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OBSERVATIONS, &c.

UPON

THE AMENDED ACT

FOR

TAXING INCOME;

WITH A

VARIETY OF EXAMPLES, CALCULATED TO SHEW THE
MODE OF ESTIMATING THE DIFFERENT DESCRIP-
TIONS OF INCOME, AND MAKING THE
DEDUCTIONS ACCORDING TO THE
CASES IN THE SCHEDULE.



London :

PRINTED AND PUBLISHED BY
BUNNEY & GOLD,
Crane-court, Fleet-street

OBSERVATIONS
UPON
THE AMENDED ACT.

THE provisions of the new Act relate,
1st, To the time and mode of returning Statements of Income,
both to the Assessors and to the Commercial Commissioners,
2dly, The qualification of Commissioners.
3dly, The payment of money at the Bank.
4thly, Some general provisions. And,
Lastly, The nature of the amendments in the Schedules.

Time and Mode of returning Statements of Income.

1st, The time is by this Act extended to the fifth of April; and all persons delivering Statements to the Assessors are allowed to deliver under cover and sealed up all those parts of the returns that relate to the Statements of Amount of Income. The names of lodgers, Inmates, &c. and of infants, &c. and the names and residence of *cestui que trusts*, &c. and the intention of being assessed by Commercial Commissioners, or of being assessed in another place of residence; in short, every thing but the different Statements of Income must be delivered open, that the Assessors may be able to proceed in the discharge of their duty in the further execution of the Act. The part delivered sealed must have an indorsement on the outside, declaring it to be a statement of the party.

Persons in trade making their returns to the Commercial Commissioners must deliver their Statements on or before the thirtieth of March, if Commissioners are appointed at that time, or else within ten days after they are appointed. A certificate will be given of the delivering of these statements, which certificate must be shewn to the Assessor within three days after the delivery of it. Neglect of this will subject the party to an assessment by the other Commissioners, and also a penalty of twenty pounds.

Qualifications of Commissioners.

On the second head, £.3000 is substituted instead of £.10,000 personal property as a personal qualification to act for cities and places, not counties. And for Monmouth and the counties in Wales, the qualification, if in personal property, must be the full qualification, and if in land, must be three-fifths of the qualification, required by the last Act for counties in England.

And four pounds *per annum* in the Funds is declared to be equivalent, in respect of qualification, to £.100 personal property. For the liberty of palaces, the officers of the household who, act as Land

Tax Commissioners in that district, are declared Commissioners without any other qualification or form of appointment. In the Inns of Court, the Commissioners are to be nominated by the respective Benchers; and in the Universities the Commissioners must be of the degree of Master of Arts, or Bachelor of Laws, and Masters or Fellows of some College or Hall.

The Isle of Ely and the Cinque Ports are considered by this Act as cities, &c. being counties: Appeals from them are to be tried in the counties within which they are situate. York is declared to be in the North Riding of Yorkshire, and Bristol in the county of Gloucester, with respect to appeals. And when separate Commissioners of Assessed Taxes have acted in separate wards or parishes of any city, &c. separate Commissioners may be chosen. Assistants to Commercial Commissioners are to be chosen by the same persons who appoint the Commercial Commissioners; and the Commercial Commissioners are empowered, in all causes when no Assistants shall have been appointed, to call in the assistance of any competent persons, who become, when so called in, Assistants for the purposes of the Act, and act in every respect as such.

Payment at the Bank.

3dly, Payments may now be made at the Bank by persons and bodies assessed by the Commercial Commissioners which was not allowed under the former Act; but notice must be given before the assessment made of intention to pay at the Bank.

And discount is allowed on all payments made either under the former Act or this at the Bank, in advance of not less than the amount of three instalments.

The discount is 5l. per cent. calculated on each instalment, from the period of payment in advance at the Bank, to the period it would become due in regular course.

General Provisions.

Every person becoming entitled to any Income arising by death or any other cause, whether on his own account, or on behalf of any other person, must, within twenty-eight days after the Income has accrued, give notice and return a statement of it to the Assessor, unless his statement at the commencement of the year shall have been sufficient in amount to cover the accession of Income.

An assessment will be made upon this statement as at the commencement of the year, and the same penalties are enforced for a neglect of this regulation.

This provision is perfectly consonant to the former Act which charges the Income of the current year, though it takes the Income of the last as the criterion by which the chargeable Income is to be estimated; and at the same time has afforded the opportunity of giving relief without any loss of contribution to the executors or representatives of persons charged with assessment to the end of the year in which the death took place.

For in every case where this change of property arises from death, and the executor or representative would be liable as under the Aid and Contribution Act to the assessment to the end of the year, the executors, &c. may on application to the Commissioners, and return of the name and residence of the person to whom the property has devolved, be relieved from any further payment.

There is also a provision made with respect to agents of persons of age and out of the kingdom, if they have not sufficient in their hands to pay the assessment, enabling the Commissioners to delay the payments, or vacate the assessment at their discretion, on sufficient cause being shewn, subject however to appeal from the surveyor.

Schedule.

The alterations in the Schedule do not in any way affect the Observations before made as to the mode of estimating Income; having been introduced from an anxious care to take away every expression that could be considered as liable to misapprehension or doubt. The application of the first general rule is more particularly pointed out, and the expression of annual value is introduced as applicable only to the general rule; and other the expressions substituted where annual value had before been used; other verbal alterations are made in the subsequent cases; and a distinction taken in the 15th and 16th cases, between Income of certain and uncertain amount, though arising from similar sources.

The forms are also now made part of the Schedule.

A declaration is added to those forms, as to allowances deducted by any party returning a statement. This declaration contains the name and residence of the person to whom the allowance is made; and persons having children are at the bottom of their statement to add, "subject to the abatement claimed by or on account of a child or children, by virtue of the said Act."

The attestation by two witnesses is left out.

Manner of estimating the Annual Value of Lands according to the General Rule:

	£.	s.	d.
Suppose the Farm worth to be let, or let, by the year at	100	0	0
subject to the following outgoings:			
Land Tax, - - - - -	£.10	0	0
Poor Rates, at 5s - - - - -	25	0	0
Highway, by Labour or by Composition, - - - - -	2	10	0
Church and Constable Rates, - - - - -	3	0	0
Tithes, at 4s - - - - -	20	0	0
	60	10	0
	160	10	0
Deduct one Fourth, - - - - -	40	2	6
Annual Value, £	120	7	6

In estimating the Income of a tenant, if the Land Tax, &c. be reimbursed by the owner, then the rent will be proportionally higher, and on that principle the Act does not require that those sums should be included in order to form the aggregate amount; but in estimating the annual value of lands in the occupation of the owner, those sums must be included; and in that case the rent at which the lands would let will be proportionally less, on the supposition that the lands are to be let estimated at what they would bring subject to the owner's payment of the Land Tax. This proceeds on the idea that the Land Tax is a charge on the land, and must be paid or reimbursed by the landlord, unless there is an agreement to the contrary, in which case it is supposed the rent will be proportionally less.

FIRST CASE.

Manner of estimating the Income of the Owner of Lands in his own occupation, described in the Schedule, No. I.

Suppose the farm would let (the landlord paying the Land Tax) at £.100 0 0
 Add one-fourth of £.120 7s. 6d. }
 the annual value as before, viz. } 30 1 10½
 Income, 130 1 10½

Or, taken at the highest estimation,
 Rent, 100 0 0
 Add half the annual value, 60 3 9

160 3 9 according to

the actual profits of the owner. The Income must in this manner be estimated, the two sums above-mentioned being the least and greatest sums at which it can be stated, and any intermediate sum must be taken according to those profits.

In filling up the Schedule, the owner will stand thus:

		Annual Income.
	£. s. d.	£. s. d.
Lands occupied by me as owner,	Rent, 100 0 0	130 1 10½
	Annual Value, 120 7 6	or 160 3 9
	according as one-fourth or one-half of the annual value be added,	

ELEVENTH CASE.

Manner of estimating the Income of Tenants of Lands at Rack Rent described in the Schedule, No. XI.

Annual value found as before (the tenant paying the Land Tax, }
 120 7 6
 One

One half is 60 3 9 taxed at 0 10 0½
 Two thirds is 80 5 0 taxed at 1 6 9
 And any intermediate sum may be taken, depending upon the profits of the tenant.

Suppose the tenant does not pay the Land Tax, }
 then the aggregate, viz. £.160 10s. being re- } £.150 10 0
 duced by 10% will be - - - }
 Deduct one-fourth, - 37 12 6
 112 17 6

If half be taken as the income it will not be subject to duty.
 If two-thirds be taken it will be £75. 5s. taxed at £1. 3s. 1d. ½

Take the instance of a larger farm of thrice the rent and outgoings.
 If the tenant pays the Land Tax the annual value } £.361 2 6
 will be - - - }

If three-fifths be taken } £.216 13 6 taxed at £.21 13 4
 the Income will be }
 If 3 fourths be taken the } £.270 16 10½ taxed at £.27 1 8½
 Income will be }

The foregoing calculations are on a supposition that no deductions are to be made. We will now consider them.

11th CASE.—Deductions from Land.

The Income is stated to be in one Case, - £. 130 1 10½
 Deduct

Land Tax - £.10 0 0
 Amount of rent answering any of the following deductions, viz.

Fee Farm Rent, }
 Quit Rent, } - 2 0 0
 Chief Rent, }
 Ground Rent }
 Repairs { Of farm with principal messuage, not exceeding £.8 per cent. on the annual value of £.120 7s. 6d. }
 suppose £.5 per cent. 6 0 4¼
 By Rate, - 2 0 0

Of drain- } By Improvement, at £.3 per cent. on ten acres, of the ing lands. } value of £.6. - - 0 3 7

20 3 11¼
 The taxable Income, 109 17 11¼
 B 4 Suppose

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Suppose in addition to these the owner pays

General	{ Affessed Taxes, -	£.5 0 0	
Deductions	{ £.100 debt, at £.5 per cent.	5 0 0	
		<u>10 0 0</u>	

The taxable Income, 99 17 11½

He will pay on this sum 2l. 4s. 4d. from which the owner claims an abatement for five children at 5l. per cent. which gives a deduction of one-fourth, so that he will pay 1l. 13s. 3d.

11th CASE.—No other Deductions than General Deductions.

Affessed Taxes, -	£.3 0 0
200l. debt at 5l. per cent. -	10 0 0
	<u>13 0 0</u>

In the 1st Case, viz. where taken at one-half, } £.60 3 9
the tenant's Income is - }
the deduction will reduce it below the rate,
and he will pay nothing.

In the 2d Case, viz. where taken at two-thirds, } 80 5 0
the Income is - }
Deduct 13 0 0
67 5 0

He will pay 14s. 1d. ¾
From which sums, small as they are, he will be entitled to deduct 5l. per cent. for each child maintained by him.

In the instance of the larger farm, take the General Deductions in the same proportion, viz. 39l.

In the first Case, taken at three-fifths, £.216 13 6
Deduct 39 0 0
177 13 6

He will pay - - - £.11 16 10½

In the second Case, taken at three-fourths, 270 16 10½
Deduct 39 0 0
231 16 10½

He will pay - - - £.23 3 8

SECOND CASE.

Manner of estimating the Income arising from Houses and Buildings occupied by the Owner.

Rent at which the same would be let unfurnished, not being less than the value at which the same are affessed

	£. s. d.
100	0 0 0

Deductions from Houses.
Repairs not exceeding 10 per cent. say 5 per cent.

	£. s. d.
5	0 0 0

Land

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Land Tax, -	£. s. d.	£. s. d.
Amount of rents, -	10 0 0	
	<u>0 16 0</u>	
		15 16 0

General Deductions.

Annual interest for £.500, at 5 per cent. -	25 0 0	
Allowance to one child, -	20 0 0	
Affessed Taxes, -	9 0 0	
	<u>54 0 0</u>	
		69 16 0

Taxable Income, - - - 30 4 0

THIRD CASE.

Manner of estimating Income arising from Lands, Tenements, and Hereditaments, let to Tenants at Rack Rent.

Rent reserved, - - - 100 0 0
Deductions (to be allowed when payable by the owner, but not otherwise.)

Deductions as in the First Case,

Land Tax, -	10 0 0	
Rents, -	2 0 0	
Repairs on the annual value found as before by the general rate to be 120l. 7s. 6d. at 5l. per cent. -	6 0 4½	
Drainings, { By rate, -	2 0 0	
{ By improvement	0 3 7	
	<u>20 3 11½</u>	
		79 16 0¾

General Deductions.
Affessed Taxes, - 5 0 0
Debt of 100l. at 5l. per cent. 5 0 0
10 0 0

Taxable Income, 69 16 0¼

SIXTH CASE.

Manner of estimating Income derived from Houses let to Tenants at Rack Rent.

Amount of rent reserved - 100 0 0
Deductions.

Repairs paid by the owner as under the 2d Case, viz. } 5 0 0

All

All other Deductions regulated by the

Third Case, viz.	£.	s.	d.	£.	s.	d.
Land Tax, - - -	10	0	0			
Rents, &c. - - -	2	0	0			
	<hr/>			17	0	0

Taxable Income, subject to General Deductions, 83 0 0

Where the tenant pays all the out-goings, the owner must charge the full rent, and is allowed to deduct only such as he actually pays.

NINTH CASE.

Manner of estimating the Income arising from Tithes.

Tithes taken in kind.	£.
Produce in 1796,	540
1797,	490
1798,	560
	<hr/>
	1,590

Deduct expences of collection.

	£.
In 1796,	140
1797,	130
1798,	150
	<hr/>
	420
	<hr/>
	1,170

The average of three years, 390

Tithes for which a composition is received.

Amount of receipts in 1796,	400
1797,	360
1798,	410
	<hr/>
	1,170

The average of three years, 390

Deductions.

Land Tax, - - -	40	0	0
Poor rates, at 4s. - -	78	0	0
	<hr/>		
	118	0	0

Income subject to General Deductions, 272 0 0

TENTH

TENTH CASE.

Manner of Estimating the Income arising from Woods cut periodically.

Suppose the Woods comprehend five hundred acres, twenty-five of which are cut every year, so as to be cut once over every twenty years. The proper term for the average will in such case be twenty years.

Suppose the whole amount of sales in the whole course of twenty years is £.12,000 0 0

The average of one year is 600 0 0

Suppose hedge row timber, thinned whenever the hedges are lopped, and that the estate will be cut

round in fifteen years, the produce of which in that period is 150 0 0

The average of one year is 10 0 0

Suppose timber not to be cut down with the periodical cuttings of underwood, but in order to pay off a mortgage or other incumbrance, to be confumed in building a mansion, or to be converted into capital; in such case it is presumed the produce would not be chargeable. But timber cut down occasionally, though not periodically, and converted into Income, must be included and charged, according to the rule in the fourth general head.

Fourth, Fifth, Seventh, Eighth, Thirteenth, and Fourteenth Cases. The Estimate of Income arising from Fines payable on the Renewal of Leases.

The Income of the lessor is generally made up partly of a reserved rent, which is to be calculated according to the rules laid down, where the whole consideration of the lease is rent, and partly of a fine, which is to be computed on an average to be settled by the Commissioners.

The rule for settling this average may be thus considered; First, it is clear that the fines are considered as Income to the lessor, and as deductions from the Income of the lessee.

No mention is made of interest to be added by the lessor, or deducted by the lessee; neither is it consistent with the Act that the interest should be taken into consideration. The fine therefore must be considered as an unproductive sum paid out of the Income of the lessee, and becoming the Income of the lessor. As these fines are paid at different intervals, some at the end of seven years, others at fourteen years, and others depending upon lives, a different average must be taken in each case.

Suppose leases have been granted for twenty-one years, with covenants to renew, or where the usage has been to renew the same every seven years. The rent suppose £.100 0 0

Fine taken upon renewal at one	
and an half - - -	£.150 0 0
Divided by 7, gives an average of	21 8 6½

Income of the lessor - £.121 8 6½

Suppose

Suppose the usage has been to renew the lease every fourteen years.

Rent,	-	£.100	0	0
Fine at two years,	£.200			
Divide by 14, gives an average of		14	5	8½

The Income of the lessor, - 114 5 8½
 Suppose the lease to be for three lives, and that in the last forty-five years three renewals have taken place, then divide forty-five by three, will give fifteen as the average.

Rent,	-	£.100	0	0
Fine at two years,	-	200	0	0
Divide by 15, gives the average,		13	6	8

To find the Income of the Owner according to the Fourth Case.
 Rent at which the lands would let, £.100

Fine at one and an half	150	0	0	
Divide by 7, gives	21	8	6¼	
Rent reserved,	-	2	0	0
Income,	-	23	8	6¼

FIFTH CASE.

Rent at which the lands would let,	£.100
Fine at two years,	200 0 0

Renewed every 7 years,	28	11	5
Renewed every 14 years,	14	5	8½

The 7th and 8th Cases are to be governed by the 4th and 5th Cases.

THIRTEENTH CASE.

Manner of estimating the Income of Tenants holding Lands subject to a Fine.

The Income arising from such lands is to be estimated as in the First Case; that is, by taking the rent at which the lands would let, and adding thereto not less than one-fourth nor more than one-half of the annual value found according to the General Rule, and deducting therefrom the like sum as the lessor would be chargeable for in respect of that estate, and which should be calculated in the manner before mentioned.

Thus the rent is	£.100	0	0	
Annual value	120	7	6	
One fourth thereof	30	1	10½	
Deduct	130	1	10½	
Rent paid to lessor	-	2	0	0
Average of fine	-	21	8	6¼
		23	8	6¼

Income 106 13 3¼
 Subject to the same deductions as in the case of an owner of land. FOUR-

FOURTEENTH CASE.

Manner of estimating the Income of Mesne Lessor.

Rent at which the lands are let	-	£.100	0	0	
Deduct					
Rent paid to first lessor	-	2	0	0	
Average of fine	-	21	8	6¼	
		23	8	6¼	
Income of mesne lessor	-		76	11	5¼

Subject to deductions as in the First Case.

FIFTEENTH CASE.

Manner of Estimating Income arising from Trade, &c.

Profits of 1796	-	£.450	0	0	
1797	-	400	0	0	
1798	-	440	0	0	
		1290	0	0	
Average profits	-		430	0	0

If retail trader, or schoolmaster having ten scholars boarding in his house, then

From rent of house	-	£.60	0	0	
Deduct two thirds	-		40	0	0

Repairs, if any, of premises, or repairs, or supply, or alteration of implements or utensils, or articles employed in the trade, the sum actually laid out.

Suppose 1796	-	20	0	0	
1797	-	24	0	0	
1798	-	16	0	0	
		60	0	0	
Average to be deducted	-		20	0	0
Taxable Income	-		370	0	0

SIXTEENTH CASE.

Income arising from Offices, Pensions, &c.

Suppose Income	-	£.400	0	
For Land Tax, if payable out of the Income, deduct the sum actually charged. Suppose 4s. in the pound,		80	0	0
Income taxable,		320	0	0

SEVENTEENTH CASE.

Income arising out of Great Britain.

Income received last year	£.2,000	0	0
Or, if taken on an average,			
Say 1796	-	2,200	0 0
1797	-	1,800	0 0
1798	-	2,000	0 0
		<u>6,000</u>	<u>0 0</u>
Average of three years	-	2,000	0 0
Income taxable	-	2,000	0 0

EIGHTEENTH CASE.

Money arising from Foreign Securities.

Produce for one year	-	£.1,000	0 0
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Valuation of Houses, Gardens, &c.

Suppose a house and offices cost £20,000, and are not rated higher to the House Tax than £50 which bears no proportion to the first cost, yet unless it would let unfurnished at a higher rate it seems justifiable to value it at £50.

If, to the house be attached expensive, but elegant, useful, or ornamental grounds, gardens, or shrubberies, it seems that the whole should be calculated together, so as to give the fair price at which such premises would let with all their advantages.

Property of Uncertain Annual Amount.

Suppose a copyhold manor, the fines of which produced to the former lord five years ago treble the amount that have been paid to the present possessor in any succeeding year, a fair average of the profits of the manor cannot be taken unless the payments to the former possessor be also included.

Thus, receipts by A. B. in 1794,	-	-	£.120
by C. D. in 1795,	-	-	40
by ditto, in 1797,	-	-	80
			<u>240</u>
Amount of receipts in five years,	-	-	240
Average of one year,	-	-	48
Amount of C. D.'s receipts in three years,	£	120	
Average of one year,	-	-	40
Deduct expenses of holding courts,			

Supposing

Supposing underwood cut periodically, viz. at eighteen years growth.

Thirty-two acres cut by A. B. the former possessor in 1788, value	-	-	£.600	0	0
Thirty-two other acres cut by C. D. in 1796, value	-	-	640	0	0

These comprise the whole of the woodland, take the average eighteen years,	-	-	1240	0	0
Average for one year,	-	-	68	17	3

Deduct fencing £4.

Timber cut periodically should also be estimated so as to draw an average from the whole profits derived from the estate within the stated period, whether those profits accrued to the present or any former possessor.

But in the case of timber not cut periodically, no average can be taken, and therefore if estimated as income, must be considered in the year in which it accrues.

Timber cut down for repairs should not be considered as Income; but where repairs are made with such timber a proportionate allowance should be made in stating the deduction for repairs.

Suppose a mine opened for the last five years during successive possessions, the whole produce must be brought into account.

By A. B. in 1795,	-	£.200
By ditto, in 1796,	-	220
By C. D. the son, in 1797,-	-	240
The mine stands still in 1798.		
By ditto, in 1799,	-	200
		<u>860</u>

Average of five years, 172
Suppose the mine to stand still in 1799 instead of 1798, and to have produced £.200 in 1798, the owner, if the mine is to be worked in the year, must take the same average.

Computation of the Income of a Gentleman of Fortune.

Eight Farms, let by A. at	-	£.2400
Timber and wood, cut periodically,	-	300
Twenty cottages, let at	-	80
		<u>2780</u>

A built a farm house and offices in 1798, cost	-	£.900
Other repairs cost	-	164
being at the rate of 6l. per cent. on the farms and 25l. per cent. on the cottages.		
Deductions to be allowed, 8l. per cent. on 2400l. being	192	
10l. per cent. on 80l.	8	

£.200
A. pays

A. pays a steward 40*l.* *per ann.* but collects his own rent. No deduction.

A. gives two dinners to his tenants every year on rent days, cost 10*l.* No deduction.

A. paid 50*l.* in 1798 for draining part of a farm let at 300*l.* *per annum.* one third whereof only was improved by draining.

Deduction 3*l.* *per cent.* on 100*l.* which sum may be deducted annually.

Land Tax paid annually,	-	-	£.278
Affected Taxes,	-	-	150
			<hr/>

His Income will then stand thus in the Schedule :

No. III. Lands in occupation of tenants at rack rent,	-	-	} £.2480
No. X. Woodlands in my occupation,	-	300	
			<hr/>

Land Tax from No. III. and X.	-	-	278	2780
Repairs of farm buildings under No. III.	-	-	192	
Ditto, under No. VI.	-	-	8	
Draining, under part of No. III.	-	-	3	
Affected Taxes,	-	-	150	
			<hr/>	

			631	
Income,	-	-	<hr/>	£.2149