A guide to income-tax practice

Murray Adam
A GUIDE TO INCOME-TAX PRACTICE

BY

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CONTAINING,

A SUMMARY OF THE VARIOUS ENACTMENTS RELATING TO INCOME-TAX; INSTRUCTIONS AS TO THE PREPARATION OF RETURNS FOR ASSESSMENT AND ACCOUNTS IN SUPPORT OF APPEALS ON THE GROUND OF OVER-ASSESSMENT;
ALSO FOR CLAIMING EXEMPTION AND ABATEMENT;

AND

A CONCISE POPULAR DIGEST OF THE PRINCIPAL LEGAL DECISIONS ON THE CONSTRUCTION OF THE ACTS:

FOR THE USE OF TAXPAYERS.

SIXTH EDITION.

BY

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UNIV. OF CALIFORNIA

LONDON:

GEE & CO. (PUBLISHERS) LTD., 34 MOORGATE STREET, E.C.

1911.
PREFACE TO THE FIRST EDITION.

THIS work has been undertaken in response to frequent inquiries for a Guide to Income Tax Practice, and in the expectation that it may serve to direct the public upon a difficult and complicated subject.

The endeavour has been to produce a book which, while being useful to the general public, may also be instructive to those desirous of closely examining particular points of practice. With this object in view it has been thought better to incur the risk of erring on the side of fulness rather than to omit anything which might be useful. This idea has also been before us in the preparation of the copious index, which, it is hoped, will add to the value of the work as a book of reference.

The cases quoted have been collected from the reports of the Commissioners of Inland Revenue and from the public Press, as well as from the recognised Accountant and other Law Reports. In every case the facts and the judgment have been cited in such detail that the reader may see the reasons for each decision.

The aim has been to deal with the subject as the law stands rather than to criticise the state of the law, and it has not been thought advisable to enter into controversial matters, such as the incidence of the tax and anomalies in the administration of the Acts.

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We wish to acknowledge the valuable assistance derived from a perusal of Mr. Stephen Dowell's work upon "The Acts relating to Income Tax." In considering the legal construction of the Acts that work has been invaluable.

On points of practice we have made use of correspondence in *The Accountant*, and with this assistance, added to practical experience extending over a lengthened period, we trust that we have produced a work which will be found to combine accuracy with completeness.

We are, perhaps, justified in thinking that, the principal Act having now been in force for upwards of 50 years, there can be but few points which remain to be decided as regards the construction of the Acts.

It is worthy of notice that the tendency of recent legislation has been to grant further relief to the taxpayer, *e.g.*, the Act of 1890 and that of last year. We have also found that there is a willingness on the part of the Inland Revenue officials to meet exceptional cases in a liberal spirit.

We have also the satisfaction of testifying to the courteous treatment accorded to us on all occasions by Surveyors and other officials. In our experience they have ever been ready and willing to accept accounts when properly prepared and to discuss fairly any points of difficulty arising thereon, there being a desire on all occasions to assist with the fullest information for our guidance.
We believe that many people have the impression that the Surveyors derive a pecuniary advantage through increased assessments, but we are able to state emphatically that such is not the case. The Surveyors are paid by fixed salary, which is not influenced in the slightest degree by the rise or fall of the Income Tax assessments in their districts. This is also the case now with regard to all officials connected with the administration of the Income Tax. Up to 1890, Assessors, Collectors, and Clerks to Commissioners were paid by a poundage rate on the duty assessed or collected, but, by the Taxes (Regulation of Remuneration) Act, 1891, payment by poundage was abolished, and fixed allowances were substituted in lieu thereof. It is, therefore, plain that no person has a pecuniary interest in the increase of the assessments beyond the amount of profits properly chargeable.

In venturing to introduce the work to the favour of the public we do so in the hope that it will be found, in some measure, to fulfil the object with which it has been written.

A. MURRAY.

ROGER N. CARTER.

Manchester,

February 1895.
PREFACE TO THE SIXTH EDITION.

The principal alteration noted in our Fifth Edition was the first attempt at differentiation—by "relief" to "earned" incomes. We think it will be generally admitted that this relief has worked well and without undue friction.

The present Edition deals with the Super-tax as the outstanding feature of legislative change. The chief difficulty of this is the obtaining of exact particulars in the absence (in most cases) of books of record.

The text of this Edition runs to considerably greater length than that of the former one. This is due largely to the full treatment which we have thought well to accord to the important cases of the Lion Brewery (p. 251) and A.-G. v. Till (p. 135).

Whilst confirming our previous view as to the courtesy and fairness of the officials, we cannot refrain from protesting against some of the points raised and which are pressed against taxpayers—sometimes sucessfully, at other times the reverse.

Amongst these we may mention:

(1) The London County Council case, where it has been established that occupation value cannot be set off against tax on interest payable. (p. 355.)

(2) The Lion Brewery case, where the Crown has been unsuccessful in their attempt to disallow a necessary expense of business. (p. 251.)
(3) The General Accident Insurance, &c., case, where they have succeeded in establishing that all premiums received are profits, notwithstanding that they are in respect of a risk running in a future period. (p. 204.)

(4) The new "rule" as to abatement to infants. (p. 448.)

(5) The attempt to exact Super-tax for a year in which the taxpayer is dead. (p. 492.)

In all these cases the point (whether legally established in favour of the Crown or not) involves such obvious injustice that it would seem to justify the assertion that in some cases the authorities are more interested in revenue than in fairness, and have resort to claims which (as one of the Judges has said with respect to an action by a municipality), at the hands of an individual, would never be contemplated.

In this connection one may quote the expression of Fletcher Moulton, L.J. (p. 205), that it was painful to give the stamp of judicial authority to something which could not be supported by the practice of the most intelligent and honourable men of the mercantile community, and to a course of treatment which, if acted upon financially, would be a gross fraud.

The Income Tax as a whole is so fair and so fairly administered that one notes these cases with extreme regret.

ROGER N. CARTER.

16 Kennedy Street, Manchester,
November 1911.
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