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ANNUAL REPORT ON THE WORKING OF  
INCOME-TAX DEPARTMENT, 1932-33.

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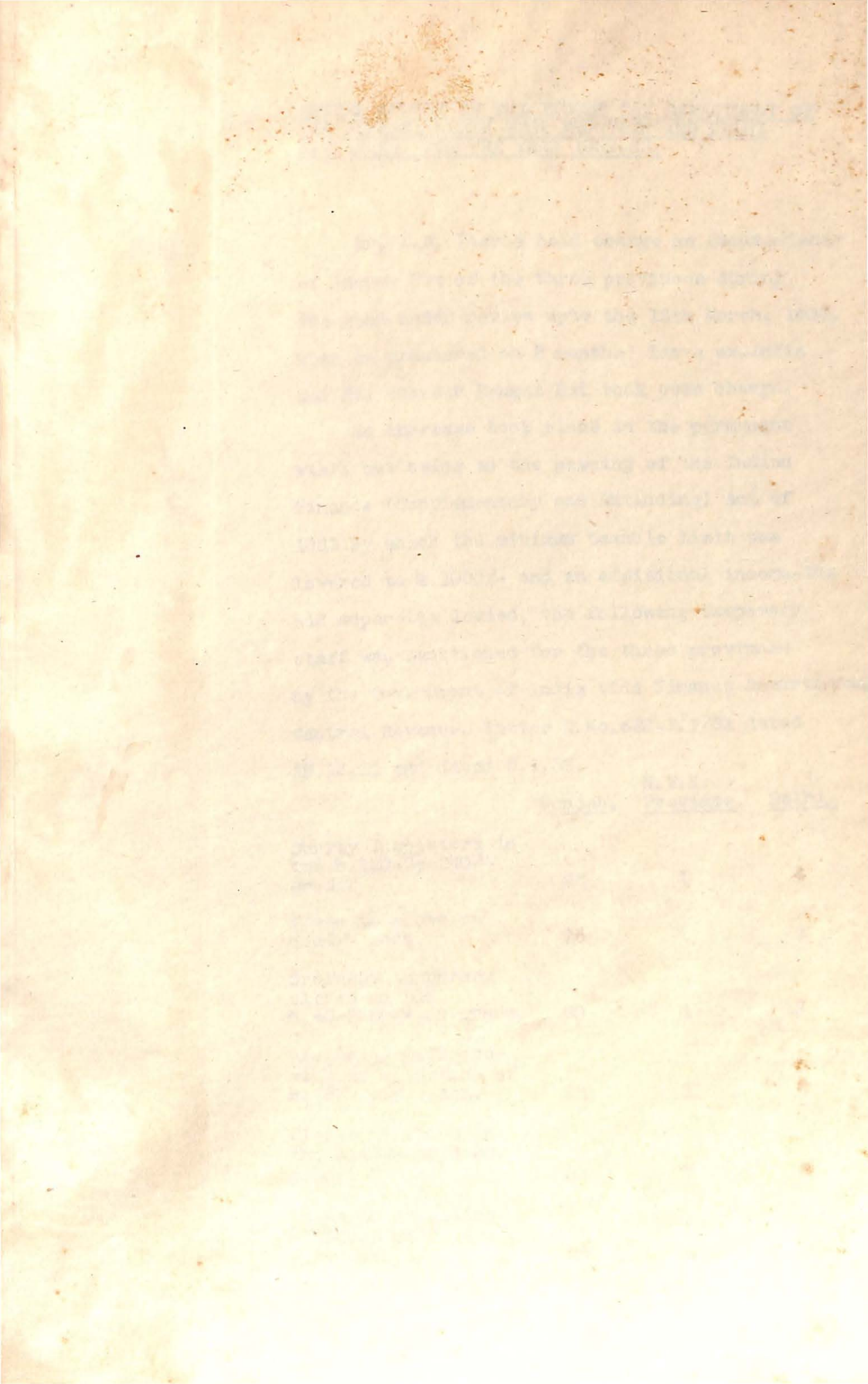
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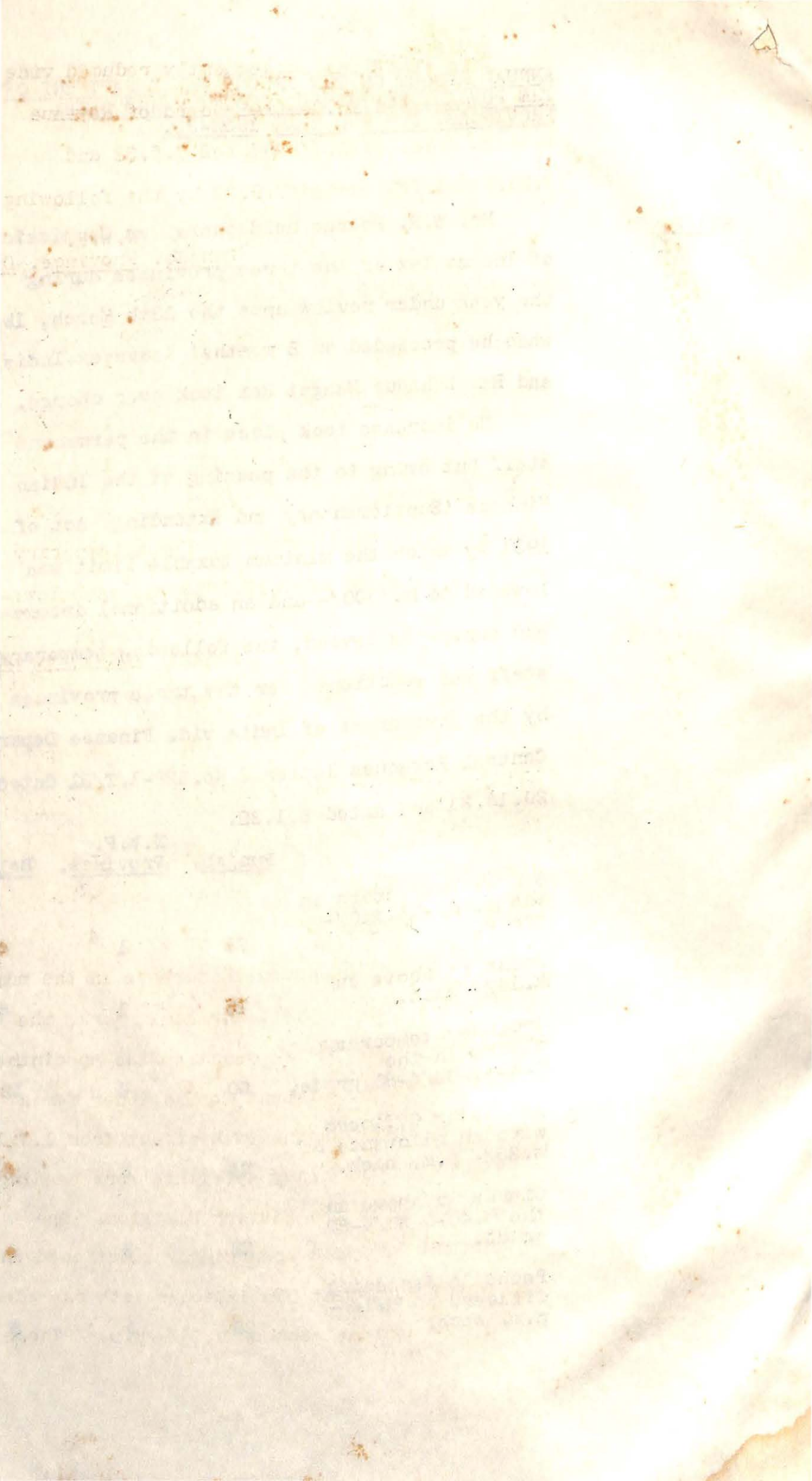
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1932-33







This staff was subsequently reduced vide orders conveyed in Central Board of Revenue letters C.No.351-I.T/32 dated 7.5.32 and C.No.622-I.T/31 dated 7.9.32 by the following:-

	<u>Punjab.</u>	<u>N. W. F. Province.</u>	<u>Delhi.</u>
Assessing Officers from 1.5.32.	4	1	2
Clerks to above.	4	1	2
Peons to Assessing Officers.	4	1	2
Inspectors.	12	1	2
Peons to above.	12	1	2

The net sanctioned strength of the temporary staff as it stood on 31.3.1933 was as below:-

	<u>Punjab.</u>	<u>N. W. F. Province.</u>	<u>Delhi.</u>
Assessing Officers.	24	2	4
Clerks to above.	24	2	4
Peons to Assessing Officers.	24	2	4
Inspectors.	13	-	2
Peons to above.	13	-	2
Ordinary clerks.	60	4	13

Owing to the unusual increase in the number of appeals due to the lower limit work, the Board was requested to sanction the appointment of a temporary Assistant Commissioner for a period of three months with effect from 1.3.33 to cope with the heavy appellate work pending particularly in the Eastern Division. The Government of India accordingly sanctioned one temporary Assistant Commissioner with one clerk on Rs.80/- and one peon on Rs.14/- p.m. These



temporary appointments had to be extended for a further period of six months with effect from 1.6.1933.

There were no other important administrative changes.

The number of assessees and the initial demand for the year under review and the two years previous are as follows:-

Year.	No. of assessees.	Demand (income-tax and super-tax).	
1930-31	32,255	62	Lakhs.
1931-32	31,093	74.6	"
1932-33	36,929	73.8	"

The above figures do not include the number of lower grade assessees and the income-tax assessed on them as well as the surcharge imposed by the Supplementary and Extending Act 1931. The resultant demand of lower limit income-tax only amounted to Rs.9,33,341 and the demand for surcharge on both income-tax and super-tax amounted to Rs.12,05,418 making a total demand for the year to be Rs.95.2 lakhs, or an increase of about 13 lakhs over the figures of 1931-32 due to enhancement of the rates of tax by the Finance Act of 1931 and the passing of the special emergency measure. The financial results of the special measures introduced by the Indian Finance (Supplementary and Extending) Act, 1931 in the three provinces are as follows:-

	<u>Punjab.</u>	<u>N. W. F. Province.</u>	<u>Delhi.</u>
Surcharge.	12,05,418	1,78,489	3,37,481
Tax on incomes between 1000/- and 2000/-.	9,33,341	94,343	95,072
TOTAL.	21,38,759	2,72,832	4,32,553

The following is a list of the  
 names of the persons who have  
 been appointed to the various  
 positions in the office of the  
 Secretary of the State for the  
 year 1882.

Year	Name	Position
1881-82	Wm. H. ...	...
1882-83	...	...
1883-84	...	...

The above list is a list of the  
 names of the persons who have  
 been appointed to the various  
 positions in the office of the  
 Secretary of the State for the  
 year 1882.

The following is a list of the  
 names of the persons who have  
 been appointed to the various  
 positions in the office of the  
 Secretary of the State for the  
 year 1882.



NEW ASSESSEES.

As a result of local enquiries and survey 3,330 new assessees were discovered and assessed in the higher limit while 3,057 old assessees were let off in the year.

As regards lower limit 22,781 new cases were discovered and assessed while 2,233 old assessees were found not assessable in the year under report.

It will be observed from the last year's report that it was estimated that there would be 33,000 new assessees under the lower limit cases, but the result of assessment operations in 1931-32 and 1932-33 shows that the actual number of assessees was 44,237 which seems to be quite satisfactory.

SOURCES OF REVENUE AND TRADE CONDITIONS.

The main sources of revenue and the yield under each for the last three years are classified as follows:-

<u>A. Salaries &amp;c.</u>	<u>30-31</u> <u>Lakhs</u>	<u>31-32</u> <u>Lakhs</u>	<u>32-33</u> <u>Lakhs</u>
1. Salaries &c.	15.10	19.54	19.46
2. Interest on Securities.	3.83	6.20	7.81
3. House property.	5.00	7.12	6.06
4. Professional earnings. (Legal business)	1.95 (1.48)	2.11 (1.56)	1.73 (1.17)
<u>Total.</u>	<u>25.88</u>	<u>34.97</u>	<u>35.06</u>
<u>B. Business.</u>			
5. Moneylending (a) Urban. (b) Rural.	3.97 5.52	4.80 5.70	4.21 5.70
6. Piece goods.	2.78	3.27	3.25
7. Trade in Agricultural produce.	3.50	2.86	2.25



8. Contracts.	2.08	2.29	2.00
9. Timber.	1.47	1.49	0.70
10. Hides and Skins.	<u>0.36</u>	<u>0.29</u>	<u>0.27</u>
<u>Total.</u>	19.68	20.70	18.38

C. Industries.

11. Ginning Factories.	0.35	1.07	0.38
12. Flour Mills.	0.28	0.55	0.65
13. Tanneries.	0.02	0.01	0.01
14. Carpets.	0.39	0.45	0.006
15. Other manufacturing processes.	<u>6.18</u>	<u>4.28</u>	<u>5.34</u>
<u>Total.</u>	7.22	6.36	6.386

From the comparison of the above figures it will be observed that there is an increase under the head "Interest on Securities", "Flour Mills" and "Other Manufacturing processes" and decrease under other heads shown above.

The trade conditions during the accounting year 1931-32 which formed the basis of assessment for 1932-33 were again unfavourable and witnessed an almost unprecedented slump on account of the general trade depression. The chief causes of this depression are reported to be:-

1. The abnormal fall in the prices of agricultural produce.
2. Financial stringency.
3. Political unrest.
4. Breakdown of gold standard.
5. Increase in custom duty.
6. Lack of confidence and reduced purchasing power of the people.

However owing to rise in the value of gold caused by Great Britain going off the gold standard a limited number of assesses made unusually large profits by export of gold to foreign countries

SALARIES. The slight decrease under the head "Salaries" is due to the 10% cut enforced during the



the year 1932-33.

INTEREST ON SECURITIES. Government Securities continued to be attractive to an average investor who selected a small but a sure return on his investment. Their popularity is reflected by the increase in demand under this head.

HOUSE PROPERTY. The decrease under this head is due to the general slump in trade which resulted in fall in rents.

LEGAL BUSINESS. On account of trade depression and fall in the prices of agricultural produce, the clients could not afford to pay much for litigation. The result was a decrease under this head.

MONEYLENDING - URBAN. The decrease under this head is due to the fact that the money lender, as a class, did not fare well as the bulk of his debtors came from the poor agriculturist classes who were unable to pay their debts on account of the fall in the prices of the agricultural produce. The money lender in the majority of cases had to be content with mere book adjustments of the interest due.

As reported last year, the Co-operative movement, the Land Alienation Act, Money Lenders' Act enacted by the Punjab Government and difficulty in recovery are having continuous adverse effect upon moneylending. the decrease under this head would have been still greater had not the rates of tax been increased and additional surcharge tax of 25% been levied both on income-tax and



super-tax.

The total number of agriculturist money-lenders taxed in the Punjab was 383 under lower limit and 177 under higher limit cases.

TRADE IN AGRICULTURAL PRODUCE. The decrease under this head is due to the fluctuating prices of grains and cereals. There was abnormal fall in the price of agricultural produce resulting in loss to traders as well as agriculturists.

CONTRACTS. The decrease under this head is chiefly due to financial stringency as all new schemes for extension and improvement in the various Government Departments were either curtailed or entirely abandoned.

TIMBER. The decrease under this head is due to the fall in prices during the year under report. The North Western Railway which usually purchased timber in large quantities reduced its demand owing to financial stringency and economy with the result that stocks accumulated and the market was flooded with timber.

GINNING FACTORIES. The decrease is due to the economic depression which swept over all cotton business.

CARPETS. The decrease under this head is due to the economic crisis in America, resulting in the closure of the business centre in carpets at Amritsar owing to heavy losses.

OTHER MANUFACTURING PROCESSES. The increase under this head is chiefly due to the





improvement and extensions effected by the Lahore Electric Supply Co. and the Punjab Sugar Mills Co. and protective duty on sugar which enabled this industry to earn high profits.

COLLECTION & ARREARS.

The following table gives the detail of net collections and arrears for the year under report as compared with those of two previous years.

<u>Year.</u>	<u>Collections Lakhs.</u>	<u>Arrears Lakhs.</u>
1930-31	58.32	3.01
1931-32	76.05	5.04
1932-33	87.11	7.21

The increase in the net collections is proportionate to the increase in the demand. The rise in arrears is also due to the same. There is an increase of about 13 lakhs in demand of this year as compared with last year's figures. The increase in arrears is partly due to the slump in trade and partly due to the fact that some of the big cases in the higher limit had to be unavoidably done about the close of the year. Out of the arrears outstanding on 1.4.33 a sum of Rs.2,59,000 was collected by the end of May 1933 and in view of the instructions issued from this office from time to time it is hoped that a considerable sum must have been collected during June 1933.

SUBMISSION OF RETURNS  
AND ACCOUNTS.

There is no appreciable improvement in the submission of returns and accounts under higher limit cases as will be seen from the following statistics:-



	<u>30-31.</u>	<u>31-32.</u>		<u>32-33.</u>	
		H.	L.	H.	L.
Percentage of Returns submitted to Notices issued.	86	87	49	87	81
Percentage of Accounts produced to Accounts called for.	83	85	68	84	63

Under the lower income cases the percentage of returns submitted to the notices issued in 1932-33 is 81 against 49 last year which is a great improvement, while the percentage of accounts produced to those called for in 1932-33 is 63 against 68 last year. The slight decrease does not call for any special comment. Of the total number of 33,838 returns filed under the higher income cases, 15,103 were filed by persons other than Companies and those with income from salary only. Out of this number only 2,551 or 16% were accepted as correct which is disappointing and indicates that the assesseees in majority of cases conceal their correct income. Of the total number of 17,481 accounts produced 11,628 or 66% were entirely or almost entirely relied upon. Profit and loss accounts were determined in 3,744 cases which shows that it was possible in 21% cases only to determine the result of the assesseees business activities by means of such accounts. In 37% cases the income had to be determined by the unsatisfactory method of applying flat rates to the turnovers.

In the lower limit, 8,955 returns were filed by persons other than companies and persons with income from salary only but only 13% of these were accepted as correct.

00-31 31-31 31-31

Percentage of Returns  
Submitted to Notices

87 87 87

Percentage of Accounts  
Produced to Accounts  
Called for

83 83 83

Under the above figures the  
percentage of returns submitted to the notices  
issued in 1933-34 to 81 against 87 last year  
which is a great improvement, while the  
percentage of accounts produced to those called  
for in 1933-34 is 83 against 83 last year. The  
slight decrease does not call for any special  
comment. Of the total number of 1,238  
returns filed under the above notices,  
1,103 were filed by persons other than  
companies and those with income from salary  
only. Out of this number only 2,381 or 18%  
were accepted as correct which is disappointing  
and indicates that the notices are not being  
of much value to the correct income tax payers.  
The total number of 1,421 accounts produced  
1,128 or 79% were correct or almost correct  
which again is not a high percentage. It is  
determined in 2,381 cases which show that  
it is possible in 1933-34 to accept only 18% of  
the returns of the various business and other  
by means of such notices. In this case the  
percentage is an improvement on the previous  
year and it is hoped that the notices will  
be of more value to the correct income tax  
payers in the future.

With regard to accounts it was found possible to base assessments on them in 46% of the cases in which they were produced.

PENALTIES.

No penalties under section 25(2) were imposed during the year under report.

Penalties under section 28 were imposed in 174 cases during the year under report as against 168 cases in the preceding year. Penalties under the same section were also imposed in 36 lower limit cases.

Penalties under section 46(1) were imposed in 1,265 cases as against 1,104 cases of last year. Penalty under section 46(1) was also imposed in 1,852 lower limit cases.

APPEALS.

4,544 appeals were instituted during the year as against 2,927 in the year 1931-32. The former figure includes 1,680 appeals filed against the assessments in the lower limit cases. 3,761 including 1,431 lower limit appeals were disposed of as against 2,497 last year. Total number of appeals pending on 1.4.33 was 1,841 including 543 lower limit appeals as against 1,058 of last year. The figures show that including Government salaried persons, one of every 13 assesses in the higher limit and one of every 29 assesses in the lower limit appeal against the assessment. Excluding Government salaried persons, the figure works out to one in every 8 assesses in the higher and one in every 23 assesses in the lower limit. The combined figures show one in every 19 assesses.

With regard to accounts in the 1934 year  
 to have amounted to \$100,000 of the  
 year in which they were produced.  
 The committee's report covering 1934 was  
 prepared during the year under report.  
 The committee's report covering 1935 was  
 prepared in the year during the year under  
 report and should not have been prepared  
 year. The committee's report covering 1936  
 also failed to be filed in 1936.  
 The committee's report covering 1937 was  
 prepared in 1937 and is dated 1/1/37.  
 The committee's report covering 1938 was  
 prepared in 1938 and is dated 1/1/38.  
 The committee's report covering 1939 was  
 prepared in 1939 and is dated 1/1/39.  
 The committee's report covering 1940 was  
 prepared in 1940 and is dated 1/1/40.  
 The committee's report covering 1941 was  
 prepared in 1941 and is dated 1/1/41.  
 The committee's report covering 1942 was  
 prepared in 1942 and is dated 1/1/42.  
 The committee's report covering 1943 was  
 prepared in 1943 and is dated 1/1/43.  
 The committee's report covering 1944 was  
 prepared in 1944 and is dated 1/1/44.  
 The committee's report covering 1945 was  
 prepared in 1945 and is dated 1/1/45.  
 The committee's report covering 1946 was  
 prepared in 1946 and is dated 1/1/46.  
 The committee's report covering 1947 was  
 prepared in 1947 and is dated 1/1/47.  
 The committee's report covering 1948 was  
 prepared in 1948 and is dated 1/1/48.  
 The committee's report covering 1949 was  
 prepared in 1949 and is dated 1/1/49.  
 The committee's report covering 1950 was  
 prepared in 1950 and is dated 1/1/50.

1934

1935

948 appeals out of 4,544 instituted of 20.9% were successful. The amount reduced on appeal during the year under report is Rs.98,268 and the amount enhanced is Rs.107 only resulting in net decrease of Rs.98,181. The average duration of disposal per appeal both higher and lower limit in the three Divisions was as under:-

	<u>1931-32</u>		<u>1932-33</u>	
	Months	Days	Months	Days
Assistant Commissioner Western Division.	2	11	2	19
-do- Eastern Division.	2	19	4	19
-do- Northern Division.	1	10	1	23

REVISION AND APPLI-  
CATIONS FOR REFERENCES  
TO THE HIGH COURT.

The figures given below show the number of review petitions filed during the last three years:-

	<u>No. filed.</u>	<u>Disposed of.</u>	<u>Pending at the close of the year.</u>
1930-31	631	663	61
1931-32	687	590	158
1932-33	828	886	100

The number of review petitions filed during the year was 828 as against 687 last year resulting in an increase of 141. This increase is chiefly due to 119 petitions received during the year against assessments of lower limit. Out of 886 cases disposed of, modification was made in 356 cases. There is an increase of 296 in the total number of disposals which is satisfactory.

79 petitions under section 66(2) were received during the year under report as against 81 in the year before. Including those





pending from last year, 44 petitions were rejected and 40 were withdrawn by the assesseees after orders were passed under section 33(3).

In five cases reference was made to the High Court.

The total number of cases disposed of during the year under report was 89.

14 applications were made to the High Court under section 66(3). Of these only one case was decided by the High Court during the year under report directing the Commissioner to make a statement of the case.

In addition to the five references made during the year under report, two cases were pending in the High Court from the preceding year; of these only one was decided by the High Court during the year; the remaining six are still pending. The only case decided was against the Department and is briefly ~~as~~ detailed below:-

Name of the assessee. Order of the High Court.

- |                                     |   |
|-------------------------------------|---|
| Diwan Bahadur Diwan Kishen Kishore. | (1) Section 34 does not apply to cases where the income is known or disclosed to the Income-tax authorities and has been the subject of an assessment and later on set aside by a superior authority owing to some mistake in procedure or to the income being treated in a wrong category. |
|                                     | (2) The owner of an impartible estate should be treated as a H.U.F. and not <del>as</del> individual for super-tax purposes.  |
|                                     | (3) The allowance paid to a brother on separation by way of maintenance in the case of an impartible estate is not the income of the  |

The first part of the document discusses the general principles of the law. It covers the basic concepts of liability and the elements of a claim. The text is written in a clear and concise style, suitable for a legal textbook or treatise.

The second part of the document deals with the specific rules of procedure. It outlines the steps that must be followed in a court of law, from the filing of a complaint to the final judgment. This section is particularly important for practitioners in the field.

The third part of the document focuses on the remedies available to a successful plaintiff. It discusses the types of damages that can be awarded, including compensatory and punitive damages. It also covers the rules governing the enforcement of judgments.

The fourth part of the document addresses the defenses available to a defendant. It examines the various ways in which a defendant can avoid liability, such as the statute of limitations and the doctrine of contributory negligence.

The fifth part of the document discusses the role of the jury in the trial process. It covers the selection of jurors, the instructions given to them by the judge, and the standards for their verdict. This section is crucial for understanding the dynamics of a trial.

The final part of the document provides a summary of the key points discussed throughout the text. It serves as a useful reference for students and practitioners alike, highlighting the most important aspects of the law covered in the document.

owner of the estate and should be allowed as deduction in his assessment and assessed separately in the hands of the recipient.

SECTION 27 CASES.

769 applications under section 27 for higher limit were received as against 658 last year. Assessment was cancelled in 156 cases only. The total number of applications under section 27 for lower limit cases was 187. Out of these assessment was cancelled in 49 cases.

PROSECUTIONS.

Seven prosecutions were launched during the year under report under section 52 of the Act. Of these two are still pending. Out of the five cases decided three were successful and ended in conviction. In one of these cases the accused was sentenced to imprisonment of one month and a fine of Rs. 1000/-. The sentence of imprisonment was cancelled on appeal and that of fine upheld. In the fourth case the accused was discharged and the fifth case was compounded.

INTEREST ON USUFRUCTUARY MORTGAGES.

No glaring cases of evasion by means of investments in usufructuary mortgage of agricultural property and the leasing of the property to the mortgagor have been reported in any of the three provinces.

STATISTICS RELATING TO UNDISTRIBUTED PROFITS OF COMPANIES.

The table below gives the necessary information:-

	Assessed income. (a)	Amount distributed as Dividends. (b)	Balance (c)
Punjab.	56,64,531	23,85,357	32,57,8
N.W.F.P.	5,914	10,000	5,9
Delhi.	16,03,046	8,45,712	7,57,3

EVASION OF TAX.

Increase in the rates of taxation and



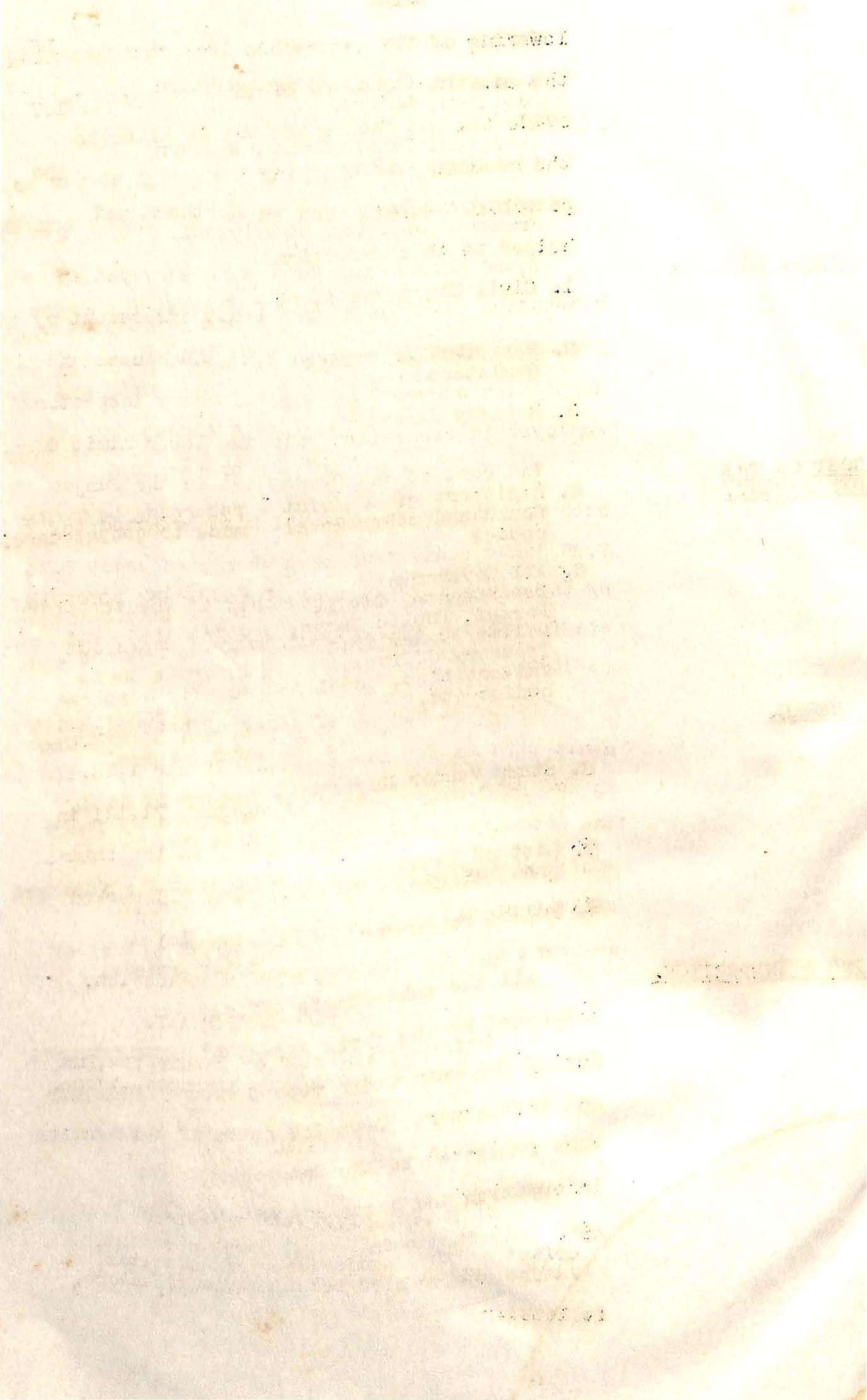
lowering of the assessable limit has accentuated the existing tendency of the tax payer to evade tax but the Department is alive to the necessity of checking this evil as far as possible. Examination of the following greatly helped in this direction:-

1. Civil Court Registers - regarding decrees and executions &c.
2. Registration Office Registers - regarding sales of lands mortgaged &c.
3. Railway Registers - regarding parcels and goods consigned or received.
4. Registers of District Board and other local bodies - regarding payments made to contractors.
5. All Government Departments, Civil, Forest, Public Works, Military, Railways, Treasury Offices, Universities, Local bodies etc. - regarding payments to officials, non-officials, contractors, examiners etc. Information is usually supplied by the departments to the Income-tax authorities.
6. Stamp Vendor Register - regarding deeds executed by money lenders.
7. List of legal practitioners - regarding assessment of lawyers.
8. Police registers - regarding list of motor owners.

TOURING & INSPECTION.

All the subordinate offices were inspected by the three Assistant Commissioners during the year under report except Jullundur and Hoshiarpur. Detailed notes of the results were submitted to the Commissioner for information and necessary orders. The Commissioner also inspected some of the offices.

The number of days spent on tour was as follows:-



Commissioner. . . . .	56
Assistant Commissioner, Western Division, Lahore.	137
Assistant Commissioner, Eastern Division, Delhi.	189
Assistant Commissioner, Northern and Frontier Division, Rawalpindi.	232

GENERAL SURVEY.

2,920 houses and shops were surveyed in connection with the higher limit assessment by the permanent staff. Besides 1,27,809 houses and shops were surveyed by the temporary Inspectors employed in connection with the lower limit work.

COST OF THE DEPARTMENT.

The cost of the Department in the Punjab both for higher and lower limits amounted to 7.98 lakhs equivalent to a charge of about 6.8% of the tax collected. The cost of the temporary staff alone to the revenue derived works out to 12.7%.

GENERAL.

The total number of cases of both kinds dealt with in the three provinces was 1,28,175 in the year under review as against 71,121 in the preceding year. This subjected the entire staff to very great strain. They all worked wholeheartedly with faithful, and loyal co-operation and deserve high commendation.

Sd/- MANGAT RAI.

Offg. Commissioner of Income-tax, Punjab,  
N.W.F. and Delhi Provinces, Lahore.

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ATTESTED.

*Rameshwar Nath*  
Superintendent,  
Office of the Commissioner of Incometax,  
Punjab, N.W.F. and Delhi Provinces, Lahore.  
*Mang*

