

The Indian Income Tax.

ITS

HISTORY, THEORY, AND PRACTICE

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BY

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DEDICATED

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to

**HIS HIGHNESS MAHARAJA
SAYAJIRAO III.**

Gaekwad of Baroda,

whose generosity alone

made

the study of this monograph

possible.

PREFACE.



The most important facts of our time are that the needs of Governments are constantly growing without a moment's pause and that the tax-payers are ever demanding a more equitable distribution of public burdens. This is why the fiscal questions are of so much practical importance today.

To some minds the Income Tax presents itself as the realisation of the most perfect distributive justice so much so that today almost every country in the world has adopted an Income Tax as a part of its tax system.

It is of the utmost importance that nations like individuals be benefitted by the experience of one another. Having this in mind the author has ventured to attempt the study of the Indian Income Tax.

The various Imperial and Provincial Acts dealing with direct taxation in British India only, that is excluding the Indian States and other foreign possessions in India proper, which are not subject to the Indian Income Tax, have been made the frame work of this monograph; reports of the Periodical Parliamentary Committees, and Royal Commissions on East India affairs have been utilised. Mention also may be made of the various Provincial manuals and reports on the Income Tax. Outside of the official reports the field of Indian Finance is barren of material—a

difficulty which makes itself felt throughout this study. The chief value of this monograph lies in the fact that it breaks new ground. Some time in the future, the author hopes to be able to give to other sources of the Indian revenues a much fuller treatment than is possible in a study like this.

The subject was first suggested for a Ph. D. thesis by Professor Seligman of Columbia University, to whom and also to Dr. R. M. Haig of the same University the author is greatly indebted for much valuable advice. The many courtesies extended by the Columbia University Library authorities and the India Office authorities in London, in spite of the War have made possible an examination, however incomplete it may be, of the present Indian Income Tax Law. My thanks are also due to Professor H. Stanley Jevons of Allahabad University for valuable and sympathetic criticism, for supplying me the latest Provincial manuals and reports so as to bring the monograph to-date, and also for publishing a part of the monograph in the Indian Journal of Economics.

Baroda Sayaji Gunj }
 April 1st 1920 } THE AUTHOR.

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APPENDIX I.

Tax Year	GENERAL PUBLIC		GOVT. SERVANTS		TOTALS.	
	Number of assesseees	Amount in rupees	Number of assesseees	Amount of rupees.	of columns 2 and 4	of columns 3 and 5
1	2	3	4	5	6	7
Income tax of						Rs.
1860-61	842,514	1,52,88,725	39,495	24,83,587	882,009	1,77,22,262
1861-62	1,17,038	1,57,41,071	38,813	29,33,141	10,15,351	1,86,74,212
1862-63	808,400	1,70,07,729	36,230	80,53,063	844,630	1,57,60,791
1863-64	217,006	95,06,745	20,599	24,24,783	237,599	1,19,31,528
1864-65	222,894	98,22,880	43,288	82,36,149	266,82	1,30,59,029
License Tax of						
1867-68	730,422	54,15,204	12,467	8,28,951	742,889	62,44,155
Certificate Tax						
1868-69	226,254	37,94,539	37,511	7,24,380	263,765	45,18,918
Income Tax of						
1869-70	521,494	1,02,02,462	58,568	15,26,325	580,062	1,17,28,787
,, 1870-71	387,856	1,74,97,695	60,416	32,14,151	448,274	2,07,11,846

1 Taken from the Appendix to the Report of Finance Committee, Volume II, 1872 p. 658.

APPENDIX II. ¹*Net revenue from taxation proper in 1913-14.*

	in Rs.
(1) Land Revenue	32,08 73,629
(2) Provincial Rates	26,95,332
(3) Income Tax	2,90,51,573
(4) Customs	11,13,78,267
(5) Excise	13,28,16,901
(6) Stamps	7,89,01,787
(7) Salt	5,15,08,811
(8) Registration	77,63,642
Total	Rs. 73,49,96,042

APPENDIX III.

Indian Currency.

Pie	equals	1/12 penny (English)
Pice (3 pies)	„	1 farthing („)
Anna	„	1 penny („)
Rupee (16 annas)	„	1s 4 ^d („)
		0.324 dollar (U. S. A.)
Lakh	„	100,000 rupees.
Crore	„	100 lakhs.

¹ Taken from the Finance and Revenue Accounts of the Government of India for 1913-14.

APPENDIX IV.*

*Gross revenue from Income Tax in the chief provinces
in 1913-14.*

(including Government salaries)

	Rs.	% of whole.
Bengal	66,37,916	22.5
Bombay	67,09,105	22.8
United Provinces of		
Agra and Oudh	26,80,693	9.2
Burma	22,90,649	7.8
Punjab	17,19,918	5.7
Bihar and Orissa	13,85,293	4.7
Central Provinces and Berar	8,62,741	3.07
Assam	4,27,067	1.3
Madras	37,48,360	12.9

APPENDIX V.*

Gross revenue from Income Tax for 1913-14.

	Rs.	% of whole.
(1) Ordinary Collections (include tax collected from private employees, private securities and all under Parts II and IV).	2,33,26,127	79.7
(2) Government Salaries and Pensions.	47,75,991	16.4.

* Taken from the Finance and Revenue Accounts of the Government of India for 1913-1914 p. 53.

(3) Interest on Government Securities.	8,96,641	3.08.
(4) Miscellaneous Items	2,54,995	.82.
	<hr/>	<hr/>
Total Rs.	2,92,53,754	100.00.

APPENDIX VI ¹

Gross Collection by Parts for 1913-14.

	Rs.	%of whole.
I. Salaries and Pensions	74,33,228	26
II. Profits of Companies	40,88,542	14
III Interest on Securities	12,76,388	4.5
IV. Other sources	1, 56,86,447	55.5
	<hr/>	<hr/>
Total Rs.	2,84,03,605	100.00

¹ Taken from the 7th issue of statistics for British India Vol. II
Financial Statistics p. 269.

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The author of this monograph was born at Kaulana, Bombay Presidency, West Khandesh, British India, on October 21, 1889; passed his Matriculation examination of the Bombay University from the New English School of Poona in December, 1909, attended the Baroda, College and the Fergusson College at Poona; was granted a personal scholarship by His Highness the Gaekwar of Baroda, to pursue higher education in the United States of America; received the degree of Bachelor of Arts at the University of Wisconsin, in August, 1914, where he studied under Professors, E. A. Ross, Wm. A. Scott, J. R. Commons, and P. S. Reinsch; also received the degree of Master of Arts at Columbia University in June, 1915. In 1916 he was awarded the Baroda State Scholarship for one year to enable him to finish his Ph. D. studies. During the three years spent at Columbia University he pursued the courses of study in Economics under professors E. R. A. Seligman, W. C. Mitchell, H. R. Seager, and V. G. Simkhovitch; in Sociology under Professor F. H. Giddings and in Politics under Professors Charles A. Beard and H. L. McBain. He also attended the seminars conducted by Professors Seligman, Seager, Mitchell, and Simkhovitch.

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