

# **GUIDE TO THE INCOME-TAX**

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Guide to the income-tax by F. B. Leeming

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SHOWING

HOW TO SECURE PROTECTION AGAINST ARBITRARY ASSESSMENT  
HOW TO OBTAIN READJUSTMENT WHEN SUCH ASSESSMENT IS MADE  
IN WHAT CIRCUMSTANCES TAX DEDUCTED AT SOURCE CAN BE RECOVERED  
UNDER WHAT CONDITIONS EXCESS PAID ONE YEAR WILL BE REFUNDED THE NEXT  
AND MANY OTHER POINTS OF INTEREST TO THE PUBLIC GENERALLY

BY

F. B. LEEMING

MEMBER OF THE CENTRAL ASSOCIATION OF ACCOUNTANTS  
AUTHOR OF "SIMPLE LEDGER FOR THE TRADESMAN," "J-NET"

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1915

## *FOREWORD.*

THE fact of there having been two Budgets in 1914 and two sets of alterations in the rates of the Tax, and consequently two Finance Acts, the liability to make an error on some point or other becomes more probable than if there had been one Act and one set of alterations only.

It is therefore highly important to every taxpayer to look closely into the matter, and assure himself that he is not being charged more than his right liability.

The principal variations of, and additions to, the Finance Act of 1910 (which was the last previous Act) are touched upon in the following Preface to the Work, and are dealt with in detail at the proper place in the pages of the book, according to the Index.

One feature of immediate interest to the public is that, in consideration of loss in trade through the War, the account for period of trading since, can be brought into average with the two preceding years and assessment to

1914-1915 Tax will be modified accordingly, so that the trader will have less to pay than the assessment fixed last autumn—provided his account proves the falling off in business is due to the War, and he lodges that account by the end of February. It is, therefore, very important to make up the account say to the middle of February which will give the claimant six months' loss to be set off against result of former period, and the three years' average will be struck to the date of account lodged. Further this applies also to reduced salary and commission arising from the same cause.

The foregoing is intended for the relief of those who would feel the pinch of payment of the Tax on last October's assessment pecuniarily; but it will probably be to the advantage of others to pay the Tax so assessed as usual, and bring into average for next assessment the account for the whole year to get the full benefit of reduced Tax upon the total falling off of result of trading through the War.

## PREFACE.

“Render unto Caesar that which is Caesar’s”—but no more.

AT either end of Cheapside in this great London of ours, there is a monument to the memory of two of the greatest statesmen of the last century, and yet so curiously obsessed is the average Londoner in his own concerns that he rarely crosses the road to read the inscription on the one, and does not even know of the other.

The first is the erect figure of Sir Robert Peel, near St. Paul’s Cathedral, a notable statue in stone, and the second the reclining form of Mr. William Pitt in the National Debt Office at the bottom of Old Jewry, which is probably the finest seated statue in bronze to be found the world over.

The splendid qualities and achievements of these two remarkably able Statesmen are sufficiently described and eulogized in the glowing pages of Macaulay.

The point of reference to them here is that both were Chancellors of the Exchequer, and both were Authors of an Income-tax Act, that of Sir Robert Peel being based upon a complicated system of varying poundage, which grows more and more perplexing to the public mind with the alterations of each Act; and that of Mr. Pitt founded upon the good



sound old principle of percentage, which is the basis of all our commercial and financial dealings.

In the last century our country was confronted with the same peril from invasion by a foreign power, as that which threatens us now. Mr. Pitt rose to the emergency then, with the whole nation behind him as one man, and declared an Income-tax (as detailed in the following history of the Tax) of one-tenth part of Incomes above £200, but the year after Waterloo that tax, having well served its purpose as a War tax, was repealed.

In 1842 came Sir Robert Peel's Act, based upon so many pence in the £ (as also detailed in the History, showing the fluctuation since his time).

There are many people who think Mr. Pitt's was the right principle for taxation, and that Sir Robert Peel's basis of pence in the £ is only suitable to the division of Bankrupt Estates when the Officials and Lawyers and Accountants have done with them; but whatever view we may take theoretically we are up against the fact that Sir Robert Peel's system is still with us, and likely to remain, with all its ramifications and variations, from which arise all sorts of problems that require more and more the skill and patience of an expert to solve.

The increases and alterations in the Finance Act, 1914, are shown in a table following, with the further additions contained in the War Budget, which is described "The Finance Act, 1914, Session 2".

In a former edition of this work, observations were made upon the objection to pay this tax, and a tendency to evade it, if possible. Happily, that sort

of aversion has disappeared in the face of national danger, and although the tax is doubled, the people are as willing to pay their share as they were in Mr. Pitt's time, over a century ago.

Still, no one need pay *more* than his share, and this many do, because they don't take the trouble to ascertain their right amount for Assessment to the Tax, by employing the assistance of those who are expert in the preparation of Accounts, in the knowledge of the regulations, and in acquaintance with official ways. These three elements are necessary for the expert to obtain the utmost advantage to which his principal is entitled, and the result is usually well worth the cost.

The tax-paying community is broadly divided into two classes, those who don't pay what they ought, and those who pay more than they need. The amount lost to the Revenue through the former is incalculable (at the end of Preface is a notable example of this), but the amount gained by the Revenue through the neglect, indifference, or ignorance in this special matter, on the part of the taxpayer, regarding his rights and remedies, is not quite beyond conjecture if a few typical cases are considered. There are numerous examples cited in the book itself, but for the purpose of this Preface, let one be taken as a general illustration.

This was that of a jeweller, watchmaker, silversmith, goldsmith, etc., in a large provincial town. For three years he had paid on £1200, knowing he hadn't earned it, but fearing to let his business be known in the town (a common thing with country

people). Meanwhile the Surveyor had every year demanded a proper trading account for three years, and, not getting it, he this year arbitrarily increased the Assessment to £1600 (which Surveyors have the power to do in every case, to compel the production of accounts as prescribed in the various Acts). Then the tradesman wisely saw that this operation was capable of indefinite extension, and to get over the local question, sent for an expert from London, who went down, got out three years' certified accounts, and found the average earned profit was £850. The immediate result of reference to the Commissioners was that the threatened increase of £400 was averted, and a decrease of £350 effected, so he paid on whole Income £47 instead of £93.

It will be observed the point of this case is that for want of doing at first, what he had to do at last, he had for three years paid the tax on £350 more than he earned, and the Revenue got the benefit.

Take this as occurring with two or three tradesmen in every large town in the country, and the many shop centres in London, and the reader will have a fair idea what the gain to the Revenue may be every year.

A probably much larger source of addition to the Revenue to which the Crown is not entitled, is that which arises from people not claiming the repayment of tax deducted at the source by bankers in respect of floating loans on overdraft accounts, that many business people need as capital ; or tax deducted from dividends on shares—or tax in respect of mortgage interest, or property tax deducted by tenants.