c) particulars of any interest on securities issued by other authorities and stated to be free of income-tax should be entered against head 2, as income-tax on such interest is actually paid these authorities on behalf of the recipients.

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**Note 4** - The tax is payable under this head in respect of the *bona fide* annual value of any buildings or lands appurtenant thereto, of which you are the owner, other than such portions of such buildings and lands as you may occupy for the purpose of your business.

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**Note 5.—(a)** Where you keep your accounts on the mercantile accountancy or book profits system, you must file a return in the following form:—

Income, profits or gains from business,  
trade, commerce.

	Rs.	P.
Income, profits or gains as per Profit and Loss account for the year ended _____ 192 .		
Add any amount debited in the accounts in respect of—		
1. Reserve for bad debts ... ..		
2. Sums carried to reserve for provident or other funds ... ..		
3. Expenditure of the nature of charity or presents		
4. Expenditure of the nature of capital ... ..		
5. Income-tax or super-tax ... ..		
6. Drawings or salary of proprietor or partners ...		
7. Rental value of property owned and occupied...		
8. Cost of additions to, or alterations, extensions, improvements of any of the assets of the business		
9. Interest on reserve or other fund ... ..		
10. Losses sustained in former years ... ..		
11. Losses recoverable under an insurance or contract of an indemnity ... ..		
12. Depreciation of any of the assets of the business		
13. Private or personal expenses and expenses not incurred solely for the purpose of earning the profits.		
TOTAL ...		
<i>Deduct</i> —Any profits included in the account already charged to Indian income-tax and the interest on securities of the Government of India or local Governments declared to be income-tax free.		
BALANCE ...		

(Signature of the person making the return.)

(Dated) \_\_\_\_\_ 192 .



Where you do not keep your accounts in such a form, you must file a statement showing how you arrive at the taxable profits, *i. e.*, showing details of the gross receipts and of the expenditure you propose to set against those receipts. No deductions are permissible on account of—

- ( *i* ) Property owned and occupied by the owner of a business for the purposes of a business ;
- ( *ii* ) Additions to, or alterations, extensions, or improvements of, any of the assets of the business ;
- ( *iii* ) Interest on the capital of the proprietors or partners of the business ;
- ( *iv* ) Bad debts not actually written off in the accounts ;
- ( *v* ) Losses sustained in previous years ;
- ( *vi* ) Reserves of any kind ;
- ( *vii* ) Sums paid on account of the income-tax or super-tax or any tax levied by a local authority other than the local rates or municipal taxes in respect of the portion of the premises used for the purpose of the business ;
- ( *viii* ) Any expenditure of the nature of charity or a present ;
- ( *ix* ) Any expenditure of the nature of capital ;
- ( *x* ) Any loss recoverable under an insurance or a contract of indemnity ;

- (xi) Depreciation of any kind other than that specified in the Act ;
- (xii) Drawings or salaries of the proprietors or the partners ;
- (xiii) Private or personal expenses of assessee ;
- (xiv) Any expenditure of any kind which is not incurred solely for the purpose of earning the profits.

If you have included any such sums in your expenditure in your books, you must exclude them from the expenditure permissible for the purpose of arriving at your taxable profits.

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**Note 6.**—The income, profits or gains shall be computed after making allowance for any expenditure ( not being in the nature of capital expenditure ) incurred *solely* for the purpose of such profession or vocation, provided that no allowance is made on account of any of your personal expenses. Professional fees received by you in any part of India (whether within British India or not) must be included by you in your receipts.

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**Note 7.**—Income-tax chargeable on the profits of companies is paid by the companies, so that the dividends which shareholders receive represent the net amount remaining after income-tax has been paid. The amount of income-tax paid upon these dividends, even if the dividends are stated to be income-tax free, should be added to the amount of

the dividends actually received, and the gross amount arrived at should be entered in column 2 of the statement.

*If the rate of tax applicable to your total income is less than the rate at which tax has been paid upon your dividends, you may, by attaching the company's certificate received with the dividends, have the excess collected on your dividends from the company set against the tax payable by you on your other income instead of having to apply separately for a refund.*

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**Note 8.**— Agricultural income from land not paying land revenue or local rates to an authority in British India should be included under this head.

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**Note 9.** Deductions from total income can only be made for insurance premia in respect of insurance on your own life or on the life of your wife, or in respect of a contract for a deferred annuity on your own life or on the life of your wife. No deduction is permissible in the case of any other form of insurance except in the case of Hindu undivided families where deductions are permissible on account of premia paid in respect of insurance on the life of any male member of the family or of his wife. The original receipt or the certificate of the insurance company to which the premium was paid must be attached to the return:

1	Serial number.
2	Name of village or town where the property is situated.
3	Name of street and number of property.
4	In the case of municipalities the name of the person in whose name the property stands in the municipal registers.
5	Whether the property is occupied by owner or is let.
6	Annual letting value of the property.
6A	Period during which the property remained vacant.
7	Amount of rent actually received for the property if let.
8	One-sixth of the annual letting value shown in column 6.
9	Premium paid to insure the property against damage or destruction.
10	Interest paid on a mortgage or charge on the property.
11	Ground-rent paid for the property.
12	Land revenue paid for the property.
13	Collection charges paid.
13A	Amount claimed on account of property remaining vacant.
14	Total of columns 8 to 13A.
15	Net amount to be carried over to the front of the form.

Schedule A.

DEDUCTIONS.

(c) *Illustration*:—From the following particulars of the income of Dr. M. N. Navsariwalla, of 103, Cumballa Hill, prepare the Annual Return for Income-Tax Assessment.

He is the Secretary of the X. Y. Drug Manufacturing Company, Limited, where he receives, (for part-time appointment), a monthly salary of Rs. 350 (less tax, at 5 pies in the rupee). He holds 15 shares of the Imperial Bank of India of Rs. 500 each yielding a dividend of 15 per cent. (free of tax); and 10 shares in the Merchant Manufacturing Company, Limited, of Rs. 1,000 each, carrying a preference dividend of 6 per cent. (less tax). He has contributed to the 5 per cent. War Loan (free of tax) to the extent of Rs. 20,000 and the  $3\frac{1}{2}$  per cent. Government Loan up to Rs. 10,000.

During his spare hours, he practises as a medical man (Hakim), at 35, Grant Road, the net annual income of the practice being Rs. 817. He has advanced Rs. 5,000 to his uncle B. Sorabji, on mortgage of property at  $7\frac{1}{2}$  per cent. and, Rs. 4,000 on 6 per cent. debentures in the Islam Mills, Limited. He owns a property at Gowalia Tank Road the rateable value whereof as per Municipal bill is Rs. 4,500 and the admissible allowances therefrom are Rs. 1,782. He also holds 5 shares of 200 Francs each in the Paris Diamond Mining Company, Limited, wherefrom he receives an annual dividend of 90 Francs (collected and credited to his account by his Bankers at Rs. 56). He has two-thirds share in the Registered Firm of Merwanjee & Bilimoria, of 381, Hornby Road; the taxable income wherefrom amounts to Rs. 7,200 (the Firm being separately

taxed). He has also entered into a joint venture with B. Contractor in a consignment of some mining ore, which results in a net profit of Rs. 900. He is a Director in the Mehta Chemical Company, Limited where he gets Rs. 20 for every meeting attended by him. As he is a very busy man, he attended only nine of such meetings during the year.

He also owns a plot of land at Sewree, the ground rent whereof is received at Rs. 41 per annum. He has been insured with the Reliable Insurance Society, for which he pays annually Rs. 795 by way of premium. He also subscribes annually Rs. 350 towards the provident fund of his Drug Company where he, is employed as a Secretary, but this amount was not deducted through oversight while calculating the tax paid on such salary.

*Annual Return of Dr. M. N. Nausarimulla.*

Sources of Income.	Amount of profits or gains or income during the previous year	Tax already charged on the income
1. SALARIES WAGES ETC.— Salary as Secretary of the Drug Manufacturing Company ... ..	Rs. 4,200	Rs. a. p. 109 6 0 (@ 5 pies)
2. INTEREST ON SECURITIES (including debentures) already taxed— 6 % Debentures of the Islam Mills, Limited : ... ..	240	22 8 0 (@ 18 pies)

3½ % Government Paper (less tax)...	350	32 13 0 (@ 18pies)
3. INTEREST ON SECURITIES of the Government of India or Local Governments declared to be Income-tax free, viz on 5% War Loan ...	1,000	Nil
4. PROPERTY as shown in detail in Schedule A— Annual Letting value (gross) ... .. Rs. 5,000 Less admissible allowances Rs. 1,782	3,218	Nil
5. BUSINESS, TRADE, ETC.—Income from the Firm of Merwanji & Bili-moria ... ..	4,800	450 0 0 (@ 18 pies)
6. PROFESSION:—Net income from Medical practice ... ..	817	Nil
7. DIVIDENDS FROM JOINT STOCK COS. ETC.— (a) FREE OF INCOME-TAX:—Imperial Bank Shares	1,125	Nil
(b) INCOME-TAX DEDUCIED :—Merchant Manufacturing Company shares ... ..	600	56 4 0 (@ 18 pies)
8. INTEREST ON MORTGAGE, ETC.—On Mortgage at 7½ per cent.	375	Nil
9. GROUND RENT:—From a plot of ground at Sewree	41	Nil
10. ALL OTHER INCOME, ETC.— (a) Directors' fees ... ..	180	Nil
(b) Profit from joint venture ... ..	900	Nil
(c) INCOME OUTSIDE BRITISH INDIA, ETC., Paris Diamond Mining shares	56	Nil
Grand Total ...	17,902	670 15 0

Sources.	Gross Amount.	Amount of tax deducted at source.
	Rs. a. p.	Rs. a. p.
Deductions claimed on account of :-		
(a) Life Insurance Premium ...	795 0 0	
(b) Subscriptions to Provident Fund	350 0 0	
	1,145 0 0	

I declare that to the best of my knowledge and belief, the information given in the above statement is correct and complete, that the amounts of income shown are truly stated and relate to the year ended 31st March 1927 and that no other income accrued or arose or was received by me during the said year and that I have no other sources of income.

(Signature) M. N. Navsariwalla.

Date 5th May 1927.

### 5. Assessment.

If the Income-Tax Officer is satisfied that a return mentioned in the foregoing para, is correct and complete, he will assess the total income of the Assessee, and determine the sum payable by him on the basis of such return.

### 6. Set off of a Loss in computing Aggregate Income.

Where any Assessee sustains a loss of profits or gains in any year under any of the heads of income assessable, he shall be entitled to have the amount of the loss set off against his income, profits or gains under any other head in that year.

Where the Assessee is a firm, and the sustained loss cannot wholly be set off under the above



para., any member of such firm shall be entitled to have set off against his personal income, profits or gains of the year in which the loss was sustained, in respect of which the tax is payable by him, such amount of the loss not already set off as is proportionate to his share in the firm.

### **7. Inspection of Books, Accounts, etc.,**

If the Income-Tax Officer has reason to believe that a return made under para. 4 above is incorrect or incomplete, he will serve, on the person who made the return, a notice requiring him, on a date to be therein specified, either to attend at the Income-Tax Officer's office or to produce, or to cause to be there produced, books, accounts and documents or any other evidence on which such person may rely in support of the return.

Any Assessee who is entitled or required to attend before any Income-Tax Officer in connection with any proceedings under this Act, may attend either in person or by any person authorized by him in writing in this behalf.

On the day specified in the notice, or as soon afterwards as may be, the Income-Tax Officer, after hearing such evidence as such person may produce, and such other evidence as the Income-Tax Officer may require on specified points will, by an order in writing, assess the total income of the Assessee and determine the sum payable by him, on the basis of such assessment.

If the Assessee fails to attend or to produce the necessary evidence, etc., as required above, or

to return the form as required in para. (4) above the Income-Tax Officer will make the assessment to the best of his judgment.

No appeal shall lie against such assessment.

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**Form B.**

*Notice under section 23, sub-section 2 (and section 22, sub-section 4) of the Indian Income-tax Act, XI of 1922.*

(For use where a return has been made.)

No.

*Dated the*                      *192* .

To

To enable me to test the correctness of the return of your income furnished by you under section 22, <sup>Sub-section 1,</sup> ~~Sub-section 2,~~ <sup>Sub-section 3,</sup> of the Act for the year ending

I hereby require you to attend at my office at                      at                      on                      in person or by representative (<sup>and</sup>/<sub>or</sub> to produce or cause to be produced at the said place and time the accounts and documents specified below and any other evidence on which you may rely in support of the return.)

Wilful failure to comply with this notice will entail the forfeiture of your right of appeal under

section 30 (1) of the Act and will render you liable to prosecution under section 51, sub-section (d), of the Act.

Income-Tax Officer.

Particulars of accounts and documents:—

**Form A.**

*Notice under section 22, sub-section 4, of the Indian  
Income-tax Act, XI of 1922.*

(For use where a return has not been made.)

No.

Dated the, 192 .

To .

With reference to the return of income due from you under section 22, sub-section 1,

In continuation of my notice served on you on calling on you to make a return of your income under section 22, sub-section 2,

of the Act for the year ending I hereby  
require you to produce or cause to be produced  
for examination at my office at  
on the accounts and documents specified  
below.

Wilful failure to comply with this notice will  
entail the forfeiture of your right of appeal against

the assessment under section 30, sub-section 1, of the Act and will render you liable to prosecution under section 51, sub-section (d), of the Act.

Income-Tax Officer.

Particulars of accounts and documents:—

**Summons to witness under Section 37 of the Indian Income-Tax Act, 1922**

Dated \_\_\_\_\_ 192 .

To

WHEREAS your evidence is necessary in the matter of the assessment of the income of you are hereby required to attend with the documents noted below at my office at on the \_\_\_\_\_ day of \_\_\_\_\_ 192 , at there to give evidence, and not to depart until you receive my permission to do so. Failure to so appear and give evidence is punishable under the provisions of the Civil Procedure Code, 1908 (Rule 12 of Order XVI.)

[A sum has been deposited for your travelling expenses.]

Documents to be produced—



Income-Tax Officer.  
Asstt. Commissioner.  
Commissioner.

### 8. Assessment in case of Discontinued Business.

(1) Where any business, profession or vocation, on which Income-Tax was not at any time charged under the provisions of the Indian Income-Tax Act, 1918, is discontinued in any year, an assessment may be made in that year on the basis of the income, profits or gains of the period between the end of the previous year and the date of such discontinuance, in addition to the assessment, if any, made on the basis of the income, profits or gains of the previous year.

*Illustration:—*

Mr. Mirza started a business in October 1925.

His income from October 1925  
to March 1926 was ... .. Rs. 32,000

His income from April 1926 to  
March 1927 was ... .. ,, 29,000

His income from April 1927 to  
June 1927 was ... .. ,, 15,000

He closed the business in June 1927.

He will be assessed for the first time, for 1926-27, on Rs. 32,000 and will be exempted for 1925-26, having no income in the 'previous' (1924-25) year.

Similarly, for 1927-28, he will be assessed on Rs. 29,000, being his income for 1926-27 (previous year.)

In addition to the above assessment on Rs. 00, he will also be assessed on Rs. 15,000, for

1927-28. There will, however, be two separate assessments, viz., on Rs. 29,000 at 12 pies, and on Rs. 15,000 at 9 pies, per rupee.

(2) Any person discontinuing any such business, profession or vocation shall give to the Income-Tax Officer notice of such discontinuance within 15 days thereof and, where any person fails to give the notice required by this sub-section, the Income-Tax Officer may direct that a sum shall be recovered from him, by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income, profits or gains of the business, profession or vocation up to the date of its discontinuance.

(3) Where any business, profession or vocation, on which tax was at any time charged under the provisions of the Indian Income-Tax Act, 1918, is discontinued, no tax shall be payable in respect of the income, profits and gains of the period between the end of the previous year and the date of such discontinuance, and the Assesee may further claim that the profits and gains of the previous year shall be deemed to have been the income, profits and gains of the said period. Where any such claim is made, assessment will be made on the basis of the income, profits and gains of the said period, and if an amount of tax has already been paid in respect of the income, profits and gains of the previous year exceeding the amount payable on the basis of such assessment, a refund will be given of the difference.

*Illustration :—*

Mr. Spilling commenced business in 1916.  
 His income from April 1924 to  
 March 1925 was ... .. Rs. 1,00,000  
 His income from April 1925 to  
 March 1926 was ... .. " 2,00,000  
 His income from April 1926 to  
 June 19.6 was ... .. " 50,020  
 Evidently, he closed his business in June  
 1926.

He was assessed for 1925-26 on Rs. 1,00,000  
 Do. 1926-27 on ,, 2,00,000

There will be no assessment for 1927-28, because the business was not in existence in that year. On the contrary Mr. Spilling might claim an adjustment, to be taxed on Rs. 25,000, instead of on Rs. 2,00,000, for 1926-27. If he has already paid the tax on Rs. 2,00,000, he will claim a refund; otherwise, he would be assessed on Rs. 25,000 only.

If, on the other hand, his profit of 1925-26 was only Rs. 10,000, he would be satisfied with the assessment on that sum for 1926-27. Under no circumstances, will there be an assessment on him for 1927-28.

(4) Where an assessment is to be made under sub-para. (1) or sub-para. (3), the Income-Tax Officer may serve on the person whose income, profits and gains are to be assessed, or, in the case of a firm, on any person who was a member of such firm at the time of its discon-

tinuance, or, in the case of a company, on the principal officer thereof, a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 22, and the provisions of this Act shall, so far as may be, apply accordingly as if the notice were a notice issued under that sub-section.

**9. Assessment after partition of a Hindu Undivided Family.**

(1) Where, at the time of making an assessment under section 23, it is claimed by or on behalf of any member of a Hindu family hitherto undivided that a partition has taken place among the members of such family, the Income-Tax Officer shall make such inquiry thereinto as he may think fit and if he is satisfied that a separation of the members of the family has taken place and that the joint family property has been partitioned among the various members or groups of members in definite portions before the end of the previous year, he shall record an order to that effect:

Provided that no such order shall be recorded until notices of the inquiry have been served on all the members of the family.

(2) Where such an order has been passed, the Income-Tax Officer shall make an assessment of the total income received by or on behalf of the joint family as such, as if no separation or partition had taken place, and each member or group of members shall, in addition to any income-tax for which he or it may be separately liable and notwithstanding anything contained in sub-section



(1) of section 14, be liable for a share of the tax on the income so assessed according to the portion of the joint family property allotted to him or it;

and the Income-tax Officer shall make assessments accordingly on the various members and groups of members in accordance with the provisions of section 23 :

Provided that all the separated members and groups of members shall be liable jointly and severally for the tax assessed on the total income received by or on behalf of the JOINT family as such.

#### **10. Change in the Constitution of a Partnership.**

Where, at the time of making an assessment under section 23, it is found that a change has occurred in the constitution of a firm or that a firm has been newly constituted, the assessments on the firm and on the members thereof shall, subject to the provisions of this Act, be made as if the firm had been constituted throughout the previous year as it is constituted at the time of making the assessment, and as if each member had received a share of the profits of that year proportionate to his interest in the firm at the time of making the assessment.

#### **11. Change in the Ownership of a Business.**

Where, at the time of making an assessment under section 23, it is found that the person carrying on any business, profession or vocation has been succeeded in such capacity by another person, the assessment shall be made on such

person succeeding, as if he had been carrying on the business, profession or vocation throughout the previous year, and as if he had received the whole of the profits for that year.

### **12. Cancellation of Assessment when cause is shown.**

Where an Assessee, or in the case of a company the principal officer thereof, within one month from the service of a notice of demand issued as hereinafter provided, satisfies the Income-Tax Officer that he was prevented by sufficient cause from making the return required by para (4) above or that he did not receive the notice issued under paras. 4 (b) or (7) above, or that he had not a reasonable opportunity to comply, or was prevented by sufficient cause from complying, with the terms of the last mentioned notices, the Income-Tax Officer will cancel the assessment and proceed to make a fresh assessment in accordance with the provisions of para (5) above.

### **13. Penalty for concealment of Income.**

If the Income-Tax Officer, the Assistant Commissioner or the Commissioner, in the course of any proceedings under this Act, is satisfied that an Assessee has concealed the particulars of his income, or has deliberately furnished inaccurate particulars of such income, and has thereby returned it below its real amount, he may direct that the Assessee shall, in addition to the income-tax payable by him, pay by way of penalty a sum not exceeding the amount of income-tax which would have been avoided, if the income so returned

by the Assessee had been accepted as the correct income :

Provided that no such order shall be made, unless the Assessee has been heard or has been given a reasonable opportunity of being heard.

Provided further that no prosecution for an offence against this Act shall be instituted in respect of the same facts on which a penalty has been imposed under this section.

An Assistant Commissioner or a Commissioner who has made an order under the foregoing para- will forthwith send a copy of the same to the Income-Tax Officer.

#### **14. Notice of Demand or Assessment.**

When the Income-Tax Officer has determined the tax to be payable by an Assessee, or when an order for the payment of penalty has been passed, as stated in the foregoing paragraphs, the Income-Tax Officer will serve on the Assessee, a notice of demand in the form prescribed by Rule 20 to the Act, specifying the sum so payable and the time and place when and where the tax is to be paid.

A notice or requisition under this Act may be served on the person therein named either by post or, as if it were a summons issued by a court under the Code of Civil Procedure, 1908.

Any such notice or requisition may, in the case of a firm or a Hindu undivided family, be addressed to any member of the firm, or to the manager or any adult male member of the family and, in the case of any other association of individuals, be addressed to the principal officer thereof.

**Notice of demand under section 29 of the  
Indian Income-tax Act, 1922.**

To \_\_\_\_\_

1. You have been assessed for the current year to income-tax amounting to Rs. \_\_\_\_\_ (in addition to which a penalty of Rs. \_\_\_\_\_ has been imposed), as shown in the copy of the assessment form overleaf.

2. You have also been assessed to super-tax amounting to Rs. \_\_\_\_\_

3. You are required to pay the amount of Rs. \_\_\_\_\_ on or before the

to the Treasury Officer  
sub-Treasury Officer at \_\_\_\_\_ when  
Agent, Imperial Bank of India  
you will be granted a receipt.

4. If you do not pay the tax on or before the date specified above, you will be liable to a penalty which may be as great as the tax due from you.

5. If you are dissatisfied with your assessment you may present an appeal under sub-section (1) of section 30 of the Indian Income-tax Act, 1922, to the Assistant Commissioner of Income-tax at \_\_\_\_\_ (or the Collector of the district) within 30 days from the receipt of this notice, on a petition duly stamped in the form prescribed under sub-section (3) of section 30 and verified as laid down in that form.

*Or*

The assessment has been made under sub-section (4) of section 23 of the Indian Income-tax Act, to make a return of your income 1922, because you failed to comply with a notice under to comply with a notice under

under section 23

sub-section (2) of section 22

sub section (2) of section 23

and no appeal lies.

But if you were prevented by sufficient cause from making the return or did not receive the notice (s) aforesaid, or had not a reasonable opportunity to comply, or were prevented by sufficient cause from complying, with the terms of the notice (s), you may apply to me, under section 27, to cancel the assessment and proceed to make a fresh assessment.

6. The appropriate chalan should be sent along with the amount paid. Should you lose the chalans attached to this notice of demand, it will be necessary for you to apply to the Income-tax Officer for copies of fresh chalans.

7. If you remit the demand by money order, you should send it to the Treasury Officer, \_\_\_\_\_, and should state on the money order form that the payment is on account of income tax.

Dated \_\_\_\_\_ 192 .

*Income-tax Officer.*

(Place) \_\_\_\_\_

NOTE—The superfluous words in paragraph 5 should be deleted.

## ASSESSMENT FORM.

Assessment for 192 -2 .

DISTRICT OR AREA \_\_\_\_\_

Name of Assessee \_\_\_\_\_

Address \_\_\_\_\_

Serial No.	Detailed sources of income.	Amount of income			REMARKS.
		Tax de- ducted at source	Rs.	A.	
1	Salary ...				
2	Interest on Securities ...				
3	Property ...				
4	Business ...				
5	Profession ...				
6	Other sources ...				
(i) Total income ...			Rs.	A.	
(ii) Deduction on account of provident fund, insurance premia, etc. ...			Rs.	A.	
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax ...					
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a Local Government ...					
(v) Income now to be taxed ...					
(vi) Rate applicable—pies per rupee.					
(vii) Amount of tax ...					

	Rs.	A.
(viii) Deduction under section 17 ...		
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ...		
(x) Abatement on account of dividends at pies per rupee ...		
(xi) Abatement on account of income from a registered firm (at pies per rupee) ...		
(xii) Net amount of tax (or refund) ...		
(xiii) Penalty under section 28 [or section 25 (2)] ...		
(xiv) Total sum payable—or to be refunded (in figures as well as in words) ...		
Rupees		
annas		

*Dated*                      *192*                      *Income tax Officer.*

### **15. Appeal against Assessment.**

Any Assessee objecting to the amount or the rate at which he is assessed, or denying his liability to be assessed under this Act, or objecting to a refusal of an Income-Tax Officer to make a fresh assessment under para. (10) above, or to any order against him under para. (8) or (11) above made by an Income-Tax Officer, may appeal in the form prescribed by Rule 21 to the Act, and verified in the words given at the foot thereof, to the Assistant Commissioner against the assessment or against such refusal or order. Provided that no appeal shall lie in respect of an assessment made under para. (7) above.

The appeal shall ordinarily be presented within 30 days of receipt of the notice of demand relating to the assessment or penalty objected to or the date of the refusal to make fresh assessment under para. (10) above, as the case may be; but the Assistant Commissioner may admit an appeal after the expiration of that period, if he is satisfied that the appellant has sufficient cause for not presenting it within that period.

**Form of Appeal against an order under  
Section 25 (2).**

To

THE ASSISTANT COMMISSIONER OF INCOME-TAX.

*The day of 192 .*

The petition of \_\_\_\_\_ of \_\_\_\_\_  
sheweth as follows :—

1. Under Section 25 (2) of the Indian Income-tax Act, 1922, a penalty of Rs. \_\_\_\_\_ has been imposed on your petitioner. The notice of demand attached hereto was served upon him on \_\_\_\_\_
2. Your petitioner was prevented by sufficient cause, as more particularly explained below, from giving notice within the time prescribed by Section 25 (2) to the Income-tax Officer of the discontinuance of his business, profession or vocation.
3. Your petitioner therefore requests that the order of the Income-tax Officer imposing a penalty of Rs. \_\_\_\_\_ upon your petitioner may be set aside.

(Signed)



## STATEMENT OF FACTS.

---

*Form of verification.*

I, \_\_\_\_\_, the petitioner, named in the above petition, do declare that what is stated therein and in the above statement of facts is true to the best of my information and belief.

(Signed)

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**Form of Appeal against an order refusing to reopen an assessment under Section 27.**

To

THE ASSISTANT COMMISSIONER OF

*The*      *day of*      192

The petition of \_\_\_\_\_ of

sheweth as follows:—

1. Under the Indian Income-tax Act, 1922, your petitioner has been assessed on the sum of Rs. \_\_\_\_\_ for the year commencing the 1st day of April 19 \_\_\_\_\_.

2. Your petitioner was prevented by sufficient cause from making the return required by section 22 or did not receive the notice issued under sub-section (4) of section 22, or sub-section (2) of section 23, or had not a reasonable opportunity to comply or was prevented by sufficient cause from complying with the terms of the notice under sub-section (4) of section 22 or sub-section (2) of section 23, as

more particularly specified in the statement attached.

3. Your Petitioner therefore presented a petition to the Income-tax Officer under section 27, requesting him to cancel the assessment. This petition the Income-tax Officer by his order dated \_\_\_\_\_ of which a copy is attached, has rejected.

4. Your petitioner therefore requests that the order of the Income-tax Officer may be set aside and that he may be directed to make a fresh assessment in accordance with the law.

*(Signed)*

STATEMENT OF FACTS.

*Form of verification.*

I, \_\_\_\_\_, the petitioner, named in the above petition, do declare that what is stated therein and in the above statement of facts is true to the best of my information and belief.

*(Signed)*

**Form of Appeal against an order under  
Section 28.**

To

THE COMMISSIONER OF INCOME-TAX.

THE ASSISTANT COMMISSIONER OF INCOME-TAX.

*The* \_\_\_\_\_ *day of* \_\_\_\_\_ 192 .

The petition of

of

sheweth as follows :—

1. Under Section 28 of the Indian Income-tax Act, 1922, a penalty of Rs. \_\_\_\_\_ has been imposed on your petitioner by the Income-tax Officer.  
Assistant Commissioner.  
 The notice of demand attached hereto was served upon him on

2. Your petitioner did not conceal the particulars of his income or deliberately furnish inaccurate particulars thereof but as will be seen from the statement of facts attached returned it at its real amount to the best of his knowledge and belief.

3. Your petitioner therefore requests that the order of the Income-tax Officer imposing a penalty of Rs. \_\_\_\_\_ upon your petitioner may be set aside.  
Assistant Commissioner

(Signed)

---

STATEMENT OF FACTS.

---

*Form of verification.*

I, \_\_\_\_\_, the petitioner, named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

(Signed)

**Form of Appeal under Section 30 (3)  
the Indian Income-tax Act, 1922.**

To

The Assistant Commissioner of

The                      day of                      1

The petition of                      of                      sheweth as follow

1. Under the Indian Income-tax Act, your petitioner has been assessed on the sum of Rs.                      for the year commencing the day of April, 192                      . The notice of demand assessed hereto was served upon him on                      1

2. Your petitioner's income accruing or arising or received or deemed to be received under the provisions of the Indian Income-tax Act to accrue or arise or to be received in India, for the year ending the                      day of                      19                      amounted to Rs.                      .

3. Such income and profits actually accrued or arose or were received during the period of                      months and                      days.

4. During the said year your petitioner has no other income or profits.

5. Your petitioner has made a return of income to the Income-tax Officer,                      .

Your petitioner therefore prays that he may be assessed accordingly (or that he may be declared not to be chargeable under the Act.)

*(Signed)*

---

*Grounds of appeal.*

---

**FORM OF VERIFICATION.**

I, \_\_\_\_\_, the petitioner named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

*(Signed)*

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**16. Hearing of Appeal.**

The Assistant Commissioner will fix a day and place for the hearing of the appeal, and may from time to time adjourn the hearing.

The Assistant Commissioner may, before disposing of any appeal, make such further inquiry as he thinks fit, or cause further inquiry to be made by the Income-Tax Officer.

In disposing of an appeal, the Assistant Commissioner may, in the case of an order of assessment,—

- (a) confirm, reduce, enhance or annul the assessment, or
- (b) set aside the assessment and direct the Income-Tax Officer to make a fresh assessment after making such further inquiry as the Income-Tax Officer thinks fit or the Assistant Commissioner may direct, and the Income-Tax Officer will thereupon proceed to make such fresh assessment, or, in the cases of an order under sub-section 2 of section 25 or section 28,
- (c) confirm, cancel or vary such order :

Provided that the Assistant Commissioner shall not enhance an assessment unless the appellant has had a reasonable opportunity of showing cause against such enhancement.

### **17. Appeals against orders of Assistant Commissioners.**

Any Assessee objecting to an order passed by an Assistant Commissioner under section 28 or to an order enhancing his assessment under sub-section 1 of section 31, may appeal to the Commissioner within thirty days of the making of such order.

The appeal shall be in the prescribed form, and shall be verified in the prescribed manner.

In disposing of the appeal the Commissioner may, after giving the appellant an opportunity of being heard, pass such orders thereon as he thinks fit.

**Form of Appeal under Section 32 (2) of the  
Indian Income-tax Act, 1922.**

To

THE COMMISSIONER OF INCOME-TAX,

The \_\_\_\_\_ day of \_\_\_\_\_ 192

The petition of \_\_\_\_\_ sheweth  
as follows:—

1. Under section 31 (3) of the Indian Income-tax Act, 1922, the Assistant Commissioner of \_\_\_\_\_ has increased the tax payable by your petitioner from Rs. \_\_\_\_\_ to Rs. \_\_\_\_\_.

2. Your petitioner prays that the enhancement may be set aside or reduced to Rs. \_\_\_\_\_ for the reasons stated below :—

(Signed) \_\_\_\_\_

*Grounds of appeal.*

*Form of Verification.*

I, \_\_\_\_\_, the petitioner named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

Signed \_\_\_\_\_

**Notice of date fixed for the hearing of an  
Appeal under section  $\frac{31}{32}$ , Act XI of 1922.**

IN THE COURT OF THE Commissioner OF  
Assistant Commissioner  
INCOME-TAX, \_\_\_\_\_

*Appeal No.* \_\_\_\_\_ *of 192* -192 .

To \_\_\_\_\_ APPELLANT.

WHEREAS an appeal against the  
assessment of income-tax  
order of the Assistant Commissioner  
the court of \_\_\_\_\_ of the \_\_\_\_\_ was  
received and registered by this court and whereas  
\_\_\_\_\_ 192 , at \_\_\_\_\_ o'clock, has been fixed for  
the hearing and final disposal of the said appeal at  
\_\_\_\_\_, you are hereby informed  
that you should appear in this court in person or by  
an authorized agent or by a pleader duly instructed  
and able to answer all material questions relating to  
the said appeal or accompanied by some person  
able to answer all such questions. Take notice that  
in default of your appearance on the day beforemen-  
tioned the appeal will be heard and determined in  
your absence.



Issued under the seal of the court, this \_\_\_\_\_  
day of \_\_\_\_\_ 192 .

By order, etc.,

Commissioner  
*Assistant Commissioner of Income-tax.*

### 18. Power of Review.

The Commissioner may, of his own motion, call for the record of any proceedings under this Act which has been taken by any authority subordinate to him or by himself when exercising the powers of an Assistant Commissioner under para. 1 (4) of Chapter I.

On receipt of the record, the Commissioner may make such inquiry or cause such inquiry to be made and, subject to the provisions of this Act, may pass such orders thereon as he thinks fit.

Provided that he shall not pass any order prejudicial to an Assessee without hearing him or giving him a reasonable opportunity of being heard.

### 19. Income escaping Assessment.

If for any reason, income, profits or gains chargeable to income-tax has escaped assessment in any year or has been assessed at too low a rate, the Income-Tax Officer may, at any time, within one year of the end of that year, serve on the person liable to pay tax on such income, profits or gains, or, in the case of a company, on the principal officer

thereof, a notice containing all or any of the requirements which may be included in a notice under para. 4 (b) above, and may proceed to assess or reassess such income, profits or gains, and the provisions of this Act shall, so far as may be, apply accordingly as if the notice were a notice issued under that para.

Provided that the tax shall be charged at the rate at which it would have been charged, had the income, profits or gains not escaped assessment or full assessment, as the case may be.

---

**NOTICE UNDER SECTION 34 of the  
Indian Income-tax Act (XI-22.)**

Income-tax Office

Dated

To

Whereas I have reason to believe that your income from \* chargeable to income-tax in the year ending the 31st March 19

(a) has  $\frac{\text{wholly}}{\text{partially}}$  escaped assessment,

---

\* Here enter source.

(a)-(b)—Unnecessary portions to be struck out.

(b) has been assessed at too low a rate, that is to say, at \_\_\_\_\_ pies in the rupee instead of at \_\_\_\_\_ pies in the rupee, and I therefore propose—

- (a) to assess the said income that has escaped assessment,
- (b) to re-assess your said income at the correct rate as aforesaid.

I hereupon require you to deliver to me not later than \_\_\_\_\_ or within 30 days of the receipt of this notice, a return in the attached form of your income from all sources chargeable to income-tax during the said year ending \_\_\_\_\_

Income-tax Officer.



## **20. Rectification of Mistake.**

The Commissioner or Assistant Commissioner may, at any time within one year from the date of any order passed by him in appeal or, in the case of the Commissioner, in review under section 33, and the Income-Tax Officer may, at any time within one year from the date of any demand made upon an Assessee, on his own motion, rectify any mistake apparent from the record of the appeal, revision or assessment, as the case may be, and within the like period rectify any such mistake which has been brought to his notice by the Assessee.

Provided that no such rectification shall be made, having the effect of enhancing an assessment, unless the Commissioner, the Assistant Commissioner, or the Income-Tax Officer, as the case may be, has given notice to the Assessee of his intention so to do and has allowed him a reasonable opportunity of being heard.

Where any such rectification has the effect of reducing the assessment, the Income-tax Officer will make any refund which may be due to such Assessee.

Where any such rectification has the effect of enhancing the assessment, the Income-Tax Officer will serve on the Assessee a notice of demand in the prescribed form specifying the sum payable and such notice of demand shall be deemed to be issued under para. (12) above, and the provisions of this Act shall apply accordingly.

## **21. Power to call for Information.**

The Income-Tax Officer or Assistant Commissioner may, for the purposes of this Act,

- (1) require any firm, or Hindu undivided family, to furnish him with a return of the members of the firm or of the manager or adult male members of the family, as the case may be, and of their addresses;  
 require any person, whom he has reason to believe to be a trustee, guardian or agent, to furnish him with a return of the names of the persons for, or of, whom he is a trustee, guardian or agent and of their addresses.

## **22. Power to inspect Company's Register of Members.**

The Income-Tax Officer or Assistant Commissioner or any person authorised in writing in this behalf by the Income-Tax Officer or Assistant Commissioner, may inspect and, if necessary, take copies or cause copies to be taken of any register of the members, debenture-holders or mortgagees of any company or of any entry in such register.

## **23. Accounting period and Accounts.**

The Income-Tax Year (financial year of Government) begins from 1st April and ends on 31st March. The tax-payer would, therefore, do well to close the accounts on 31st March in each year, in which case he would be assessed on the profits for the 12 months preceding the Income-tax year; that is, for 1927-28, he would be assessed on the profits of the 12 months ending 31st March 1927.

If the tax-payer does not close his accounts on 31st March, he will have to pay the tax on the pre-

vious completed year's profits. As for example, if he closes his accounts on 30th June, or 30th September, or 31st December, he will be assessed for the Income-tax year 1927-28, on the profits of the year ending 30th June, or 30th September, or 31st December 1926, respectively. Similarly, if accounts be closed at "Divali" time, the Assessee will have to pay the tax on the profits, for the Samvat year ending Aso Vad Amas 1982, or Shuk year ending 30th Falgan 1848 ; or Marvari year ; or any other period of 12 months ending within the year ending 31st March 1927.

(a) *Firms or sole traders.*—

Profit and Loss Account for ascertaining the assessable profits, or taxable income, may be prepared from the business annual Profit and Loss Account in two ways, namely, (1) by starting with Gross Profits, or (2) by starting with Net Profits.

1. *By starting with Gross Profits.*—

(a) *Credit Side* :—

1. Gross Profits, as per trading account, that is, profit on sales without taking into consideration any expenses incurred in effecting the same.
2. Any other income which arises in the ordinary course of regular business, e.g., Discounts and Allowances from Creditors, Interest on Bank (Current) Account, Rent from sub-letting part of the premises, etc.

NOTE.—No Capital Profits or Income which has been received less tax should be taken here.

*(b) Debit Side:—*

1. Expenses absolutely necessary for carrying on the business, *e.g.*, Rent, Salaries, Trade expenses, Interest, Printing, Stationery, Postages, Telegrams, Repairs, Fire Insurance Premium, Rates and Taxes, etc.
2. Losses arising in the ordinary course of regular business actually written off, *e.g.*, Bad Debts, Discounts and Allowances, Depreciation, Obsolescence loss, etc.

NOTE.—The following items should not be taken here, *viz.*—Appropriations of Profits (*e.g.*, Interest on Proprietor's or Partner's Capital, Proprietor's or Partner's Salaries or Drawings, Income-tax and Super-tax, Amounts transferred to Reserve, Bonus or other Funds, etc.); Capital, Casual or Speculation Losses; Capital Expenditure; Gifts, Charities and presents; and all other Losses and Expenses not incurred in the ordinary course of regular business.

*Illustration.*—From the Profit and Loss Account of the firm of Bapuji & Perojshaw given below, prepare an adjusted account for income-tax assessment. It is assumed that the full amount of depreciation has been allowed by the Income-tax Officer and that the repairs are to be borne by the firm.

Dr.	<i>Profit and Loss Account.</i>		Cr.
	Rs.		Rs.
To Trade Expenses ...	228	By Gross Profits, as	
" Partners' Salaries...	1,000	per Trading Ac-	
" Rent ...	1,200	count ...	6,207
" Gifts ...	20	" Interest on Bank	
" Salaries & Wages...	900	(Current) Account.	32
" Charities ...	100	" Discounts and Allow-	
" Printing and		ances ...	171
Stationery ...	81	" Profit on Sale of	
" Postages and Tele-		Investments ...	389
grams ...	139	" Rent from sub-	
" Interest on Capital .	721	letting ...	205
" Repairs to Buildings	570	" Dividends ...	457
" Loss by Fire (irre-			
coverable) ...	500		
" Replacing Machin-			
ery parts ...	600		
" Income-tax ...	100		
" Fire Insurance Pre-			
mium ...	75		
" Bad Debts (written			
off) ...	219		
" Discounts & Allow-			
ances ...	207		
" Loss on Sale of			
Investments ...	84		
" Concert Tickets ...	15		
" Depreciation ...	381		
" Net Profits, trans-			
ferred to Capital			
Accounts ...	321		
	<u>Rs. 7,461</u>		<u>Rs. 7,461</u>



Dr.		Cr.	
<i>Profit and Loss Account adjusted for Income-tax.</i>			
	Rs.		Rs.
Trade Expenses ...	228	Gross Profits, as per	
Rent ...	1,200	Trading Account ...	6,207
Salaries and Wages	900	Interest on Bank	
Printing & Stationery	81	Account ...	32
Postages & Telegrams	139	Discounts & Allow-	
		ances ...	171
Repairs to Buildings	570	Rent from sub-letting...	205
Fire Insurance Pre-			
mium ...	75		
Bad Debts ...	219		
Discounts & Allow-			
ances ...	207		
Depreciation ...	381		
Balance, being Tax-			
able or Assessable			
Profits ...	2,615		
	<hr/>		<hr/>
	Rs. 6,615		Rs. 6,615
	<hr/>		<hr/>

The firm will be assessed on Rs. 2,615.

**II. By starting with Net Profits.—**

**(a) Credit Side:—**

1. Net Profits transferred to Capital Accounts, as per the business Profit and Loss Account.
2. Expenses and Losses charged to the business Profit and Loss Account, before arriving at the above Net Profits,

which expenses therefore reduced the said Net Profits, but which ought not to have been so charged for income-tax purposes, inasmuch as such expenses or losses were either Appropriations of Profits or were not incurred in the ordinary course of regular business, or were of a capital or casual nature (see Note preceding the above illustration.)

(b) *Debit Side* :—

Income or Profit credited to business Profit and Loss Account, before arriving at the above Net Profits, and therefore included in the latter, but which income ought not to have been so credited: for income-tax purposes, inasmuch as such income or profit was either received less tax or was not earned in the ordinary course of regular business, or was of a capital nature (see the first Note to para. (23) above.)

*Illustration.*—Taking for example the same profit and Loss Account, as given above, the assessable profits by this method would be arrived at as follows :—

Dr. Profit and Loss Account adjusted for Income-tax.		Cr.	
	Rs.		Rs.
Dividend ...	457	Net Profits, as per	
Profit on the sale		Business Profit and	
of Investments ...	389	Loss Account ...	321
Balance, being tax-		Partners' salaries ...	1,000
able or assessable		Gifts ...	20
Profits ...	2,615	Charities ...	100
		Interest on Capital ...	721
		Loss by fire (irrecover-	
		able) ...	500
		Replacement of ma-	
		chinery parts ...	600
		Income-tax ...	100
		Loss on Sale of In-	
		vestments ...	84
		Concert Tickets ...	15
	Rs. 3,461		Rs. 3,461

(b) *Limited Companies.*—

The two methods of preparing accounts for income-tax purposes in Joint Stock Companies are similar to those in the case of firms as stated in (a) above.

*Illustration.*—The published Profit and Loss Account of the Patel Manufacturing Company, Limited, is given below. The Income-Tax Officer allowed only 5 per cent. by way of depreciation of machinery. The company had deducted income-tax before paying the interest to the debenture-holders. Adjust the Profit and Loss Account for the income-tax assessment.

<i>Profit and Loss Account.</i>		Cr
Rs.		Rs.
Salaries & Wages ...	2,350	By Gross Profits as per
Pension (lump sum)		Trading Account..
to the late Secretary	500	Profit on re-issue
Trade Expenses ...	7,237	of forfeited shares..
Preliminary Expenses		Discounts earned...
(balance written off) ...	3,231	Dividends ...
Discount and Allowances	1,009	Premium on issue
Interest on Debentures	3,500	of Shares ...
Auditors and Directors Fees	825	Transfer Fees ...
Fire Insurance Premium	329	Sundry receipts ...
Loss on Sale of Machinery	725	
Bad Debts (written off)	891	
Depreciation of Machinery 7½%	1,950	
Income-tax	821	
Subscriptions to Concerts	1,000	
Reserves for Bad Debts, etc.	322	
Net Profits	14,631	
	Rs. 39,321	Rs. 39,321

(a) *By Starting with Gross Profits.*

Dr. Profit and Loss Account adjusted for Income-tax.		Cr.	
Rs.		Rs.	
Salaries and Wages ...	2,350	Gross Profits ...	35,218
Trade Expenses ...	7,237	Discounts earned ...	578
Discounts and allow- ances ...	1,009	Transfer Fees ...	190
Interest on Debentures	3,500	Sundry Receipts ...	25
Directors' and Audi- tors' Fees ...	825		
Fire Insurance Pre- mium ...	329		
Bad Debts (written off)	891		
Depreciation of Ma- chinery (5 %) ...	1,300		
Balance, being Assess- able or Taxable Profits ...	18,570		
	<u>Rs. 36,011</u>		<u>Rs. 36,011</u>

(b) *By Starting with Net Profits.—*

Dr. Profit and Loss Account adjusted for Income-tax.		Cr	
Rs.		Rs.	
Profits on re-issue of forfeited shares... 285		Net Profits, as per Profit and Loss Account ...	14,631
Dividends ...	1,025	Pension to late Sec- retary ...	500
Premium on issue of Shares ...	2,000	Preliminary Expenses	3,231
Balance being Tax- able Profits (see above) ...	18,570	Loss on Sale of Machinery ...	725
		Excess Depreciation of Machinery (2½%)	650
		Income-tax ...	821
		Subscriptions to Con- certs ...	1,000
		Reserves for Bad Debts & Discount	322
	<u>Rs. 21,880</u>		<u>Rs. 21,880</u>

## 24. Treatment of Income-tax Account in Joint Stock Companies.

When a company declares dividends on its shares free of income-tax, the whole of the income-tax assessment on the company's profits is borne by the company. If the tax is, however, deducted by the company before the payment of such dividend to the share-holders, the difference between the full amount of tax shown by the company's assessment and the amount of tax so deducted from the share-holders, will only have to be suffered by the company and, therefore, charged to its Profit & Loss Appropriation Account.

*Illustration:*—The Krishnarao Spinning and Weaving Mills Company, Limited, had a paid-up capital of Rs. 11,00,000, divided into an equal number of Ordinary and Preference Shares of Rs. 100 each. The company, whose assessable profits for the year 1921 were Rs. 86,900, had also borrowed Rs. 1,00,000 on 5 per cent Debenture Bonds of Rs. 100 each, and had declared an annual dividend of 6 per cent. on Preference Shares and 5 per cent. on Ordinary Shares. The above profits had been arrived at after charging interest on debentures. Ascertain the amount of income-tax to be borne by the company and debited to the company's Profit & Loss Appropriation Account.

(a) *Where Dividends are paid "free of Income-tax."*

As the share-holders are given the dividends free of tax, they will not pay any tax on such income so received by them ; and the company will, there-

fore, have to pay the tax on the whole amount of profits of Rs. 86,900, at 18 pies in the rupee. The whole amount of the tax of Rs. 8,146-14-0 will therefore be debited to the company's Profit & Loss Appropriation Account.

(b) *Where Dividends are paid "less Income-tax."*

As the company is going to deduct the tax before paying the dividends, the amount suffered by the company would be the tax on the profits not distributed amongst the share-holders, namely, Rs. 2,475, *i. e.*, 18 pies in the rupee on Rs. 26,400, as shown below :—

Dr.	<i>Income-tax Account.</i>		Cr.
To Income-Tax Office, being the income-tax assessment, at 18 pies in the rupee on Rs. 86,900...	Rs. a. p.	By Preference Share Dividend Account, being 18 pies in the rupee on Rs. 33,000 ...	Rs. a. p.
	8,146-14-0	.. Ordinary Share Dividend Account, etc., on Rs. 27,500	3,093-12-0
		.. Profit & Loss Appropriation Account, etc., on Rs. 26,400	2,578-2-0 2,475-0-0
	<hr/> Rs. 8,146-14-0 <hr/>		<hr/> Rs. 8,146-14-0 <hr/>

NOTE :—*Premium on issue of shares* : This being capital profit is not assessable.

## 25. Allocation of Partnership Tax in Accounts.

A firm is assessed jointly in the firm-name, and not separately in the name of individual partners constituting such firm. If the firm be a "Registered" one and even if its profits be less than Rs. 2,000, income-tax shall be levied at the maximum rate, namely, 18 pies in the rupee. If all the partners declare their personal income from all sources, they may be separately assessed and no demand may be made against the firm. The liability of the firm ceases as soon as the partners have paid their individual tax. An "Unregistered" firm is, however, assessed at the graduated rates like an individual person, though jointly as stated above.

The correct apportionment of taxable income of a Registered firm amongst its partners has got two advantages :—(a) It prevents an improper allocation of the burden of the tax amongst the partners, even if no claim for refund be made, and (b) it enables the individual partners to ascertain what refund each partner is entitled to. These advantages may be illustrated thus :—

### 1. *Where no claim for refund can be made :—*

It must be remembered that the firm's taxable income should not be distributed amongst the partners in the proportions of their sharing of profits and losses, even though the individual partners make no claim for refund or exemption from income-tax. Items like interest on capital, partners' salaries, etc., which are mere appropriations of profits and which are included in the firm's taxable income, should not be shared by the partners in the



said proportions, inasmuch as they have no direct relation to the taxable income ; but, that they depend more or less on the capitals of individual partners and on the time devoted to the management of the business by individual partners. It is, therefore, necessary for the Firm to make careful adjustment to see that each partner is charged with the proper proportion of the tax applicable to him alone.

For this purpose, interest on capitals, partners' salaries, etc., would be deducted (temporarily) from the taxable income, in order to arrive at the " Divisible " income, which would be apportioned amongst the partners, in the proportions in which they share profits and losses. To each partner's share so arrived at would be added his corresponding share of interest on capital, partner's salary, etc. Now, the sum of the shares of partners so arrived at would be exactly equal to the total taxable income of the firm, which has been correctly allocated amongst individual partners.

*Illustration:*—L. Sethna, K. Mody, and B. Sanjana, whose business Profit and Loss Account has been given below, are trading in partnership, under the style of L. K. B. & Co., Book-sellers and Commission Agents, sharing profits and losses equally. They have put in capital, at Rs. 1,20,000, Rs. 70,000, and Rs. 20,000, respectively, upon which interest is to be credited at 5% per annum. They have also agreed to receive management salaries at Rs. 9,000, Rs. 6,000 and Rs. 3,000, respectively. Ascertain the amounts of tax borne by each of the partners.

Dr. *Profit and Loss Account.*

	Rs.		
To Trade Expenses	28,207	By Gross Profits,	
„ Interest on		as per Trad-	
Capital:—	Rs.	ing Account	1,9
Sethna	6,000	„ Dividends	
Mody	3,500		
Sanjana	1,000		
	<u>10,500</u>		
„ Partners' Sal-			
aries :—			
Sethna	9,000		
Mody	6,000		
Sanajana	3,000		
	<u>18,000</u>		
„ Charities ...	367		
„ Net Profits ...	<u>1,38,664</u>		
	<u>Rs. 1,95,738</u>		<u>Rs. 1,9</u>

Dr. *Profit and Loss Account adjusted for Income-tax.*

	Rs.		
Dividends ...	521	Net Profits (as	
Balance, being		above ...	1,3
Firm's Tax-		Interest on	
able Income	1,67,010	Capital	1

The firm's taxable income of Rs. 1,67,010 is not divisible amongst the partners equally, because it contains interest on capital and partners' salaries, which are not shared equally but in some different proportion (*e.g.*, in proportion to their capital, etc.) It is, therefore, necessary for the time being to take away from taxable income the partners' salaries and interest on capital, in order to arrive at the "Divisible" income, which may be apportioned amongst the partners in the proportions in which they share profits and losses.

Firm's taxable income	Rs. 1,67,010
Less Interest on Capital	Rs. 10,500
,, Partners' Salaries	,, 18,000
	----- 28,500
Firm's Divisible Income	<u>Rs. 1,38,510</u>

*Statement allocating Taxable Income  
amongst the Partners.*

Particulars.	Total. Rs.	Sethna. Rs.	Mody. Rs.	Sanjana. Rs.
Divisible Income (as above)...	1,38,510	46,170	46,170	46,170
Add Partners' Salaries ...	18,000	9,000	6,000	3,000
Add Interest on Capital ...	10,500	6,000	3,500	1,000
Taxable Income (as above)...	<u>1,67,010</u>	<u>61,170</u>	<u>55,670</u>	<u>50,170</u>

The above statement shows the correct allocation of the taxable income of the firm. When the firm's tax is paid, it should be divided in proportion to each partner's taxable income from the firm as above (*viz.*, 61, 56, 50), and charged to their respective current accounts and not to the Profit and Loss Account.

If the taxable income had been divided equally amongst the partners, the burden of the tax would have been very unjustly allocated and illustrated thus:

Partner.	Correct allocation.	Divided equally.	Over-taxed.	Under-taxed.
Sethna	Rs. 61,170	55,670	.....	5,500
Mody	„ 55,670	55,670	.....	.....
Sanjana	„ 50,170	55,670	5,500	.....
	<u>Rs. 1,67,010</u>	<u>1,67,010</u>	<u>5,500</u>	<u>5,500</u>

The firm would pay the tax of Rs. 15,657-3-0, namely, 18 pies in the rúpee, on Rs. 1,67,010, but the tax should not be debited to the firm's Profit and Loss Account, because each of the partners in that case would suffer Rs. 5,219-1-0. This amount of Rs. 15,657-3-0 should, therefore, be apportioned over, and debited to the respective capital accounts of the three partners in the proportions of Rs. 61,170, Rs. 55,670 and Rs. 50,170, respectively.

NOTE.—If the partners are receiving management salaries and interest on capitals in the same proportions in which they share profits and losses (which is not usual) and not out of proportion, as

in the above illustration, the *taxable* income of Rs. 1,67,010 would also be the *Divisible* income, and each of them would then bear the tax on Rs. 55,670, namely, Rs. 5,219-1-0, and there would be no need of preparing the above statement of allocation.

II. *Where a claim for refund is made:—*

*Illustration.*—Hirji Dalal, Bapalal Nanavati and Fatehmahomed Merchant are in partnership having interest in the firm as follows:—

Partner.	Share.	Capital.	Interest on capital.	Salary.
		Rs.	Rs.	Rs.
Dalal ...	$\frac{1}{3}$	10,000	500	300
Nanavati ...	$\frac{1}{3}$	10,000	500	100
Merchant...	$\frac{1}{3}$	Nil	Nil	150
		20,000	1,000	550

The partners have no other sources of income except this business, the Profit and Loss Account whereof is given below. Ascertain the taxable income of the firm and the amount of tax borne by each partner.

Dr.	<i>Profit and Loss Account.</i>	Cr.
	Rs.	Rs.
To Office Expenses...	965	By Gross Profits, as
„ Salaries and Wages	785	per Trading Ac-
„ Rent — ...	900	counts ...
„ Interest on Capi-		„ Bad Debts Divi-
tal ...	1,000	dends ...
„ Partners' Salaries...	550	„ Discounts ...
		72

	Rs.		Rs.
To Fire Insurance Premium ...	29	By Profit on Sale of Investments ...	50
„ Income-tax ...	79	„ Bank Interest ...	17
„ Net Profits, transferred to Capital Accounts	3,745		
	<u>Rs. 8,053</u>		<u>Rs. 8,053</u>

Dr. Profit and Loss Account adjusted for Income-tax.		Cr.	
	Rs.	Rs.	
Profit on Sale of Investments ...	50	Net Profits (as above) ...	3,745
Firm's taxable income ...	5,324	Interest on Capital ...	1,000
		Partners' Salaries ...	550
		Income-tax ...	79
	<u>Rs. 5,374</u>		<u>Rs. 5,374</u>
Taxable income ...		Rs. 5,324	
Less Interest on Capital		Rs. 1,000	
„ Partners' Salaries		550	
		<u>1,550</u>	
Divisible Income		Rs. 3,774	

*Statement allocating Taxable Income amongst the Partners.*

Particulars.	Dalal.	Nanavati.	Merchant.	Total.
	Rs.	Rs.	Rs.	Rs.
Divisible income (as above) ...	1,887	1,258	629	3,774
Add Interest on Capital ...	500	500	Nil	1,000
Add Partners' Salaries ...	300	100	150	550
Taxable income (as above) ...	<u>2,687</u>	<u>1,858</u>	<u>779</u>	<u>5,324</u>

*(a) Registered Firm.—*

The tax paid by the firm would amount to Rs. 499-2-0 (namely, 18 pies in the rupee, on Rs. 5,324.) This amount of tax would be debited to the current accounts of the partners in the proportions of Rs. 2,687, Rs. 1,858 and Rs. 779, respectively.

(1) As Dalal's income from all sources, namely, Rs. 2,687, exceeds Rs. 2,000 but is less than Rs. 5,000, he ought to have been assessed at 5 pies in the rupee on Rs. 2,687. In the firm, however, he has been assessed on this amount at 18 pies in the rupee, therefore, he can claim a refund at the rate of 13 pies in the rupee on Rs. 2,687.

(2) Nanavati's income from all sources is less than Rs. 2,000. He is, therefore, totally exempted from the tax. As he has already paid, through the firm, a tax of Rs. 174-3-0, he will claim the whole sum back.

(3) Merchant's income from all sources is also less than Rs. 2,000, therefore, he is totally exempted from income-tax. As he has already paid, through

he firm, a tax of Rs. 73, namely, 18 pies in the rupee on Rs. 779, he will claim a refund of the whole of it.

*Statement showing net tax payable.*

Partner.	Firm's tax paid.			Refund claimed.			Net tax payable.		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Dalal ...	251	15	0	181	15	0	70	0	0
Nanavati...	174	3	0	174	3	0			Nil.
Merchant...	73	0	0	73	0	0			Nil.
	<u>499</u>	<u>2</u>	<u>0</u>	<u>429</u>	<u>2</u>	<u>0</u>	<u>70</u>	<u>0</u>	<u>0</u>

If the three partners put in their individual returns along with the firm's return, they would be taxed in the first instance on their respective incomes, at the rates applicable to each of them. No refund will then be necessary. The firm's liability to pay the tax will, however, remain until all the partners pay off their tax.

*(b) Unregistered Firm.—*

The firm will be jointly assessed on Rs. 5,324 at 6 pies in the rupee, and no individual partner thereof could claim any refund, which relief is only allowed to the partners of a Registered firm.

The firm's tax of Rs. 166-6-0 will be borne by the three partners, and debited to their current accounts, in the proportions of Rs. 2,637, Rs. 1,858, and Rs. 779.



## CHAPTER VI.

### PROFESSIONAL EARNINGS.

#### 1. Assessable Profits.

The tax under this head shall be payable by an Assessee on the excess of current income over current expenditure, in any profession or vocation followed by him.

The expenditure stated above must be of a revenue nature and incurred solely for the purposes of the profession. The income stated above shall also include Professional Fees paid in any part of India to a person ordinarily resident in British India.

Replacement of dental and surgical instruments is allowed as an expense, in lieu of depreciation thereon.

The remarks concerning the returns by Assessee, Assessment, Inspection of Books, Notice of Demand, Rectification of Errors, Appeal against Assessment, etc., as mentioned in Chapter V, also apply here.

#### 2. Preparation of Accounts.

*Illustration.*—A. B. Govind, Practising Accountant, has prepared his Income and Expenditure Account, for the year ending 31st March 1927, as shown below. Prepare an adjusted account to show his assessable income for income-tax assessment, and find out the amount of his income-tax. He is a part-time lecturer at a Government College and an examiner to the University, and also owns private Accountancy Classes.

Dr. <i>Income and Expenditure Account.</i>		Cr.	
Rs.		Rs.	
To Office Expenses ...	2,735	By Audit Fees ...	5,700
" Class "	837	" Income from Legal	
" Personal "	6,205	Accountancy Jobs...	3,806
" Income-tax	283	" Dividends	348
" Subscriptions to		" Private Class Fees...	2,700
War Fund and		" College Salary	
Concerts...	500	(less tax at 6 pies)	4,650
" Life Insurance		" Honorarium	as
Premium	750	" Examiner	1,750
" Compulsory Sub-		" Bank Interest	124
scription to various		" Profit on Sale of	
Accountants' So-		Investments	150
cieties	85	" Rent from sub-	
" Subscriptions and		tenant	600
Donations to Ac-		" Present from	
countants' Benevo-		students	1,000
lent Fund	100		
" Net income	9,333		
	<u>Rs. 20,828</u>		<u>Rs. 20,828</u>

Dr. <i>(a) Income and Expenditure Account adjusted</i>		Cr.	
<i>for Income-tax.</i>		Rs.	
Rs.		Rs.	
Dividends	348	Net Income (as	
College Salary		above)	9,333
(less tax)	4,650	Personal Expenses	6,205
Profit on Sale of		Income-tax	283
Investments	150	Subscriptions to	
Present from stu-		War Fund and	
dents	1,000	concerts	500
Taxable income	11,023	Subscriptions and	
		Donations to Ac-	
		countants' Benevo-	
		lent Fund	100
		Life Insurance Pre-	
		mium	750
	<u>Rs. 17,171</u>		<u>Rs. 17,171</u>

Dr. (b) *Income and Expenditure Account adjusted for Income-tax.* Cr.

	Rs.		Rs.
Office expenses ...	2,735	Audit Fees ...	5,700
Class " ...	837	Income from Legal	
Compulsory Sub-		Accountancy Jobs	3,806
scriptions to various		Private Class Fees.	2,700
Accountants'		Honorarium as	
Societies ...	85	Examiner ...	1,750
Taxable income	11,023	Bank Interest ...	124
		Rent from sub-	
		tenant ...	600
	<hr/>		<hr/>
	Rs. 14,680		Rs. 14,680
	<hr/>		<hr/>

Though Govind will pay the income-tax on Rs. 10,273, in order to fix the rate of tax thereon, his income from other sources already taxed must also be aggregated, as follows :—

(a) Income already taxed :—(Gross).		
1. Dividend from Investments (taxed at 18 pies) ... ..	384	
2. College Salary (taxed at 6 pies) ... ..	4,800	
	<hr/>	5,184
(b) Income not taxed (as above)		11,023
		<hr/>
Total Income at 9 pies		Rs. 16,207
		<hr/>
(c) Net Taxable Income :—		
Income as per (b) ... ..	11,023	
Less Insurance Premium paid ...	750	
		<hr/>
		Rs. 10,273
		<hr/>

As Govind's total income is less than Rs. 20,000 and more than Rs. 10,000, his income from all sources ought to have been taxed at 9 pies in the rupee. His dividends have, however, been taxed at 18 pies in the rupee; he can, therefore, claim a refund of 9 pies in the rupee on Rs. 384. But his salary has been taxed at 6 pies in the rupee, and he will, therefore, have to pay a further tax of 3 pies in the rupee on Rs. 4,800. The total net amount of tax payable by him is Rs. 538-9-0 as shown below:—

	Rs.	Rs. a. p.
Tax of 9 pies in the rupee on	10,273	481 9 0
" 3   "   "   "   "	4,800	75 0 0
		<hr/>
		556 9 0
Less Refund of 9 pies in the rupee on Rs. 384		18 0 0
		<hr/>
Net tax payable ... Rs.		538 9 0
		<hr/>

## ASSESSMENT FORM

Assessment for 1927-1928.

DISTRICT OR AREA—BOMBAY.

Name of Assessee—A. B. Govind. Number in General Index—109

Address; Lamington Villa, Lamington Road, Number of miscellaneous record—124

Serial No.	Detailed sources of income.	Amount of income.		Tax deducted at source		REMARKS.
		Rs.	P.	Rs.	P.	
1	Salary ... ..	4,800		150	0	
2	Interest on Securities ... ..	...	...	...	...	
3	Property ... ..	...	...	...	...	
4	Business ... ..	...	...	...	...	
5	Profession ... ..	11,023		...	...	
6	Other sources ... ..	...	...	...	...	
7	Dividends (348 + 3/29 ths.)	384		36	0	
						Rs. A
(i) Total income ... ..		...	...	...	...	16,207
(ii) Deduction on account of provident fund, insurance premia, etc. ...		750				
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax... ..		...	...	384		
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government ...		...	...			
						1,134
(v) Income now to be taxed ... ..		...	...	...	...	15,073
(vi) Rate applicable nine pias per rupee ...		...	...	...	...	
(vii) Amount of tax ... ..		...	...	...	...	706 9

	Rs.	A.		
(viii) Deduction under section 17	...			
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5)	150	0		
(x) Abatement on account of dividends (at 9 pies per rupee) on Rs. 384	18	0		
(xi) Abatement on account of income from a registered firm (at pies per rupee)	...	...		
			168	0
(xii) Net amount of tax	...		538	9
(xiii) Penalty under section 28 or section 25 (2)	...		...	...
(xiv) Total sum payable (in figures as well as in words)	...		538	9
Rupees Five hundred, thirty-eight annas nine				

C. D. E.,

Dated 21st September 1927.

Income-tax Officer.

## CHAPTER VII.

### MISCELLANEOUS.

#### 1. Income from other Sources.

Income and profits of every kind and from every source to which this Act applies (other than those included in the preceding five Chapters), except agricultural income, shall be taxable under this head, *e. g.*, interest on mortgage, loan, etc.; interest on banking accounts; income accrued outside, but received in, British India; profit on other transactions; directors' fees, etc.; ground rent, etc.

Such income or profits shall be computed after making allowance for any expenditure or loss (not of a capital nature) incurred solely for the purpose of earning such income, provided that no allowance shall be made on account of any personal expenses or drawings of the Assessee.

#### 2. Taxable Income.

The aggregate amount of an Assessee's income from all sources chargeable under the above para. 1 and chargeable under the preceding five Chapters shall be the "Taxable Income" of such Assessee, subject to the following deductions :—

- (a) Any income which the Assessee enjoys as a member of a company, or of a firm, or of an undivided Hindu family, where the company, firm or the family has been already assessed.

- (b) Any sum paid by the Assessee to effect an insurance on his own life or on that of his wife, or as a contribution to any Provident Fund (to which the Provident Funds Act, 1897, applies,) not exceeding in all one-sixth of the income chargeable to tax. A claim for such deduction or exemption must be made within one year from the last day of the year in which the tax was recovered and must be supported by premium receipt (either original or duplicate) or such other proof as the Income-Tax Officer may deem sufficient. This deduction will be made after the taxable income has been ascertained and the rate of tax fixed thereon. No such deduction is allowed for Super Tax.

In determining the rate at which the tax is to be charged, gross income from all sources, whether taxed at source or not, except share from joint family income, should be aggregated.

*Illustration:*—Ascertain the taxable income of Dr. M. N. Navsarivalla, of 103, Cumballa Hill, from the particulars of his income given in the illustration in Chapter V, para 4 (c).



*Statement for Income-tax Assessment.*

*(a) Income already taxed or not to be taxed :-*

Source of income.	Rate.	Net income	Tax deduct-	Gross
		received.	ed at	income.
		Rs.	Rs. a. p.	Rs.
1. Salary as Secretary	350	4,090-10-0	109- 6-0	4,200
2. Bombay Bank Shares ...	15 %	1,125- 0-0	116- 6-0	1,241
3. Merchant Manu- facturing Co. Shares ...	6 %	543-12-0	56- 4-0	600
4. War Loan ...	5 %	1,000- 0-0	Nil	1,000
5. Government Loan	3½ %	317- 3-0	32-13-0	350
6. Moslem Mill Debentures ...	6 %	217- 8-0	22- 8-0	240
7. Share in Mer- wanji & Bili- morla ...	½rd	4,350- 0-0	450- 0-0	4,800
		<u>Rs. 11,644- 1-0</u>	<u>787- 5-0</u>	<u>12,431</u>

*(b) Income to be taxed or taxable income :-*

	Rs.
1. Income from medical practice ...	817
2. Interest from 7½ per cent. Mortgage Loan ...	375
3. Income from property ...	3,218
4. Dividends of Diamond shares ...	56
5. Income from joint venture ...	900
6. Director's fee ...	180
7. Ground rent ...	41
	<u>5,587</u>
Total income at 9 pias ...	<u>Rs. 18,018</u>

(c) *Net taxable income:—*

	Rs.	Rs.
Income as per (b) ...	...	5,587
Less Life Insurance Premium ...	795	
Subscriptions to Provident Fund ...	350	
	<u>        </u>	1,145
		<u>Rs. 4,442</u>

As the Assessee's income from all sources, *viz.*, Rs. 18,018, is more than the Rs. 10,000, but less than Rs. 20,000, he ought to pay the tax at 9 pies in the rupee on his income from all sources. He has, however, paid the tax on Rs. 12,431 at various rates from 5 pies to 18 pies in the rupee. If he has paid the tax on certain income at less than 9 pies, he will have to pay the balance now. If, on the other hand, he has paid on some income at more than 9 pies, he can claim a refund of the excess tax paid. He will also have to pay the tax on his taxable income of Rs. 4,442 at 9 pies in the rupee.

*Statement showing the Tax payable and recoverable.*

Sources.	In- come.	Rate. Pies per rupee.	Tax payable.	Tax recoverable.
	Rs.		Rs. a. p.	Rs. a. p.
(a) <i>Taxable income as shown above...</i>	4,442	9	208 4 0	Nil
1. Salary as Secretary ...	4,200	4	87 8 0	Nil
2. Share in the Registered Firm of Merwanji and Bilimoria ...	4,800	9	Nil	225 0 0
3. Merchant Manufacturing Co. shares ...	600	9	Nil	28 2 0

4. Interest from Government Loan ...	350	9	Nil	15	7	2
5. Debenture interest ...	240	9	Nil	11	4	0
6. Bombay Bank shares ...	1,241	9	Nil	58	3	0
				<u>295</u>	<u>12</u>	<u>0</u>
					<u>339</u>	<u>0</u>

Thus, he would get a net refund of Rs. 43 4 0

**ASSESSMENT FORM.**  
**Assessment for 1927-1928.**

DISTRICT OR AREA, BOMBAY.

Name of Assessee-M. N. Navsarivalla. } Number in General Index--385  
Address: 15, Gowalia Tank Road. } Number of miscellaneous record —302

Serial No.	Detailed source of income.	Amount of income.			Tax deducted at source.	REMARKS.
		Rs.	Rs.	a.		
1	Salary ...	4,200	109	6		
2	Interest on Securities ...	590	55	5		
	Do. do. (F. of T.) ...	1,000	...	...		
3	Property ...	3,218	...	...		
4	Business ...	4,800	450	0		
5	Profession ...	817	...	...		
6	Other Sources (375 + 41 + 180 + 900 + 56)	1,552	...	...		
	Dividends	1,81	172	10		
	{(1,125 + 3/29 ths.) + 600}					

	Rs.	a.	Rs.	a.
(i) Total income ... ..			18,018	1
(ii) Deduction on account of provident fund, insurance premia, etc. ...	1,145			
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax ...	4,800			
	1,841			
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government ...	1,000		8,786	
(v) Income now to be taxed ...			9,232	
(vi) Rate applicable nine pies per rupee.				
(vii) Amount of tax ... ..			432	12
	Rs.	a.		
viii) Deduction under section 17 ...				
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ... ..	1096			
	555			
(x) Abatement on account of dividends (at 9 pies per rupee) on Rs. 1,841...	865			
(xi) Abatement on account of income from a registered firm (at 9 pies per rupee) on Rs. 4,800 ...	225	0	476	0
(xii) Net amount of refund ...			43	4
(xiii) Penalty under section 23 or section 25 (2) ... ..			...	...
(xiv) Total sum to be refunded — (in figures as well as in words) ...			43	4
rupees Forty-three, annas Four				

D. E. F.,

Dated 21st September 1927.

### 3. Tax to be calculated to nearest anna.

In calculating the amount of tax or refund payable, the amount due on a fraction of an anna less than six pies of the taxable income shall be ignored, while the fraction equal to or more than six pies shall be regarded as one anna.

### 4. Reduction of Tax, when margin above a certain limit is small.

Where owing to the fact that the total income of any person has reached or exceeded a certain limit he is liable to pay income-tax or to pay income-tax at a higher rate, the amount of income-tax payable by him shall, where necessary, be reduced so as not to exceed the aggregate of the following amounts, namely:—

- (a) the amount which would have been payable if his total income had been a sum less by one rupee than that limit, and
- (b) the amount by which his total income exceeds that sum.

*Illustrations* : (1) A's assessable income is Rs. 10,050. In absence of the above clause (section 17 of the Act), he would have had to pay Rs. 471, viz., 9 pies in the rupee on Rs. 10,050. But now he will have to pay Rs. 363 only (viz.,  $a + b$  above), as shown below:—

- (a) Rs. 312 viz., 6 pies in the rupee on Rs. 9,999  
(one rupee less than Rs. 10,000.)
- (b) Rs. 51 viz., Rs. 10,050 less Rs. 9,999.

Rs 363

(2) B's Income from : —

(a) Business Rs. 5,010, with Life Insurance  
Premium of Rs. 100.

OR

	Rs.	Rs.
(b) Property ...	4,910	
Interest on Tax Free Securities...	100	5,010
	<u>        </u>	<u>        </u>

OR

(c) Profession.	4,910	
Share in Unregister- ed Firm (taxed to I. T.) ...	100	5,010
	<u>        </u>	<u>        </u>

In either of the above three cases, the tax payable is Rs. 138-9-0, as follows :—

	Rs.	a.	p.
On Rs. 4,899 (i. e. 4,999-100)			
@ 5 pias ... ..	127	9	0
Add Rs. 11 (i. e. 5,010-4,999)	11	0	0
	<u>138</u>	<u>9</u>	<u>0</u>

(3) C's Income is from :—

	Rs.	Rs.
a) Business ...	4,910	
Dividends ...	100	5,010
OR		
(b) Property ...	4,910	
Share in Registered Firm (taxed To I. T.) ...	100	5,010
OR		
(c) Profession ...	4,910	
Gross Interest on Securities (taxed at source) ...	100	5,010

In either of the above three cases, C will have to pay Rs. 131-13-0, as follows :—

	Rs.	a.	p.
On Rs. 4,999 at 5 pies ...	130	3	0
Add Rs. 11 (i. e. 5,010-4,999) ...	11	0	0
Less 18 pies on Rs. 100 ...	9	6	0
	131	13	0

(4) D has got income from business Rs. 896 and from Tax Free Securities Rs. 1,152. He pays Life Insurance Premium of Rs. 121. He will have to pay a tax of Rs. 20-3-0, no relief being admissible to him under sec. 17 of the Indian I. T. Act, 1922.

	Rs.
Interest on T. F. Securities ...	1,152
Business ...	896
	2,048
	Rs.
Less Insurance ...	121
T. F. Interest ...	1,152
	1,273
Income taxable at 5 pies ...	775

Tax at 5 pies is equal to Rs. 20-3-0.

(5) E has business income of Rs. 2,935 and pays Life Insurance Premium of Rs. 200. His income from T. F. Securities is Rs. 2,075. He will pay Income-Tax of Rs. 81-15-0 thus :—

	Rs.
Business ...	2,935
Tax Free Securities Interest...	2,075
	5,010



	i	Rs.	a.	p.
On Rs. 2,724, i. e. 4,999-(2,075 + 200)				
@ 5 pies	...	...	70	15 0
Add Rs. 11 (i.e. 5,010-4,999)	...	...	11	0 0
			<hr/>	<hr/>
			81	15 0

(6) F is a property owner, with an annual net income of Rs. 896/- from that source. His business yielded a net profit of Rs. 1,152/- making his total income of Rs. 2,048/-. He pays insurance premium on his life @ Rs. 121 per annum. He will pay a tax of Rs. 45-14-0 as follows :-

	Rs.	a.	p.
Income under sec. 17 (i.e. 2,048-1,999)	...	...	49 0 0
Less 5 pies on Rs. 121	...	...	3 2 0
			<hr/>
			45 14 0

His assessment form will be written up thus :-

## ASSESSMENT FORM.

Assessment for 1927-1928.

DISTRICT OR AREA—BOMBAY.

Name of Assessee. F.                      Number in General Index-39.  
 Address: 35, Kalbadevi                      Number of miscellaneous record-41  
 Road, Bombay.

Serial No.	Detailed sources of income.	Amount of income			REMARKS.
		Rs.	Rs.	a	
1					
2					
3	Property	896			
4	Business	1,152			
5					
6					

(i) Total income	...	Rs.	a.	2,048
(ii) Deduction on account of provident fund, insurance premia, etc.	...	Rs.	a.	121
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax	...			
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a Local Government...	...			121
(v) Income now to be taxed	...			1,927
(vi) Rate applicable	5 pias per rupee	...	...	
(vii) Amount of tax...	...	...	...	503

	Rs.	a.	
(viii) Deduction under section 17 ...	4	5	
(ix) Amount of deductions at source from salary or interest on secu- rities for which credit is given under section 18 (5) ...			
(x) Abatement on account of dividends (at _____ pias per rupee) ...			
(xi) Abatement on account of income from a registered firm (at _____ pias per rupee) ...			4 5
(xii) Net amount of tax ...			45 14
(xiii) Penalty under section 28 or sec- tion 25 (2) ...			
(xiv) Total sum payable (in figures as well as in words) ...			45 14
Rupees Forty-five and annas Fourteen			

X. Y. Z.

Dated 21st September 1927. *Income-tax Officer.*

Note:—On Rs. 2,048 @ rate—(2,048-1,999)—49-0-0

Less 5 pias on Rs. 121 ... 3-2-0

Rs. 45-14-0

(7) G's income is as follows : He pays a Life Insurance Premium of Rs. 200.

Business	Rs. 2,075
Property	2,935
	<hr/>
	Rs. 5,010

He will have to pay a tax of Rs. 136 as follows:—

On Rs. 4,799/- (i. e. 4,999-200)	
@ 5 pies.....	Rs. 125
Add Rs. 11 (i. e. 5,010-4,999).....	Rs. 11
	<hr/>
	Rs 136

**Note:—**

In absence of section 17, G would have had to pay Rs. 150-5-0, i. e. on Rs. 4,810 (i. e. 5,010-200) @ 6 pies.

## ASSESSMENT FORM.

Assessment for 1927-1928.

DISTRICT OR AREA—BOMBAY.

Name of Assessee. G.                      Number in General Index—325.  
 Address : 25, Girgaum Road, Bombay.      Number of miscellaneous record—389.

Serial No.	Detailed sources of income.	Amount of income.		Tax deducted at source		REMARKS.
		Rs.	Rs.	a.		
1						
2						
3	Property	2,935				
4	Business	2,075				
5						
6						
(i) Total income ... ..						Rs. 5,010
(ii) Deduction on account of provident fund, insurance premia, etc. ...			200	0		
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax ...						
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government.						200
(v) Income now to be taxed ... ..						4,810
(vi) Rate applicable six pias per rupee						
(vii) Amount of tax ... ..						150 5

	Rs.	a.	
(viii) Deduction under section 17 ...	14	5	
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ...			
(x) Abatement on account of dividends (at _____ pies per rupee)			
(xi) Abatement on account of income from a registered firm (at _____ pies per rupee)...			14 5
(xii) Net amount of tax ...			136 0
(xiii) Penalty under section 28 or section 25 (2) ...			
(xiv) Total sum payable (in figures as well as in words) ...			136 0
Rupees One Hundred & Thirty-six only, annas Nil			

A. B. C.

Dated 21st September 1927. Income-tax Officer

Note —On Rs. 4,799 (i. e. 4,999-200) @ 5 pies—125

Add Rs. 11 (i. e. 5,010-4,999) 11

Rs. 136

### **5. Appearance by authorised representative.**

Any Assessee, who is entitled or required to attend before any Income-Tax Official in connection with any proceedings under this Act, may attend either in person or by any person authorized by him in writing in this behalf.

### **6. Place of Assessment.**

Where an Assessee carries on business at any one place, he shall be assessed by the Income-Tax Officer of the area in which that place is situate or, where the business is carried on in more places than one, by the Income-Tax Officer of the area in which his principal place of business is situate.

In other cases, the Assessee will be assessed by the Income-Tax Officer of the area in which he resides.

### **7. Insurance companies.**

#### *(a) Rules for determining Taxable Income.*

##### *(1) Life Assurance and Annuity Business:—*

The taxable income of insurance companies carrying on Life Assurance or Annuity business shall be determined by taking the annual average of the total profits disclosed by the last preceding actuarial valuation.

Provided that any deductions made from the Gross Income, in arriving at the actuarial valuation, which are not admissible for the purpose of income-tax assessment and any Indian income-tax, deducted from or paid on income derived from invest-

ments before such income is received, shall be added to the net profits disclosed by the valuation.

If the tax deducted at source from interest on investments of such companies exceeds the tax on profits thus calculated, a refund may, as a concession, be permitted of the amount by which the deduction from interest on investments exceeds the tax payable on profits.

(2) *Fire, Marine, etc., Business*:—In determining the taxable income of insurance companies carrying on other classes of insurance business, such as Fire, Marine, Personal Accident, Employer's Liability, Fidelity Guarantee, Burglary, Third Party, etc., the taxable income shall be determined by annual calculation of profits, but the amounts actually credited by any such insurance company in the ordinary accounts of its business for the previous year to any fund established for the sole purpose of forming a reserve to meet outstanding or unexpired liabilities to policyholders (including therein risk of exceptional losses) shall be treated as expenditure incurred solely for the purpose of earning the profits of the business in that year.

(3) *Any kind of insurance business*:—Any amount either written off in the accounts or through the Actuarial Valuation Balance Sheet to meet depreciation of, or loss on, securities or other assets, or which is carried to a reserve fund formed for that sole purpose and not used for any other purpose, may be treated as expenditure incurred solely for the purpose of earning the profits of the



business. Any sums taken credit for in the accounts or Actuarial Valuation Balance Sheet on account of appreciation of or gains on the securities or other assets shall be deemed to be income chargeable to tax, subject always to deduction of such portion thereof as has been otherwise taken into account in calculating the income, profits or gains.

*(4) Indian Branches of Non-Resident Insurance Companies.*

The total income of the Indian branches of non-resident insurance companies (Life, Marine, Fire, Accident, Burglary, Fidelity, Guarantee, etc.), in the absence of more reliable data, may be deemed to be the proportion of the total income, profits or gains, of the companies, corresponding to the proportion which their Indian premium income bears to their total premium income.

*(b) Actual Assessment.*

The above rules relate merely to the determination of taxable income from different classes of insurance business. The actual assessment, however, of an insurance company carrying on more than one class of business should be determined as to its rate and amount by its aggregate taxable income from all classes of business which it carries on.

**8. Assessment on Owners and Charterers of Tramp steamers, etc.**

The provisions of this clause shall, notwithstanding anything contained in the other provisions of this Act, apply for the purpose of the levy and

recovery of tax in the case of any person who resides out of British India and carries on Business in British India in any year as the owner or charterer of a ship (such person hereinafter in this chapter being referred to as the principal), unless the Income-Tax Officer is satisfied that there is an age of such principal from whom the tax will be recoverable in the following year under the other provisions of this Act.

Before the departure from any port in British India of any ship in respect of which the provisions of this chapter apply, the master of the ship shall prepare and furnish to the Income-Tax Officer a return of the full amount paid or payable to the principal, or to any person on his behalf, on account of the carriage of all passengers, live-stock or goods shipped at the port since the last arrival of the ship thereat.

On receipt of the return, the Income-Tax Officer will assess the amount referred in subsection (1), and for this purpose may call for such accounts or documents as he may require, and one-twentieth of the amount so assessed shall be deemed to be the amount of the profits and gains accruing to the principal on account of the carriage of

the master of the ship, and a port clearance shall not be granted to the ship until the Custom's Collector or other officer duly authorised to grant the same, is satisfied that the tax has been duly paid.

Nothing in this chapter shall be deemed to prevent a principal from claiming, in any year following that in which any payment has been made on his behalf under this chapter, that an assessment be made of his total income in the previous year, and that the tax payable on the basis thereof be determined in accordance with the other provisions of this Act, and, if he so claims, any such payment as aforesaid shall be treated as a payment in advance of the tax and the difference between the sum so paid, and the amount of tax found payable by him, shall be paid by him or refunded to him as the case may be.

*Illustrations :—*

**INCOME-TAX FORM, 1927-28.**

1. Name of vessel : S. S. " Miyamaru. "
2. Name of owners (or charterers) : A. B. C. & Co.,  
Finland.
3. Name of Agent in Bombay (if any) : Messrs.  
Niyogami, Ltd.
4. Number of passengers shipped in Bombay : Nil.
5. Quantity of live stock shipped in Bombay : Nil.
6. Tonnage loaded in Bombay : 7,000 tons D. W.
7. Amount paid or payable to the Owners or Charterers on account of :—

- (A) Item number 4 above : Rs. Nil  
 (B) Item No. 5 above : Rs. Nil  
 (C) Item No. 6 above : Rs. 87, 804-14-0

8. Probable date of departure of ship :  
 31st January 1928.

P. Q. R.

*Signature of Master of Ship.*

- |                               |     |        |    |    |
|-------------------------------|-----|--------|----|----|
| 1. Amount paid or payable :   | Rs. | 87,804 | 14 | 0  |
| 2. Profits at one-twentieth : | „   | 4,390  | 3  | 11 |
| 3. Tax due at 18 pies :       | „   | 411    | 9  | 4  |

P. D.,

*Income-tax Officer.*

The X. Y. Z. Co., Ltd.                      5, Hornby Road,  
 Bombay, 28th January 1928.

The Senior Income-Tax Officer,  
 Bombay.

Sir,

S. S. "Brownside."

We have the honour to inform you that the total freight accruing to Owners for the above vessel's present voyage amounts to as under :—

S. S. Brownside, Glasgow.

Total 6,782, 1328 T D/W, at the charter rate of 14/6 per ton for one loading port to two discharging ports ... .. £ 4,917-0-11

For assessments of profits 1/20th of £ 4,917-0-11 = £ 245-17-0, at 1/5 29/32 rate of exchange on 19-6-1926, the date of steamer's sailing, Rs. 3,295-2-6.

We would request you to kindly confirm the above by submitting your notice of demand at your earliest convenience.

We have the honour to be,

Sir,

Your most obedient servants,

A. B. & Co.,

Agents,

The X. Y. Z. Co., Ltd.

#### 9. Liability of Persons other than Assessee.

##### (a) *Guardians, Trustees and Others.*

In the case of any guardian, trustee or agent of any person being a minor, lunatic or idiot, or residing out of British India (called hereinafter "Beneficiaries"), being in receipt on behalf of such beneficiary of any income, profits or gains chargeable under this Act, the tax shall be levied upon and recoverable from such guardian, trustee or agent, as the case may be, in like manner and to the same amount as it would be leviable upon and recoverable from any such beneficiary if of full age, sound mind or resident in British India, and in direct receipt of such income, profits or gains and all the provisions of this Act shall apply accordingly.

If a guardian, trustee or agent disposes of the assets and funds in his hands, without paying or providing for any income-tax due, he renders him-

self personally liable to pay the tax, since he will be deemed to have misapplied the assets and funds.

(b) *Courts of Wards, etc.*

In the case of income, profits or gains chargeable under this Act, which is receivable by the Court of Wards, the Administrator-General, the Official Trustee, or by any receiver or manager, appointed by or under any order of a Court, the tax shall be levied upon and recoverable from such party, in the like manner and to the same amount as it would be leviable upon and recoverable from any person on whose behalf such income, profits or gains, is received and all the provisions of this Act shall apply accordingly.

(c) *Non-Residents.*

(1) In the case of any person residing out of British India, all profits or gains accruing or arising to such person, whether directly or indirectly, through or from any business connection or property in British India shall be deemed to be income accruing or arising within British India, and shall be chargeable to income-tax in the name of the agent of any such person, and such agent shall be deemed to be, for all the purposes of the Act, the Assessee in respect of such income-tax.

Provided that any arrears of tax may be recovered also in accordance with the provisions of this Act from any assets of the non-resident person which are, or may at any time come, within British India.

(2) When a person not resident in British India, and not being a British subject, or a firm, or company, constituted within His Majesty's dominions or a branch thereof, carries on business with a person resident in British India, and it appears to the Income-Tax Officer, or the Assistant Commissioner, as the case may be, that owing to the close connection between the resident and the non-resident person and to the substantial control exercised by the non-resident over the resident, the course of business between those persons is so arranged, that the business done by the resident in pursuance of his connection with the non-resident produces to the resident either no profits or less than the ordinary profits which might be expected to arise in that business, the profits derived therefrom or which may reasonably be deemed to have been derived therefrom, shall be chargeable to income-tax in the name of the resident person, who shall be, for all the purposes of this Act, the Assessee in respect of such income-tax.

(3) Where any profits or gains have accrued or arisen to any person directly or indirectly from the sale in British India by him or by any agency or branch on his behalf of any merchandise exported to British India by him or any agency or branch on his behalf from any place outside British India, the profits or gains shall be deemed to have accrued and arisen and to have been received in British India, and no allowance shall be made under sub-section (2) of section 10 in respect of any buying or other commission whatsoever not actu-

ally paid, or of any other amounts not actually spent, for the purpose of earning such profits or gains."

In any case in which the Income-Tax Officer is of opinion that the actual amount of the income, profits or gains accruing or arising to any person residing out of British India, whether directly or indirectly through or from any business connection in British India, cannot be ascertained, the amount of such income, profits or gains for the purposes of assessment to income-tax may be calculated on such percentage of the turnover so accruing or arising as the Income Tax Officer may consider to be reasonable, or on an amount which bears the same proportion to the total profits of the business of such person (such profits being computed in accordance with the provisions of the Indian Income-Tax Act) as the receipts so accruing or arising bear to the total receipts of the business, or in such other manner as the Income-Tax Officer may deem suitable.

NOTE.—Any person employed by or on behalf of a person residing out of British India, or having any business connection with such person or through whom such person is in the receipt of any income, profits or gains, upon whom the Income-Tax Officer has caused a notice to be served of his intention of treating him as the agent of the non-resident person, shall, for the purposes of this Act, be deemed to be such agent. Provided that no person shall be deemed to be the agent of a non-resident person, unless he has had an oppor-



tunity of being heard by the Income-Tax Officer as to his liability.

*(d) Liquidators and Trustees.*

The liability of such persons is similar to that of guardians and agents, as stated in the above paragraph (a). If, therefore, a liquidator or trustee distributes the assets in his hands, without providing for income-tax, he will have to pay the tax out of his own pocket.

**10. Liability in case of a discontinued firm or partnership.**

When any business, profession or vocation carried on by a firm has been discontinued, every person who was at the time of such discontinuance a member of such firm shall be jointly and severally liable for the amount of the tax payable in respect of the income, profits and gains of the firm.

**11. Recovery of Tax and Penalties.**

*(a) Tax when payable:*—The amount specified as payable in a notice of demand or an order shall be paid within the time, at the place, and to the person, mentioned in the notice or order, or if a time is not so mentioned, then on or before the first day of the second month following the date of the notice or order, and any Assessee failing so to pay shall be deemed to be in default, provided that when an Assessee has presented a petition, the Officer may in his discretion treat the Assessee as not being in default as long as such petition is undisposed of.

(b) *Mode and time of recovery:—*

(1) When an Assessee is in default in making a payment of income-tax, the Income-Tax Officer may in his discretion direct that, in addition to the amount of the arrears, a sum not exceeding that amount shall be recovered from the Assessee by way of penalty.

For the purposes of sub-section (1), the Income-tax Officer may direct the recovery of any sum less than the amount of the arrears and may enhance the sum so directed to be recovered from time to time in the case of a continuing default, so however that the total sum so directed to be recovered shall not exceed the amount of the arrears payable.

(2) Where there is no regular staff for the collection of the tax, and where there is no moveable property of an Assessee which could be attached, the Income-Tax Officer may forward to the Collector a certificate under his signature specifying the amount of arrears due from an Assessee, and the Collector, on receipt of such certificate, will proceed to recover from such Assessee the amount specified therein as if it were an arrear of land-revenue.

(3) In any area, with respect to which the Commissioner has directed that any arrears may be recovered by any process enforceable for the recovery of an arrear of any municipal tax or local rate imposed under any enactment for the time being in force in any part of the province, the Income-Tax Officer may proceed to recover the amount due by such process.

(4) The Commissioner may direct by what authority, any powers or duties incident under any such enactment as aforesaid to the enforcement of any process for the recovery of a municipal tax or local rate shall be exercised or performed when that process is employed under sub-para. (3).

(5) If any Assessee is in receipt of any income chargeable under the head "Salaries," the Income-Tax Officer may require any person paying the same to deduct from any payment subsequent to the date of such requisition, any arrears due from such Assessee, and such person shall comply with any such requisition and shall pay the sums so deducted to the credit of the Government of India, or as the Central Board of Revenue directs.

(6) The Local Government may direct, with respect to any specified area, that income tax shall be received therein, with, and as an addition to, any municipal tax or local rate by the same person and in the same manner as the municipal tax or local rate is recovered.

(7) Save in accordance with the provisions of clause 6 (c) above, no proceedings for the recovery of any sum payable under this Act shall be commenced after the expiration of one year from the last day of the year in which any demand is made under this Act.

(c) *Recovery of Penalties*:—Any sum imposed by way of penalty under this Act shall be recoverable in the manner provided above for the recovery of arrears of tax.

**Notice imposing a Penalty under  
Section 46, Indian Income-tax Act, 1922.**

---

INCOME-TAX OFFICE,

*Dated*

192 .

To

Whereas you have not paid the sum of \_\_\_\_\_  
 due on account of Income-tax  
 for the year \_\_\_\_\_ on the  
 prescribed date \_\_\_\_\_ in accordance  
 with the notice of demand sent to you on \_\_\_\_\_  
 you are hereby informed  
 that a penalty of Rs. \_\_\_\_\_ has been  
 imposed upon you under section 46 (1) of the  
 Indian Income-tax Act, 1922.

2. You are further informed that if you pay  
 the amount of tax due on or before the  
 192 , a sum of Rs. \_\_\_\_\_  
 will be remitted from the penalty and the sum of \_\_\_\_\_

Rs. \_\_\_\_\_ will be payable by you. A  
 chalan for the payment of Rs. \_\_\_\_\_  
 is accordingly enclosed for presentation at the  
Treasury  
Sub-Treasury \_\_\_\_\_ as  
Branch of Imperial Bank of India

but is only valid up to and  
 including the \_\_\_\_\_ 192 . If pay-  
 ment is not made on or before this date, it will be  
 necessary for you to apply to me for the issue of a  
 new chalan, \*(and a warrant of distress will be  
 issued for the recovery of the whole amount due  
 with costs).

Office Seal.

Income-tax Office.

---

\* For use in those areas only in which the Commission  
 of Income-tax has issued instructions under section 4(3).

**Second or subsequent notice regarding  
the imposition of a penalty under  
section 46, Indian Income-tax Act, 1922.**

---

INCOME-TAX OFFICE,

*Dated*

192

To

Whereas a penalty of Rs. \_\_\_\_\_  
was imposed on you on the \_\_\_\_\_ 192  
under section 46(1) of the Indian Income-tax Act,  
1922, and whereas you were informed that if the  
arrear of income-tax due from you was paid on or  
before the \_\_\_\_\_ 192, a certain  
sum would be remitted from the penalty, and  
whereas the arrear of income-tax has not been paid  
by the date aforesaid and the concession has lapsed,  
you are hereby informed that if you pay the said  
arrear on or before \_\_\_\_\_ 192 a  
sum of Rs. \_\_\_\_\_ will be remitted from  
the penalty and the sum of Rs. \_\_\_\_\_

will be payable by you. A chalan for the payment of Rs. is accordingly enclosed for

presentation at the Treasury  
Sub-Treasury  
Branch of Imperial Bank of India

at but is only valid up to and including the 192 . If payment is not made on or before this date, it will be necessary for you to apply to me for this issue of a new chalan, \*(and a warrant of distress will be issued for the recovery of the whole amount due with costs).

Office Seal.

Income-tax Officer.

\* For use in those areas only in which the Commissioner of Income-tax has issued instructions under section 46(3).

**Certificate under section 46 (2) of the  
Indian Income-tax Act, 1922.**

INCOME-TAX OFFICE \_\_\_\_\_

Dated \_\_\_\_\_

To

THE COLLECTOR, \_\_\_\_\_ DISTRICT.

THIS is to certify that the sum of Rs. \_\_\_\_\_

\_\_\_\_\_ which is due from \_\_\_\_\_

\_\_\_\_\_ son of \_\_\_\_\_

\_\_\_\_\_ resident of \_\_\_\_\_

on account of <sup>income-tax</sup> and <sub>super-tax</sub> penalty is in arrear.

With reference to the provisions of sub-section (2) of section 46 of the Indian Income-tax Act, 1922, you are hereby requested to recover the same as if it were an arrear of land revenue.



*Income-tax Officer.*



No. \_\_\_\_\_

**Distress Warrant.**

Place—

Date—

192 .

Name—

Number in Index Register—

✕ No. \_\_\_\_\_

**Distress Warrant.**

INCOME TAX OFFICE, \_\_\_\_\_

To

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Whereas

of

has not paid or shown sufficient cause, to my satisfaction, for the non-payment of the sum of Rs.

due on account of income-tax (as detailed below) for the year super-tax

although the said sum has been duly demanded in writing from the said \_\_\_\_\_

whereas an order has been issued under section 46 (1) of the Indian Income-tax Act, 1922, that, in addition to the amount of the aforesaid arrears, a sum of Rs. \_\_\_\_\_ shall be levied by way of penalty and

the said \_\_\_\_\_ was warned that if the amount of arrears and penalty aforesaid were not paid within fifteen days, a warrant of distress would be issued] \* [and whereas the said period of fifteen days has elapsed] this is to direct you to

✕ distrain the moveable property of the said goods and chatties

Number in register of demand and collections—

Date of service of notice imposing penalty under section 46 (i)—

Name of Distraing Officer—

Amount demanded-Rs.,.....

Income-tax No.:

to the amount of the said sum of Rs. together with \*a fee of Rs. payable on the issue of this warrant and] such further sum as may be sufficient to defray the cost of recovering the said amounts and if within seven days next after such distress the said sum of Rs. shall not be paid together with such further sum as shall be sufficient to defray the said costs, to sell the said † moveable property ; and having paid and deducted out of the goods and chattels proceeds of the sale the said sum of Rs. and the cost of recovering the same, to return the surplus, if any, and if the same be demanded within † three years from the date of the sale, to the person whom you shall find in possession of the said property. If sufficient distress cannot be found of the † moveable property of the goods and chattels said you are to certify the same to me together with this warrant.

Details of amount due.

Given under my hand and seal } Income-tax Officer.  
 this day of 192 . }

\* The words in brackets should be omitted or modified according to circumstances.

† The superfluous words should be deleted.

## **12. Religious, Charitable and like Institutions.**

When investments are held by concerns like Church, Hospital, Library, Gymkhana, Museum, Accountant Society and similar institutions, whose only object is to promote the cause of religion, charity, education, health, science, etc., and wherein the income from investments is received less tax, a refund of the full amount of the tax so deducted can be claimed, if the Income-Tax Officer be satisfied that the income under question has been applied solely towards the promotion of the said or similar causes.

## **13. Refund of income-tax.**

(a) *Application for Refund.*—An application for a refund of income-tax must be made in the form prescribed by Rule 36 of the Act.

(1) If a share-holder in a company who has received any dividend therefrom satisfies the Income-Tax Officer that the rate of income-tax applicable to the profits or gains of the company at the time of the declaration of such dividend is greater than the rate applicable to his total income of the year in which such dividend was received, he will, on production of the certificate received by him under the provisions of section 20, be entitled to a refund on the amount of such dividend (including the amount of the tax thereon) calculated at the difference between those rates.

(2) If a member of a registered firm satisfies the Income-Tax Officer that the rate of income-tax

applicable to his total income of the previous year was less than the rate at which income-tax has been levied on the profits or gains of the firm of that year, he will be entitled to a refund on his share of those profits or gains calculated at the difference between those rates.

(3) If the owner of a security from the interest on which, or any person from whose salary, income-tax has been deducted in accordance with the provisions of section 18, satisfies the Income-Tax Officer that the rate of income-tax applicable to his total income of the previous year was less than the rate at which income-tax has been charged in making such deduction in that year, he will be entitled to a refund on the amount of interest or salary for which such deduction has been made calculated at the difference between those rates.

(4) For the purposes of this section, 'total income' includes, in the case of any person not resident in British India, all income, profits and gains wherever arising, accruing or received, which, if arising, accruing or received in British India, would be included in the computation of total income under section 16.

(5) Nothing in this section shall entitle to any refund any person not resident in British India who is neither a British subject as defined in section 27 of the British Nationality and Status of Aliens Act, 1914, nor a subject of a State in India.

**Application for refund of income-tax  
under section 48 of the Indian  
Income-tax Act, 1922.**

---

I \_\_\_\_\_  
of \_\_\_\_\_  
do hereby state that my income from all sources to  
which the Act applies during the year ending  
\_\_\_\_\_ on the 31st March, 192 ,  
as shown in the return annexed amounted to  
Rs. \_\_\_\_\_ only.

I therefore pray for a refund of :—

Rs. \_\_\_\_\_ under "Salaries"  
Rs. \_\_\_\_\_ under "Securities"  
Rs. \_\_\_\_\_ under "Dividends  
from Companies"  
Rs. \_\_\_\_\_ under "Share of  
profits of the registered  
firm or partnership" known as \_\_\_\_\_  
\_\_\_\_\_ of which I am a partner.

*Signature* \_\_\_\_\_  
\_\_\_\_\_

I hereby declare that what is stated herein is correct.

*Dated* \_\_\_\_\_ *Signature* \_\_\_\_\_

NOTES.

1. The application should be accompanied by a return of total income in the form prescribed under section 22, unless the applicant has already made such a return to the Income-tax Officer.

2. Where the application is made in respect of interest on securities or dividends from companies, the application should be accompanied by the certificate prescribed under section 18 (9) or section 20, as the case may be.

3. The application for a refund should be made to the Income-Tax Officer for 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.

4. The application may be presented by the applicant in person or through a duly authorized agent or may be sent by post.

*(b) Relief from Double Income-Tax:—**(1) In respect of United Kingdom Income Tax :—*

(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 United Kingdom income-tax for that year in respect of the same part of his income, and that the rate at which he was entitled to, and has obtained relief under the provisions of section 27 of the Finance Act, 1920, is less than the Indian rate of tax charged in respect of that part of his income, he will be entitled to a refund of a sum calculated on that part of his income at a rate equal to the difference between the Indian rate of tax and the rate at which he was entitled to and obtained relief under that section.

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

*(2) In sub-section (1) :—*

- (a)* The expression "Indian income-tax" means income-tax and super-tax charged in accordance with the provisions of this Act;
- (b)* The expression "Indian rate of tax" means the amount of the Indian income-tax divided by the income on which it was charged;
- (c)* the expression "United Kingdom income-tax" means income-tax and super-tax chargeable in accordance with the provisions of the Income-Tax Acts.

The above may be summarised thus :—

- (a) When the effective Indian rate of tax is *less than half* of the appropriate English (*i. e.* of United Kingdom) rate, relief could be obtained only in the United Kingdom, viz., the Indian rate will be deducted from the English rate and the tax will be payable, at the balance rate, on the income doubly taxable. Provided that the maximum rate of relief given by the United Kingdom shall not exceed one-half of the English rate.
- (b) When the effective Indian rate of tax is *more than half* of the appropriate English rate,
  - (1) *At first*, relief should be obtained in the United Kingdom, viz., refund will be allowed, at half of English rate, and
  - (2) *Thereafter*, upon production of certificate of refund as in para (1) above, refund will be allowed in India, at the excess of Indian rate over half of English rate, provided that such excess rate shall not exceed half of effective Indian rate.

The effect of the above arrangement is that where Income is liable to taxation both in the United Kingdom and in India, it should pay only at the highest rate leviable in either country.



In order to obtain relief in India, a claimant is required to supply the official receipt for the United Kingdom income-tax paid, the notice of assessment in particular showing the basis on which the liability has been computed and a certificate of the Income-Tax Authorities showing what relief has actually been granted to him in the United Kingdom.

$$\text{NOTE:—EFFECTIVE RATE} = \frac{\text{I. T.} + \text{S. T.}}{\text{Total Income}}$$

“Total Income” for the purposes of refund under §49 is the *larger* of the two incomes, viz., (A) the total income within the meaning of § 16, deducting therefrom sums exempted from tax under § 7 (1) proviso (*i. e.* contribution to Annuity Fund or Provident Fund), § 8 proviso (*i. e.* interest on Tax Free Securities) and § 15 (*i. e.* Life Insurance premium), but *not* the sums mentioned in § 14 (2) (*i. e.* on which the partner or shareholder suffers tax indirectly); and (B) the total income minus Rs. 50,000 (or Rs. 75,000 in the case of a Joint Hindu Family), and further reduced by any sums that the assessee may have received from an Unregistered Firm that has itself paid S. T.

In order to ascertain the refund; ascertain the total tax (*i. e.* I. T. + S. T.) paid. Divide the latter by the larger income (as explained above), the quotient being the Indian Effective Rate of Tax. Deduct half of English Rate from the latter. Balance is the rate (which should not exceed half of Indian Effective Rate), at which refund should be allowed on the Income taxed twice over.

*Illustrations :—*

I. INDIVIDUALS.

**Specimen of Application for Certificate  
of Indian Tax paid.**

915, Queen's Road,  
Bombay, 9th May 19.....

The Income Tax Officer,  
BOMBAY.

Sir,

I beg to request you to kindly send me a certificate to the effect that I have paid Indian Income-Tax and Super-Tax on all Dividends, on the profits of my Firm and on interest on deposits etc., received by me, in order to enable me to send it to England for refund under 49 of the Indian I. T. Act, 1922. For this purpose, I herewith enclose a rupee stamped paper, and shall feel obliged by your sending me a certificate on the same line as you last favoured me on 9th January 19..... Showing that (a) the A. B. C. Co. LTD., from whom I received the dividends on my shares held in this company, have paid I. T. to you for all their profits, at the rate of one anna six pies in the rupee, for the year ending 31st March 19....., (b) that my Firm of X. Y. Z. have paid I. T., at the rate of one anna six pies in the rupee, on all the profits of my firm for the same period, (c) that I have paid I. T. on interest and other sources of

my income, for the same period, and (d) that I have paid S. T. on my total income, for the same period.

Yours faithfully,  
(Sd.) P. Q. R.

**Specimen of Certificate of Indian Tax Paid.**

This is to certify that Mr. P. Q. R., of 915, Queen's Road, Bombay, has been assessed to I. T. and S. T. under the Indian I. T. Act, 1922, for the Government year 19.....-19....., and has paid the tax on his following income, either at source or direct :—

(1) Dividends of Companies (Gross taxed) .. .. .	Rs. 9,37,027
(2) Interest on Securities .. .. .	6,750
(3) Property .. .. .	32,347
(4) Business (Share in Register- ed Firm of X. Y. Z.) .. .. .	8,57,670
(5) Other Sources (Interest) .. .. .	1,16,523

---

Total ... Rs. 19,50,317

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(1) That the A. B. C. Co. LTD., has paid income-tax amounting to Rs. 5,14,039-10-0, for the Government year 19.....-19....., on all profits including the dividends of Rs. 9,37,027 paid to Mr. P. Q. R., at the rate of one anna and six pies per rupee.

(2) That the tax has also been paid on Rs. 6,750, Interest on Securities, at the rate of one anna and six pies.

(3) That he has paid tax on the property income of Rs. 32,347 direct, at the I. T. Office, Bombay, for the Government year 19.....-19.....

(4) That the firm of Messrs X. Y. Z. have paid I. T. amounting to Rs. 1,43,991-11-0, for the Government year 19.....-19....., on all the profits, including Rs. 8,57,670 paid to Mr. P. Q. R. as his share, at the rate of one anna and six pies per rupee.

(5) That the tax has also been paid on the income from interest of Rs. 1,16,523 at Bombay I. T. Office for the Government year 19.....-19.....

(6) That Mr. P. Q. R. has already paid S. T. amounting to Rs. 6,26,681-6-0, for the Government year 19.....-19....., on his total income of Rs. 19,50,317.

(Sd.) D. E. F.

Income Tax Officer, Bombay.

Copy forwarded to Mr. P. Q. R. on a rupee stamp paper, with reference to his letter of the 9th instant.

(Sd.) D. E. F.

Income Tax Officer, Bombay.

**Specimen of Application for Refund  
of Indian Tax**

915, Queen's Road,  
*Bombay, 15th April 19.....*

The Income-Tax Officer,  
**BOMBAY.**

Sir,

With reference to my letter dated 9th May last, for claim of relief of double tax for 19...-19..., I beg to enclose herein a certificate from H. M. Inspector of Taxes, on behalf of the Commissioner of Inland Revenue, London.

My average exchange rate of remittances for that year, for the amounts remitted to England, was  $1s. 4 \frac{21}{32}d.$  Please, therefore, give the necessary refund.

Yours faithfully,  
(Sd.) P. Q. R.

**Specimen of Certificate of Relief  
allowed in the United Kingdom.**

This is to certify that Mr. P. Q. R., of 915, Queen's Road, Bombay, has been allowed relief from United Kingdom, for the year ended 5th April

19:....., in respect of Indian I. T. and S. T., as follows :—

- (a) Approximate rate of United Kingdom Income and Super-Tax, for the year, ended 5th April 19..... 8s. 1'8672*d.*
- (b) Amount of Income assessed to United Kingdom Income and Super-Tax, for the year ended 5th April 19....., on which relief from United Kingdom I. T. has been allowed in respect of Indian Tax = £. 16,869 (*i.e.* the income doubly taxed), being the gross average amount arising in India and remitted to the United Kingdom, arrived at as follows :—

19.....-19.....	£	12,445 0 0
19.....-19.....	„	12,419 15 6
19.....-19.....	„	12,512 2 4
..		—————
		3)37,376 17 10
		—————
		12,459
Plus average Indian I. T. suffered thereon	...	4,410
		—————
	£	16,869
		—————

(c) Rate of relief allowed 4s. 0·9336*d* in the £.,  
being half the approximate rate (*vide* (a)  
above).

(d) Amount of relief allowed £ 3,439-8-5.

(Sd) G. H. I.

H. M. Inspector of Taxes,  
On behalf of the Commissioners  
of Indian Revenue.

London, 23rd March 19.....

### SPECIMEN OF ASSESSMENT FORM.

Assessment for 192 -192 .

DISTRICT OR AREA—BOMBAY.

Name of Assessee—P. Q. } Number in General Index—594  
R. }  
Address; 915, Queen's } Number of miscellaneous  
Road. } record —582

Serial No.	Detailed sources of income.	Amount of income.		Tax deducted at source.	REMARKS.
		Rs.	Rs. a.		
1	Salary ...	...	...	...	
2	Interest on Securities ...	2,780	...	...	(F. of T.)
	Do. Do. (F. of T.) ...	3,970	...	£72 3	
3	Property ...	32,347	...	...	
4	Business ...	8,57,670	...	...	} (share in Reg. Firm already taxed.)
5	Profession ...	...	...	...	
6	Other Sources ...	1,16,523	...	...	
	Dividends	9,37,027	...	...	

S. T. On Rs. 19,00,317 — Rs. 6,26,681-6-0.

	Rs. a.	Rs.	a.
(i) Total income ... ..		19,50,317	
(ii) Deduction on account of provident fund, insurance premia, etc. ... ..			
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax ... ..	937,027		
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government ..	857,670		
	2,780	17,97,477	
(v) Income now to be taxed ... ..		1,52,840	
(vi) Rate applicable Eighteen pies per rupee. ... ..			
(vii) Amount of tax ... ..		14,328	12
(viii) Deduction under section 17 ... ..			
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ... ..	372		
(x) Abatement on account of dividends (at _____ pies per rupee)			
(xi) Abatement on account of income from a registered firm (at _____ pies per rupee) ... ..			372
(xii) Net amount of tax ... ..		13,956	9
(xiii) Penalty under section 23 or section 25 (2) ... ..		---	---
(xiv) Total sum payable—(in figures as well as in words) ... ..		13,956	9
Rupees Thirteen thousand, nine hundred, fifty-six, annas nine			

S. T. Rupees: Six lakhs, Twenty-six thousand, Six hundred, Eighty one, Annas six.

D. E. F.,

Dated 5th May 192 .

Income-tax Officer.



## REFUND UNDER § 49.

The total income for the purpose of § 49, in the above case, will be Rs. 19,47,537/-, viz., Rs. 19,50,317-Rs. 2,780 (interest on Tax Free Securities) while the total Indian Tax, as shown below, amounts to Rs. 8,09,262-8-0, viz.,

I. T. on Dividends	...	87,846	0	0
I. T. on Securities Interest	...	372	0	0
I. T. on Share of profits in the firm	... ..	80,406	9	0
I. T. on other sources	...	13,956	9	0
Total I. T.		1,82,581	2	0
S. T. as per Assessment Form above	... ..	6,26,681	6	0
		Rs. 8,09,262	8	0

Total Tax of Rs. 8,09,262 ÷ Total Income of Rs. 19,47,537 = 6as.  $7\frac{76}{97}$  ps. (*i. e.* the Effective Indian Rate of Tax).

Relief was granted in the United Kingdom @ 4s. 0·9336 *d* per £.

$$\begin{array}{cccc} sh. & as. & sh. & as. \\ \therefore 20 : 16 & \therefore 4-0\cdot9336 : 3-3\frac{15}{104} \end{array}$$

In Indian Currency, the relief granted in the United Kingdom may be said to be at 3as.  $3\frac{15}{104}$  *pies* in the rupee.

£ 16,869 have been subject to double taxation. In Indian Currency, at 1s.  $4\frac{21}{32}$  *d.*, the same would amount to Rs. 2,43,065.

Refund has been allowed in the United Kingdom at 3as.  $3\frac{15}{104}$  *pies* in the rupee, while the tax paid in India is at 6as.  $7\frac{76}{97}$  *pies* per rupee. The excess of the latter over the former, which is half of English rate, amounts to 3as.  $4\frac{62}{97}$  *pies* (viz., the balance rate).

In India, refund should not, however, be allowed at 3as.  $4\frac{62}{97}$  *pies*, because this rate is more than half of Indian rate, viz.  $\frac{1}{2} \times 6\text{as. } 7\frac{76}{97} \text{ pies} = 3\text{as. } 3\frac{173}{194}$  *pies*.

Hence, relief on Rs. 2,43,065, at 3as.  $3\frac{173}{194}$  *pies* in the rupee, amounts to Rs. 50,501 8 0. This should be refunded to Mr. P. Q. R.

## II. LIMITED COMPANIES.

(1) Re : A. B. C. Co. Ltd. ;—

**Specimen of Application for Certificate of Indian Tax paid.**

373, Hornby Road,

Bombay, 11th February 19.....

The Income-Tax Officer,

BOMBAY.

Sir,

With reference to your letter dated the 9th instant, we beg to apply for a certificate of Tax paid in India, for the year 19..... -19.....

When sending us the certificate, stating we have paid tax on our total profits and gains, we shall be glad if you will please specifically mention that such profits include the sum of £2,373-6-8. Dividend income received from Messrs. X. Y. Z. Co. Ltd. You will find this amount in the Profit and Loss account as Rs. 35,392, the conversion at 1s.  $4\frac{3}{32}d$ . We should like to have this mentioned in the certificate, to enable us to recover a proportion of the taxes paid thereon in the United Kingdom.

Yours faithfully,

(Sd. A. B. C. Co. Ltd.,

John Jones

Managing Director.

**Specimen of Certificate of Indian Tax paid.**

Bombay, 14th February 19.....

The Managing Director,  
A. B. C. Co., Ltd.,  
BOMBAY.

Sir,

With reference to the correspondence ending with your letter of the 11th instant, I have the honour to give below the certificate desired by you, which please acknowledge.

I have etc.

(Sd.) P. F. M.  
Income Tax Officer.

Certified that the A. B. C. Company Ltd., of 373, Hornby Road, Bombay, has been assessed in Bombay to I. T. and S. T., for the year ended 31st March 19 , on all its profits and gains, including \*Dividends of £ 2,373-6-8 or Rs. 35,392 received by it from Messrs. X. Y. Z. Co. Ltd. of London for the year ended 31st March 19.....

(Sd) P. F. M.  
Income Tax Officer, Bombay.

\*Note—This dividend income has been specifically mentioned, as per Company's request in its letter dated 11th instant.

**Specimen of Application for Refund of  
Indian Tax.**

373, Hornby Road,  
Bombay, 20th October 19.....

The Income Tax Officer,  
BOMBAY.

Sir,

We beg to make a final application for refund of Indian Taxes under § 49, in respect of the year 19.....-19.....

The claim is in respect of the dividend on shares held by us in Messrs. X. Y. Z. & Co. Ltd. of London. The dividend included in our accounts for the year ended 31st March 19....., which formed the basis of the assessment for the year 19...-19..., was £ 2,373-6-8 or Rs. 35,392 converted at 1s.  $4\frac{3}{32}d$  (please *vide* our letter dated 11th February last).

We have now received in the United Kingdom refund at  $\frac{2}{3}$ , viz., half the rate of tax paid, and enclose certificate from the Inspector of Taxes, London, to that effect. We shall be glad to receive a payment order for the refund due.

Yours faithfully,  
(Sd.) A. B. C. Co. Ltd.  
John Jones,  
Managing Director.

**Specimen of Certificate of Relief Allowed in the United Kingdom.**

*London, September 14th, 19.....*

Gentlemen,

RE. A. B. C. Co. LTD.

With reference to your letter of the 12th ultimo, the gross United Kingdom income amounting to £ 2,400, for the year 19...-19... has been repaid at  $\frac{2}{3}$ , i.e., one half of the appropriate rate of United Kingdom Income Tax, which is less than the rate of Indian I. T. suffered.

I am etc.,

(Sd.) B. P. N.,

for Chief Inspector of Taxes.

To

Messrs. G. F. & Co.,  
London.

REFUND UNDER 49.

*Bombay, 7th November 19.....*

To

The Managing Director,  
A. B. C. Co. Ltd.,  
373, Hornby Road, Bombay.

Sir,

With reference to your letter dated the 20th ultimo, re: refund due to your Company for the

year 19...-19... under 49 of the I. T. Act, 1922, in respect of the Dividend income of Rs. 35,392, received from Messrs. X. Y. Z. Co. Ltd. of London, I have the honour to inform you that a refund of Rs. 1,286 has been sanctioned as under:—

Accounts for the year ended 31st March 19...		
Profit as worked out for S. T.		Rs.
for 19...-19...	...	11,69,316
Less Statutory Allowance	...	50,000
		<hr/>
Income within the meaning		
§ 49 (2) (b)	... ..	Rs. 11,19,316
		<hr/>
Income Tax paid on business		
	etc.	72,377-12-0
Do.	on Dividends	22,464 -0-0
Do.	on Government	
	Securities	1,799 -0-0
Super Tax paid	... ..	69,957 -4-0
		<hr/>
Total Tax paid	Rs.	1,66,598 -0-0
		<hr/>

Appropriate or Effective Rate

$$= \frac{1,66,598}{11,99,316} = 2.3814 \text{ as. in the rupee.}$$

Rate of relief allowed in U. K.

$$= 2s. 3d. \text{ in the } \pounds \text{ or } 1.8000 \text{ as. in the rupee.}$$

Relief to be allowed in India

$$= 2.3814 - 1.8000 = .5814 \text{ in the rupee,}$$

$$\text{on Rs. 35,392} = .5814 \times 35,392 = \text{Rs. 1,286.}$$

This Office Refund Order for Rs. 1,286 is enclosed herein, which please acknowledge.

I have etc.

(Sd.) P. F. M.

Income Tax Officer Bombay.

(2) *Re: The Oriental Oil Co. Ltd.*

### ASSESSMENT FORM

Assessment for 1926-1927  
under Section 23 (1) Act XI of 1922.

DISTRICT OR AREA—BOMBAY.

Name of Assessee—The Oriental Oil Co. Ltd. Number in General Index— 129  
Address, 19, Hornby Road, Fort. Number of miscellaneous records 154

Serial No.	Detailed sources of income.	Amount of income.		Tax deducted at source	REMARKS
		Rs.	P.		
1	Business ... ..	2,10,287	8-4		
2	Interest on Govt. Securities ... ..	1,86,000	0-0		F. O. T.
3	Dividend ... ..	1,28,387	4-0	12,036	0
4					
5	Interest on Govt. Securities ... ..	88,037	5-5	8,253	8
6					



	Rs.		A.
(i) Total income ... ..			6,12,712 4
(ii) Deduction on account of provident fund, insurance premia, etc. ...			
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax...	1,28,387	4	
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government ...	1,86,000	0	3,14,387 4
(v) Income now to be taxed ... ..			2,98,324 13
(vi) Rate applicable, 18 pies per rupee ...			
(vii) Amount of tax ... ..			27,967 15
(viii) Deduction under section 17 ...			
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ... ..	8,253	8	
(x) Abatement on account of dividends (at _____ pies per rupee)...			
(xi) Abatement on account of income from a registered firm (at _____ pies per rupee) ... ..			8,253 8
(xii) Net amount of tax ... ..			19,714 7
(xiii) Penalty under section 28 or section 25 (2) ... ..			
(xiv) Total sum payable in figures as well as in words) ... ..			
Rupees 19,714 (Nineteen thousand seven hundred fourteen) & annas 7 (Seven only).			

Dated

X. V. Z.,  
Income-tax Officer.

S. T. Rs. 35,169-8-0

179,

Total income as worked out for super-tax assessment ...	6,12,712
Less Interest on securities free of tax ...	1,86,000
	<u>4,26,712</u>
Or	
Total Income ...	6,12,712
Less Exempt ...	50,000
	<u>5,62,712</u>

Income within the meaning  
of § 49 (2) (b), therefore is **Rs. 5,62,712**

Income-tax actually paid ...	19,714-7-0
Do. paid @ source on Dividends 12,036-0	
Do. on Securities 8,253-8	
	<u>20,289-8-0</u>
Super-tax paid ...	35,169-8-0
	<u>75,173-7-0</u>
	<u>75,173-7-0</u>

Appropriate rate of tax = **5,62,712-0-0**

= 2137 annas in the rupee.

Rate of relief obtained in the United Kingdom

= 2s. in the £ or annas

1.600 in the rupee.

Relief to be allowed now

= annas 2·137 — 1·600

= annas ·537 in the rupee.

= Rs. 5,62,712 × ·537

= Rs. 18,886

### *II In respect of Indian States Income-Tax.*

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 (herein—after 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 expression "Indian Income-tax" and "Indian rate of tax" have the same meaning as in clauses (a) and (b), respectively, of section 49 (2) of the Act.

2. 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 the State Income-tax in one of the States mentioned in the said schedule, for that year in respect of the same part of his income, 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.

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 duly authorised agent or may be sent by post, and shall be in the following form :—

Application for relief from double income-tax  
under notification No. 25, dated the 1st July 1926.

I \_\_\_\_\_ of \_\_\_\_\_ do hereby  
state that I have paid (name of State) State  
Income-Tax  
Income-Tax & Super-Tax amounting to Rs. \_\_\_\_\_  
for the year ending 19..... on an income of Rs....

... and that Indian Income-Tax of Rs. \_\_\_\_\_  
Income-Tax & Super-Tax  
has also been paid on the same income\*  
part of the same income

\_\_\_\_\_ I now pray for relief at the  
amounting to Rs. ....  
rate of \_\_\_\_\_ amounting to Rs.  
under notification No. 25, dated the 1st July 1926,  
to which I am entitled. My income from all sources  
to which this notification applies during the "pre-  
vious year" ending on the 19... amounted  
to Rs. \_\_\_\_\_ only—see Return of income  
attached  
already submitted..

Signature.....

I hereby declare that what is stated herein is  
correct.

Signature.....

Dated.....19.....

\*Note:—Where income on which income-tax has been  
charged differs from that on which super-tax has been charged  
both amounts must be specified.

4. No claim to any refund of Indian Income-tax under this Notification shall be allowed, unless it is made within one year from the last day of the year in which such tax was recovered.

#### SCHEDULE.

- |                              |                            |
|------------------------------|----------------------------|
| 1. Baroda.                   | <i>Central Provinces.</i>  |
| <i>Madras States Agency.</i> | 13. Bastar.                |
| 2. Travancore.               | 14. Kanker.                |
| <i>Central India Agency.</i> | 15. Raigarh.               |
| 3. Dhar.                     | 16. Jashpur.               |
| <i>Punjab States Agency.</i> | 17. Sarangarh.             |
| 4. Patiala.                  | 18. Makrai.                |
| 5. Bahawalpur.               | 19. Kawardha.              |
| 6. Jind.                     | 20. Khairagarh.            |
| 7. Kapurthala.               | 21. Korea.                 |
| 8. Loharu.                   | 22. Nandgaon.              |
| <i>Bombay</i>                | 23. Chhuikhadan.           |
| 9. Sachin.                   | <i>Bihar &amp; Orissa.</i> |
| 10. Akalkot.                 | 24. Mayurbhauj.            |
| 11. Phaltan.                 | <i>Punjab.</i>             |
| <i>United Provinces.</i>     | 25. Baghat.                |
| 12. Benares.                 |                            |

#### *Illustration :—*

The X. Y. Z. Co., Limited., claims a refund of Rs. 51-12-0, being half of the Income-Tax paid by it to the Baroda State, under Notification No. 25 dated 1st July 1926.

The company has a Ginning and Pressing Factory in Baroda State. The profits earned by

the factory during the year ended 30-6-1926 amount to Rs. 6,851-0-8, and it has paid a tax of Rs. 103-8-0 thereon to the state. In support of the claim, it has put in a certificate from the Baroda Authorities, showing the amount of profit, year of accounts, amount of Tax, etc., as above. The rate of taxation by the State seems to be Re. 1-8 per Rs. 100/- of income.

The Company's accounts are closed at 30th June and it has already paid Income-tax and Super-tax in Bombay for 1927-28, on its profits for the year ended 30-6-1926. These 'accounts include the income taxed in the state.

According to the above notification, the company is entitled to a refund of tax at half of the lower rate. The rate of taxation in the State is lower than the rate in British India and hence the company is entitled to a refund of Rs.  $\frac{103-8}{2}$  = Rs. 51-12-0, for 1927-28.

*Exception* :—(Mysore State).

(a) In the case of businesses, whose headquarters are in British India but which have branches in Mysore or carry on business in Mysore, a deduction will be made from the Indian Income-Tax payable on the profits of such businesses, of the amount of Mysore Income-Tax that will be payable on such portion of the same profits as appears to the Income-Tax Officer in British India to be due to transactions in Mysore.

(b) Businesses with head quarters in Mysore which have branches or dealings in British India

should be assessed by the Income-Tax Authorities in British India to the full amount of Indian Income-Tax due on the profits realised in British India only.

In order to obtain refund, a claimant should furnish the Official receipt for the Mysore Tax paid and the notice of assessment showing the basis on which the tax has been levied.

**Application for relief from double income-tax under section 49 of the Indian Income-tax Act, 1922.**

I \_\_\_\_\_ of \_\_\_\_\_ do hereby state that I have paid United Kingdom \_\_\_\_\_  
Income-tax  
Income-tax and Super-tax amounting to £ \_\_\_\_\_  
 for the year ending 19 \_\_\_\_\_ on an income  
 of £ \_\_\_\_\_ and that Indian \_\_\_\_\_  
Income-tax  
Income-tax and Super-tax  
 of Rs. \_\_\_\_\_ has also been paid on the same  
income  
income. I have  
 from the same source amounting to Rs. \_\_\_\_\_  
 obtained relief under the provisions of sections 27  
 of the English Finance Act, 1920, at the rate of \_\_\_\_\_  
 —see attached certificate from the Inspector of  
 Taxes, \_\_\_\_\_ . I now pray for a further  
 relief at the rate of \_\_\_\_\_ amounting to  
 Rs. \_\_\_\_\_ under section 49 of the Indian  
 Income-tax Act, 1922, to which I am entitled.



My income from all sources to which this Act applies during the "previous year" ending on the 19<sup>th</sup> amounted to Rs. only; see return of income attached already submitted.

*Signature*

I hereby declare that what is stated herein is correct.

*Signature*

*Dated* 19 .

(c) *Limitation of claims for refund*:—No claim to any refund of income-tax under this Chapter will be allowed, unless it is made within one year, from the last day of the year in which the tax was recovered.

#### **14. Summary of claims for refund of Income-tax.**

Claims for refund of income-tax may be made under the following circumstances, if the claimant satisfies the Income-Tax Officer that his claim is in order and it is made in the manner prescribed above:—

(1) If his income from all sources is less than Rs. 2,000, *i. e.*, the minimum taxable limit, and the whole or part of such income has been received less tax, he can claim the full amount of such tax.

(2) Where a person, either through ignorance of his rights or owing to the fact that his income is received less tax, has not obtained an allowance in respect of his life insurance premium, he may make a claim for the repayment of tax thereon.

(3) Where a person, having credited his Profit and Loss Account with taxed income on investments, omits to charge the same to his Profit and Loss Account adjusted for income-tax purposes, he can make a claim for the refund of tax.

(4) Where a person is engaged in more than one concern and where he pays the tax on the profits of one or more of such concerns, without setting off the loss of one or more concerns against the taxed profits, he can claim a refund of tax on an amount equal to such loss or losses.

(5) Where an institution, the income whereof is applied solely for religious or charitable purposes, receives income from its investment taxed at the source, the full amount of the tax so deducted may be claimed back.

*Illustrations :—*

(1) *For exemption from Income-tax.*

John James is desirous of knowing exactly the amount on which he is legally liable to pay income-tax, and, therefore, submits the following particulars of his income from all sources.

He owns a Grocer's shop, the annual taxable profit whereof is Rs. 352-2-0. He is the proprietor of a cottage, the annual letting value whereof is Rs. 450 and the admissible allowances relating thereto are in all Rs. 189. He is also serving as a typist in a firm where he gets Rs. 30 per month (without deducting income-tax), and teaching a student privately at home for a monthly fee of Rs. 10. He has insured his life with two companies and pays a total annual premium of Rs. 195.

Prepare a statement showing his taxable income for the assessment.

*Statement for Exemption from Income-tax.*

1. Profits from Grocer's shop	...	Rs. 352	2 0
2. Net income from house property	...	...	261 0 0
3. Salary as a typist	...	...	360 0 0
4. Student's coaching fee	...	...	120 0 0
			<hr/>
Total gross income		Rs. 1,093	2 0
Less—Life insurance premium			
(upto one-sixth of Rs. 1,093).		Rs. 182	3 0
			<hr/>
Taxable income	...	Rs. 910	15 0

As his total income is less than Rs. 2,000, he is exempted from paying the income-tax.

NOTE.—Though he has paid Rs. 195 for life insurance premium, only Rs. 182-3-0 (one-sixth of the total income of Rs. 1,093) will be allowed to be deducted for income-tax purposes.

(2) *For relief from Income-tax.*

P. F. Rose is the proprietor of a Millinery business, the taxable income whereof is Rs. 3,750. He has also a Hosiery concern, which has made a net loss of Rs. 1,000. He is a Music Teacher at the Maloni School of Music, whereby he derives a monthly gross salary of Rs. 200 (received less tax at 5 pies in the rupee).

He is the holder of  $5\frac{1}{2}$  per cent War Bonds of Rs. 5,000 (free of tax) and  $3\frac{1}{2}$  per cent Government Promissory Notes of Rs. 10,000. He owns a bungalow at Cumballa Hill, the annual letting value whereof is Rs. 9,000 and the admissible allowances whereof are Rs. 3,875. He is a Director in the Threadneedle Embroidery Co., Ltd., the annual fees wherefrom are Rs. 300 (*viz.*, Rs. 25 per monthly meeting attended). His interest from the Central Bank Current Account is Rs. 289, and from the Imperial Bank of India Deposit Account is Rs. 1,450. He pays an annual premium for his Life Insurance of Rs. 600. Ascertain the tax payable and the relief claimable by him.

*Statement for relief from Income-tax.*(a) *Income already taxed or not to be taxed —*

Source.	Rate.	Net income.	Tax deducted at the source-	Gross income.
1. War Bonds ..	$5\frac{1}{2}\%$	275-0-0	Nil	275
2. Government Promissory Notes ..	$3\frac{1}{2}\%$	317-3-0	32-13-0	350

3. Salary as Teacher Rs. 200 p.m....	2,337-8-0	62-8-0	2,400
	<u>Rs. 2,929-11-0</u>	<u>95-5-0</u>	<u>3,025</u>

(b) *Income to be taxed or taxable income :-*

1. Profit of Millinery business	---	3,750-0-0	
2. Income from house property	---	5,125-0-0	
3. Director's fees	---	300-0-0	
4. Interest on Central Bank account		289-0-0	
5. Imperial Bank Deposit Interest		1,450-0-0	
		<u>Rs. 10,914-0-0</u>	
Less—Loss in Hosiery business		<u>1,000-0-0</u>	9,914
			<u>9,914</u>
		Total income Ra.	<u>12,939</u>

(c) *Net taxable income :-*

Income as above	---	9,914
Less—Insurance premium	---	600
		<u>Rs. 9,314</u>

Rose ought to have been taxed on the whole of his income at 9 pies in the rupee, inasmuch as his total income is more than Rs. 10,000 but less than Rs. 20,000. He will have, therefore, to pay the tax on Rs. 9,314 at 9 pies and on salary of Rs. 2,400 at 4 pies, because the rate of tax deducted from his salary at the source was only 5 pies in the rupee. The tax payable and recoverable by him will be arrived at as shown below.

## Statement showing the tax payable and recoverable.

Source.	Income. Ra.	Rate.	Tax payable.	Tax recoverable.
(d) Taxable income as above ...	9,314	9 pies.	436-10-0	Nil.
(b) Income already taxed :-				
1. Teacher's salary.	2,400	4 pies.	50-0-0	Nil.
2. Govt. Pro. Notes.	350	9 pies.	Nil.	16-7-0
			<u>Ra. 486-10-0</u>	<u>Ra. 16-7-0</u>

Thus, Rose will pay a net tax of Rs. 470-3-0.

## ASSESSMENT FORM.

## Assessment for 1927-1928.

DISTRICT OR AREA, BOMBAY.

Name of assessee-P. F. Rose. } Number in General Index - 123  
 Address 373, Hornby Road. } Number of miscellaneous record - 105

Serial No.	Detailed sources of income.	Amount of income.		Tax deducted at source.	REMARKS.
		Ra.	Rs. a.		
1	Salary ...	2,400	62 8		
2	Interest on Securities ...	550	32 13		
	Do. (F. of T.) ...	275			
3	Property ...	5,125			
4	Business (3,750-1,000) ...	2,750			
5	Profession ...				
6	Other Sources (300 + 289 + 1,450) ...	2,039			
	Dividends				

(i) Total income ... ..			Rs.	12,939
(ii) Deduction on account of provident fund, insurance premia etc...			600	
(iii) Deduct sums received as dividend or from a firm the profits of which have been charged to tax				
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a local Government			275	875
(v) Income now to be taxed ...				12,064
(vi) Rate applicable @ nine pies per rupee. ... ..				
(vii) Amount of tax ... ..				565.8
(viii) Deduction under section 17 ...			Rs.	a.
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ... ..			62	8
(x) Abatement on account of dividends (at _____ pies per rupee)			32	13
(xi) Abatement on account of income from a registered firm (at _____ pies per rupee) ... ..				95
(xii) Net amount of tax ... ..				470
(xiii) Penalty under section 28 or section 25 (2) ... ..				3
(xiv) Total sum payable—(in figures as well as in words) ... ..				470
Rupees Four hundred and seventy annas Three				3

E. F. G.,

Dated

Income-tax Officer.

## 15. Offences and Penalties.

(a) *Failure to make payments or deliver returns or statements or allow inspection:—*

If a person fails without reasonable cause or excuse—

- (1) to deduct and pay any tax from salary or interest on securities, as required by section 18 or under sub-section 5 of section 46;
- (2) to furnish a certificate required by sub-section (9) of section 18 or by section 20 to be furnished;
- (3) to deliver in due time any of the returns mentioned in section 21, section 22 or section 38;
- (4) to produce or cause to be produced on or before the date mentioned in any notice under sub-section (4) of section 22, such accounts and documents as are referred to in the notice;
- (5) to grant inspection or allow copies to be taken in accordance with the provisions of section 39,

he will, on conviction before a Magistrate, be punishable with fine which may extend to ten rupees for every day during which the default continues.

(b) *False statement in declaration :—*

If a person makes a statement in a verification mentioned in section 19A, or section 22, or sub-section (3) of section 30 or sub-section (2) of section



32, which is false and which he either knows or believes to be false, or does not believe to be true, he will be deemed to have committed the offence described in section 177 of the Indian Penal Code.

*(c) Prosecution to be at instance of Assistant Commissioner :—*

(1) A person will not be proceeded against for an offence under paragraphs (a) and (b) above except at the instance of the Assistant Commissioner.

(2) The Assistant Commissioner may stay any such proceedings or compound any such offence.

*(d) Disclosure of information by a public servant:*

(1) All particulars contained in any statement made, return furnished or accounts or documents produced under the provisions of this Act, or in any evidence given, or affidavit or deposition made, in the course of any proceedings under this Act, other than proceedings under this Chapter, or in any record of any assessment proceeding or any proceeding relating to the recovery of a demand, prepared for the purposes of this Act, shall be treated as confidential, and notwithstanding anything contained in the Indian Evidence Act, 1872, no Court shall, save as provided in the Act, be entitled to require any public servant to produce before it any such return, accounts, documents or record or any part of any such record, or to give evidence before it in respect thereof.

(2) If a public servant discloses any particulars contained in any such statement, return, accounts, documents, evidence, affidavit, deposition or record, he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine:

Provided that nothing in this section shall apply to the disclosure—

- (a) of any particulars for the purposes of a prosecution under section 193 of the Indian Penal Code in respect of any such statement, return, accounts, documents, evidence, affidavit or deposition or for purposes of a prosecution under this Act, or
- (b) of any such particulars to any person acting in the execution of the Act where it is necessary to disclose the same to him for the purposes of this Act, or
- (c) of any such particulars occasioned by the lawful employment under this Act of any process for the service of any notice or the recovery of any demand, or
- (d) of such facts, to an authorised officer of the United Kingdom, as may be necessary to enable relief to be given under section 27 of the Finance Act, 1920, or a refund to be given under section 49 of this Act.

Provided further that no prosecution shall be instituted under this section except with the previous sanction of the Commissioner.

### **16. Indemnity.**

Every person deducting, retaining or paying any tax in pursuance of this Act in respect of income belonging to another person is hereby indemnified for deduction, retention or payment thereof.

### **17. Statement of case by Commissioner to High Court.**

(1) If in the course of any assessment under this Act or any proceeding in connection therewith other than a proceeding under para 15 above, a question of law arises, the Commissioner may either on his own motion or on reference from any income-tax authority subordinate to him, draw up a statement of the case and refer it with his own opinion thereon to the High Court.

(2) Within one month of the passing of an order under section 31 or 32, the Assessee in respect of whom the order was passed may, by application accompanied by a fee of one hundred rupees or such lesser sum as may be prescribed, require the Commissioner to refer to the High Court any question of law arising out of such order and the Commissioner will, within one month of the receipt of such application, draw up a statement of the case and refer it with his own opinion thereon to the High Court:

Provided that if in the exercise of his power of review under section 33, the commissioner decides the question, the assessee may withdraw his application, and if he does so, the fee shall be refunded.

(3) If on any application being made under sub-section (2) above, the Commissioner refuses to state the case on the ground that no question of law arises, the Assessee may apply, within six months from the date on which he is served with notice of the refusal, to the High Court, and the High Court, if it is not satisfied with the correctness of the Commissioner's decision, may require the Commissioner to state the case and refer it, and on receipt of any such requisition, the Commissioner will state and refer the case accordingly.

(4) If the High Court is not satisfied that the statements in a case referred under this section are sufficient to enable it to determine the question raised thereby, the Court may refer the case back to the Commissioner by whom it was stated to make such additions thereto or alterations therein as the Court may direct in that behalf.

(5) The High Court upon the hearing of any such case will decide the questions of law raised thereby and deliver its judgment thereon containing the grounds on which such decision is founded and will send to the Commissioner by whom the case was stated a copy of such judgment under the seal of the Court and the signature of the Registrar, and the Commissioner will dispose of the case accordingly, or, if the case arose on a reference from any income-tax authority subordinate to him, shall forward a copy of such judgment to such officer who shall dispose of the case conformably to such judgment.

(6) Where a reference is made to the High Court on the application of an Assessee, the costs shall be in the discretion of the Court.

(7) Notwithstanding that a reference has been made under this section to the High Court, income-tax shall be payable in accordance with the assessment made in the case.

Provided that, if the amount of an assessment is reduced as a result of such reference, the amount overpaid shall be refunded with interest, if any, as the Commissioner may allow.

(8) References to be heard by Benches of High Courts and Appeals to be in certain Cases to Privy Council:—

(a) When any case has been referred to the High Court under section 66, it shall be heard by a Bench of not less than two judges of the High Court, and in respect of such case the provisions of section 98 of the Code of Civil Procedure, 1908, shall, so far as may be, apply notwithstanding anything contained in the Letters Patent or in any other law for the time being in force.

(b) An appeal shall lie to His Majesty in Council from any judgment of the High Court delivered on a reference made under section 66 in any case, which the High Court certifies to be a fit one for appeal to his Majesty in Council.

(c) The provisions of the Code of Civil Procedure, 1908, relating to appeals to His Majesty in Council shall, so far as may be, apply in the case of appeals under this section in like manner as they apply in the case of appeals from decrees of a High Court.

Provided that nothing in this sub-section shall be deemed to affect the provisions of sub-section (5) or sub-section (7) of section 66.

Provided further, that the High Court may, on petition made for the execution of the order of His Majesty in Council in respect of any costs awarded thereby, transmit the order for execution to any Court subordinate to the High Court.

(d) Where the judgment of the High Court is varied or reversed in appeal under this section, effect shall be given to the order of His Majesty in Council in the manner provided in sub-sections (5) and (7) of section 66 in the case of a judgment of the High Court.

(e) Nothing in this clause shall be deemed:—

- (i) to bar the full and unqualified exercise of His Majesty's pleasure in receiving or rejecting appeals to His Majesty in Council, or otherwise howsoever, or
- (ii) to interfere with any rules made by the Judicial Committee of the Privy Council, and for the time being in force, for the presentation of appeals to His Majesty in Council, or their conduct before the said Judicial Committee.

### **18. Bar of Suits in Civil Court.**

No suit shall be brought in any Civil Court to set aside or modify any assessment made under this Act, and no prosecution, suit or other proceeding shall lie against any Government officer for any

thing in good faith done or intended to be done under this Act.

### **19. Accounts prepared by Professional Accountants.**

The income-tax authorities may accept the accounts prepared, and submitted to them, by duly qualified Accountants on behalf of tax-payers, provided that such accounts are duly audited and adjusted for income-tax purposes. The responsibility of such accountants is of a twofold nature, *viz.*, firstly towards their clients (the tax-payers) and secondly towards the Government (Revenue Department). They must act in such a way, that neither do their clients pay too much by way of income or super tax, nor may the Government receive too little. In short, they should act quite impartially.

### **20. Trading by other Governments.**

(1) Where a trade or business of any kind is carried on by or on behalf of the Government of any part of His Majesty's Dominion exclusive of British India, that Government shall, in respect of the trade or business and of all operations connected therewith, all property occupied in British India and all goods owned in British India for the purposes thereof, and all income arising in connection therewith, be liable

- (a) to taxation under the Indian Income-tax Act, 1922, in the same manner and to the same extent as in the like case a company would be liable;

- (b) to all other taxation for the time being in force in British India in the same manner as in the like case any other person would be liable.

(2) For the purposes of the levy and collection of Income-tax under the Indian Income-tax Act, 1922, in accordance with the provisions of the sub-section (1), any Government to which that sub-section applies shall be deemed to be a company within the meaning of that Act, and the provisions of that Act shall apply accordingly.

(3) In this section the expression "His Majesty's Dominions" includes any territory which is under His Majesty's protection or in respect of which a mandate is being exercised by the Government of any part of His Majesty's Dominions.

### 21. Graduated scale for Rates of Income-tax.

	Amount.	Rate.
1.	When the taxable income is less than Rs. 2,000	Nil.
2.	" " Rs. 2,000 or upwards, but less than Rs. 5000	5 pies in the rupee
3.	" " Rs. 5,000 or upwards, but less than Rs. 10,000	6 pies
4.	" " Rs. 10,000 or upwards, but less than Rs. 20,000	9 "
5.	" " Rs. 20,000 or upwards, but less than Rs. 30,000	12 "
6.	" " Rs. 30,000 or upwards, but less than Rs. 40,000	15 "
7.	" " Rs. 40,000 or more	18 "



**22. Graduated scale of Rates for Refund of Income-tax.**

1. Less than Rs. 2,000	...	18	pies in the rupee.
2. Rs. 2,000 or upwards, but less than Rs. 5,000	13	"	
3. " 5,000 " " " 10,000	12	"	
4. " 10,000 " " " 20,000	9	"	
5. " 20,000 " " " 30,000	6	"	
6. " 30,000 " " " 40,000	3	"	
7. " 40,000 or more			Nil

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## CHAPTER VIII.

### SUPER-TAX.

#### 1. Origin of the Tax.

Super-tax was introduced in India on 1st April 1917, more or less on the lines of the English Act, which came into force in England in the year 1910. Formerly, there was a separate Act for Super-Tax, which has now been included in the Income-Tax Act of 1922.

#### 2. Charge of Super-tax.

In addition to the income-tax charged for any year, there will be charged, levied and paid for that year in respect of the total income of the previous year of any individual, unregistered firm, Hindu undivided family, company or other association of individuals not being a registered firm, an additional duty of income-tax (in this Act referred to as super-tax) at the rate or rates laid down for that year by an Act of the Indian Legislature (at present as per the graduated scale shown hereafter). Provided that when the profits and gains of an unregistered firm have been assessed to super-tax, super-tax will not be payable by an individual having a share in the firm in respect of the amounts of such profits and gains which is proportionate to his share.

Though he does not bring this share of income into account for Super-Tax, it should be taken into account for ascertaining this total income for "Rate" purposes.

### 3. Total income for purposes of Super-tax

Subject to the provisions of this Chapter, the total income of any individual, unregistered firm, Hindu undivided family, company or other association of individuals not being a registered firm, will be the total income as assessed for the purposes of income-tax, and where an assessment of total income has become final and conclusive for the purposes of income-tax for any year, the assessment shall also be final and conclusive for the purposes of super-tax for the same year.

Provided that in computing the total income of a member of a registered firm, where any change occurs in the constitution of the firm, the profits or gains of the firm during the previous year shall be deemed to have been received in that year by the members of the firm as constituted at the time of the making of the assessment to super-tax, in proportion to their shares in the firm at that time.

### 4. Non-residential Partners and Shareholders.

In the case of any person residing out of British India, who is a member of a registered firm and whose share of the profits from such firm is liable to super-tax, the remaining members of such firm who are resident in British India will be jointly and severally liable to pay the super-tax due from the non-resident member in respect of such share.

Where the Income-Tax Officer has reason to believe that any person, who is a shareholder in a company, is resident out of British India and

that the total income of such person will in any year exceed the maximum amount which is not chargeable to Super-Tax under the law for the time being in force, he may, by order in writing, require the principal officer of the company to deduct, at the time of payment of any dividend from the company to the share-holder in that year, super-tax at such rate as the Income-tax Officer may determine, as being the rate applicable in respect of the income of the shareholder in that year.

If in any year, the amount of any dividends of the aggregate amount of any dividends paid to any shareholder by a company (together with the amount of any income-tax payable by the company in respect thereof) exceeds the maximum amount of the total income of a person which is not chargeable to super-tax under the law for the time being in force, and the principal officer of the company has not reason to believe that the shareholder is resident in British India, and no order under sub-section (2) has been received in respect of such shareholder by the principal officer from the Income Tax Officer, the principal officer shall at the time of payment deduct Super-tax on the amount of such excess, at the rate which would be applicable under the law for the time being in force if the amount of such dividend or dividends (together with the amount of such Income-tax as aforesaid) constituted the whole total income of the shareholder.

Where any person pays any tax under the provisions of this section on account of another

person who is residing out of British India, credit will be given therefor in determining the amount of the tax to be payable by any agent of such non-resident person under the provisions of paragraph 8 (c) of Chapter VII.

### **5. Application of Act to Super-tax.**

(1) All the provisions of this Act apply to super-tax so far as they relate to the charge, assessment, collection and recovery of super-tax. The following sections of the Act will not apply to super-tax, *viz.*, section 3, proviso to section 7 (1), proviso to section 8, sections 14 (2), 15, 17, 18, 19, 20, 21 and 48.

Provided that sub-sections (4) to (9) of section 18 shall apply, so far as may be, to the assessment, collection and recovery of Super-tax under sub-section (2) or subsection (3) of section 57.

(2) Save as provided in paragraph (4) above, super-tax will be payable by the Assessee direct.

### **6. Rates of Super-tax.**

(a) In the case of every individual, unregistered firm, Hindu undivided family, and other association of individuals not being a registered firm, super-tax will be charged on his or its taxable income, at the rate specified in the graduated scale thereof as shown hereafter.

(b) In the case of every company, super-tax will be charged on the amount by which its Total income exceeds Rs. 50,000, at the flat rate of one anna in the rupee.

*Graduated Scale.*

(a) *Up to one lakh :—*

(1) *In the case of Hindu undivided family :—*

Rate.

- |  |        |                        |
|--|--------|------------------------|
| (a) In respect of the first Rs. 75,000 of taxable income | ... .. | Nil.                   |
| (b) In respect of the next Rs. 25,000 of taxable income  | ... .. | One anna in the rupee. |

(2) *In the case of all others :—*

- |  |        |                      |
|--|--------|----------------------|
| (a) In respect of the first Rs. 50,000 of taxable income | ... .. | Nil.                 |
| (b) In respect of the next Rs. 50,000 of taxable income  | ... .. | 1 anna in the rupee. |

(b) *Above one lakh :—*

Annas in the rupee.

- |  |  |    |
|--|--|----|
| In respect of                              |  |    |
| 1. the first Rs. 50,000 of taxable income. |  | 1½ |
| 2. next Rs. " "                            |  | 2  |

3.	next Rs. 50,000 of taxable	income.	2½
4.	"	"	3
5.	"	"	3½
6.	"	"	4
7.	"	"	4½
8.	"	"	5
9.	"	"	5½
10.	On all taxable	income over	
		Rs. 5½ lakhs.	6

### 7. Preparation of the Returns and Accounts for Super-tax.

#### (a) *Ascertaining "Taxable Income."*

The question whether a person, firm or company is liable to super-tax or not will depend upon the total gross income from all sources accruing in the previous year. If such total income exceed Rs. 50,000, the Assessee will be required to pay the tax on the excess over Rs. 50,000, called the "Taxable Income" for super-tax purposes, otherwise not (statutory deduction in the case of Hindu undivided family is Rs. 75,000).

The method of computing total income from all sources is almost the same as that adopted for ascertaining total income from all sources for the purpose of assessment of or exemption from income-tax. The procedure for ascertaining taxable income as follows :—

1. Aggregate the total gross income from all sources, whether taxed at source or not.
2. Deduct expenses and losses allowed for income-tax purposes.

3. The balance of income will show whether the tax is payable by the Assessee or not.
4. Deduct the statutory deduction of Rs. 50,000 or Rs. 75,000, as the case may be.
5. The balance of income represents the "Taxable Income" upon which super-tax is payable, at the rate shown in paragraph 6 above.

(b) *Limited Companies.*

*Illustration.*—The Swadeshi Manufacturing Company, Limited, has prepared the following Profit and Loss Account for the year ending 31st December 1926. Find out the taxable income of the company, and ascertain the amount of super-tax to which the company is liable. It is assumed that the Income-Tax Officer will allow, by way of depreciation, only 5 per cent on Machinery and 2½ per cent on Buildings.

Dr.	<i>Profit and Loss Account.</i>	Cr	
To Materials consumed ...	1,02,75,873	By Sales (less returns) ...	1,75,06,731
" Stores consumed ...	5,27,289	" Dividends (gross) ...	15,750
" Manufacturing wages ...	8,30,271	" Rent from sub-letting ...	2,400
" Factory Establishment	6,50,758	" Discounts and allowances...	1,539
" Office do.	9,37,367	" Transfer fees	90
" Income-tax	1,12,000		
" Loss on Sale of Investments	15,850		
" Bad Debts & Discounts (written off)...	3,587		



" Interest on De- bentures (less- tax) -- . ...	14,500		
" Reserves for Bad Debt & Discounts ...	5,500		
" Depreciation of Machinery (8%) ...	80,000		
" Depreciation of Building (5%) ...	72,000		
" Net Profits carried down	40,01,520		
	<u>Rs. 1,75,26,510</u>		<u>Rs. 1,75,26,510</u>
To Dividends on Ord. Shares.	25,00,000	By Net Profits brought down.	40,01,520
" Dividends on Pref. Shares.	10,00,000	" Last year's Profits ...	75,000
" Amount trans- ferred to Re- serve Fund ...	2,50,000		
" Balance carried forward ...	3,26,520		
	<u>Rs. 40,76,520</u>		<u>Rs. 40,76,520</u>
Dr. <i>Profit and Loss Account adjusted for Super-tax.</i>			<i>Cr.</i>
Balance carri- ed over ...	42,00,870	Net profit as above ...	40,01,520
		Income-tax...	1,12,000
		Loss on Sale of Invest- ments £...	15,850

	Reserves for Bad Debt & Discounts... 5,500
	Excess Depre- ciation of Machinery (3%) 30,000
	Excess Depre- ciation of Building (2½%) 36,000
Rs. 42,00,870	Rs. 42,00,870
Statutory al- lowance ... 50,000	Balance brou- ght down ... 42,00,870
Balance being Profits Taxa- ble to Super- tax (Taxable Income) ... 41,50,870	
Rs. 42,00,870	42,00,870

The amount of super-tax payable by the company on its taxable income of Rs. 41,50,870 will be Rs. 2,59,429-6-0, viz., at a flat rate of 1 anna in the rupee.

(c) *Unregistered Firm.*

*Illustration* :—Pastakia, Popatal and Panday, having a capital of Rs. 1,50,000 in equal shares, are in partnership as Mills Stores Suppliers, sharing profits and losses in the proportions of 5 : 3 : 2, respectively. From the following Profit and Loss Account of the firm, for the year ending 31st March 1927; ascertain the profits taxable to super-tax and the share of tax borne by each partner.

Dr.	<i>Profit and Loss Account.</i>	Cr.	
To Office establishment ...	45,938	By Gross Profits as per Trading account ...	2,46,850
„ Donations to Sir J. J. Hospital ...	25,000	„ Profit made on the race-course	14,375
„ Bad Debts & Discounts (written off)	5,892	„ Rent from sub-letting ...	1,800
„ Income-tax	2,000	„ Discounts and allowances ...	392
„ Rent (less repairs)	6,592	„ Profit from the Sale of Investments ...	15,595
„ Interest on capital (equal shares) ...	7,500		
„ Partners' salaries— Pastakia 4,800 Popatial 3,000 Panday 2,400	10,200		
„ Speculation Loss	15,000		
„ Net Profits carried down ...	1,60,890		
	<u>Rs. 2,79,012</u>		<u>Rs. 2,79,012</u>
To General Reserve Account ...	44,000	By Net Profits brought down.	1,60,890
„ Speculation Reserve Account	25,000		
„ Partners' Drawings Accounts:— Pastakia (five-tenths) ...	45,945		
Popatial (three-tenths) ...	27,567		
Panday (two-tenths) ...	18,378		
	<u>Rs. 1,60,890</u>		<u>Rs. 1,60,890</u>

Dr. *Profit and Loss Account adjusted for Super-tax.* Cr.

Profit on the race-course.	14,875	Net Profits as above ...	1,60,890
Profit from the sale of Investments.	15,595	Donations to the Hospital	25,000
Balance carried down. ...	1,90,620	Income-tax...	2,000
		Interest on capitals ...	7,500
		Partners' salaries ...	10,200
		Speculation loss ...	15,000
	<hr/>		<hr/>
	Rs. 2,20,590		Rs. 2,20,590
	<hr/>		<hr/>

Dr. Cr.

Statutory Allowance.	53,000	Balance brought down. ...	1,90,620
Balance being firm's Profit taxable to super-tax (Taxable Income) ...	1,40,620		
	<hr/>		<hr/>
	Rs. 1,90,620		Rs. 1,90,620
	<hr/>		<hr/>

Firm's Taxable Income		Rs. 1,40,620
Less Interest on Capital	7,500	
Partners' Salaries ...	10,200	
	<hr/>	17,700
		<hr/>
Firm's Divisible Income		Rs. 1,22,920
		<hr/>

*Statement showing allocation of Taxable Income.*

	Pastakia.	Popatlal.	Panday.	Total
Divisible Income	Rs. 61,460	36,876	24,584	1,22,920
Interest on Capital	" 2,500	2,500	2,500	7,500
Partners' Salaries	" 4,800	3,000	2,400	10,200
<b>Taxable Income</b>	<b>Rs. 68,760</b>	<b>42,376</b>	<b>29,484</b>	<b>1,40,620</b>

The amount of super-tax payable by the firm amounts to Rs. 12,890 which is arrived at thus :—

Rs.	Rs. a. p.
On first 50,000 at 1 anna in the rupee	3,125 0 0
„ next 50,000 at 1½ annas in the rupee	4,687 8 0
„ „ 40,600 at 2 „	5,077 8 0
<b>Rs. 1,40,620</b>	<b>Rs. 12,890 0 0</b>

Though the firm pays a tax of Rs. 12,890-0-0 it should be borne by the partners in the proportions of Rs. 68,760 : 42,376 : 29,484.

*(d) Registered firms.*

A., B., C. and D are the four partners in a firm, sharing profits and losses in the proportions of 4:3:2:1, and the income whereof is as follows :—

1. Property Rents (after admissible deductions)	Rs. 50,000
2. Proprietary Mill's Profit (after admissible deductions)	40,000
3. Dividends (net)	29,000
4. " Tax Free Securities " Interest.	60,000

5. Interest from Securities taxed at source (net) ...	58,000
6. "Loans on Mortgage" Interest...	20,000
7. Agency Commission, as a partner in a Registered Firm (taxed at source) ...	10,000
8. Agency Commission, as a partner in a Registered Firm (not taxed).	30,000
9. Share in an Unregistered Firm (taxed at 9 pies) ...	9,000
10. Share in an Unregistered Firm (taxed to I. T. & S. T.) ...	50,000
11. Commission as Treasurers and Secretaries to a Joint Stock Co.	25,000

(a) Ascertain what I. T. & S. T. the unregistered firm will have to pay.

b) Also what I. T. & S. T. the partners will pay, if they were assessed directly, the firm being a registered one.

<i>Illustration (a) :-</i>	Rs.	
1. Property ...	50,000	
2. Proprietary Mills ...	40,000	
3. Interest on Loans ...	20,000	
4. Agency Commission...	30,000	
5. Secretaries Commission ...	25,000	
	<hr/>	1,65,000
6. Dividends (Gross) ...	32,000	
7. Tax Free Securities ...	60,000	
8. Taxed Do. (gross)	64,000	

9. Agency Commission (taxed to I. T. only)	10,000	
10. Share in a Firm (taxed to I. T. only) ...	9,000	1,75,000
11. Agency Commission (taxed to I. T. & S. T.)		50,000
	Total ...	3,90,000
Less Income taxed to I. T. & S. T. ...		50,000
	Income for S. T.	3,40,000
Less Income taxed to I. T. only, or Tax Free Income for I. T.		1,75,000
	Rs.	1,65,000

The firm, if an unregistered one, will have to pay an I. T. of Rs. 15,468-12-0, being 18 pies on Rs. 1,65,000. The Income liable to S. T. is Rs. 2,90,000, *i. e.*, Rs. 3,40,000 less the statutory allowance of Rs. 50,000. The S. T. amounts to Rs. 40,000/- as shown below :—

On the first Rs. 50,000 @ 1 anna	3,125-0-0	Rs.
On the next 50,000 @ 1½ anna	4,687-8-0	
Do. 50,000 @ 2 annas	6,250-0-0	
Do. 50,000 @ 2½ annas	7,812-8-0	
Do. 50,000 @ 3 annas	9,375-0-0	
On the balance 40,000 @ 3½ annas	8,750-0-0	
Total Rs. 2,90,000	40,000 0 0	

NOTES:—(1) The Agency Commission of Rs. 50,000 has been ignored, because I. T. as well as S. T. have already been paid thereon. It is, however, to be taken for rate purposes. For instance, if the partner D., whose share in the firm is one-tenth, had a personal income of Rs. 2,000/- from properties, the rate applicable to the latter would be 18 pies, his total income being Rs. 41,000, *i. e.* Rs. 39,000 (one-tenth of Rs. 3,90,000, and not Rs. 3,40,000, as above) plus Rs. 2,000 from properties.

(2) The firm, being an unregistered one in this case, is liable to S. T. at graded rates. A registered firm is not, however, liable to S. T., which is charged against the partners directly, as shown in the following illustration.

*Illustration (b):—*

The income of Rs. 3,90,000 ascertained as above, will be apportioned amongst the partners of the registered firm thus:—

Share.	Liable to I. T. Rs.	Total for S. T. Rs.	Total for rate. Rs.
A. Four-tenths.	66,000	1,36,000	1,56,000
B. Three-tenths.	49,500	1,02,000	1,17,000
C. Two-tenths.	33,000	68,000	78,000
C. One-tenth	16,500	34,000	39,000
	<hr/> 1,65,000	<hr/> 3,40,000	<hr/> 3,90,000

(A) I. T. will be paid by A on Rs. 66,000 @ 18 pies. He will pay S. T. on Rs. 86,000, on Rs. 50,000 @ one anna and on the balance of Rs. 36,000 @ 18 pies.

(B) I. T. will be paid by B on Rs. 49,500 at 18 pies, while he will pay S. T. on Rs. 52,000/- at



the rate of one anna on the first Rs. 50,000 and at 18 pies on the rest Rs. 2,000/-.

(C) I. T. payable by C on Rs. 33,000 will be at the rate of 18 pies, his total income being Rs. 78,000 for rate purposes. He will, however pay S. T. on Rs. 18,000 only: (Rs. 68,000—Rs. 50,000).

(D) Though D's income liable to I. T. is only Rs. 16,500, yet he will have to pay it at the rate of 15 pies, his total income being Rs. 39,000. He will not, however, pay any S. T. because his total for that purpose is only Rs. 34,000, *i. e.*, less than Rs. 50,000.

**NOTE:**—If the firm be taxed at source as a Registered Firm, it will pay I. T. on the Rs. 1,65,000 at 18 pies, the S. T. being recovered from the partners directly as stated above. In such a case, partner A. B. and C could not claim any refund of I. T., the rate applicable to them being 18 pies. D. alone could however, claim a refund on Rs. 16,500/- at 3 pies, in as much as he has paid tax in the Firm at 18 pies rate (Rs. 16,500 being included in Rs. 1,65,000 taxed with the Firm).

### **Change in the Partners of a Registered Firm.**

Where any change occurs in the constitution of a registered firm, for computing the total income of a partner for S. T., the profit of the firm during the previous year shall be deemed to have been received in that year by the partners of the firm as constituted at the time of the making of the assessment to S. T., in proportion to their shares in the firm at that time.

*Illustration :—*

P. Q. R., the partners of a Registered Firm, have the following income liable to S. T. :—

P. Half share	Rs. 2,25,000
Q. One-third share	1,50,000
R. One-sixth share	75,000

Firm's Total Income Rs. 4,50,000

---

They take in a partner X before the Assessment is levied, their new shares being 4: 3: 2: 1 The income will now be divided thus:—

P.	1,80,000	
Q.	1,35,000	
R.	90,000	
X.	45,000	Rs. 4,50,000

So that P. will have to pay S. T. on Rs. 1,30,000, Q. on Rs. 85,000 and R. on Rs. 40,000/-. X will not pay any S. T., as his income is less than Rs. 50,000/-. Assuming for a minute that the share of X so arrived at, was Rs. 60,000/-, he would have had to pay S. T. on Rs. 10,000, though he never received it.

On the other hand, if P retired from the above firm, before the S. T. assessment was levied and the shares of Q and R between themselves were 3:2, the whole of the income of Rs. 4,50,000 would have been divided between them, for S. T. purposes,

as Rs. 2,70,000 and Rs. 1,80,000/—, respectively. Q will then have to pay S. T. on Rs. 2,20,000/— and R on Rs. 1,30,000/—, at the graded rates.

(e) *Individuals.*

*Illustration.*—From the following particulars of the income of Haribhai K. Mehta, of 32, C. P. Tank Road, ascertain the amount of the tax payable by him :—

He is the part-time Secretary of the Reliance Insurance Co., Ltd., of 51, Green Street, Fort, where he is given a salary of Rs. 1,000 per mensem after deducting income-tax at 9 pies in the rupee. He is a shareholder in the Mody Manufacturing Co., Ltd., wherefrom he derives an annual dividend of Rs. 2,900, and a debenture-holder in the Pareira Mills, Ltd., for Rs. 2,50,000 from which he gets a regular interest at 6 per cent (less tax). He has also subscribed to the 5½ per cent War Bonds (free of tax) up to Rs. 50,000. During his spare hours, he practises as Insurance Counsel at 375, Hornby Road, the net assessable income wherefrom is Rs. 13,278. He is a sleeping partner in the unregistered firm of Mody, Master & Co., of 27th Street, Rangoon where he gets by way of profits a certain percentage (of interest on his capital) varying with the profits of the firm; and during the last year he got such interest amounting to Rs. 9,600. The National Bank of India, Ltd., has credited his current account with Rs. 379, being interest due to him.

He also owns a house property at 32, Sewri Road, the annual letting value whereof is Rs. 15,820, and the admissible allowances relating thereto amount to Rs. 3,752. He is a pensioner (retired Headmaster) of the Baroda State who give him Rs. 5,000 annually. He is appointed Examiner in Sanskrit to the Bombay University, wherefrom he got during the last year, an honorarium of Rs. 1,900. He is also a Director of the Navsari Assurance Society, Ltd., where he attends the monthly meetings regularly, and so gets Rs. 240 per annum.

*Statement of Income for Super-tax Assessment.*

(a) *Gross Income already taxed or received free of tax :—*

	Rs.
1. Salary as Secretary ...	12,000
2. Dividend from Mody Mfg. Co. Shares ...	3,200
3. 6% Interest from Debentures of Pareira Mills ...	15,000
4. Interest on 5½% War Bonds (free of tax) ...	2,750
5. Interest from Mody, Master & Co. ...	9,600
	42,550

(b) *Income not taxed :—*

	Rs.
1. Net Income from the practice as Insurance Counsel ....	13,278

2. Interest on Bank Current Account ... ..	379
3. Net Income from house property ... ..	12,068
4. Pension from Baroda State ... ..	5,000
5. Honorarium as Examiner.	1,900
6. Director's Fees ... ..	240
	<hr/> 32,865
Total Gross Income	Rs. 75,415
Less Statutory Allowance	<hr/> 50,000
Taxable Income	Rs. 25,415

Haribhai will pay a super-tax at 1 anna in the rupee on Rs. 25,415.

*Note*—If he proves to be a member of a Hindu joint family, he will pay Super-Tax @ 1 anna in the rupee on Rs. 415 only. Interest at a rate varying with the profits is not allowed to be deducted as an expense; so that Rs. 9,600 will be taxed at source, along with the income of Mody, Master & Co.

**ASSESSMENT FORM.****Assessment for 1927-1928.****DISTRICT OR AREA—BOMBAY.**

Name of Assessee. Number in General Index  
 Haribhai K. Mehta.  
 Address: 5, Bhuleshwar Road, Number of miscellaneous records

Serial No.	Detailed sources of income.	Amount of income		Tax deducted at source.	REMARKS
		Rs.	Rs.		
1	Salary etc. (12,000 + 5,000)	17,000	562	8	
2	Interest on Securities ...	15,000	1,406	4	
3	Do. Do, (F. of T. ...)	2,750	...		
4	Property ...	12,068	...		
5	Business ...	9,600*	...		*(ta: sour
6	Profession ...	13,278	...		I. T.
7	Other sources (379 + 1,900 + 240) ...	2,519	...		
8	Dividends (2,900 + 3/29 ths.)	3,200	300		

For S. T. Rs. 75,415,  
 Less 50,000 Rs. 25,415  
 @ 1 anna—Rs. 1,588-7-0

	Rs.	a.	P
(i) Total income ...			75,4
(ii) Deduction on account of provident fund, insurance premia, etc. ...	...		
(iii) Deduct sums received as dividends or from a firm the profits of which have been charged to tax ...	9,600	3,200	
(iv) Deduct amount of interest from			

(v) Income now to be taxed	...	59,865
(vi) Rate applicable Eighteen pies per rupee	... ..	
(vii) Amount of tax...	... ..	5,612 6
(viii) Deduction under section 17	...	
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5)	... ..	562 8
	... ..	1,406 4
(x) Abatement on account of dividends at Nil pies per rupee)	... ..	...
(xi) Abatement on account of income from a registered firm (at Nil pies per rupee)...	... ..	1,968 12
(xii) Net amount of tax	... ..	3,643 10
(xiii) Penalty under section 28 or section 25 (2)	... ..	
(xiv) Total sum payable—(in figures as well as in words)	... ..	3,643 10
Rupees Three Thousanded, six hundred, forty three annas Ten		

S. T. Rupees : One Thousand, five hundred, Eighty Eight Annas : Seven.

F. G. H.

Dated

Income-tax Officer.

# CHAPTER IX.

## THE INDIAN INCOME-TAX ACT, 1922.

(ACT NO. XI OF 1922.)

*An Act to consolidate and amend the law relating to  
Income-tax and Super-tax.*

Whereas it is expedient to consolidate and amend the law relating to Income-tax and Super-tax; it is hereby enacted as follows:—

### **1. Short title, extent and commencement.**

(1) This Act may be called the Indian Income-Tax Act 1922.

(2) It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas, and applies also, within the dominions of Princes and Chiefs in India in alliance with His Majesty, to British subjects in those dominions who are in the service of the Government of India or of a local authority established in the exercise of the powers of the Governor-General in Council in that behalf, and to all other servants of His Majesty in those dominions.

(3) It shall come into force on the first day of April 1922.

### **2. Definitions.**

In this Act, unless there is anything repugnant in the subject or context,—

(1) “agricultural income” means—

(a) any rent or revenue derived from land which is used for agricultural purposes, and is either assessed to land-revenue in British India or subject to a local rate assessed and collected by officers of Government as such;



- (b) any income derived from such land by—
- (i) agriculture, or
  - (ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by a cultivator or receiver of rent-in-kind to render the produce raised or received by him fit to be taken to market, or
  - (iii) the sale by a cultivator or receiver of rent-in-kind of the produce raised or received by him, in respect of which no process has been performed other than a process of the nature described in sub-clause (ii);
- (c) any income derived from any building owned and occupied by the receiver of the rent or revenue of any such land, occupied by the cultivator, or the receiver of rent-in-kind, of any land with respect to which, or the produce of which, any operation mentioned in sub-clauses (ii) and (iii) of clause (b) is carried on:

Provided that the building is on or in the immediate vicinity of the land, and is a building which the receiver of the rent or revenue or the cultivator or the receiver of the rent-in-kind by reason of his connection with the land, requires as a dwelling-house, or as a store house or other outbuilding;

- (2) "Assessee" means a person by whom income-tax is payable;
- (3) "Assistant Commissioner" means a person appointed to be an Assistant Commissioner of Income-Tax under section 5;
- (4) "business" includes any trade, commerce, or manufacture;

(4)A "The Central Board of Revenue" means the Central Board of Revenue constituted under the Central Board of Revenue Act, 1924;

(5) "Commissioner" means a person appointed to be a Commissioner of Income-Tax under section 5;

(6) "Company" means a company as defined in the Indian Companies Act, 1913, or formed in pursuance of an Act of Parliament or of Royal Charter or Letters Patent, or of an Act of the Legislature of a British possession, and includes any foreign association carrying on business in British India or not, which the Central Board of Revenue may, by general or special order, declare to be a company for the purposes of this Act;

(7) "Income-tax Officer" means a person appointed to be an Income-tax Officer under section 5;

(8) "Magistrate" means a Presidency Magistrate or a Magistrate of the first class, or a Magistrate of the second class specially empowered by the local Government to try offences against this Act;

(9) "person" includes a Hindu undivided family;

(10) "prescribed" means prescribed by rule made under this Act;

(11) "previous year" means—

(a) the twelve months ending on the 31st day of March next preceding the year for which the assessment is to be made, or, if the accounts of the assessee have been made up to a date within the said twelve months in respect of a year ending on any date other than the said 31st day of March, then at the option of the assessee the year ending on the day to which his accounts have so been made up;

Provided that, if this option has once been exercised by the assessee, it shall not again be exercised so as to vary the meaning of the expression "previous year", as then applicable to such assessee except with the consent of the Income-Tax Officer and upon such conditions as he may think fit; or

(b) in the case of any person, business or company or class of person, business or company, such period as may be determined by the Board of Inland Revenue or by such authority as the Board may authorise in this behalf ;

(12) "principal officer," used with reference to a local authority or a company or any other public body or any association, means—

(a) the secretary, treasurer, manager or agent of the authority, company, body or association, or

(b) any person connected with the authority, company, body or association upon whom the Income-Tax Officer has served a notice of his intention of treating him as the principal officer thereof;

XLV of (13) "public servant" has the same meaning 1860. as in the Indian Penal Code ;

(14) "registered firm" means a firm constituted under an instrument of partnership specifying the individual shares of the partners of which the prescribed particulars have been registered with the Income-tax Officer in the prescribed manner;

(15) "total income" means total amount of income, profits and gains from all sources to which this Act applies computed in the manner laid down in section 16 ; and

(16) "unregistered firm" means a firm which is not a registered firm.

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## CHAPTER I.

*Charge of Income-Tax.***3. Charge of Income-tax.**

Where any Act of the Indian Legislature enacts that income-tax shall be charged for any year at any rate or rates applicable to the total income of an assessee, tax at that rate or those rates shall be charged for that year in accordance with, and subject to the provisions of, this Act in respect of all income, profits and gains of the previous year of every individual, Hindu undivided family, company, firm and other association of individuals.

**4. Application of Act.**

(1) Save as hereinafter provided, this Act shall apply to all income, profits or gains, as described or comprised in section 6, from whatever source derived, accruing, or arising or received in British India, or deemed under the provisions of this Act to accrue, or arise, or be received in British India.

(2) Profits and gains of a business accruing or arising without British India to a person resident in British India shall if they are received in or brought into British India, be deemed to have accrued or arisen in British India and to be profits and gains of the year in which they are received or brought, notwithstanding the fact that they did not so accrue or arise in that year, provided that they are so received or brought in within three years of the end of the year in which they accrued or arose.

*Explanation.*—Profits or gains accruing or arising without British India shall not be deemed to be received or brought into British India within the meaning of this subsection by reason only of the fact that they are taken into account in the balance sheet prepared in British India.

(3) This Act shall not apply to the following classes of income :—

- (i) Any income derived from property held under trust or other legal obligation wholly for religious or charitable purposes, and in the case of property so held in part only for such purposes, the income applied, or finally set apart for application, thereto.
  - (ii) Any income of a religious or charitable institution derived from voluntary contributions and applicable solely to religious or charitable purposes.
  - (iii) The income of local authorities.
  - (iv) Interest on securities which are held by, or are the property of, any Provident Fund to which the Provident Funds Act, 1897, applies.
- IX of 1897.
- (v) Any capital sum received in commutation of the whole or a portion of a pension, or in the nature of consolidated compensation for death or injuries or in payment of any insurance policy or as the accumulated balance at the credit of a subscriber to any such Provident Fund.
  - (vi) Any special allowance, benefit or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.
  - (vii) Any receipts not being receipts arising from business or the exercise of a profession, vocation or occupation, which are of a casual and non-recurring nature, or are not by way of addition to the remuneration of an employé.
  - (viii) Agricultural income.

In this sub-section "charitable purpose" includes relief of the poor, education, medical relief, and the advancement of any other object of general public utility.

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CHAPTER II.

*Income-Tax Authorities.*

**5. Income-Tax Authorities.**

(1) There shall be the following classes of Income-tax authorities for the purposes of this Act, namely :—

- (a) a Board of Inland Revenue,
- (b) Commissioners of Income-Tax,
- (c) Assistant Commissioners of Income-tax, and
- (d) Income-tax Officers.

(2) \* \* \* \* \* (repealed by the Central Board of Revenue Act, 1924).

(3) There shall be a Commissioner of Income-tax for each province who shall be appointed by the Governor-General in Council after consideration of any recommendation made by the Local Government in this behalf.

(4) Assistant Commissioners of Income-tax and Income-tax Officers shall, subject to the control of the Governor-General in Council, be appointed by the Commissioner of Income-tax by order in writing. They shall perform their functions in respect of such classes of persons and such classes of income and in respect of such areas as the Commissioner of Income-tax may direct. The Commissioner may, by general or special order in writing, direct that the powers conferred on the Income-tax Officer and the Assistant Commissioner by or under this Act shall, in respect of any specified case or class of cases, be exercised by

the Assistant Commissioner and the Commissioner, respectively, and for the purposes of any case in respect of which such order applies, references in this Act or in any rules made hereunder to the Income-tax Officer and the Assistant Commissioner shall be deemed to be reference to the Assistant Commissioner and the Commissioner, respectively.

(5) The Board of Inland Revenue may, by notification in the *Gazette of India*, appoint Commissioners of Income-tax, Assistant Commissioners of Income-tax and Income-tax Officers to perform such functions in respect of such classes of persons or such classes of Income, and for such area, as may be specified in the notification, and thereupon the functions so specified shall cease, within the specified area, to be performed, in respect of the specified classes of income, by the authorities appointed under sub-sections (3) and (4).

(6) Assistant Commissioners of Income-tax and Income-tax Officers appointed under sub-section (4) shall, for the purposes of this Act, be subordinate to the Commissioner of Income-tax appointed under sub-section (3) for the province in which they perform their functions.

### CHAPTER III.

#### *Taxable Income.*

## 6. Heads of Income chargeable to Income-tax.

Save as otherwise provided by this Act, the following heads of income, profits and gains, shall be chargeable to income-tax in the manner hereinafter appearing, namely :—

- (i) Salaries.
- (ii) Interest on securities.
- (iii) Property.

- (iv) Business.
- (v) Professional earnings.
- (w) Other sources.

## 7. Salaries.

(1) The tax shall be payable by an assessee under the head "Salaries" in respect of any salary or wages, any annuity, pension or gratuity, and any fees, commissions, perquisites or profits received by him in lieu of, or in addition to, any salary or wages, which are paid by or on behalf of Government, a local authority, a company, or any other public body or association, or by or on behalf of any private employer :

*Explanation* :—The right of a person to occupy free of rent as a place of residence any premises provided by his employer is a perquisite for the purposes of this sub-section.

Provided that the tax shall not be payable in respect of any sum deducted under the authority of Government from the salary of any individual for the purpose of securing to him a deferred annuity or of making provision for his wife or children, provided that the sum so deducted shall not exceed one-sixth of the salary.

(2) Any income which would be chargeable under this head if paid in British India shall be deemed to be so chargeable if paid to a British subject or any servant of His Majesty in any part of India by Government or by a local authority established by the Governor-General in Council.

## 8. Interest on securities.

The tax shall be payable by an assessee under the head "Interest on securities" in respect of the interest receivable by him on any security of the Government of India or of a



Local Government, or on debentures or other securities for money issued by or on behalf of a local authority or a company :

Provided that no income-tax shall be payable on the interest receivable on any security of the Government of India issued or declared to be income-tax free :

Provided, further, that the income-tax payable on the interest receivable on any security of a Local Government issued income-tax free shall be payable by that Local Government.

### 9. Property.

(1) The tax shall be payable by an assessee under the head "Property" in respect of the *bona fide* annual value of property consisting of any buildings or lands appurtenant thereto of which he is the owner, other than such portions of such property as he may occupy for the purposes of his business, subject to the following allowances, namely :—

- (i) where the property is in the occupation of the owner, or where it is let to a tenant and the owner has undertaken to bear the cost of repairs a sum equal to one-sixth of such value ;
- (ii) where the property is in the occupation of a tenant who has undertaken to bear the cost of repairs, the difference between such value and the rent paid by the tenant up to but not exceeding one-sixth of such value;
- (iii) the amount of any annual premium paid to insure the property against risk of damage or destruction ;

- (iv) where the property is subject to a mortgage or charge or to a ground rent, the amount of any interest on such mortgage or charge or of any such ground rent ;
- (v) any sums paid on account of land-revenue in respect of the property ;
- (vi) in respect of collection charges, a sum not exceeding the prescribed maximum ;
- (vii) in respect of vacancies, such sum as the Income-tax Officer may determine having regard to the circumstances of the case :

Provided that the aggregate of the allowances made under this sub-section shall in no case exceed the annual value.

(2) For the purposes of this section, the expression "annual value" shall be deemed to mean the sum for which the property might reasonably be expected to let from year to year ;

Provided that, where the property is in the occupation of the owner for the purposes of his own residence, such sum shall, for the purposes of this section, be deemed not to exceed ten per cent. of the total income of the owner.

### 10. Business.

(1) The tax shall be payable by an assessee under the head "Business" in respect of the profits or gains of any business carried on by him.

(2) Such profits or gains shall be computed after making the following allowances, namely:—

- (i) any rent paid for the premises in which such business is carried on, provided that, when any

substantial part of the premises is used as a dwelling-house by the assessee, the allowance under this clause shall be such sum as the Income-tax Officer may determine having regard to the proportional part so used:

- (ii) in respect of repairs, where the assessee is the tenant only of the premises, and has undertaken to bear the cost of such repairs, the amount paid on account thereof, provided that, if any substantial part of the premises is used by the assessee as a dwelling-house, a proportional part only of such amount shall be allowed;
- (iii) in respect of capital borrowed for the purposes of the business, where the payment of interest thereon is not in any way dependent on the earning of profits, the amount of the interest paid;

*Explanation:—*Recurring subscriptions paid periodically by shareholders or subscribers in such Mutual Benefit Societies as may be prescribed, shall be deemed to be capital borrowed within the meaning of this clause;

- (iv) in respect of insurance against risk of damage or destruction of buildings, machinery, plant, furniture, stocks or stores, used for the purposes of the business, the amount of any premium paid;
- (v) in respect of current repairs to such buildings, machinery, plant, or furniture, the amount paid on account thereof;
- (vi) in respect of depreciation of such buildings, machinery, plant, or furniture being the property of the assessee, a sum equivalent to such percen-

tage on the original cost thereof to the assessee as may in any case or class of cases be prescribed:

Provided that—

- (a) the prescribed particulars have been duly furnished;
  - (b) where full effect cannot be given to any such allowance in any year owing to there being no profits or gains chargeable for that year, or owing to the profits or gains chargeable being less than the allowance, the allowance or part of the allowance to which effect has not been given, as the case may be, shall be added to the amount of the allowance for depreciation for the following year and deemed to be part of that allowance, or, if there is no such allowance for that year, be deemed to be the allowance for that year, and so on for succeeding years ; and
  - (c) the aggregate of all such allowances made under this Act or any Act repealed hereby, or under the Indian Income-tax Act, 1886, shall, in no case, exceed the original cost to the assessee of the buildings, machinery, plant, or furniture, as the case may be ;
  - (vi) in respect of any machinery or plant which, in consequence of its having become obsolete, has been sold or discarded, the difference between the original cost to the assessee of the machinery or plant as reduced by the aggregate of the allowances made in respect of depreciation under clause (vi), or any Act repealed hereby, or the Indian Income-tax Act, 1886, and the amount
- II of  
1886.
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for which the machinery or plant is actually sold, or its scrap value;

- (viiia) in respect of animals which have been used for the purposes of the business otherwise than as Stock-in trade, and have died or become permanently useless for such purposes, the difference between the original cost to the assessee of the animals and the amount, if any, realised in respect of the carcasses or animals;
- (viii) any sums paid on account of land-revenue, local rates or municipal taxes in respect of such part of the premises as is used for the purposes of the business;
- (ix) any expenditure (not being in the nature of capital expenditure) incurred solely for the purpose of earning such profits or gains.

Provided that nothing in clause (viii) or clause (ix) shall be deemed to authorise the allowance of any sum paid on account of any cess, rate or tax levied on the profits or gains of any business or assessed at a proportion of or otherwise on the basis of any such profits or gains.

(3) In sub-section (2), the word "paid" means actually paid or incurred according to the method of accounting upon the basis of which the profits or gains are computed under this section.

*Note.*—An assessee deriving income from a railway or tramway business may at his option require that in computing the profits and gains of such business the following allowance shall be made in lieu of the allowances specified in clause (v), clause (vi) and clause (vii) of sub-section (2) of section 10 of the said Act, namely the actual expenditure incurred by the assessee during the previous year on repairs, replacements, and renewals of plant, machinery, buildings and furniture which are the property of the assessee.

Provided that an assessee who in any year has exercised the option hereinbefore conferred shall not be entitled save with the consent of the Commissioner of Income-tax to withdraw that option in any subsequent year.

Provided further that nothing in this notification shall apply to an electric tramway.

### **11. Professional earnings.**

(1) The tax shall be payable by an assessee under the head "Professional earnings" in respect of the profits or gains of any profession or vocation followed by him.

(2) Such profits or gains shall be computed after making allowance for any expenditure (not being in the nature of capital expenditure) incurred solely for the purposes of such profession or vocation, provided that no allowance shall be made on account of any personal expenses of the assessee.

(3) Professional fees paid in any part of India to a person ordinarily resident in British India shall be deemed to be profits or gains chargeable under this head.

### **12. Other sources.**

(1) The tax shall be payable by an assessee under the head "Other sources" in respect of income, profits and gains of every kind and from every source to which this Act applies (if not included under any of the preceding heads).

(2) Such income, profits and gains shall be computed after making allowance for any expenditure (not being in the nature of capital expenditure) incurred solely for the purpose of making or earning such income, profits or gains, provided that no allowance shall be made on account of any personal expenses of the assessee.

### 13. Method of accounting.

Income, profits and gains shall be computed, for the purposes of sections 10, 11 and 12, in accordance with the method of accounting regularly employed by the assessee :

Provided that, if no method of accounting has been regularly employed, or if the method employed is such that, in the opinion of the Income-tax Officer, the income, profits and gains cannot properly be deduced therefrom, then the computation shall be made upon such basis and in such manner as the Income-tax Officer may determine.

### 14. Exemptions of a general nature-

(1) The tax shall not be payable by an assessee in respect of any sum which he receives as a member of a Hindu undivided family.

(2) The tax shall not be payable by an assessee in respect of—

- (a) any sum which he receives by way of dividend as shareholder in a company where the profits or gains of the company have been assessed to income-tax ; or
- (b) such an amount of the profits or gains of any firm which have been assessed to income-tax as is proportionate to his share in the firm at the time of such assessment.

### 15. Exemption in the case of life insurances.

(1) The tax shall not be payable by an assessee in respect of any sums paid by him to effect an insurance on his own life or on the life of his wife, or in respect of a contract for a deferred annuity on his own life or on the

life of his wife, or as a contribution to any Provident Fund to which the Provident Funds Act, 1897, 1897. applies.

(2) Where the assessee is a Hindu undivided family, there shall be exempted under sub-section (1) any sums paid to effect an insurance on the life of any male member of the family or of the wife of any such member.

(3) The aggregate of any sums exempted under this section shall not, together with any sums exempted under the proviso to sub-section (1) of section 7, exceed one-sixth of the the total income of the assessee.

### **16. Exemptions and exclusions in determining the total income.**

(1) In computing the total income of an assessee sums exempted under the proviso to sub-section (1) of section 7, the provisos to section 8, sub-section (2) of section 14 and section 15, shall be included.

(2) For the purposes of sub-section (1), any sum mentioned in clause (a) of sub-section (2) of section 14 shall be increased by the amount of income-tax payable by the company in respect of the dividend received.

### **17. Reduction of tax when margin above a certain limit is small.**

Where owing to the fact that the total income of any assessee has reached or exceeded a certain limit, he is liable to pay income-tax or to pay income-tax at a higher rate, the amount of income-tax payable by him shall, where necessary, be reduced so as not to exceed the aggregate of the following amounts, namely :—

- (a) the amount which would have been payable if his total income had been a sum less by one rupee than that limit, and



- (b) the amount by which his total income exceeds that sum.

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CHAPTER IV.

*Deductions and Assessment.*

**18. Payment by deduction at source.**

(1) Income-tax shall, unless otherwise prescribed in the case of any security of the Government of India, be leviable in advance by deduction at the time of payment in respect of income chargeable under the following heads :—

- (i) "Salaries" and
- (ii) "Interest on securities."

(2) Any person responsible for paying any income chargeable under the head "Salaries" shall, at the time of payment, deduct income-tax on the amount payable at the rate applicable to the estimated income of the assessee under this head :

Provided that such person may, at the time of making any deduction, increase or reduce the amount to be deducted under this sub-section for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct.

Notwithstanding anything hereinbefore contained, for the purpose of making the deduction under sub-section (2), there shall be included in the amount payable any income chargeable under the head 'Salaries', which is payable to the assessee out of India by or on behalf of Government, and the value in rupees of such income shall be calculated at the prescribed rate of exchange. (Vide Rule 11A).

(3) The person responsible for paying any income chargeable under the head "Interest on securities" shall,

at the time of payment, deduct income-tax on the amount of the interest payable at the maximum rate.

(4) All sums deducted in accordance with the provisions of this section shall, for the purpose of computing the income of an assessee, be deemed to be income received.

(5) Any deduction made in accordance with the provisions of this section shall be treated as a payment of income-tax on behalf of the person from whose income the deduction was made, or of the owner of the security, as the case may be, and credit shall be given to him therefor in the assessment, if any, made for the following year under this Act :

Provided that, if such person or such owner obtains, in accordance with the provisions of this Act, a refund of any portion of the tax so deducted, no credit shall be given or the amount of such refund.

(6) All sums deducted in accordance with the provisions of this section shall be paid within the prescribed time by the person making the deduction to the credit of the Government of India, or as the Central Board of Revenue directs.

(7) If any such person does not deduct and pay the tax as required by this section, he shall, without prejudice to any other consequences which he may incur, be deemed to be personally in default in respect of the tax.

(8) The power to levy by deduction under this section shall be without prejudice to any other mode of recovery.

(9) Every person deducting income-tax in accordance with the provisions of sub-section (3) shall, at the time of payment of interest, furnish to the person to whom the interest is paid a certificate to the effect that income-tax has been deducted, and specifying the amount so deducted, the rate at

which the tax has been deducted, and such other particulars as may be prescribed.

### **19. Payment in other cases.**

In the case of income chargeable under any other head than those mentioned in sub-section (1) of section 18, and in any case where income-tax has not been deducted in accordance with the provisions of that section, the tax shall be payable by the assessee direct.

### **19A. Supply of information regarding Dividends.**

The principal officer of every company shall, on or before the 15th day of June in each year, furnish to the prescribed officer a return in the form prescribed by Rule 43 and verified in the prescribed manner of the names and addresses, as entered in the register of shareholders maintained by the company, of the shareholders to whom a dividend or aggregate dividends exceeding such amount as may be prescribed (vide Rule 42) in this behalf has or have been distributed during the preceding year and of the amount so distributed to each such shareholder.

### **20. Certificate by company to shareholders receiving dividends.**

The principal officer of every company shall, at the time of distribution of dividends, furnish to every person receiving a dividend a certificate to the effect that the company has paid or will pay income-tax on the profits which are being distributed, and specifying such other particulars as may be prescribed.

### **21. Annual Return.**

The prescribed person in the case of every Government office, and the principal officer or the prescribed person in the

case of every local authority, company or other public body or association, and every private employer shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer in the prescribed form, a return in writing showing—

- (a) the name and, so far as it is known, the address, of every person who was receiving on the said 31st day of March, or has received during the year ending on that date, from the authority, company, body, association or private employer as the case may be, any income chargeable under the head "Salaries" of such amount as may be prescribed;
- (b) the amount of the income so received by each such person, and the time or times at which the same was paid;
- (c)  $\frac{x}{2}$  the amount deducted in respect of income-tax from the income of each such person.

## 22. Return of Income.

(1) The principal officer of every company shall prepare and, on or before the fifteenth day of June in each year, furnish to the Income-tax Officer a return, in the prescribed form and verified in the prescribed manner, of the total income of the company during the previous year:

Provided that the Income-tax Officer may, in his discretion, extend the date for the delivery of the return in the case of any company or class of companies.

(2) In the case of any person other than a company whose total income is, in the Income-tax Officer's opinion, of such an amount as to render such person liable to income-tax,

Income-tax Officer shall serve a notice upon him

requiring him to furnish, within such period, not being less than thirty days as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner setting forth (along with such other particulars as may be provided for in the notice) his total income during the previous year.

(3) If any person has not furnished a return within the time allowed by or under sub-section (1) or sub-section (2), or having furnished a return either of those sub-sections, discovers any omission or wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made, and any return so made shall be deemed to be a return made in due time under this section.

(4) The Income-tax Officer may serve on the principal officer of any company or any person upon whom a notice has been served under sub-section (2) a notice requiring him, on a date to be therein specified, to produce, or cause to be produced, such accounts or documents as the Income-tax Officer may require :

Provided that the Income-tax Officer shall not require the production of any accounts relating to a period more than three years prior to the previous year.

### **23. Assessment.**

(1) If the Income-tax Officer is satisfied that a return made under section 22 is correct and complete, he shall assess the total income of the assessee, and shall determine the sum payable by him on the basis of such return.

(2) If the Income-tax Officer has reason to believe that a return made under section 22 is incorrect or incomplete, he shall serve on the person who made the return a notice

requiring him, on a date to be therein specified, either to attend at the Income-tax Officer's office or to produce; or to cause to be there produced, any evidence on which such person may rely in support of the return.

(3) On the day specified in the notice issued under sub-section (2), or as soon afterwards as may be, the Income-tax Officer, after hearing such evidence as such person may produce and such other evidence as the Income-tax Officer may require, on specified points, shall, by an order in writing, assess the total income of the assessee, and determine the sum payable by him on the basis of such assessment.

(4) If the principal officer of any company or any other person fails to make a return under sub-section (1) or sub-section (2) of section 22, as the case may be, or fails to comply with all the terms of a notice issued under sub-section (4) of the same section or, having made a return, fails to comply with all the terms of a notice issued under sub-section (2) of this section, the Income-tax Officer shall make the assessment to the best of his judgment.

#### **24. Set off of loss in computing aggregate income.**

(1) Where any assessee sustains a loss of profits or gains in any year under any of the heads mentioned in section 6, he shall be entitled to have the amount of the loss set off against his income, profits or gains under any other head in that year.

(2) Where the assessee is a registered firm, and the loss sustained cannot wholly be set off under sub-section (1), any member of such firm shall be entitled to have set off against any income, profits or gains of the year in which the loss was sustained in respect of which the tax is payable by him such

amount of the loss not already set off as is proportionate to his share in the firm.

## **25. Assessment in case of discontinued business.**

(1) Where any business, profession or vocation on which Income-tax was not at any time charged under the provisions of the Indian Income-tax Act, 1918, is discontinued in any year, an assessment may be made in that year on the basis of the income, profits or gains of the period between the end of the previous year and the date of such discontinuance in addition to the assessment, if any, made on the basis of the income, profits or gains of the previous year.

(2) Any person discontinuing any such business, profession or vocation shall give to the Income-tax Officer notice of such discontinuance within fifteen days thereof, and, where any person fails to give the notice required by this sub-section, the Income-tax Officer may direct that a sum shall be recovered from him by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income, profits or gains of the business, profession or vocation up to the date of its discontinuance.

(3) Where any business, profession or vocation, on which tax was at any time charged under the provisions of VII of the Indian Income-tax Act, 1918, is discontinued, 1918. no tax shall be payable in respect of the income, profits and gains of the period between the end of the previous year and the date of such discontinuance, and the assessee may further claim that the income, profits and gains of the previous year shall be deemed to have been the income, profits and gains of the said period. Where any such claim is made, an assessment shall be made on the basis of the income, profits and gains of the said period, and if an

amount of tax has already been paid in respect of the income, profits and gains of the previous year exceeding the amount payable on the basis of such assessment, a refund shall be given of the difference.

(4) Where an assessment is to be made under sub-section (1) or sub-section (3), the Income-tax Officer may serve on the person whose income, profits and gains are to be assessed, or, in the case of a firm, on any person who was a member of such firm at the time of its discontinuance, or, in the case of a company, on the principal officer thereof, a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 22, and the provisions of this Act shall, so far as may be, apply accordingly as if the notice were a notice issued under that sub-section.

### **25A. Assessment after partition of a Hindu undivided family.**

(1) Where, at the time of making an assessment under Section 23, it is claimed by or on behalf of any member a Hindu family hitherto undivided that a partition has taken place among the members of such family, the Income-tax Officer shall make such inquiry thereinto as he may think fit and if he is satisfied that a separation of the members of the family has taken place and that the joint family property has been partitioned among the various members or groups of members in definite portions before the end of the previous year, he shall record an order to that effect:

Provided that no such order shall be recorded until notices of the inquiry have been served on all the members of the family.

(2) Where such an order has been passed, the Income-tax Officer shall make an assessment of the total income received by or on behalf of the joint family as such, as if no sepa-



ration or partition had taken place, and each member or group of members shall, in addition to any income-tax for which he or it may be separately liable and notwithstanding anything contained in sub-section (1) of section 14, be liable for a share of the tax on the income so assessed according to the portion of the joint family property allotted to him or it;

and the Income-tax Officer shall make assessments accordingly on the various members and groups of members in accordance with the provisions of Section 23:

Provided that all the separated members and groups of members shall be liable jointly and severally for the tax assessed on the total income received by or on behalf of the JOINT family as such."

### **26(1). Change in constitution of a firm.**

Where, at the time of making an assessment under section 23, it is found that a change has occurred in the constitution of a firm or that a firm has been newly constituted, the assessments on the firm and on the members thereof shall, subject to the provisions of this Act, be made as if the firm had been constituted throughout the previous year as it is constituted at the time of making the assessment, and as if each member had received a share of the profits of that year proportionate to his interest in the firm at the time of making the assessment.

### **26(2). Change of ownership of business.**

Where, at the time of making an assessment under Section 23, it is found that the person carrying on any business, profession or vocation has been succeeded in such capacity by another person, the assessment shall be made on such person succeeding, as if he had been carrying on the business, profession or vocation throughout the previous year, and as he had received the whole of the profits for that year.

## **27. Cancellation of assessment when cause is shown.**

Where an assessee or, in the case of a company, the principal officer thereof, within one month from the service of a notice of demand issued as hereinafter provided, satisfies the Income-tax Officer that he was prevented by sufficient cause from making the return required by section 22, or that he did not receive the notice issued under sub-section (4) of section 22, or sub-section (2) of section 23, or that he had not a reasonable opportunity to comply, or was prevented by sufficient cause from complying, with the terms of the last-mentioned notices, the Income-tax Officer shall cancel the assessment in accordance with the provisions of section 23.

## **28. Penalty for concealment of income.**

(1) If the Income-tax Officer, the Assistant Commissioner or the Commissioner in the course of any proceedings under this Act, is satisfied that an assessee has concealed the particulars of his income, or has deliberately furnished inaccurate particulars of such income, and has thereby returned it below its real amount, he may direct that the assessee shall, in addition to the income-tax payable by him, pay by way of penalty a sum not exceeding the amount of income-tax which would have been avoided if the income so returned by the assessee had been accepted as the correct income :

Provided that no such order shall be made, unless the assessee has been heard, or has been given a reasonable opportunity of being heard :

Provided further, that no prosecution for an offence against this Act shall be instituted in respect of the same facts on which a penalty has been imposed under this section.

(2) An Assistant Commissioner or a Commissioner who has made an order under sub-section (1) shall forthwith send a copy of the same to the Income-tax Officer.

### **29. Notice of demand.**

When the Income-tax Officer has determined a sum to be payable by an assessee under section 23, or when an order has been passed under sub-section (2) of section 25 or section 28 for the payment of a penalty, the Income-tax Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum so payable.

### **30 Appeal against assessment under this Act.**

(1) Any assessee objecting to the amount or rate at which he is assessed under section 23 or section 27, or denying his liability to be assessed under this Act, or objecting to a refusal of an Income-tax Officer to make a fresh assessment under section 27, or to any order against him under sub-section (2) of section 25 or section 28, made by an Income-tax Officer, may appeal to the Assistant Commissioner against the assessment or against such refusal or order :

Provided that no appeal shall lie in respect of an assessment made under sub-section (4) of section 23, or under that sub-section read with section 27.

(2) The appeal shall ordinarily be presented within thirty days of receipt of the notice of demand relating to the assessment or penalty objected to, or of the date of the refusal to make a fresh assessment under section 27, as the case may be ; but the Assistant Commissioner may admit an appeal after the expiration of the period if he is satisfied that the appellant had sufficient cause for not presenting it within that period.

(3) The appeal shall be in the prescribed form, and shall be verified in the prescribed manner.

### **31. Hearing of appeal.**

(1) The Assistant Commissioner shall fix a day and place for the hearing of the appeal, and may from time to time adjourn the hearing.

(2) The Assistant Commissioner may, before disposing of any appeal, make such further inquiry as he thinks fit, or cause further inquiry to be made by the Income-tax Officer.

(3) In disposing of an appeal the Assistant Commissioner may, in the case of an order of assessment,—

(a) confirm, reduce, enhance or annul the assessment, or

(b) set aside the assessment and direct the Income-tax Officer to make a fresh assessment after making such further inquiry as the Income-tax Officer thinks fit or the Assistant Commissioner may direct, and the Income-tax Officer shall thereupon proceed to make such fresh assessment,

or in the cases of an order under sub-section (2) of section 25 or section 28,—

(c) confirm, cancel or vary such order :

Provided that the Assistant Commissioner shall not enhance an assessment unless the appellant has had a reasonable opportunity of showing cause against such enhancement.

### **32. Appeals against orders of Assistant Commissioner.**

(1) Any assessee objecting to an order passed by an Assistant Commissioner under section 28 or to an order enhancing his assessment under sub-section (3) of section 31, may

appeal to the Commissioner within thirty days of the making of such order.

(2) The appeal shall be in the prescribed form, and shall be verified in the prescribed manner.

(3) In disposing of the appeal the Commissioner may, after giving the appellant an opportunity of being heard, pass such orders thereon as he thinks fit.

### **33. Power of review.**

(1) The Commissioner may of his own motion call for the record of any proceeding under this Act which has been taken by any authority subordinate to him or by himself when exercising the powers of an Assistant Commissioner under sub-section (4) of section 5.

(2) On receipt of the record the Commissioner may make such inquiry or cause such inquiry to be made and, subject to the provisions of this Act, may pass such orders thereon as he thinks fit:

Provided that he shall not pass any order prejudicial to an assessee without hearing him or giving him a reasonable opportunity of being heard.

### **34. Income escaping assessment.**

If for any reason income, profits or gains chargeable to income-tax has escaped assessment in any year, or has been assessed at too low a rate, the Income-tax Officer may, at any time within one year of the end of that year, serve on the person liable to pay tax on such income, profits or gains, or, in the case of a company, on the principal officer thereof, a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 22, and may proceed to assess or re-assess such income, profits or gains, and the provisions of this Act shall, so far

as may be, apply accordingly as if the notice were a notice issued under that sub-section :

Provided that the tax shall be charged at the rate at which it would have been charged had the income, profits or gains not escaped assessment or full assessment, as the case may be.

### **35. Rectification of Mistake.**

(1) The Commissioner or Assistant Commissioner may, at any time within one year from the date of any order passed by him in appeal or, in the case of the Commissioner, in revision under Section 33, and the Income-tax Officer may, at any time within one-year from the date of any demand made upon an assessee, on his own motion rectify any mistake apparent from the record of the appeal, revision or assessment, as the case may be, and within the like period rectify any such mistake which has been brought to his notice by the assessee :

Provided that no such rectification shall be made, having the effect of enhancing an assessment unless the Commissioner, the Assistant Commissioner or the Income-tax Officer, as the case may be, has given notice to the assessee of his intention so to do and has allowed him a reasonable opportunity of being heard.

(2) Where any such rectification has the effect of reducing the assessment, the Income-tax Officer shall make any refund which may be due to such assessee.

(3) Where any such rectification has the effect of enhancing the assessment, the Income-tax Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum payable, and such notice of demand

shall be deemed to be issued under section 29, and the provisions of this Act shall apply accordingly.

### **36. Tax to be calculated to nearest anna.**

In the determination of the amount of tax or of a refund payable under this Act, fractions of an anna less than six pies shall be disregarded, and fractions of an anna equal to or exceeding six pies shall be regarded as one anna.

### **37. Power to take evidence on oath, etc.**

The Income-tax Officer, Assistant Commissioner and Commissioner shall, for the purposes of this Chapter, have the same powers as are vested in a Court under the Code of Civil Procedure, 1908, when trying a suit in respect of the following matters, namely:—

- (a) enforcing the attendance of any person and examining him on oath or affirmation;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses;

and any proceeding before an Income-tax Officer, Assistant Commissioner or Commissioner under this Chapter shall be deemed to be a "judicial proceeding" within the XLV meaning of sections 193 and 228 of the Penal Code.

### **38. Power to call for information.**

The Income-tax Officer or Assistant Commissioner may, for the purposes of this Act,—

- (1) require any firm, or Hindu undivided family to furnish him with a return of the members of the firm, or of the manager or adult male members of the family, as the case may be, and of their addresses;

- (2) require any person whom he has reason to believe to be a trustee, guardian, or agent, to furnish him with a return of the names of the persons for or of whom he is trustee, guardian or agent, and of their addresses.

### 39. Power to inspect the register of members of any company.

The Income-tax Officer or Assistant Commissioner, or any person authorised in writing in this behalf by the Income-tax Officer or Assistant Commissioner, may inspect and, if necessary, take copies, or cause copies to be taken, of any register of the members, debenture-holders or mortgagees of any company or of any entry in such register.

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## CHAPTER V.

### *Liability in Special Cases.*

### 40. Guardians, trustees and agents.

In the case of any guardian, trustee or agent of any person being a minor, lunatic or idiot or residing out of British India (all of which persons are hereinafter in this section included in the term beneficiary) being in receipt on behalf of such beneficiary of any income, profits or gains chargeable under this Act, the tax shall be levied upon and recoverable from such guardian, trustee or agent, as the case may be, in like manner and to the same amount as it would be leviable upon and recoverable from such beneficiary if of full age, sound mind, or resident in British India, and in direct receipt of such income, profits or gains, and all the provisions of this Act shall apply accordingly.



#### 41. Courts of Wards, etc.

In the case of income, profits or gains chargeable under this Act which are received by the Courts of Wards, the Administrators-General, the Official Trustees or by any receiver or manager (including any person whatever his designation who in fact manages property on behalf of another) appointed by or under any order of a Court, the tax shall be levied upon and recoverable from such Court of Wards, Administrator-General, Official Trustee, receiver or manager in the like manner and to the same amount as it would be leviable upon and recoverable from any person on whose behalf such income, profits or gains are received, and all the provisions of this Act shall apply accordingly.

#### 42. Non-Residents.

(1) In the case of any person residing out of British India, all profits or gains accruing or arising to such person, whether directly or indirectly, through or from any business connection or property in British India, shall be deemed to be income accruing or arising within British India, and shall be chargeable to income-tax in the name of the agent of any such person, and such agent shall be deemed to be for all the purposes of this Act, the assessee in respect of such income-tax:

Provided that any arrears of tax may be recovered also in accordance with the provisions of this Act from any assets of the non-resident person which are, or may at any time come, within British India.

(2) Where a person not resident in British India and not being a British subject or a firm or company constituted within His Majesty's dominions or a branch thereof, carries on business with a person resident in British India, and it appears to the Income-tax Officer or the Assistant Commissioner, as the case may be, that owing to the close connection

between the resident and the non-resident person and to the substantial control exercised by the non-resident over the resident, the course of business between these persons is so arranged, that the business done by the resident in pursuance of his connection with the non-resident produces to the resident either no profits or less than the ordinary profits which might be expected to arise in that business, the profits derived therefrom or which may reasonably be deemed to have been derived therefrom, shall be chargeable to income-tax in the name of the resident person who shall be deemed to be, for all the purposes of this Act, the assessee in respect of such income-tax.

(3) Where any profits or gains have accrued or arisen to any person directly or indirectly from the sale in British India by him or by any agency or branch on his behalf of any merchandise exported to British India by him or any agency or branch on his behalf from any place outside British India, the profits or gains shall be deemed to have accrued and arisen and to have been received in British India, and no allowance shall be made under sub-section (2) of section 10 in respect of any buying or other commission whatsoever not actually paid, or of any other amounts not actually spent, for the purpose of earning such profits or gains.

#### **43. Agent to include persons treated as such.**

Any person employed by or on behalf of a person residing out of British India, or having any business connection with such person, or through whom such person is in the receipt of any income, profits or gains upon whom the Income-tax Officer has caused a notice to be served of his intention of treating him as the agent of the non-resident person shall, for all the purposes of this Act, be deemed to be such agent ;

Provided that no person shall be deemed to be the agent of a non-resident person, unless he has had an opportunity of being heard by the Income-tax Officer as to his liability.

#### **44. Liability in case of a discontinued firm or partnership.**

Where any business, profession or vocation carried on by a firm has been discontinued, every person who was at the time of such discontinuance a member of such firm shall be jointly and severally liable for the amount of the tax payable in respect of the income, profits and gains of the firm.

#### CHAPTER V A.

##### *Liability to tax of occasional Shipping.*

#### **44A. Special provisions relating to certain classes of Shipping.**

The provisions of this Chapter shall, notwithstanding anything contained in the other provisions of this Act, apply for the purpose of the levy and recovery of tax in the case of any person, who resides out of British India and carries on business in British India, in any year as the owner or charterer of a ship (such person hereinafter in this Chapter being referred to as the principal), unless the Income-Tax Officer is satisfied that there is an Agent of such principal from whom the tax will be recoverable in the following year under the other provisions of this Act.

44B. (1) Before the departure from any Port in British India of any ship in respect of which the provisions of this chapter apply the master of the ship shall prepare and furnish to the Income-Tax Officer a return of the full amount paid or payable to the principal, or to any person on his behalf, on account of the carriage of all passengers, live-stock or goods shipped at that port since the last arrival of the ship thereat.

(2) On receipt of the return, the Income-Tax Officer shall assess the amount referred to in sub-section (1), and for this purpose may call for such accounts and documents as he may require, and one-twentieth of the amount so assessed shall be deemed to be the amount of the profits and gains accruing to the principal on account of the carriage of the passengers, live-stock and goods shipped at the port.

(3) When the profits and gains have been assessed as aforesaid, the Income-tax Officer shall determine the sum payable as tax thereon, at the rate for the time being applicable to the total income of a company, and such sum shall be payable by the master of the ship, and a port clearance shall not be granted to the ship until the Customs-collector, or other officer duly authorised to grant the same, is satisfied that the tax has been duly paid.

#### **44C. Adjustment.**

Nothing in this chapter shall be deemed to prevent a principal from claiming, in any year following that in which any payment has been made on his behalf under this chapter, that an assessment be made of his total income in the previous year, and that the tax payable on the basis thereof be determined in accordance with the other provisions of this Act, and if he so claims, any such payment as aforesaid shall be treated as a payment in advance of the tax and the difference between the sum so paid, and the amount of tax found payable by him shall be paid by him or refunded to him as the case may be.

### **CHAPTER VI.**

#### *Recovery of Tax and Penalties.*

#### **45. Tax when payable.**

Any amount specified as payable in a notice of demand under section 29 or an order under section 31 or section

32 or section 33, shall be paid within the time, at the place and to the person mentioned in the notice or order, or if a time is not so mentioned, then on or before the first day of the second month following the date of the service of the notice or order, and any assessee failing so to pay shall be deemed to be in default, provided that, when an assessee has presented an appeal under section 30, the Income-tax Officer may in his discretion treat the assessee as not being in default as long as such appeal is undisposed of.

#### **46. Mode and time of recovery.**

(1) When an assessee is in default in making a payment of income-tax, the Income-tax Officer may in his discretion direct that, in addition to the amount of the arrears, a sum not exceeding that amount shall be recovered from the assessee by way of penalty.

(1A) For the purposes of sub-section (1), the Income-tax officer may direct the recovery of any sum less than the amount of the arrears and may enhance the sum so directed to be recovered from time to time in the case of a continuing default, so however that the total sum so directed to be recovered shall not exceed the amount of the arrears payable.

(2) The Income-tax Officer may forward to the Collector a certificate under his signature specifying the amount of arrears due from an assessee, and the Collector, on receipt of such certificate, shall proceed to recover from such assessee the amount specified therein as if it were an arrear of land revenue.

(3) In any area, with respect to which the Commissioner has directed that any arrears may be recovered by any process enforceable for the recovery of an arrear of any municipal tax or local rate imposed under any enactment for the time being in force in any part of the province, the Income-tax

Officer may proceed to recover the amount due by such process.

(4) The Commissioner may direct by what authority any powers or duties incident under any such enactment as aforesaid to the enforcement of any process for the recovery of a municipal tax or local rate shall be exercised or performed when that process is employed under sub-section (3).

(5) If any assessee is in receipt of any income chargeable under the head "Salaries," the Income-tax Officer may require any person paying the same to deduct from any payment subsequent to the date of such requisition any arrears due from such assessee, and such person shall comply with any such requisition, and shall pay the sums so deducted to the credit of the Government of India or as the Central Board of Revenue directs.

(6) The Local Government may direct, with respect to any specified area, that income-tax shall be recovered thereon, with, and as an addition to, any municipal tax or local rate by the same person and in the same manner as the municipal tax or local rate is recovered.

(7) Save in accordance with the provisions of sub-section (1) of section 42, no proceedings for the recovery of any sum payable under this Act shall be commenced after the expiration of one year from the last day of the year in which any demand is made under this Act.

#### **47. Recovery of penalties.**

Any sum imposed by way of penalty under the provisions of sub-section (2) of section 25, section 28 or sub-section (1) of section 46, shall be recoverable in the manner provided in this Chapter for the recovery of arrear of tax.

## CHAPTER VII.

*Refunds.***48. Refunds.**

(1) If a shareholder in a company who has received any dividend therefrom satisfies the Income-tax Officer that the rate of income-tax applicable to the profits or gains of the company at the time of the declaration of such dividend is greater than the rate applicable to his total income of the year in which such dividend was declared, he shall, on production of the certificate received by him under the provisions of section 20, be entitled to a refund on the amount of such dividend (including the amount of the tax thereon) calculated at the difference between those rates.

(2) If a member of a registered firm satisfies the Income tax Officer that the rate of income-tax applicable to his total income of the previous year was less than the rate at which income-tax has been levied on the profits or gains of the firm of that year, he shall be entitled to a refund on his share of those profits or gains calculated at the difference between those rates.

(3) If the owner of a security from the interest on which, or any person from whose salary, income-tax has been deducted in accordance with the provisions of section 18, satisfies the Income-tax Officer that the rate of income-tax applicable to his total income of the previous year was less than the rate at which income-tax has been charged in making such deduction in that year, he shall be entitled to a refund on the amount of interest or salary from which such deduction has been made calculated at the difference between those rates.

(4) For the purposes of this section, 'total income' includes, in the case of any person not resident in British

India, all income, profits and gains wherever arising, accruing or received, which, if arising, accruing or received in British India would be included in the computation of total income under section 16.

(5) Nothing in this section shall entitle to any refund any person not resident in British India who is neither a British subject as defined in section 27 of the British Nationality and Status of Aliens Act, 1914, nor a subject of a State in India.

#### **49. Relief in respect of United Kingdom income-tax.**

(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 United Kingdom income-tax for that year in respect of the same part of his income, and that the rate at which he was entitled to, and has obtained, relief under the provisions of section 27 10 & 11, of the Finance Act, 1920, is less than the Indian Geo. V. rate of tax charged in respect of that part of his Ch. 18. income, he shall be entitled to a refund of a sum calculated on that part of his income at a rate equal to the difference between the Indian rate of tax and the rate at which he was entitled to, and obtained, relief under that section:

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

(2) In sub-section (1)—

- (a) the expression "Indian income-tax" means income-tax and super-tax charged in accordance with the provisions of this Act;
- (b) the expression "Indian rate of tax" means the amount of the Indian income-tax divided by the income on which it was charged;



- (c) the expression "United Kingdom income-tax" means income-tax and super-tax chargeable in accordance with the provisions of the Income-tax Acts.

### **50. Limitation of claims for refund.**

No claim to any refund of income-tax under this Chapter shall be allowed, unless it is made within one year from the last day of the year in which the tax was recovered.

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## **CHAPTER VIII.**

### *Offences and Penalties.*

### **51. Failure to make payments or deliver returns or statements or allow inspection.**

If a person fails without reasonable cause or excuse—

- (a) to deduct and pay any tax as required by section 18 or under sub-section (5) of section 46;
- (b) to furnish a certificate required by sub-section (9) of section 18 or by section 20 to be furnished;
- (c) to furnish in due time any of the returns mentioned in section 21, section 22, or section 38 ;
- (d) to produce or cause to be produced, on or before the date mentioned in any notice under sub-section (4) of section 22, such accounts and documents as are referred to in the notice ;
- (e) to grant inspection or allow copies to be taken in accordance with the provisions of section 39 ,

he shall, on conviction before a Magistrate, be punishable with fine which may extend to ten rupees for every day during which the default continues.

## **52. False statement in declaration.**

If a person makes a statement in a verification mentioned in section 19A, or section 22, or sub-section (3) of section 30, or sub-section (2) of section 32 which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be deemed to have committed the offence described in section 177 of the Indian 1860 Penal Code.

## **53. Prosecution to be at instance of Assistant Commissioner.**

(1) A person shall not be proceeded against for an offence under section 51 or section 52 except at the instance of the Assistant Commissioner.

(2) The Assistant Commissioner may stay any such proceeding or compound any such offence.

## **54. Disclosure of information by a public servant.**

(1) All particulars contained in any statement made, return furnished or accounts or documents produced under the provisions of this Act, or in any evidence given, or affidavit or deposition made, in the course of any proceedings under this Chapter, or in any record of any assessment proceeding, or any proceeding relating to the recovery of a demand, prepared for the purposes of this Act, shall be treated as confidential, and, notwithstanding anything contained in I of the Indian Evidence Act, 1872, no Court shall, save as 1872 provided in this Act, be entitled to require any public servant to produce before it any such return, accounts, documents or record or any part of any such record, or to give evidence before it in respect thereof.

(2) If a public servant discloses any particulars contained in any such statement, return, accounts, documents, evidence, affidavit, deposition or record, he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine :

Provided that nothing in this section shall apply to the disclosure—

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1860
- (a) of any such particulars for the purposes of a prosecution under section 193 of the Indian Penal Code in respect of any such statement, return, accounts, documents, evidence, affidavit or deposition, or for the purposes of a prosecution under this Act, or
- (b) of any such particulars to any person acting in the execution of this Act where it is necessary to disclose the same to him for the purposes of this Act, or
- (c) of any such particulars occasioned by the lawful employment under this Act or any process for the service of any notice or the recovery of any demand, or
- (d) of such facts, to an authorised officer of the United Kingdom, as may be necessary to enable relief to be given under section 27 of the *Gen. V. Finance Act, 1920*, or a refund to be given under section 49 of this Act:
- 10 & 11  
Gen. V.  
Ch. 18.

Provided, further, that no prosecution shall be instituted under this section except with the previous sanction of the Commissioner.

## CHAPTER IX.

*Super-Tax.***55. Charge of super-tax.**

In addition to the income-tax charged for any year, there shall be charged, levied and paid for that year in respect of the total income of the previous year of any individual, Hindu undivided family, company, unregistered firm or other association of individuals, an additional duty of income-tax (in this Act referred to as super-tax) at the rate or rates laid down for that year by Act of the Indian Legislature:

Provided that, where the profits and gains of an unregistered firm have been assessed to super-tax, super-tax shall not be payable by an individual having a share in the firm in respect of the amount of such profits and gains which is proportionate to his share.

**56. Total income for purposes of super-tax.**

Subject to the provisions of this Chapter, the total income of any individual, Hindu undivided family, company, unregistered firm or other association of individuals, shall, for the purposes of super-tax, be the total income as assessed for the purposes of income-tax, and where an assessment of total income has become final and conclusive for the purposes of income-tax for any year, the assessment shall also be final and conclusive for the purposes of super-tax for the same year.

**57. Non-resident partners and shareholders.**

(1) In the case of any person residing out of British India who is a member of a registered firm, and whose share of the profits from such firm is liable to super-tax, the remaining

members of such firm who are resident in British India shall be jointly and severally liable to pay the super-tax due from the non-resident member in respect of such share.

(2) Where the Income-tax Officer has reason to believe that any person, who is a shareholder in a company, is resident out of British India and that the total income of such person will in any year exceed the maximum amount which is not chargeable to super-tax under the law for the time being in force, he may, by order in writing, require the principal officer of the company to deduct, at the time of payment of any dividend from the company to the shareholder in that year, super-tax at such rate as the Income-tax Officer may determine, as being the rate applicable in respect of the income of the shareholder in that year.

(3) If in any year the amount of any dividend or the aggregate amount of any dividends paid to any shareholder by a company (together with the amount of any income-tax payable by the company in respect thereof) exceeds the maximum amount of the total income of a person which is not chargeable to Super-tax under the law for the time being in force, and the principal officer of the company has not reason to believe that the shareholder is resident in British India, and no order under sub-section (2) has been received in respect of such shareholder by the principal officer from the Income Tax Office, the principal officer shall at the time of payment deduct super-tax on the amount of such excess, at the rate which would be applicable under the law for the time being in force if the amount of such dividend or dividends (together with the amount of such income-tax as aforesaid) constituted the whole total income of the shareholder.

(4) Where any person pays any tax under the provisions of this section on account of another person who is residing out of British India, credit shall be given therefor in determining the amount of the tax to be payable by any agent of such non-resident person under the provisions of sections 42 and 43.

### **58. Application of Act to super-tax.**

(1) All the provisions of this Act,] except section 3, the proviso to sub-section (1) of section 7, the proviso to section 8, sub-section (2) of section 14, and sections 15, 17, 18, 19, 20, 21 and 48 shall apply, so far as may be to the charge, assessment, collection and recovery of super-tax.

Provided that sub-section (4) to (9) of section 18 shall apply, so far as may be, to the assessment, collection and recovery of super-tax under sub-section (3) of section 57.

(2) Save as provided in section 57, super-tax shall be payable by the assessee direct.

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## **CHAPTER X.**

### *Miscellaneous.*

### **59. Power to make rules.**

(1) The Central Board of Revenue may, subject to the control of the Governor-General in Council, make rules for carrying out the purposes of this Act and for the ascertainment and determination of any class of income. Such rules may be made for the whole of British India or for such part thereof as may be specified.

(2) Without prejudice to the generality of the foregoing power, such rules, may—

- (a) prescribe the manner in which, and the procedure by which, the income, profits and gains shall be arrived at in the case of—
- (i) incomes derived in part from agriculture and in part from business ;
  - (ii) insurance companies ;
  - (iii) persons residing out of British India ;
- (b) prescribe the procedure to be followed on applications for refunds ;
- (c) provide for such arrangements with His Majesty's Government as may be necessary to enable the appropriate relief to be granted under section 27 of the Finance Act, 1920, or under section 49 of this Act :
- 10 & 11  
Geo V.  
Ch. 18.
- (d) prescribe the year which, for the purpose of relief under section 49, is to be taken as corresponding to the year of assessment for the purposes of section 27 of the Finance Act, 1920 ; and
- (e) provide for any matter which by this Act is to be prescribed.

(3) The power to make rules conferred by this section shall except on the first occasion of the exercise thereof, be subject to the condition of previous publication.

(4) Rules made under this section shall be published in the *Gazette of India*, and shall thereupon have effect as if enacted in this Act.

#### **60. Power to make exemptions, etc.**

The Governor-General in Council may, by notification in the *Gazette of India*, make an exemption reduction in rate or other modification, in respect of income-tax in favour

of any class of income, or in regard to the whole or any part of the income of any class of persons.

### **61. Appearance by authorised representative.**

Any assessee, who is entitled or required to attend before any Income-tax authority in connection with any proceeding under this Act, may attend either in person or by any person authorised by him in writing in this behalf.

### **62. Receipts to be given.**

A receipt shall be given for any money paid or recovered under this Act.

### **63. Service of notices.**

(1) A notice or requisition under this Act may be served on the person therein named either by post or, as if it were a summons issued by a Court, under the Code of Civil Procedure, 1908.

(2) Any such notice or requisition may, in the case of a firm or a Hindu undivided family, be addressed to any member of the firm or on the manager, or any adult male member of the family, and in the case of any other association of individuals, be addressed to the principal Officer thereof.

### **64. Place of assessment.**

(1) Where an assessee carries on business at any place, he shall be assessed by the Income-tax Officer of the area in which that place is situate or, where the business is carried on in more places than one, by the Income-tax Officer of the area in which his principal place of business is situate.



(2) In all other cases, an assessee shall be assessed by the Income-tax Officer of the area in which he resides.

(3) Where any question arises under this section as to the place of assessment, such question shall be determined by the Commissioner, or, where the question is between places in more provinces than one, by the Commissioners concerned, or, if they are not in agreement, by the Board of Inland Revenue :

Provided that before such question is determined, the assessee shall have had an opportunity of representing his views.

(4) Notwithstanding anything contained in this section, every Income-tax Officer shall have all the powers conferred by or under this Act on an Income-tax Officer in respect of any income, profits or gains accruing, or arising or received within the area for which he is appointed.

### **65. Indemnity.**

Every person deducting, retaining or paying any tax in pursuance of this Act in respect of income belonging to another person is hereby indemnified for the deduction, retention or payment thereof.

### **66. Statement of case by Commissioner to High Court.**

(1) If in the course of any assessment under this Act or any proceeding in connection therewith, other than a proceeding under Chapter VIII, a question of law arises, the Commissioner may, either on his own motion or on reference from any Income-tax authority subordinate to him, draw up a statement of the case and refer it with his own opinion thereon to the High Court.

(2) Within one month of the passing of an order under section 31 or section 32, the assessee in respect of whom the order was passed may, by application accompanied by a fee of one hundred rupees or such lesser sum as may be prescribed, require the Commissioner to refer to the High Court any question of law arising out of such order, and the Commissioner shall, within one month of the receipt of such application, draw up a statement of the case and refer it with his own opinion thereon to the High Court :

Provided that, if, in exercise of his power of revision under section 33, the Commissioner decides the question, the assessee may withdraw his application, and if he does so, the fee paid shall be refunded.

(3) If, on any application being made under sub-section (2), the Commissioner refuses to state the case on the ground that no question of law arises, the assessee may apply, within six months from the date on which he is served with notice of the refusal, to the High Court and the High Court, if it is not satisfied of the correctness of the Commissioner's decision, may require the Commissioner to state the case and to refer it, and, on receipt of any such requisition, the Commissioner shall state and refer the case accordingly.

(4) If the High Court is not satisfied that the statements in a case referred under this section are sufficient to enable it to determine the question raised thereby, the Court may refer the case back to the Commissioner by whom it was stated to make such additions thereto or alterations therein as the Court may direct in that behalf.

(5) The High Court upon the hearing of any such case shall decide the questions of law raised thereby, and shall deliver its judgment thereon containing the grounds on which such decision is founded, and shall send to the Commissioner

by whom the case was stated a copy of such judgment under the seal of the Court and the signature of the Registrar, and the Commissioner shall dispose of the case accordingly or, if the case arose on a reference from any Income-tax authority subordinate to him, shall forward a copy of such judgment to such authority who shall dispose of the case conformably to such judgment.

(6) Where a reference is made to the High Court on the application of an assessee, the costs shall be in the discretion of the Court.

(7) Notwithstanding that a reference has been made under this section to the High Court, Income-tax shall be payable in accordance with the assessment made in the case :

Provided that, if the amount of an assessment is reduced as a result of such reference, the amount overpaid shall be refunded with such interest as the Commissioner may allow.

(8) For the purposes of this section, the "High Court" means :—

- (a) in relation to the North West Frontier Province and British Baluchistan, the High Court of Judicature at Lahore ;
- (b) in relation to the province of Ajmer-Merwara, the High Court of Judicature at Allahabad ; and
- (c) in relation to the province of Coorg, the High Court of Judicature at Madras.

**66A. References to be heard by Benches of High Courts, and appeals to be in certain cases to Privy Council.**

(1). When any case has been referred to the High Court under section 66, it shall be heard by a Bench of not less than two judges of the High Court, and in respect of such case the provision of section 98 of the Code of Civil Procedure, 1908, shall, so far as may be, apply notwithstanding anything contained in the Letters Patent or in any other law for the time being in force.

(2). An appeal shall lie to His Majesty in Council, from any judgment of the High Court delivered on a reference made under section 66, in any case which the High Court certifies to be a fit one for appeal to His Majesty in Council.

(3). The provisions of the Code of Civil Procedure 1908 relating to appeals to His Majesty in Council shall, so far as may be, apply in the case of appeals under this section in like manner as they apply in the case of appeals from decrees of a High Court

Provided that nothing in this sub-section shall be deemed to affect the provisions of sub-section (5) or sub-section (7) of section 66.

Provided further, that the High Court may on petition made for the execution of the order of His Majesty in Council in respect of any costs awarded thereby, transmit the order for execution to any court subordinate to the High Court.

(4) Where the judgment of the High Court is varied or reversed in appeal under this section, effect shall be given to the order of His Majesty in Council in the manner provided in sub-section (5) and (7) of section 66 in the case of a judgment of the High court.

(5) Nothing in this section shall be deemed:—

(a) to bar the full and unqualified exercise of His Majesty's pleasure in receiving or rejecting appeals to His Majesty in Council or otherwise howsoever, or

(b) to interfere with any rules made by the Judicial Committee of the Privy Council, and for the time being in force, for the presentation of appeals to His Majesty in Council, or their conduct before the said Judicial Committee.

### **67. Bar of suits in Civil Court.**

No suit shall be brought in any Civil Court to set aside or modify any assessment made under this Act, and no prosecution, suit or other proceeding shall lie against any Government officer for anything in good faith done or intended to be done under this Act.

### **Extract from the Indian Finance Act 1928.**

I. (1) This Act may be called the Indian Finance Act, 1928,

V. (1) Income-tax for the year beginning on the first day of April 1928 shall be charged at the rates specified in Part I of the second schedule.

(2) The rates of super-tax for the year beginning on the first day of April 1928, shall, for the purposes of section 55 of the Indian Income-tax Act 1922, be those specified in Part II of the second schedule.

(3) For the purposes of the second schedule, "total income" means total income as determined, for the purposes of income-tax or super-tax as the case may be, in accordance with the provisions of the Indian Income-tax Act, 1922.

*Note:—*The rates are the same in the Finance Act of 1928.

## SCHEDULE II.

( See Section 5 )

## PART I.

## Rates of Income-tax.

	RATE.
<b>A</b> In the case of every individual, Hindu undivided family, unregistered firm, and other association of individuals not being a registered firm or a company.	
(1) When the total income is less than Rs. 2,000	Nil
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	5 pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000	6 pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards but is less than Rs. 20,000	9 do.
(5) When the total income is Rs. 20,000 or upwards but is less than Rs. 30,000	one anna in the rupee.
(6) When the total income is Rs. 30,000 or upwards but is less than Rs. 40,000.	-1/3 in the rupee.
(7) When the total income is Rs. 40,000 or upwards.	-1/6 in the rupee.
<b>B</b> In the case of every company, and every registered firm, whatever its total income	One anna and six pies in the rupee.

## PART. II.

*Rates of Super-tax.*

In respect of the excess over 50,000 rupees of total income :—

	Rate.
I In the case of every company.	One anna in the rupee.
II. (a) in the case of every Hindu undivided family—(i) in respect of the first 25,000 rupees of the excess	Nil.
(ii) for every rupee of the next 25,000 of such excess	One anna in the rupee.
(b) in the case of every individual, unregistered firm and other association of individuals not being a registered firm or a company, for every rupee of the first 50,000 rupees of such excess.	One anna in the rupee.
(c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company	
(i) for every rupee of the second fifty thousand rupees of such excess.	One and a half annas in the rupee.
(ii) for every rupee of the next fifty thousand rupees of such excess.	Two annas in the rupee
(iii) for every rupee of the next fifty thousand rupees of such excess	2½ annas in the rupee.

(iv) for every rupee of the next fifty thousand rupees of such excess			3 annas in the rupee.
(v) do do			3½ annas in the rupee.
(vi) do do			4 annas in the rupee.
(vii) do do			4½ do
(viii) do do			5 do
(ix) do do			5½ do
(x) for every rupee of the remainder of the excess			6 do

## Act III of 1926.

an  
Act  
to

determine the liability of certain Governments to Taxation in British India in respect of trading operations.

Whereas it is expedient to determine the liability to taxation for the time being in force in British India of the Government of any part of His Majesty's Dominions, exclusive of British India, in respect of any trade or business carried on by or on behalf of such Government; it is hereby enacted as follows :—

- Short title & commencement. 1. (i) This Act may be called the Government Trading Taxation Act, 1926.
- (ii) It shall come into force from such date\* as the Governor General in Council may, by notification in the Gazette of India, appoint.

\*The Act came into force with effect from the 1st April 1926.



- Liability of certain Governments to taxation in respect of trading operations.
- II. (1) Where a trade or business of any kind is carried on by or on behalf of the Government of any part of His Majesty's Dominions, exclusive of British India, that Government shall in respect of the trade or business and of all operations connected therewith, all property occupied in British India and all goods owned in British India for the purposes thereof, and all income arising in connection therewith, be liable;
- (a) to taxation under the Indian Income-tax Act, 1922, in the same manner and to the same extent as in the like case a company would be liable ;
- (b) to all other taxation for the time being in force in British India, in the same manner as in the like case any other person would be liable.
- (2) For the purpose of the levy and collection of income-tax under the Indian Income-Tax Act, 1922, in accordance with the provisions of sub-section (1) any Government to which that sub-section applies shall be deemed to be a company within the meaning of that Act, and the provisions of that Act shall apply accordingly.
- (3) In this section, the expression "His Majesty's Dominions" includes any territory which is under His Majesty's protection or in respect of which a mandate is being exercised by the Government of any part of His Majesty's Dominions.
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## CHAPTER X.

### THE INDIAN INCOME-TAX RULES, 1922

No. 3-I. T.

#### BOARD OF INLAND REVENUE. NOTIFICATION.

Dated the 1st April 1922.

In exercise of the powers conferred by section 59 of the Indian Income-Tax Act, 1922 ( XI of 1922 ), the Board of Inland Revenue has made the following rules, namely:—

1. These rules may be called the Indian Income-tax Rules, 1922.

2. Any firm constituted under an instrument of partnership specifying the individual shares of the partners may, for the purposes of clause (14) of section 2 of the Indian Income-tax Act, 1922 ( hereinafter in these rules referred to as the Act), register with the Income-tax Officer the particulars contained in the said instrument on application in this behalf made by the partners or by any of them, at any time before the income of the firm for any year is assessed under section 23 or, where the income has in any year escaped assessment under that section, before it is assessed under section 34.

3. The application referred to in rule 2 shall be made in the form annexed to this rule and shall be accompanied by the original instrument of partnership under which the firm is constituted, together with a copy thereof: provided that if the Income-tax Officer is satisfied that for some sufficient reason the original instrument cannot conveniently be produced, he may accept a copy of it certified in writing

by one of the partners to be a correct copy, and in such a case the application shall be accompanied by a duplicate copy.

4. Such application shall be made :—
- (a) before the income of the firm is assessed for any year under section 23, or
  - (b) if no part of the income of the firm has been assessed for any year under section 23, before the income of the firm is assessed under section 34, or
  - (c) with the permission of the Assistant Commissioner hearing an appeal under section 30, before the assessment is confirmed, reduced, enhanced or annulled, or, if the Assistant Commissioner sets aside the assessment and directs the Income-Tax Officer to make a fresh assessment, before such fresh assessment is made.
-

*Form of application for registration of a firm under section 2  
(14) of the Indian Income-tax Act, 1922.*

To

THE INCOME-TAX OFFICER,

Dated 19

I  
We \_\_\_\_\_ beg to apply for the  
registration of <sup>my</sup><sub>our</sub> firm under section 2 (14) of the Indian  
Income-tax Act, 1922

2. The original  
A certified copy of the instrument of partnership  
under which the firm is constituted specifying the individual  
shares of the partners together with a copy  
duplicate copy is enclosed.  
The prescribed particulars are given below.

3. I  
We do hereby certify that the profits for the year  
ending \_\_\_\_\_ have been or will be actually divided  
or credited in accordance with the shares shown in the  
partnership deed.

Signature \_\_\_\_\_

Address \_\_\_\_\_

Name and address of the firm	Names of the partners in the firm with the share of each in the business.	Date on which the instrument of partnership was executed.	Date, if any, on which the instrument of partnership was last registered in the Income-tax Officer's office.	REMARKS.

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I \_\_\_\_\_ do hereby certify that the information given above is correct.  
 we \_\_\_\_\_  
 Signature (s) \_\_\_\_\_

4. (1) On the production of the original instrument of partnership or on the acceptance by the Income-tax Officer of a certified copy thereof, the Income-tax Officer shall enter in writing at the foot of the instrument or copy, as the case may be, the following certificate, namely :—

“ This instrument of partnership ( or this certified copy of an instrument of partnership ) has this day been registered with me the Income-tax Officer for.....in the province of.....under clause (14) of section 2 of the Indian Income-tax Act, 1922. This certificate of registration has effect from the.....19.....to the .....19..... ”

(2) This certificate shall be signed and dated by the Income-tax Officer who shall thereupon return to the applicant the instrument of partnership or the certified copy thereof, as the case may be, and shall retain the copy or duplicate copy thereof.

5. The certificate or registration granted under rule 4 shall have effect from the date of registration.

6. A certificate of registration granted under rule 4 shall have effect up to the end of the financial year in which it is granted, but shall be renewed by the Income-tax Officer from year to year on application made to him in that behalf at any time before the assessment of the income of the firm is made, and accompanied by a certificate signed by one of the partners of the firm that the constitution of the firm as specified in the instrument of partnership remains unaltered.

7. Under section 9 (1) (w) of the Act, the sum to be allowed in respect of collection charges shall not exceed 6 per cent. of the annual value of the property.

8. An allowance under section 10 (2) (w) of the Act in respect of depreciation of buildings, machinery, plant or furniture shall be made in accordance with the following statement:—

Class of buildings, machinery, plant or furniture	Rate.	REMARKS.
<b>I. Buildings °</b>	Percentage on prime cost.	* 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.
(1) First class substantial buildings of selected materials ...	2½	† The special rates for electrical machinery given below may be adopted, at firm's option, for that portion of their machinery.
(2) Buildings of less substantial construction ...	5	
(3) Purely temporary erections such as wooden structures ...	10	
<b>2. Machinery, plant or furniture †</b>		
General rate ...	5	
Rates sanctioned for special industries—		
Flour Mills, Rice Mills, Bones Mills, Sugar Works, Distilleries, Ice Factories, Aerating Gas Factories, Match Factories. ...	6½	
Paper Mills, Ship Building and Engineering Works, Iron and Brass Foundries, Electrical Engineering Works, Motor Car Repairing Works, Galvanizing Works, Patent Stone Works, Oil Extraction Factories, Chemical 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	

Class of buildings, machinery, plant or furniture.	Rate.	REMARKS.
	Percentage on prime cost	
Plant used in connection with brick manufacture, tile making machinery, optical machinery, glass factories, Telephone companies, Collieries.	10	
Sewing machines for canvas or leather ... ..	12½	
Motor cars used solely for the purpose of business, Indigenous sugar-cane crushers (Kohlus or Belmas) ... ..	15	
Motor taxis, motor lorries and motor buses ... ..	20	
<b>3. Electrical Machinery :-</b>		
(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 wires .. ..	6	
(d) Overhead cables and wires .. ..	2½	
<b>4. Hydro-Electric concerns-</b>		
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.	7½
(c) Exceeding 75,000 and not exceeding 1,25,000 car miles per mile of track per annum	8½
Cars, car trucks, car bodies, electrical equipment and motors	7
General plant, machinery and tools	5

Class of plant.	Rate	REMARKS.
	Percentage on prime cost.	
6. <i>Mineral Oil Companies—</i>		
A. Refineries—		
(1) Boilers ... ..	10	
(2) Prime movers ... ..	5	
(3) Process plant ... ..	10	
B. Field operation—		
(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. <i>Ships—</i>		
(1) Ocean— ... ..		
(a) Steam ... ..	5	
(b) Sailer tug... ..	4	

Class of plant.	Rate.	REMARKS.
	Percentage on prime cost	
(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	
(e) Wooden cargo boats up to 50 tons capacity ...	10	*Depreciation
(f) Wooden cargo boats over 50 tons capacity...	7½	on rail used for
3. Mines and quarries—		tramways, and
(1) Railway sidings * (excluding rails) ... ..	5	sidings and in
(2) Shafts ... ..	5	inclines where
(3) Inclines * ... ..	5	the rails are the
(4) Tramways on the surface * (excluding rails)	10	property of the
		assessee, is al-
		lowed at 10 per-
		cent under item
		(2) above (plant
		used in connec-
		tion with mines
		and quarries) in
		addition to any
		depreciation al-
		lowance on the
		cost of construc-
		ting the tram-
		ways sidings or
		inclines.

9. For the purpose of obtaining an allowance for depreciation under proviso (a) to section 10 (2) (w) of the Act, the assessee shall furnish particulars to the Income-tax Officer in the following form:-

Description of buildings, machinery, plant, or furniture	Original Cost.	Capital expenditure during the year for additions, alterations, improvements and extensions.	Date from which used for the purposes of the business.	Particulars (including original cost, depreciation allowed, and value realised by sale or scrap value) of obsolete machinery, plant or furniture, sold or discarded during the year, with dates on which first brought into use and sold or discarded.	REMARKS.
1	1A	2	3	4	5

I \_\_\_\_\_ declare that to the best of my information and belief, the buildings, machinery, plant and furniture described in column I of the above statement were the property of \_\_\_\_\_ during the year ended \_\_\_\_\_ and that the particulars entered in the statement are correct and complete.

Place \_\_\_\_\_ Signature \_\_\_\_\_

Date \_\_\_\_\_ Designation \_\_\_\_\_

10. All sums deducted in accordance with the provisions of section 18 of the Act shall be paid by the person making the deduction to the credit of the Government of India, on the same day as the deduction is made in the case of deduction by or on behalf of Government, and within one week from the date of such deduction in all other cases :

Provided that the Income-tax Officer may, in special cases, and with the approval of the Assistant Commissioner, permit a local authority, company, public body or association, or a private employer to pay the income-tax deducted from salaries quarterly on June 15th, September 15th, December 15th, and March 15th.

11. In the case of income chargeable under the head 'Salaries', where deduction is not made by or on behalf of Government, the person paying the salary shall pay to the credit of the Government of India by remitting the amount to the Income-tax Officer concerned or to such officer as he may direct, and shall send therewith a statement showing the name of the employee from whose salary the tax has

been deducted, the period for which the salary has been paid, the gross amount of the salary, the deduction for a provident fund or insurance premia, and the amount of tax deducted.

11A. The prescribed rate of exchange for the calculation of the value in rupees of any income chargeable under the head 'Salaries', which is payable to the assessee out of India by or on behalf of Government, shall be the rate notified by the Controller of the Currency in respect of the recovery of contributions to the India Civil Service Fund for the month in which such income is payable.

12. In the case of income chargeable under the head 'Interest on securities', where the deduction is not made by or on behalf of Government, the person responsible for paying the interest shall pay to the credit of the Government of India by remitting the amount to the Income-tax Officer concerned or to such officer as he may direct, with a statement showing the following particulars :—

- (i) Description of securities.
- (ii) Numbers of securities.
- (iii) Dates of securities.
- (iv) Amounts of securities.
- (v) Period for which interest is drawn.
- (vi) Amount of interest, and
- (vii) Amount of tax.

13. The certificate to be furnished under section 18 9) of the Act by any person paying interest chargeable to Income-tax on any security of the Government of India or

of a Local Government, shall be in the following form :—

Draft No. (1) \_\_\_\_\_

Certified that Rs. \_\_\_\_\_ being income-tax at the rate of \_\_\_\_\_ pies per rupee has been deducted by draft of this date from Rs. \_\_\_\_\_ being the amount of interest

(2) \_\_\_\_\_ for Rs. \_\_\_\_\_

on \_\_\_\_\_ for Rs. \_\_\_\_\_ standing  
for Rs. \_\_\_\_\_

in the name of \_\_\_\_\_

\_\_\_\_\_ 192 . Superintendent or Principal Officer.

To be signed by claimant.

I hereby declare that the securities on which interest as above specified has been received were my own property and were in the possession of \_\_\_\_\_ at the time when interest was deducted.

Signature \_\_\_\_\_

Date \_\_\_\_\_

(N. B.—The securities to be produced when required in support of any claim.)

13A. The certificate to be furnished under section 18 (9) of the Act by the person paying any interest on debentures or other securities for money issued by or on \_\_\_\_\_

(1) This number also appears in the interest cases on the back of the securities.

(2) Name of Securities.

behalf of a local authority or a company shall be in the following form :—

Name of Local Authority .....  
Company.

Address.....

To.....

I  
 we hereby certify that Rs..... being income-tax at the rate of..... pies per rupee has been deducted from Rs....., being the amount of interest at the rate of..... per cent. per annum due.....\* on debentures Nos.....of Rs..... each of the.....†, and that it has been or will, within the prescribed period, be paid by  $\frac{₹}{₹}$  to the Government of India, at.....

Principal Officer or Managing Agents.

\_\_\_\_\_192 .

(to be signed by claimant)

I hereby declare that the securities on which interest as above specified has been received were my own property and were in the possession of ..... at the time when Income-tax was deducted.

Signature.....

Date.....

(N. B.—the securities to be produced when required in support of any claim).

\* The date interest is payable.

† Here enter the name of the local authority or the company.

14. The certificate to be furnished by the principal officer of a company under section 20 shall be in the following form :—

(Name of Company) \_\_\_\_\_

(Address of Company) \_\_\_\_\_

Date \_\_\_\_\_

Warrant for Rs. \_\_\_\_\_, being dividend (1) of  
per cent. for the (2) \_\_\_\_\_, ending on the  
day of \_\_\_\_\_ 19 \_\_\_\_\_, (3) \_\_\_\_\_ on (4)  
shares in this company,  
registered in the name of \_\_\_\_\_  
This dividend was declared at the (5)  
meeting held on the (6) \_\_\_\_\_ 192 \_\_\_\_\_.

I  
We hereby certify that income-tax on \_\_\_\_\_  
such part, as is  
the entire \_\_\_\_\_ profits and  
liable to be charged to Indian Income-Tax, of the  
gains of the company, of which this dividend forms a part,  
has been, or will be, duly paid by  $\frac{\text{me}}{\text{us}}$  to the Government of  
India.

Signature \_\_\_\_\_

Office \_\_\_\_\_

(To be signed by the claimant.)

I hereby certify that the dividend above mentioned  
relates to shares which were my own property at the time  
when the dividend was declared and were in the possession  
of \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

- 
- (1) Or dividend and bonus.
  - (2) Year or half year, as the case may be.
  - (3) Here enter whether free of income-tax or not.
  - (4) Here enter number and description of shares.
  - (5) Here specify number and nature of meeting.
  - (6) Here enter date.



15. The returns for Government officers under section 21 of the Act shall be prepared and submitted to the Income-tax Officer by :—

- (a) Civil Audit Officers for all gazetted officers and others who draw their pay from audit offices on separate bills; and also for all pensioners who draw their pensions from audit offices.
- (b) Treasury Officers for all gazetted officers and others who draw their pay from treasuries on separate bills; and also for all pensioners who draw their pensions from treasuries.
- (c) Heads of Civil or Military offices for all non-gazetted officers whose pay is drawn on establishment bills.
- (d) Forest disbursing officers and Public Works Department disbursing officers in cases where direct payment from treasuries is not made, for themselves and their establishments.
- (e) Head postmasters for themselves and establishments; Heads of telegraph offices (other than combined post and telegraph offices) for themselves and their establishments; Superintendents of telegraphs for themselves and their establishments.
- (f) Controllers of Military Accounts (including Divisional Military Supply, Marine, Field and War Controllers) for all gazetted military officers under their audit.
- (g) Disbursing officers in the Military Works Department for themselves and their establishments.
- (h) Chief Examiners of Accounts or Chief Auditors of Railways concerned for all railway employes under their audit.

16. The minimum income under the head "Salaries" referred to in section 21 (a), shall be Rs. 2,000 per annum.

17. The return to be delivered to the Income-tax Officer under section 21 of the Act shall be in the following form :—

	1	Serial number.
	2	Name of person.
	3	Postal address of residence.
	4	Appointment or nature of employment.
	5	Total amount of salary, wages, annuity or pension paid during the year ending on the 31st March 19 .
	6	House allowance or value of rent free quarters.
	6A	Amount of bonus, gratuity, fees, commissions, perquisites, or allowances (other than those shown in col. 6), or profits in lieu of or in addition to salaries and wages. (each to be shown separately).
	7	Total of columns 5 and 6.
	8	Deductions, sections 7 (1) proviso, section 15.
	9	Net amount chargeable.
	10	Amount of tax payable. <sup>1</sup>
	11	Reduction under section 17.
	12	Amount of tax deducted.
	13	REMARKS.

I certify that the above statement contains a complete list of the total amounts paid by \_\_\_\_\_ to all persons who were receiving income on the 31st day of March 19 at the rate of Rs. 1,000 per annum, or have received during the year ended on that day not less than Rs. 2,000, in respect of salary, wages, annuity, pension, gratuity, fees, commissions, perquisites, or profits in lieu of or in addition to salary or wages, and that all the particulars stated are correct.

---

Signature of person by whom the return is delivered.

Date \_\_\_\_\_

18. The return of total income of companies required under section 22 (1) shall be in the following form and shall be accompanied by a copy of the profit and loss account referred to therein :-

*Income, profits or gains from business, trade, commerce.*

	Ra. as.
Income, profits or gains as per profit and loss account for the year ended _____ 192 ...	...
Add any amount debited in the accounts in respect of—	
1. Reserve for bad debts ...	...
2. Sums carried to reserve for provident or other funds ...	...
3. Expenditure of the nature of charity or presents ...	...
4. Expenditure of the nature of capital ...	...
5. Income-tax or Super tax ...	...
6. Rental value of property owned and occupied	...
7. Cost of additions to, or alterations, extensions, improvements of, any of the assets of the business ...	...
8. Interest on reserve or other funds ...	...
9. Losses sustained in former years ...	...
10. Losses recoverable under an insurance or contract of indemnity ...	...
11. Depreciation of any of the assets of the business ...	...
12. Expenses not incurred solely for the purpose of earning the profits ...	...
Total	...
<i>Deduct</i> —Any profits included in the accounts already charged to Indian income-tax and the interest on securities of the Government of India or of local Governments declared to be income-tax free ...	
Balance	...

If the company owns any property not occupied for the purposes of the business, a statement in the form prescribed in Schedule A to rule 19 should be attached with particulars of the credit and debit on account of such property entered in the accounts.

Declaration.

I, the \_\_\_\_\_ [Secretary, etc., ( see section 2 (12) of the Act ) ] of the \_\_\_\_\_ ( name of company ) declare that the information against each head in this return is correctly given as shown in the books of the company as also in the accounts which have been duly audited by the auditors of the company and which have been adopted by the shareholders of the company.

(Signature) \_\_\_\_\_

(Designation) \_\_\_\_\_

Dated \_\_\_\_\_ 19 .

19. The return of total income for individuals, firms and Hindu undivided families required under section 22 (2) shall be in the following form :—

## Statement of total income during the previous year.

1	2	3
Sources of Income.	Amount of profits or gains or income during the previous year.	Tax already charged on the income.
	Rs.	Rs.
1. Salaries (including wages, annuity, pension, gratuity, fees, commission, allowances, perquisites, including rent-free quarters) or profits received in lieu of, or in addition to, salary or wages ... [See note (1)]		
2. Interest on Securities (including debentures) already-taxed ... " (2)		
3. Interest on Securities of the Government of India or of local Governments declared to be income-tax free... " (3)		
4. Property as shown in detail in Schedule A ... " (4)		
5. Business, trade, commerce, manufacture, or dealings in property, shares or securities (details as in note 5)... " (5)		
6. Profession ... " (6)		
7. Dividends from companies. ... " (7)		
8. Interest on mortgage, loans, fixed deposits, current accounts, etc., not being from business. ...		
9. Ground Rent ...		

10. Any source other than those mentioned above, including any income earned in partnership with others.. [See note (8)]		
Total ...		
Deductions claimed on account of contributions to provident fund, etc., or insurance premia (see note 9).		

I declare that to the best of my knowledge and belief the information given in the above statement is correct and complete, that the amounts of income shown are truly stated and relate to the year ended \_\_\_\_\_ and that no other income accrued or arose or was received by  $\frac{\text{me}}{\text{the firm}}$  during the said year and that  $\frac{1}{\text{the firm}}$  have no other sources of income.

Signature \_\_\_\_\_

Rs.

Date \_\_\_\_\_

*N. B.—(a) Income accruing to you outside British India received in British India is liable to taxation, and must be entered by you in the form.*

*(b) All income from whatever source derived must be entered in the form, including income received by you as a partner of a firm.*

*Note 1.—In column 2 should be shown the gross amount of salary and not the net amount after deductions on account of income-tax, provident funds, etc.*

*Note 2.*—“Interest on securities” means the interest on promissory notes or bonds issued by the Government of India or a local Government, or the interest on debentures or other securities for money issued by or on behalf of a local authority or company. Where income-tax has been deducted from the interest, or where the interest has been paid income-tax free, the amount of tax so deducted or paid should be added to the amount of interest actually received, and the gross amount so arrived at should be entered in column 2 of the statement. The term “interest on securities” does not include interest on fixed deposits or mortgages or other loans, which have to be shown under heading 8.

The interest on securities of the Government of India or of local Governments declared to be income-tax free should be shown under head 3. Those which are not declared to be income-tax free should be included under this head.

Entries under this head must be supported by the certificate issued by the person or company paying the interest under section 18 (9) of the Act.

*Note 3.*—(a) The income-tax payable on the interest receivable on a security of a local Government issued income-tax free is payable by the local Government and not by the holder of the security.

(b) Only the interest on securities of the *Government of India* or of a Local Government declared to be income-tax free should be entered against this head. Such interest will not be charged to income-tax, but it must be included in the statement of total income in order to ascertain the rate of income-tax chargeable on other income. *It is chargeable to super-tax.*



(c) Particulars of any interest on securities issued by other authorities and stated to be free of income-tax should be entered against head 2, as income-tax on such interest is actually paid by these authorities on behalf of the recipients.

*Note 4.*—The tax is payable under this head in respect of the *bona fide* annual value of any buildings or lands appurtenant thereto of which you are the owner, other than such portions of such buildings and lands as you may occupy for the purpose of your business.

	1	Serial number.
	2	Name of village or town where the property is situated.
	3	Name of mohalla or street and number of property, if any.
	4	In the case of municipalities the name of the person in whose name the property stands in the municipal registers.
	5	Whether the property is occupied by owner or is let.
	6	Annual letting value of the property.
	7	Amount of rent actually received for the property if let.
	8	Of one-sixth of the annual letting value shown in column 6.
	9	Premium paid to insure property against damage or destruction.
	10	Interest on a mortgage or charge on the property.
	11	Ground-rent paid for the property.
	12	Land revenue paid for the property.
	13	Collection charges paid.
	14	Total of columns 8 to 13.
	15	Net amount to be carried over to the front of the form

SCHEDULE A.

DEDUCTIONS.

*Note 5.—(a)* Where you keep your accounts on the mercantile accountancy or book profits system, you must file return in the following form:—

*Income, profits or gains from business, trade, commerce.*

	Rs.
Income, profits or gains as per profit and loss account for the year ended 192. ...	...
Add any amount debited in the accounts in respect of—	
1. Reserve for bad debts ...	...
2. Sums carried to reserve for provident or other funds ...	...
3. Expenditure of the nature of charity or presents ...	...
4. Expenditure of the nature of capital ...	...
5. Income-tax or Super-tax ...	...
6. Drawings or salary of proprietor or partners ...	...
7. Rental value of property owned and occupied ...	...
8. Cost of additions to, or alterations, extensions, improvements of, any of the assets of the business ...	...
9. Interest on the proprietor's or partner's capital including interest on reserve or other funds ...	...
10. Losses sustained in former years ...	...
11. Losses recoverable under an insurance or contract of indemnity ...	...
12. Depreciation of any of the assets of the business ...	...
13. Private or personal expenses and expenses not incurred solely for the purpose of earning the profits ...	...
Total	...
<i>Deduct</i> —Any profits included in the account already charged to Indian income-tax and the interest on securities of the Government of India or of Local Government declared to be income-tax free	...
Balance	...

(Signature of the person making the return) \_\_\_\_\_

(Date) \_\_\_\_\_ 192

(b) Where you do not keep your accounts in such a form, you must file a statement showing how you arrive at the taxable profits, *i.e.*, showing details of the gross receipts and of the expenditure you propose to set against those receipts. No deductions are permissible on account of—

- (i) Property owned and occupied by the owner of a business for the purposes of a business ;
- (ii) Additions to or alterations, extensions, or improvements of any of the assets of the business ;
- (iii) Interest on the capital of the proprietors or partners of the business ;
- (iv) Bad debts not actually written off in the accounts ;
- (v) Losses sustained in previous years ;
- (vi) Reserves of any kind ;
- (vii) Sums paid on account of the income-tax or super-tax or any tax levied by a local authority other than local rates or municipal taxes in respect of the portion of the premises used for the purpose of the business ;
- (viii) Any expenditure of the nature of charity or a present ;
- (ix) Any expenditure of the nature of capital ;
- (x) Any loss recoverable under an insurance or a contract of indemnity ;
- (xi) Depreciation of any kind other than that specified in the Act ;
- (xii) Drawings or salaries of the proprietors or the partners ;
- (xiii) Private or personal expenses of the assessee ;

(*siv*) Any expenditure of any kind which is not incurred solely for the purpose of earning the profits.

If you have included any such sums in your expenditure in your books, you must exclude them from the expenditure permissible for the purpose of arriving at your taxable profits.

*Note 6.*—The income, profits or gains shall be computed after making allowance for any expenditure (not being in the nature of capital expenditure) incurred *solely* for the purpose of such profession or vocation, provided that no allowance is made on account of any of your personal expenses. Professional fees received by you in any part of India (whether within British India<sup>1</sup> or not) must be included by you in your receipts.

*Note 7.*—Income-tax chargeable on the profits of companies is paid by the companies, so that the dividends received by shareholders represent the net amount remaining after any income-tax due by the company has been paid. The amount should be entered in column 2 of the statement. The proportionate tax will be added in the Income-tax Office.

If the rate of tax applicable to your total income is less than the rate at which tax has been paid upon your dividends, you may, by attaching the company's certificate received with the dividends, have the excess collected on your dividends, from the company set against the tax payable by you on your other income instead of having to apply separately for a refund.

*Note 8.*—Agricultural income from land not paying land revenue or local rates to an authority in British India should be included under this head.

*Note 9.*—Deductions from total income can only be made for insurance premia in respect of insurance on your own life

or on the life of your wife, or in respect of a contract for a deferred annuity on your own life or on the life of your wife. No deduction is permissible in the case of any other form of insurance except in the case of Hindu undivided families where deductions are permissible on account of premia paid in respect of insurance on the life of any male member of the family or of his wife. The original receipt or the certificate of insurance company to which the premium was paid must be attached to the return.

20. The notice of Demand under section 29 shall be in the following form :—

**NOTICE OF DEMAND UNDER SECTION 29 OF  
THE INCOME-TAX ACT, 1922.**

To

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1. You have been assessed for the current year to income-tax amounting to Rs. \_\_\_\_\_ [in addition to which a penalty of Rs. \_\_\_\_\_ has been imposed], as shown in the copy of the assessment form sent herewith.

2. You have also been assessed to super-tax amounting to Rs. \_\_\_\_\_

3. You are required to pay the amount of Rs. \_\_\_\_\_ on or before the \_\_\_\_\_ to \_\_\_\_\_ at \_\_\_\_\_ when you will be granted a receipt.

4. If you do not pay the tax on or before the date specified above, you will be liable to a penalty which may be as great as the tax due from you.

5. If you are dissatisfied with your assessment, you may present an appeal under sub-section (1) of section 30 of the Indian Income tax Act, 1922, to the Assistant Commissioner of Income-tax at

within 30 days from the receipt of this notice, on a petition duly stamped in the form prescribed under sub-section (3) of section 30 and verified as laid down in that form.

*Or*

The assessment has been made under sub-section (4) of section 23 of the Indian Income-tax Act, 1922, because you ~~to make a return of your income under section 22 failed to comply with a notice under sub-section (4) of section 22 to comply with a notice under sub-section (2) of section 23~~ and no appeal lies. But if you were prevented by sufficient cause from making the return or did not receive the notice(s) aforesaid, or had not a reasonable opportunity to comply, or were prevented by sufficient cause from complying, with [the terms of the notice(s), you may apply to me within one month from receipt of this notice under section 27, to cancel the assessment and proceed to make a fresh assessment.

6. The appropriate chalan should be sent along with the amount paid. Should you lose the chalans attached to this notice of demand, it will be necessary for you to apply to the Income-tax Officer for copies of fresh chalans.

Dated \_\_\_\_\_ 19 .

Income-tax Officer.

(Place) \_\_\_\_\_

*Note.*—The superfluous words in paragraph 5 should be deleted,

**ASSESSMENT FORM.**  
**Assessment for 192 -2 .**

DISTRICT \_\_\_\_\_

Name of Assessee \_\_\_\_\_

Address \_\_\_\_\_

Serial number.	Detailed sources of income.	Amount of income.			Tax deducted at source	REMARKS
		Rs.	Rs.	A.		
1	Salaries ...	...	...	...		
2	Interest on Securities ...	...	...	...		
3	Property ...	...	...	...		
4	Business ...	...	...	...		
5	Profession ...	...	...	...		
6	Other sources ...	...	...	...		
(i) Total income ...		...	...	...		R. A.
(ii) Deduction on account of provident fund, insurance premia, etc, ...		...	...	...		
(iii) Deduct sums received as dividends or from a firm the profits of which have been assessed to tax ...		...	...	...		
(iv) Deduct amount of interest from tax-free securities of the Government of India or of a Local Government ...		...	...	...		
(v) Income now to be taxed ...		...	...	...		
(vi) Rate applicable pies per rupee ...		...	...	...		
(vii) Amount of tax ...		...	...	...		



	Rs.	A.	Rs.	A.
(viii) Reduction under section 17. ...				
(ix) Amount of deductions at source from salary or interest on securities for which credit is given under section 18 (5) ...				
(x) Abatement on account of dividends (at pies per rupee) ...				
(xi) Abatement on account of income from a registered firm (at pies per rupee) ...				
(xii) Net amount of tax (or refund) ...				
(xiii) Penalty under section 28 [or section 25 (2) ] ...				
(xiv) Total sum payable or to be refunded (in figures as well as in words) ...				
Rupees				
Annas				

**FOR USE IN 1922-23 ONLY,**  
*Adjustment for year 1921-22 and net demand*

	Rs.	A.	P.		Rs.	A.	P.
1. Actual total income of year adjusted ...				6. Tax already paid in respect of the year adjusted—			
2. Deduct items exempted or excluded under section 12 of the Indian Income-tax Act, 1918 ...				(i) at source ... ..			
3. Actual taxable income of year adjusted ...	:			(ii) to Income-tax Officer (preliminary assessment under section 18).			
4. Rate applicable— Pies ordinary on Rs. ...				Total ...			
5. Tax due— Ordinary—section 18 ...				7. Balance for the year adjusted—			
Total ...				<u>Recoverable</u> ...			
				To be refunded			
				8. Account for 1922-23 as above			
				9. Net amount to be $\frac{\text{recovered}}{\text{refunded}}$			
				In words ...			



3. Your petitioner therefore presented a petition to the Income-tax Officer under section 27, requesting him to cancel the assessment. This petition the Income-tax Officer by his order dated \_\_\_\_\_ of which a copy is attached, has rejected.

4. Your petitioner therefore requests that the order of the Income-tax Officer may be set aside and that he may be directed to make a fresh assessment in accordance with the law,

(Signed) \_\_\_\_\_

---

..

STATEMENT OF FACTS.

• • • •

*Form of verification.*

I, \_\_\_\_\_, the petitioner named in the above petition, do declare that what is stated therein and in the above statement of facts is true to the best of my information and belief.

(Signed) \_\_\_\_\_

## FORM B.

*Form of appeal against assessment to Income-Tax.*

To

THE ASSISTANT COMMISSIONER OF INCOME-TAX.

The                                  day of                                  19 .

The petition of                                  of                                  sheweth  
as follows.

1. Under the Indian Income Tax Act, 1922, your petitioner has been assessed on the sum of Rs. ....for the year commencing the 1st day of April 19.....The notice of demand attached hereto was served upon him on.....

2. Your petitioner's income accruing or arising or received on demand under the provisions of the Act to accrue or arise or to be received in British India, for the year ending the.....day of.....19.....amounted to Rs.....

3. Such income and profits actually accrued or arose or were received during the period of.....months and.....days.

4. During the said year, your petitioner had no other income or profits.

5. Your petitioner has made a return of his income to the Income-tax Officer.....under section 22, sub-section (2) of the Act, and has complied with all the terms of the notice served on him by the Income-tax Officer, under section 23 (2) and or section 22 (4).

Your petitioner therefore prays that he may be assessed accordingly (or that he may be declared not to be chargeable under the Act.)

(Signed)

---

*Grounds of appeal.*

• • • •

*Form of verification.*

I, \_\_\_\_\_, the petitioner named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

(Signed)

---

FORM C.

*Form of Appeal against an order under Section 25 (2).*

To

THE ASSISTANT COMMISSIONER OF INCOME-TAX.

The \_\_\_\_\_ day of \_\_\_\_\_

The petition of \_\_\_\_\_ of \_\_\_\_\_ sheweth as follows :—

1. Under Section 25 (2) of the Indian Income-tax Act, 1922, a penalty of Rs. \_\_\_\_\_ has been imposed on your

petitioner. The notice of demand attached hereto was served upon him on

2. Your petitioner was prevented by sufficient cause, as more particularly explained below, from giving notice within the time prescribed by Section 25 (2) to the Income-tax Officer of the discontinuance of his business, profession or vocation.

3. Your petitioner therefore requests that the order of the Income-tax Officer imposing a penalty of Rs. \_\_\_\_\_ upon your petitioner may be set aside.

(Signed) \_\_\_\_\_

STATEMENT OF FACTS.

• • • •

*Form of verification.*

I, \_\_\_\_\_, the petitioner, named in the above petition, do declare that what is stated therein and in the above statement of facts is true to the best of my information and belief.

(Signed) \_\_\_\_\_

## FORM D.

*Form of Appeal against an order under Section 28.*

To

THE COMMISSIONER OF INCOME-TAX.  
THE ASSISTANT COMMISSIONER OF INCOME-TAX.

The                      day of                      19   !

The petition of                      of  
 sheweth as follows:—

1. Under Section 28 of the Indian Income-tax Act, 122, a penalty of Rs.                      has been imposed on your petitioner by the Income-tax Officer                      Assistant Commissioner. The notice of demand attached hereto was served upon him on

2. Your petitioner did not conceal the particulars of his income or deliberately furnish inaccurate particulars thereof but as will be seen from the statement of facts attached returned it at its real amount to the best of his knowledge and belief.

3. Your petitioner therefore requests that the order of the Income-tax Officer                      Assistant Commissioner imposing a penalty of Rs.                      upon your petitioner may be set aside.

(Signed) \_\_\_\_\_



## STATEMENT OF FACTS.

•            •            •            •            •

*Form of verification.*

I, \_\_\_\_\_, the petitioner, named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

(Signed) \_\_\_\_\_

22. An appeal under section 32 (2) shall in the case of an appeal against an order of an Assistant Commissioner under section 28 be in Form C attached to Rule 21; and in other cases in Form E.

## FORM E.

To

THE COMMISSIONER OF INCOME-TAX,

The \_\_\_\_\_ day

of \_\_\_\_\_ 192 .

The petition of \_\_\_\_\_  
sheweth as follows:—

1. Under section 31 (3) of the Indian Income-tax Act, 1922, the Assistant Commissioner of \_\_\_\_\_ has increased the tax payable by your petitioner from Rs. \_\_\_\_\_ to Rs. \_\_\_\_\_.

2. Your petitioner prays that the enhancement may be set aside or reduced to Rs. \_\_\_\_\_ for the reasons stated below :—

(Signed) \_\_\_\_\_

*Grounds of appeal.*

• • • • •

*Form of verification.*

I, \_\_\_\_\_, the petitioner named in the above petition, do declare that what is stated therein is true to the best of my information and belief.

Signed \_\_\_\_\_

23 (1) In the case of income derived in part from agriculture and in part from business, an assessee shall be entitled to deduct from such income the market value of any agricultural produce raised by him or received by him as rent-in-kind which he has utilised as raw material for the purposes of his business or the sale receipts of which are included in the accounts of his business. The balance of such income shall be deemed to be income derived from the business and no further deduction shall be made therefrom in respect of any expenditure incurred by the assessee as a cultivator or receiver of rent-in-kind.

(2) For the purposes of sub-rule (1) "market value" shall be deemed to be :—

- (a) where agricultural produce is ordinarily sold in the market in its raw state, or after application to it of any process ordinarily employed by a cultivator or receiver of rent-in-kind to render it fit to be taken to market, the value calculated according to the average price at which it has been so sold during the year previous to that in which the assessment is made.
- (b) where agricultural produce is not ordinarily sold in the market in its raw state, the aggregate of
  - (1) the expenses of cultivation ;
  - (2) the land revenue or rent paid for the area in which it was grown ; and
  - (3) such amount as the Income-Tax Officer finds, having regard to all circumstances in each case, to represent a reasonable rate of profit on the sale of the produce in question as agricultural produce.

24. Income derived from the sale of tea grown and manufactured by the seller shall be computed as if it were income derived from business, and 40 percent of such income shall be deemed to be income, profits and gains liable to tax.

25. In the case of Life Assurance Companies incorporated in British India whose profits are periodically ascertained by actuarial valuation, the income, profits and gains of the Life Assurance Business shall be the average annual net profits disclosed by the last preceding valuation, provided that any deductions made from the gross income arriving at the actuarial valuation which are not

admissible for the purpose of income-tax assessment, and any Indian income-tax deducted from or paid on income derived from investments before such income is received, shall be added to the net profits disclosed by the valuation.

26. Rule 25 shall apply also in the determination of the income, profits and gains derived from the annuity and capital redemption business of life assurance companies, the profits of which can be ascertained from the results of an actuarial valuation,

27. If the Indian income-tax deducted from interest on the investments of a company exceeds the tax on the income, profits and gains thus calculated, a refund may be permitted of the amount by which the deduction from interest on investments exceeds the tax payable on such income, profits, and gains.

28. In the case of other classes of insurance business ( fire, marine, motor car, burglary, etc. ) of a company incorporated in British India, the income, profits or gains shall be determined in accordance with the provisions of the Act, subject to the allowance specified in the rule next following.

29. If in the ordinary accounts of any insurance business other than Life Assurance, Annuity, or Capital Redemption Business carried on by an Insurance Company, any amount is actually charged against the receipts for the sole purpose of forming a reserve to meet outstanding liabilities or unexpired risk in respect of policies which have been issued ( including risk of exceptional losses ) and is not used for any other purpose, such amount may be treated as expenditure incurred solely for the purpose of earning the profits of the business.

30. Any amount either written off in the accounts or through the Actuarial Valuation Balance Sheet to meet depreciation of, or loss on, securities or other assets, or which is carried to a reserve fund formed for that sole purpose and not used for any other purpose, may be treated as expenditure incurred solely for the purpose of earning the profits of the business. Any sums taken credit for in the accounts or Actuarial Valuation Balance Sheet on account of appreciation of or gains on the securities or other assets shall be deemed to be income chargeable to tax, subject always to deduction of such portion thereof as has been otherwise taken into account in calculating the income, profits or gains.

31. The income, profits and gains of companies carrying on Dividing Society or Assessment business shall be taken at 15 per cent of the premium income in the previous year and, in the case of non-resident companies, at 15 per cent of the Indian premium income in the previous year.

32. Notwithstanding anything contained in rules 25 to 31, the total income, however, of an insurance company carrying on more than one class of business shall be determined by its aggregate income from all classes of businesses.

33. In any case in which the Income-tax Officer is of opinion that the actual amount of the income, profits or gains accruing or arising to any person residing out of British India whether directly or indirectly through or from any business connection in British India cannot be ascertained, the amount of such income, profits or gains for the purposes of assessment to income-tax may be calculated on such percentage of the turnover so accruing or arising

as the Income-tax Officer may consider to be reasonable, or on an amount which bears the same proportion to the total profits of the business of such person (such profits being computed in accordance with the provisions of the Indian Income-tax Act) as the receipts so accruing or arising bear to the total receipts of the business, or in such other manner as the Income-tax Officer may deem suitable.

34. The profits derived from any business carried on in the manner referred to in section 42 (2) of the Act may be determined for the purposes of assessment to income-tax according to the preceding rule.

35. The total income of the Indian branches of non-resident insurance companies (Life, Marine, Fire, Accident, Burglary, Fidelity Guarantee, etc.), in the absence of more reliable data, may be deemed to be the proportion of the total income, profits or gains, of the companies, corresponding to the proportion which their Indian premium income bears to their total premium income.

36. An application for a refund of income-tax under section 48 of the Act shall be made in the following form:—

*Application for Refund of Income-tax.*

I \_\_\_\_\_ of \_\_\_\_\_

do hereby state that my income from all sources to which the Act applies during the year ending \_\_\_\_\_ on the 31st March 19 \_\_\_\_\_, amounted to Rs. \_\_\_\_\_ only.

I therefore pray for a refund of

Rs. \_\_\_\_\_ under "Salaries"

Rs. \_\_\_\_\_ under "Securities"

Rs. \_\_\_\_\_ under "Dividends from companies"

Rs. \_\_\_\_\_ under "Share of profits of the registered firm"

known as \_\_\_\_\_ of which I am a partner.

Signature \_\_\_\_\_

I hereby declare that what is stated herein is correct.

Dated \_\_\_\_\_ 19 . Signature \_\_\_\_\_

(The portions not required should be scored out.)

37. The application under rule 36 shall be accompanied by a return of total income in the form prescribed under section 22 unless the applicant has already made such a return to the Income-tax Officer.

38. Where the application under rule 36 is made in respect of interest on securities or dividends from companies, the application shall be accompanied by the certificate prescribed under section 18 (9) or section 20, as the case may be.

39. The application under rule 36 shall be made as follows :—

(a) If the applicant is resident in British India, 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 of the district in which he ordinarily resides ;

(b) If the applicant is resident outside British India, to the Income-tax Officer appointed by the Central Board of Revenue.

40. An application for refund of income-tax under section 49 of the Act should be made in the following form :—

**Application for relief from double income-tax under section 49 of the Indian Income-tax Act, 1922.**

I \_\_\_\_\_ of \_\_\_\_\_ do hereby state  
 that I have paid United Kingdom Income-tax  
 amounting to £ \_\_\_\_\_ for the year ending 19 \_\_\_\_\_  
 on an income of £ \_\_\_\_\_ and that  
 Indian Income-tax of Rs. \_\_\_\_\_ has also  
Income-tax and Super-tax \_\_\_\_\_  
 been paid on the same income \_\_\_\_\_  
income from the same source amounting to Rs. \_\_\_\_\_  
 I have obtained relief under the provisions of section 27 of  
 the English Finance Act, 1920, at the rate of \_\_\_\_\_—see  
 attached certificate from the Inspector of Taxes,  
 I now pray for a further relief at the rate of \_\_\_\_\_  
 amounting to Rs. \_\_\_\_\_ under section 49 of the Indian  
 Income-tax Act, 1922, to which I am entitled. My income



from all sources to which this Act applies during the  
 "previous year" ending on the 19  
 amounted to Rs. only —see return  
 of income attached  
 already submitted.

*Signature*

I hereby declare that what is stated herein is correct.

*Signature*

*Dated* 19

41. The application under rule 36 or rule 40 may be presented by the applicant in person or through a duly authorised agent or may be sent by post.

42. A return shall be furnished by the principal officer of a company under section 19A in respect of a dividend or aggregate dividends if the amount thereof exceeds Rs. 10,000.

43. The return by the principal officer of a company under section 19A shall be in the following form and shall be delivered to the Income-tax Officer who assesses the company.

Return under section 19A of the Indian Income-tax Act,  
1922, for the year 1st April 19.....31st March 19.....

Name of company.....

Address of company.....

Resident shareholders .....

Non-resident shareholders .....

Serial number.	Name of Share- holder.	Address of Share hold- er.	Date of de- claration of dividends.	(2) Amt. of dividend.	
				Net.	Gross.
1	2	3	4	5	6
				Rs.	Rs.

I.....the principal officer of the company,  
hereby certify that the above statement contains a complete  
list of the <sup>resident</sup> ~~non-resident~~ shareholders of the company to whom  
a dividend or aggregate dividends exceeding Rs. 10,000 was  
or were distributed in the period from the 1st April 19.....  
to the 31st March 19.....

Dated..... 19

Signature.....

*Note* (1). Separate forms should be used for resident and non-resident shareholders.

(2) Where dividends are issued "free of income-tax", the figure to be entered in column 5 is the sum actually paid, and the figure to be entered in column 6 is the aggregate of the sum so paid and the amount of income-tax payable by the company in respect of the dividends.

44. All sums deducted in accordance with sub-sections (2) and (3) of section 57 shall be paid by the person making the deduction to the credit of the Government of India, within one week from the date of such deduction, by remitting the amount to the Income-tax Officer concerned or to such Government Treasury or branch of the Imperial Bank of India as he may direct. The person making the deduction shall send at the same time to the Income Tax Officer a statement showing the name of the non-resident person on whose behalf the tax has been deducted, the amount of tax deducted, the gross amount of dividend in respect of which the deduction has been made and the period for which the dividend has been paid.

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## 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

$$\frac{1}{10} \text{ of } \frac{12}{11} \text{ of Rs. } 48,294 \left\{ 48,898 - (50 + 100 + 4) \right\}$$

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.*"

CHECKED  
2003-04