

ON PAYING YOUR INCOME TAX.



HOW am I to fill up my income tax form?" "How is my income to be calculated?" "Can I demand total exemption?" "Can I claim any abatement?" "Must I fill up the form at all? and if I do not, what will be the consequences?" "How am I to obtain redress for over-assessment?" These are some of the hundred questions continually being asked not only by persons who have for the first time become liable for assessment, but also by those who have paid the tax for many years past, often with most erroneous ideas as to its incidence, sometimes indeed with great injustice to themselves. To answer these questions and many others which might readily be put, it is proposed in the present paper to give some little account of the income tax, and of the way in which it is levied, together with some information as to the various regulations, and their application to individual cases. In a short article it will of course be altogether impossible to furnish anything like a full exposition of the subject, but it is hoped that the explanations and suggestions which are given may be of real and practical service to a very numerous body. It is felt, too, that now when the close of the country's financial year is at hand, it is a fitting time to give some few particulars of one of our great sources of revenue.

The history of the income tax in its present form dates from the year 1799, when the British Empire was in the midst of that series of conflicts with the first Napoleon, which was to culminate in the Battle of Waterloo. In that year, at the instigation of William Pitt, then Prime Minister, an Act was passed by which was levied a tax of *two shillings* in the pound on all incomes over £200, with a graduated scale on incomes varying between £60 and £200. With slight alterations affecting incomes below £200 only, this tax continued till 1816, when it was entirely repealed, and did not again make its appearance till 1842. The tax was then fixed at sevenpence in the pound, but total exemption was allowed in the case of all incomes under £150. In 1853 a change was made, and £100 was fixed as the limit for total exemption, with a reduced duty on incomes between £100 and £150. In this year the allowance was first granted in respect of any sum paid as annual premium for an assurance on the life of any person or his wife. From 1853 to 1863, the tax was continued at various rates in the pound, the highest being 1s. 2d. in 1854-5, and 1s. 4d. in 1855-7 (the years of the Crimean war) on all incomes over £150. In 1863 the differential rate upon the scale of incomes was abolished; incomes

under £100 were exempted as before, and incomes of from £100 to £200 became entitled to an abatement of £60, on which no duty should be levied. At rates varying from 7d. to 4d. in the pound, the tax was retained till 1872, when further relief was afforded to small incomes by allowing an abatement of £80 in all cases where the total income was under £300; and an additional step in the same direction was taken in the year 1876, when total exemption was allowed on all incomes under £150, and an abatement of £120 (on which no tax was chargeable) was granted in the case of all incomes under £400. These exemptions and abatements are still continued and have proved a great boon to small tradesmen, clerks, and struggling professional men who, under the previous regulations, had felt most severely the strain of direct taxation.

With this slight sketch of the history of the tax, we now pass to a brief consideration of the officials engaged in its assessment and collection. The ground will then be prepared for an examination of the subject in its relations to the public, through the medium of the various forms for assessment, &c.

The principal officials may be summarised as follows:—Special Commissioners, General or District Commissioners, and Additional Commissioners; Inspectors, Surveyors, Assessors, and Collectors of Taxes. *Special Commissioners* are appointed by the Crown, and to them it falls to make assessments on railway companies, on agents for foreign or colonial loans, on account of the annual dividends thereon, and on those persons who may desire to be assessed by them instead of by the Local Commissioners. The *General Commissioners* are required to have a certain property qualification and are appointed to special districts, their duty being to hear appeals, &c.; they perform their services gratuitously, but are entitled to exemption from serving on juries, and from all parochial offices. The *Additional Commissioners* (also working without emolument) are appointed by the General Commissioners on account of their local knowledge, and to them it falls to examine all the returns of profits from trades, &c.; unless indeed such returns be made direct to the Special Commissioners on account of the person assessed objecting to lay his profit and loss account before men who know him, and are perhaps engaged in a similar business or occupation with himself. The *Inspectors of Taxes* seem to be a higher grade of *Surveyors*, the duties of which last are very varied, including the rectification of assessments, the surveying of houses, the investigation of claims for assessment on small properties, &c. As considerable powers are entrusted to Surveyors, it is worthy of remark that they are paid by salary only, and not by commission, so that they have no personal interest in any surcharges or increase of duty which may be made in their special districts. *Assessors of Taxes* receive the various forms for delivery from the Surveyor, and it is their duty to serve them on

the proper persons. To them also it falls to place the forms of notice on the church doors, and it is especially to be noted that if the general income tax notice be so posted in any parish, any person liable to assessment incurs a penalty if he does not make a return of his profits or income, although he may not have received from the Assessor the particular form suitable to his case. In general practice, however, it will be found that the proper forms are almost invariably delivered by the Assessor. *Collectors of Taxes* are perhaps the officials brought most nearly within the ken of the majority of tax-payers. Every year the Collectors receive a list of the exact amounts payable in their district, after the corrections following upon appeal have been made. It should be remembered that Collectors are bound to give receipts on the proper printed forms supplied by the surveyors, and are not allowed to give duplicate receipts.* Most summary powers are invested in Collectors, and after one application for the payment of duties, it is legal for them, without further notice, to make distraint on the personal effects of the person in arrear; and if from any cause recovery of the amount cannot thus be made, on certifying the fact to the Commissioners, these last can issue a warrant for the committal of the defaulter to prison. It is perhaps unnecessary to add that these extreme powers are rarely, if ever, exercised. While on this point, however, it should be noted that, with the exception of the landlord's claim for rent, *no* claim is allowed to take precedence of that of the Crown, and assignments, bills of sale, or other documents are valueless until the superior claim of the Crown has been satisfied.

For the purposes of assessment all descriptions of income have been divided into the following schedules:—

- Schedule A. Ownership of lands, tenements, &c.
- „ B. Occupation of lands, &c.
- „ C. Income derived from the public funds.
- „ D. Profits from trades, employments, professions, &c., and all income not assessable under either of the other schedules.
- „ E. Incomes derived from official appointments.

Under Schedule A, duties at the rate of 5d. in the pound are charged to the owners on the annual value of all lands—meadows, pastures, commons, heaths, &c.—houses, and hereditaments; and under Schedule B, a tax is levied on the occupiers at the rate of 2½d. in the pound in England, and 1¾d. in the pound in Scotland and Ireland. Into the varied regulations for assessment, &c., under these schedules it is impossible to enter, but one or two points are worthy of notice.

All owners and occupiers whose total income from

* It sometimes happens, however, that persons who claim repayment may have lost their receipts, and in such cases it is allowable for the collector to certify in writing that certain duties, for which a receipt has been already given, were paid.

all sources is under £150 may claim exemption, while all whose total income is under £400 may claim exemption to the amount of £120. The duties under Schedule B are not charged on the occupiers of dwelling-houses (which are, however, subject to the inhabited house duty), warehouses, or buildings used for the purposes of trade. Tenant-farmers whose gross rent, including the tithes, is less than £300, and who have no other income, are exempt under Schedule B; and if the gross rent and tithe be under £800, they are entitled to the abatement of £120; in this last case they may, too, obtain repayment of the duty on any sums paid as premium for life assurance. All properties must be assessed whether occupied or not, but empty properties *on which no rent is being paid* may be discharged from assessment for the time unoccupied on satisfactory proof being given.

Under Schedule C, duties at the rate of 5d. in the pound are charged on incomes derivable from the public funds (consols, railway shares, foreign loans, &c.), and the amount is usually deducted when the payments of interest are made. No deduction is, however, made when the half-yearly amount of interest is under fifty shillings. It should be clearly understood by those persons who derive the whole or any part of their income from the public funds, that if their income from all sources be less than £150 a year, they are entitled to claim repayment of the duties; this they can do by filling up a form to be obtained from the Income Tax Commissioners, and by forwarding with the form, when duly filled up, the vouchers supplied by all railway companies, &c., showing the deductions that have been made on account of income tax. In the same way, should a person's total income be under £400 a year, entitling him to the abatement of £120, he may claim repayment of all duty deducted beyond that at which he should fairly be assessed. Thus, for example, if a man's total income be £300 a year, derived entirely from the public funds, and on which therefore income tax has been deducted to the full amount, he may claim repayment of the tax on £120 of the amount, and also on any sum (not being more than £50) paid by him as premium for life assurance. On the other hand, should a person assessable under Schedules D or E receive any sums as interest on public funds, from which—either by reason of the separate amounts being less than fifty shillings, or from any other cause—the income tax has not been deducted, he must not forget to include such items of income in his return of profits under Schedule D.

Schedule D comprises the great proportion of incomes assessable for income tax, including profits from trades, manufactures, professions, employments, and incomes from all sources except those specified under the other schedules. The assessment is made at the source whence the income is derived; thus a tradesman will be assessed at his shop, a clerk at his place of employment, a manufacturer at his factory, a professional man at his office. To this end all employers of labour are bound to furnish every year a complete return of all those in their employ who may receive wages or salary to the amount of £150 a year.

A form is usually supplied early in the year of assessment to all persons presumably liable to the tax, and this form the person is bound to fill up under a penalty of £50 for neglecting to do so; at the same time it must not be forgotten that even if no form of notice be received from the Assessor, a return must be made, the omission to do so subjecting the defaulter to the liability of surcharge as well as to the penalty.

It has been well remarked by Mr. Long, in his able "Guide to Matters relating to the Income Tax," that "the main principle of the income tax, and one which it is most important should be remembered, especially with regard to assessments under Schedule D, is, that it is the full balance of profits of any business concern, &c., irrespective of the way such profits are appropriated, and not the individual income which any person may derive therefrom, which is liable to assessment." Thus in a business with several partners, the full profits of such business must be returned, while at the same time each partner will make a separate return of any income he may derive from other sources. And in such a return no deductions must be made on account of salary to managing partners, interest on borrowed capital, &c. The salary of a managing partner must be regarded as part of the profits; interest on borrowed capital is also part of the profits, and income tax must be paid thereon, although of course such tax may be afterwards deducted from the interest paid to the person lending the capital.*

It is a very common practice for tradesmen and others in a small way of business to draw out weekly from their returns certain sums of money for household expenses, and at the end of the year they do not reckon these sums as part of their annual profit. This is, of course, a mistake: the sums so expended are profits, and income tax must be paid thereon. A somewhat similar error is made by those tradesmen who use their own goods for the purposes of their own households—butchers, bakers, grocers, &c.—but who keep no account of the goods so used, and do not include them in their annual profits. It must not be forgotten that if a tradesman uses annually for domestic consumption £50 worth of his stores, such £50 is profit acquired in business, and must be accounted for in his returns.

In the case of trades, manufactures, employments, &c., the duty is computed on the average profits or income for the three years immediately preceding the commencement of the year of assessment, the only exceptions being quarries, mines, iron and chemical works, and concerns of a kindred nature, the profits of which should be based on an average of five years. Thus the profits for the year ending April 5th, 1881, should in the general way be computed on the average results of the three years ending April 5th, 1880. This is a point worthy of particular attention, as through ignorance many persons in possession of a small income, pay income tax when they might

perhaps claim exemption, or at any rate, pay more than they are in justice required to do.

Thus, for example, we may take the case of a clerk who is in the present receipt of a salary of £160 per annum, and who is therefore returned by his employers as liable to be assessed for income tax. He has no other source of income, and on receiving the form for Schedule D from the assessor, he returns his income at £160, claims the abatement of £120, and is in consequence assessed on £40. But this same clerk whose salary is £160 per annum during the year of assessment, received in the three years ending the 31st of March immediately preceding, a salary at the rate of £130, £140, and £150 respectively for each year. He should therefore have based his return, not on his present salary, which may not continue throughout the year, but on the average for the past three years. This would give £140 as his average annual income, and he would in consequence be entitled to claim total exemption.

Where the profits are of an uncertain annual value—such as from securities bearing interest from which the tax has not been already deducted under Schedule C, loans for short periods, &c.—the full amount of the profits for the year immediately preceding the year of assessment should be given in the return.

In filling up their returns it is remarkable how many people forget that they are entitled to deduct from the sum at which they would otherwise be assessed, any sum paid by them as a premium for the assurance of the lives of themselves or their wives, provided such sum be not more than one-sixth of their whole income. This concession, however, is not allowed to exempt altogether those who would, by reason of the deduction, bring their incomes below £150 a year. Thus, for example, the average income of a professional man for the past three years is £350 a year, and the premiums of assurance on the lives of his wife and himself amount to £30 per annum; he then returns his income as £350, and claims the allowance of £30 in addition to the abatement of £120, and is consequently assessed at £200. Or to take another case: a tradesman finds his average profits amount to £160, and he pays £15 per annum for an assurance on his life; he is not, therefore, exempt from the tax altogether, but must make out his return of income at £160, and claim the allowance of £15 in addition to the abatement of £120, thus paying the tax on £25 only.

Under Schedule E, are assessed all incomes accruing from public offices or employments, such as in the Civil Service of the country, the army or navy; offices held under any public foundation or corporation, ecclesiastical body, society or institution, whether corporate or not corporate; annuities or pensions payable out of the public revenue, except annuities already charged under Schedule C; and every other office or employment of a public nature. As a rule, the tax under this schedule will be assessed by the public body, and deducted from the salary, pension, &c., at the time of payment. Any person, however, who is entitled to exemption or abatement can, of

* In his turn, of course, the person lending the capital, unless he claims abatement or total exemption, will not include in his return of profits the income from which the tax has already been deducted.

course, obtain a return of the tax in the ordinary way.

And now with a few words as to appeals in the case of over-assessment, &c., we must bring our paper to a conclusion. Appeals are in all cases heard by the District Commissioners, unless the appellants (possibly from a desire not to disclose their business to a Commissioner who may be a neighbour or rival in trade) elect to appeal to the Special Commissioners. There are two classes of appeals—those made during the course of the year of assessment and before the assessments are completed, and those made at the end of the year of assessment. The first of these is, of course, to obtain a rectification of the assessment before payment of the tax; the second is to obtain repayment of the tax in cases where the profits have not reached the average returned. In all cases notice of appeal should be given to the Surveyor of Taxes

for the district, at least ten days before the appeal meeting. In the case of persons desirous of claiming a return of duties at the end of the year of assessment, on account of their profits having fallen short of the amount assessed, such claim must be made within twelve months of the end of the year of assessment, and a full and complete return of profits must be made for the three years ending with the year of assessment. It should be borne in mind that there is no cost to the party appealing, whether the appeals be heard by the Special or District Commissioners.

Such is a slight view of the income tax in its relation to the public. In so brief a paper it is of course impossible to deal with all the cases and complications that might arise, but it is hoped that at any rate much general information has been afforded, which may be of real practical service.

A FEW GERMAN CURES.



GENERAL springs and sea-side places are naturally in all countries the favourite resorts, not only of invalids and health-seekers, but of those whose ideas of pleasure are inseparable from society. The French and Italians as nations are noted lovers of society, but, as far as I have had means of judging, they do not necessarily combine their summer pleasure with "cure-making" any more than we English do. They visit spas and the sea-side, but they are contented to collect together in any healthy, breezy spot, where they can have the largest amount of enjoyment gregariously. They speak of their "villeggiatura"—their country-season—while we alone look forward with delight to the mere "going to the country"—the real country. With the German and Austrian it is quite otherwise. They *must* spend their summer in "making a cure" somewhere and some way. In society you hear them ask, as a matter of course, "Where are you going to make the cure this summer?" although the persons addressed may be pictures of blooming health. The South Germans and Austrians possess their grand Alpine valleys, with emerald lakes and cool forest-glades, but they are rarely satisfied there unless undergoing a "cure;" their idea of variety in summer-pleasure being a variety of "treatment." However, as they also, like the French and Italians, are gregarious, they must get their treatment sociably, and therefore Germany and Austria abound with all sorts of "institutions" for "cures," even amongst the High Alps.

There is a party of water-curers opposed to the system of Priessnitz, who sing the praises of *hot* water, and recommend it to be drunk in large doses as a specific for all ills, from a cold in the head to a typhus fever, and also to be taken by persons in health as a preventive.

Then there is another set who patronise the Roll-cure (Semel-kur), which consists in eating a huge quantity of dry rolls, and nothing else, and drinking only the smallest possible amount of liquid.

I once met a lady who underwent this treatment for six weeks at an "Anstalt" (institution). Her ailment had been an acute attack of rheumatism, and she said that she certainly did get free from it within the prescribed time; "But, ach!" she added, "the cure was too powerful for me, and it quite undermined my health; I have never recovered from the effects of it." And this was two years after the poor thing had endured the ordeal of the roll-cure!

By-the-by, I believe the chief business of a roll-cure doctor is to look at his patients' tongues, as the treatment is carried on, until the tongue becomes "quite black, and hard as wood."

The Goat's Whey cure (Molken-kur) is a pleasanter one. It was once prescribed for me.

The servant used to awaken me at about five o'clock on a winter's morning, by clinking a glass close to my ear, and then, before I could collect my senses, that of feeling would be quickly roused by a tumbler of almost boiling whey touching my lips, and in spite of all entreaties, I had to drink off two great glassfuls without stopping. In vain did I at first rebel.

"Ah! Walburg, *do* let it cool, just one moment!"

"No, no, gracious Fräulein; the maiden has a thousand other places to go to, and she is in a hurry for the jar."

"But you can pour the whey into a jug, Wally?"

"Pour it into a jug! Ach, heilige Marie! What for an idea! It would do away with all the good of the cure; you must drink it hot from the jar. Here, Fräulein, drink, g'schwind (quick)!"

This whey used to be sent from the "institution" in stone jars, and how they kept it so hot I could not understand.