WHERE THE TAX REALLY COMES FROM !

The following pages are Xeroxed from the 1911 edition of the Encyclopedia Brittanica –

THAT's 1911 – three years BEFORE America even had the 16th Amendment authorizing the income tax !

Notice all the similar language and taxing principles – "graduated tax", "from whatever sources derived", "collection at the source", etc.

These pages clearly show that THIS TAX IS STRAIGHT FROM THE SAME BANKERS THAT CONTROL THE KING OF ENGLAND THROUG ITS DEBT – IT IS PRECISELY THE SORT OF TAXATION THE CONSTITUTION WAS SPECIFICALLY WRITTEN TO PROHIBIT FOREVER IN AMERICA !!!!

THE ABSOLUTE, DIRECT TYRANNY OF SIMPLY TAKING – more commonly known as THEFT !!

INCLOSURE, or ENCLOSURE, in law, the fencing in of waste or common lands by the lord of the manor for the purpose of cultivation. For the history of the inclosure of such lands, and the legislation, dating from 1235, which deals with it, see COMMONS.

IN COENA DOMINI, a papal bull, so called from its opening words, formerly issued annually on Holy Thursday (in Holy Week), or later on Easter Monday. Its first publication was in 1363. It was a statement of ecclesiastical censure against heresies, schisms, sacrilege, infringement of papal and ecclesiastical privileges, attacks on person and property, piracy, forgery and other crimes. For two or three hundred years it was varied from time to time, receiving its final form from Pope Urban VIII. in 1627. Owing to the opposition of the sovereigns of Europe both Protestant and Catholic, who regarded the bull as an infringement of their rights, its publication was discontinued by Pope Clement XIV. in 1770.

INCOME TAX, in the United Kingdom a general tax on income derived from every source. Although a graduated tax on income from certain fixed sources was levied in 1435 and again in 1450, it may be said that the income tax in its present form dates in England from its introduction by W. Pitt in 1798 "granting to His Majesty an aid and contribution for the prosecution of the war." This act of 1798 merely increased the duties of certain assessed taxes, which were regulated by the amount of income of the person assessed, provided his income amounted to £60 or upwards. These duties were repealed by an act of 1799 (39 Geo. III. c. 13), which imposed a duty of 10% on all incomes from whatever sources derived, incomes under £60 a year being exempt, and reduced rates charged on incomes between that amount and £200 a year. The produce of this tax was £6,046,624 for the first year, as compared with £1,855,996, the produce of the earlier tax. This income tax was repealed after the peace of Amiens, but the renewal of the war in 1803 caused its revival. At the same time was introduced the principle of "collection at the source" (*i.e.* collection before the income reaches the person to whom it belongs), which is still retained in the English Revenue system, and which, it has been said, is mainly responsible for the present development of income tax and the ease with which it is collected. The act of 1803 (43 Geo. III. c. 122) distributed the various descriptions of income under different schedules, known as A, B, C, D and E. A rate of 5% was imposed on all incomes of £150 a year and over, with graduation on incomes between £60 and £150. This income tax of 5% collected at the source yielded almost as much as the previous tax of 10% collected direct from each taxpayer. The tax was continued from year to year with the principle unchanged but with variations in the rate until the close of the war in 1815, when it was repealed. It was, during its first imposition, regarded as essentially a war tax, and in later days, when it was reimposed, it was always considered as an emergency tax, to be levied only to relieve considerable financial strain, but it has now taken its place as a permanent source of national income, and is the most productive single tax in the British financial system. The income tax was revived in 1842 by Sir R. Peel, not as a war tax, but to enable him to effect important financial reforms (see TAXATION). Variations both in the rate levied and the amount of income exempted have taken place from time to time, the most important, probably, being found in the Finance Acts of 1894, 1897, 1898, 1907 and 1909–1910.

It will be useful to review the income tax as it existed before the important changes introduced in 1909. It was, speaking broadly, a tax levied on all incomes derived from sources within the United Kingdom, or received by residents in the United Kingdom from other sources. Incomes under £160 were exempt; an abatement allowed of £160 on those between £160 and £400; of £150 on those between £400 and £500; of £120 on those between £500 and £600, and of £70 on those between £600 and £700. An abatement was also allowed on account of any premiums paid for life insurance, provided they did not exceed one-sixth of the total income. The limit of total exemption was fixed in 1894, when it was raised from £150; and the scale of abatements was revised in 1898 by admitting incomes between £500 and £700; the Finance Act 1907, distinguished between "earned" and "unearned" income, granting relief to the former over the latter by 3d. in the pound, where the income from all sources did not exceed £2000. The tax was assessed as mentioned above, under five different schedules, known as A, B, C, D and E. Under schedule A was charged the income derived from landed property, including houses, the annual value or rent being the basis of the assessment. The owner is the person taxed, whether he is or is not in occupation. In England the tax under this schedule is obtained from the occupier, who, if he is not the owner, recovers from the latter by deducting the tax from the rent. In Scotland this tax is usually paid by the owner as a matter of convenience, but in Ireland it is by law chargeable to him. All real property is subject to the tax, with certain exceptions:—(*a*) crown property, such as public offices, prisons, &c.; (*b*) certain properties belonging to charitable and educational bodies, as hospitals, public schools, colleges, almshouses, &c.; (*c*) public parks or recreation grounds; (*d*) certain realities of companies such as mines, quarries, canals, &c., from which no profit is derived beyond the general profit of the concern to which they belong. Under schedule B were charged the profits arising from the occupation of land, the amount of such profits being assumed to be one-third of the annual value of the land as fixed for the purposes of schedule A. This applies principally to farmers who might, if they chose, be assessed on schedule D on their actual profits. Schedule C included income derived from interest, &c., payable out of the public funds of the United Kingdom or any other country. Schedule D, the most important branch of the income tax and the most difficult to assess, included profits arising from trade, from professional or other employment, and from foreign property, the assessment in most cases being made on an average of the receipts for three years. Schedule E covered the salaries and pensions of persons in the employment of the state or of public bodies, and of the officials of public companies, &c. The method of assessment and collection of the tax is uniformly the same. Under schedules A, B and D it is in the hands of local authorities known as the General or District Commissioners of Taxes. They are appointed by the Land Tax Commissioners out of their own body, and, as regards assessment, are not in any way controlled by the executive government. They appoint a clerk, who is their principal officer and legal adviser, assessors for each parish and collectors. There is an appeal from their decisions to the High Court of Justice on points of law, but not on questions of fact. Assessments under schedules A and B are usually made every five years, and under schedule D every year. The interests of the revenue are looked after by officers of the Board of Inland Revenue, styled surveyors of taxes, who are stationed in different parts of the country. They are in constant communication with the Board, and with the public on all matters, relating to the assessment and collection of the tax; they attend the meetings of the local commissioners, examine the assessments and the taxpayers' returns, and watch the progress of the collection. There are also certain officers, known as special commissioners, who are appointed by the crown, and receive fixed salaries from public funds. For the purpose of schedule D, any taxpayer may elect to be assessed by them instead of by the local commissioners; and those who object to their affairs being disclosed to persons in their own neighbourhood may thus have their assessments made without any risk of publicity. The special commissioners also assess the profits of railway companies under schedule D, and profits arising from foreign or colonial sources under schedules C and D. The greater part of the incomes under schedule E is assessed by the commissioners for public offices, appointed by the several departments of the government.

Previously to 1909 the rate of income tax has been as high as 16d. (in 1855–1857), and as low as 2d. (in 1874–1876). Each penny of the tax was estimated to produce in 1906–1907 a revenue of £2,666,867.[1]

It had long been felt that there were certain inequalities in the income tax which could be adjusted without any considerable difficulty, and from time to time committees have met and reported upon the subject. Select committees reported in 1851–1852 and in 1861, and a Departmental Committee in 1905. In 1906 a select committee was appointed to inquire into and report upon the practicability of graduating the income tax, and of differentiating, for the purpose of the tax, between permanent and precarious incomes. The summary of the conclusions contained in their *Report* (365 of 1906) was:—

1. Graduation of the income tax by an extension of the existing system of abatements is practicable. But it could not be applied to all incomes from the highest to the lowest, with satisfactory results. The limits of prudent extension would be reached when a large increase in the rate of tax to be collected at the source was necessitated, and the total amount which was collected in excess of what was ultimately retained became so large as to cause serious inconvenience to trade and commerce and to individual taxpayers. Those limits

[1] Full statistics of the yield of income tax and other information pertaining thereto will be found in the *Reports of the Commissioners of His Majesty's Inland Revenue* (published annually); those issued in 1870 and in 1885 are especially interesting.

would not be exceeded by raising the amount of income on which an abatement would be allowed to £1000 or even more.

2. Graduation by a super-tax is practicable. If it be desired to levy a much higher rate of tax upon large incomes (say of £5000 and upwards) than has hitherto been charged, a super-tax based on personal declaration would be a practicable method.

3. Abandonment of the system of "collection at the source" and adoption of the principle of direct personal assessment of the whole of each person's income would be inexpedient.

4. Differentiation between earned and unearned incomes is practicable, especially if it be limited to earned incomes not exceeding £3000 a year, and effect be given to it by charging a lower rate of tax upon them.

5. A compulsory personal declaration from each individual of total net income in respect of which tax is payable is expedient, and would do much to prevent the evasion and avoidance of income tax which at present prevail.

Acting upon the report of this committee the Finance Bill of 1909 was framed to give effect to the principles of graduation and differentiation. The rate upon the earned portion of incomes of persons whose total income did not exceed £3000 was left unchanged, viz. 9d. in the pound up to £2000, and 1s. in the pound between £2000 and £3000. But the rate of 1s. in the pound on all unearned incomes and on the earned portion of incomes over £2000 from all sources was raised to 1s. 2d. In addition to the ordinary tax of 1s. 2d. in the pound, a super-tax of 6d. in the pound was levied on all incomes exceeding £5000 a year, the super-tax being paid upon the amount by which the incomes exceed £3000 a year. A special abatement of £10 a child for every child under the age of sixteen was allowed upon all incomes under £500 a year. No abatements or exemptions were allowed to persons not resident in the United Kingdom, except in the case of crown servants and persons residing abroad on account of their health. Certain abatements for improvements were also allowed to the owners of land or houses.

The estimated increased yield of the income tax for 1909–1910 on these lines was £2,500,000, which excluded the abatements allowed for improvements. The super-tax was estimated to yield a sum of £500,000, which would be increased ultimately to £2,500,000, when all returns and assessments were made.

The following accounts show the operation of the same system of taxation in other countries:—[1]

Austria.—The income tax dates from 1849, but the existing tax, which is arranged on a progressive system, came into force on the 1st of January 1898. The tax is levied on net income, deductions from the gross income being allowed for upkeep of business, houses and lands, for premiums paid for insurance against injuries, for interest on business and private debts, and for payment of taxes other than income tax. Incomes under £50 a year are exempt, the rate of taxation at the first stage (£52) being 0·6 of the income; at the twelfth stage (£100) the rate is 1 %, at the twenty-seventh stage (£300) it rises to 2 %, at the forty-third stage (£1000) it is 3 %, and at the fifty-sixth (£2500) it is 3½ %; an income of £4000 pays 4 %; from £4000 up to £8333 per annum progression rises at £166 a step, and for every step £8, 6s. 8d. taxation is assessed. Incomes between £8333 and £8750 pay £387, 10s.; incomes over £8750 are taxed £20, 6s. 8d. at each successive stage of £417, 10s. Certain persons are exempt from the tax, viz.:—(*a*) the emperor; (*b*) members of the imperial family, as far as regards such sums as they receive as allowances; (*c*) the diplomatic corps, the consular corps who are not Austrian citizens, and the official staffs and foreign servants of the embassies, legations and consulates; (*d*) such people as are exempted by treaty or by the law of nations; (*e*) people in possession of pensions from the Order of Maria Theresa, and those who receive pensions on account of wounds or the pension attached to the medal for bravery, are exempted as far as the pensions are concerned; (*f*) officers, chaplains and men of the army and navy have no tax levied on their pay; (*g*) all other military persons, and such people as are included in the scheme of mobilization are exempted from any tax on their pay. Special allowances are made for incomes derived from labour, either physical or mental, as well as for a family with several children. There are also special exemptions in certain cases where the annual income does not exceed £4167, 10s., viz.—(*a*) special charges for educating children who may be blind, deaf, dumb or crippled; (*b*) expense in maintaining poor relations; (*c*) perpetual illness; (*d*) debts; (*e*) special misfortunes caused by fire or floods; (*f*) being called out for military service. The tax is assessed usually on a direct return from the individual taxpayer, except in the cases of fixed salaries and wages, on which the tax is collected from the employer, who either deducts it from the salary of the employee or pays it out of his own pocket. The tax, which is assessed on the income of the previous year, is paid direct to the collector's office in two instalments—one on the 1st of June and the other on the 1st of December.

Belgium.—No income tax proper exists in Belgium, but there is a state tax of 2 % on the dividends of joint stock companies.

Denmark.—Income tax is levied under a law of the 15th of May 1903. Incomes under 2000 kroner pay a tax of 1·3 %; under 3000 kroner, 1·4 %; under 4000 kroner, 1·5 %; under 6000 kroner, 1·6 %; under 8000 kroner, 1·7 %; under 10,000 kroner, 1·8 %; under 15,000 kroner, 1·9 %; under 20,000 kroner, 2·0 % and for every additional 10,000 kroner up to 100,000 kroner 1 %, incomes of 100,000 kroner and upwards paying 2·5 %. Exempt from the duty are—the king, members of the royal family and the civil list; the legations, staffs and consular officers of foreign powers (not being Danish subjects); foreigners temporarily resident in the country; mortgage societies, credit institutions, savings and loan banks. The increase in capital resulting from an increase in value of properties is not deemed income—on the other hand no deduction in income is made if such properties decrease in value—nor are daily payments and travelling expenses received for the transaction of business on public service, if the person has thereby been obliged to reside outside his own parish. Certain deductions can be made in calculating income—such as working expenses, office expenses, pensions and other burthens, amounts paid for direct taxation, dues to commune and church, tithe, tenant and farming charges, heirs' allowances and similar burthens; interest on mortgages and other debts, and what has been spent for necessary maintenance or insurance of the property of the taxpayer. There are also certain exemptions with respect to companies not having an establishment in the country.

France.—There is no income tax in France corresponding exactly to that levied in the United Kingdom. There are certain direct taxes, such as the taxes on buildings, *personnelle mobilière*, and doors and windows (*impôts de répartition*)—the tax levied on income from land and from all trades and professions (*impôts de quotité*) which bear a certain resemblance to portions of the British income tax (see FRANCE: *Finance*). From time to time a graduated income tax has been under discussion in the French Chambers, the proposal being to substitute such a tax for the existing (*personnelle mobilière*) and doors and windows taxes, but no agreement on the matter has been reached.

German Empire.—In Prussia the income tax is levied under a law of the 24th of June 1891. All persons with incomes of over £150 per annum are required to send in an annual declaration of their full income, divided according to four main sources—(*a*) capital; (*b*) landed property; (*c*) trade and industry; (*d*) employment bringing gain, this latter including the salary or wages of workmen, servants and industrial assistants, military persons and officials; also the receipts of authors, artists, scientists, teachers and tutors. Liability for income tax, however, begins with an income of £45, and rises by a regular system of progression, the rate being about 3 % of the income. Thus an income of more than £45, but under £52, 10s. pays a tax of 6s. and so on up to £475, an income over that sum but under £525 paying a tax of 15s. Incomes over £525 rise by steps of £50 up to £1525, for every step £1, 10s. being paid. Incomes between £1526 and £1600 rise by steps of £75, £3 being paid for every step. Between £1601 and £3900, the steps are £100, and the tax £4 a step; from £3901 to £5000 the steps are the same (£100), but the tax is £5 a step. There is also a supplementary tax on property of about $\frac{1}{20}$th % of the assessed value. This supplementary tax is not levied on those whose taxable property does not exceed a total value of £300, nor on those whose annual income does not exceed £45, if the total value of their taxable property does not exceed £1000, nor on women who have members of their own family under age to maintain, nor on orphans under age, nor on persons incapable of earning incomes if their taxable property does not exceed £1000 nor their income £60. There are a number of exemptions from the income tax, some of the more important being—(*a*) the military incomes of non-commissioned officers and privates, also of all persons on the active list of the army or navy as long as they belong to a unit in war formation; (*b*) extraordinary receipts from inheritances, presents, insurances, from the sale of real estate not undertaken for purposes of industry or speculation, and similar profits (all of which are reckoned as increases of capital); (*c*) expenses incurred for the purpose of acquiring, assuring and maintaining income; (*d*) interest on debts; (*e*) the regular annual depreciation arising from wear of buildings, machines, tools, &c., in so far as they are not included under working expenses; (*f*) the contributions which taxpayers are compelled by law or agreement to pay to invalid, accident, old age insurance, widow, orphan and pension funds; (*g*) insurance premiums. Moreover, persons liable to taxation with an income of not more than £150 may deduct from that income £2, 10s. for every member of their family under fourteen years of age, and abatement is also allowed to persons with incomes up to £475 whose solvency has been unfavourably affected by adverse economic circumstances. The income tax is both levied at the source (as in the case of companies) and assessed on a direct return by the taxpayer of his income from all sources. Salaries are not taxed before payment. Fixed receipts are assessed according to their amount for the taxation year in which the assessment is made, and variable incomes on an

[1] In Appendix No. 4 to the *Report from the Select Committee on Income Tax* (1906), will be found a valuable list (prepared in the Library of the London School of Economics) of references to the graduation of the income tax and the distribution of incomes both in the United Kingdom and in other countries.

average of the three years immediately preceding the assessment. The income tax and the supplementary tax are collected in the first half of the second month of each quarter by the communities (*Gemeinden*) who bear the whole cost.

In Saxony a graduated tax is in force on all incomes of £20 per annum and upwards. All corporate bodies and individuals who derive their income or any portion of it from Saxony are liable to the extent of that income, except those serving religious, charitable or public purposes. Incomes between £20 and £5000 are divided into 118 classes, in which the rate rises progressively. From £500 to £5000 the classes rise by £50, and above £5000 by £100. The rate of income tax begins at $\frac{1}{4}$%, *i.e.* 1s. on an income of £20. An abatement is allowed to those whose incomes do not exceed £155 of £2, 10s. for each child between the ages of six and fourteen years, provided such abatements do not reduce the income by more than one class. In the case of persons with incomes not exceeding £290 abatement (not exceeding three classes) is allowed—(*a*) when the support of children or indigent relations involves a burden of such a nature as to affect the general standard of living; (*b*) on account of long-continued illness, involving heavy expense, and, on restoration to health, temporary decrease of wage-earning power; (*c*) in the case of accidents which have had the same effect.

In Bavaria the existing system of income tax came into force on the 1st of January 1900. The rate on earned income varies according to a scale laid down in article 5 of the law, beginning at ·1% for incomes up to £37, 10s. (1s.), being ·66% (£2, 5s.) for incomes between £230 and £250; 1·03% (£4) for incomes between £350 and £375; 1·30% (£6, 16s.) for incomes between £475 and £500 and 1·38% (£10) for incomes between £650 and £700. Incomes exceeding £700 and not exceeding £1100 pay £1 on every £50; those between £1100 and £1700, £1, 10s., on every £50, between £1700 and £2050, £2 on every £50; between £2050 and £2500, £2, 10s. on every £50 and beyond £2500, 3% on every £50. Exemptions from earned income tax are similar to those already mentioned in the case of Prussia. Special abatement in the case of incomes not exceeding £250 from all sources is given in consideration of education of children, protracted illness, maintenance of poor relations, serious accidents, &c. The tax on unearned income is at the rate of $1\frac{1}{2}$% on incomes from £3, 10s. to £5; from £6 to £20, 2%; from £21 to £35, $2\frac{1}{2}$%; from £36 to £50, 3%; from £51 to £150, $3\frac{1}{2}$%; from £151 to £5000, $3\frac{3}{4}$%, and over £5000, 4%. There is a differentiation in assessment on fluctuating and fixed incomes. Fluctuating incomes (*e.g.* those derived from literary, scientific or artistic work) are assessed at the average receipts of the two past years. Fixed income is returned at the actual amount at the time of assessment, and the assessment for earned income, both fixed and fluctuating, takes place every four years. Income tax is not levied at the source, but on a direct return by the taxpayer. In the case of unearned income, where a person's yearly unearned income does not exceed £100 and he has no other or only an insignificant additional income, he is required to pay only half the assessed tax. Also in the case where a total income, earned and unearned, does not exceed £250 it may, by claiming abatement on such grounds as the education of children, maintenance of indigent relations, &c., he assessed at the lowest rate but one, or be entirely exempt.

In Württemberg the General Income Tax Act came into force on the 1st of April 1905. Article 18 provides a graduated scale of rates on incomes from £25 upwards. Abatements are allowed for the education and support of children, support of indigent relatives, active service in the army and navy, protracted illness and severe accidents or reverses. There is a supplementary tax of 2% on unearned income from certain kinds of property, such as interest or other income derived from invested capital, dividends, &c., from joint-stock companies and annuities of all kinds. The income tax is not levied at the source, but on a direct return by the ratepayers; assessments are made on the current year, except in the case of fluctuating incomes, when they are made on the income of the preceding year.

Hungary.—There is no income tax in Hungary at all corresponding to that of the United Kingdom, although proposals for such a tax have from time to time been made.

Italy.—Graduated income tax in Italy dates from 1864. Incomes are classified according to their characters, and the rate of the tax varies accordingly. In class A^1 are placed incomes derived from interests on capital, and perpetual revenues owned by the state, interests and premiums on communal and provincial loans, dividends of shares issued by companies guaranteed or subsidized by the state lottery prizes. These incomes are assessed at their integral value and pay the full tax of 20%. In class A^2 are placed incomes derived from capital alone and all perpetual revenues. The assessments on these are reduced to 30/40ths of the actual income and taxed at a rate of 15%. In class B are incomes derived from the co-operation of labour and capital, *i.e.* those produced by industries and commerce. The assessments of these are reduced to 20/40ths and taxed at 10%. In class C are placed incomes derived from labour alone (private employment) and those represented by temporary revenues or life annuities. Assessments on these are reduced to 18/40ths and taxed at a rate of 9%. In class D are placed incomes from salaries, pensions and all personal allowances made by the state, the provinces and communes. Assessments on these are reduced to 15/40ths and taxed at $7\frac{1}{2}$%. Certain abatements are allowed on small incomes in classes B, C and D. Incomes are assessed (1) on the average of the two preceding years in the case of private industries, professions or companies in which liability is unlimited; (*b*) on the income of the current year in the case of incomes from dividends, salaries, pensions and fixed allowances, as well as in the case of incomes of communes, provinces and corporations; (*c*) on the basis of the account closed before the previous July of the current year in the case of incomes of limited liability companies, banks and savings banks.

Netherlands.—In the Netherlands there is a property tax imposed upon income derived from capital, as well as a tax on income earned by labour.

Norway.—In Norway under the state income tax incomes under 1000 kroner are exempt, those between 1000 and 4000 kroner pay 2% on that part liable to taxation; those between 4000 and 7000 kroner pay 3%; those between 7000 and 10,000 kroner pay 4%, and those above 10,000 kroner 5%. Persons liable to taxation are divided into (*a*) those who have no one to support, as companies and the like; (*b*) those who have from one to three persons to support; (*c*) those who have from four to six persons to support; (*d*) those who have seven or more persons to support. Those who are counted as dependent upon the taxpayer are his children, own or adopted, his parents, brothers and sisters, and other relations and connexions by marriage who might have a reasonable claim to his support. A certain part of the income liable to taxation is abated by a graduated scale according to the class into which the ratepayer falls.

Spain.—In Spain the income tax is divided into (*a*) that derived from personal exertion and (*b*) that derived from property. Directors, managers and representatives of banks, companies and societies pay 10%; those employed in banks, &c., commercial houses, and those in private employment, as well as actors, bull-fighters, professional pelota-players, acrobats, conjurers, &c., pay 5%. Those employed by the day or those whose salary is under £45 are exempt, as are also masters in primary schools. Income derived from property is taxed according to the source from which the income is derived, *e.g.* income from shares in public works is rated at 20%, income from shares in ordinary companies, railways, tramways or canals at 3%, from dividends on bank shares at 5%, from mining shares at only 2%. There is also an industry tax, *i.e.* on the exercise of industrial, commercial and professional enterprises, which tax is divided into five different tariffs, of which I. applies to commerce (vendors), II. also to commerce (middlemen), III. to industry (machinery), IV. to professions and V. to licences (retail and itinerant vendors). Tariff I. is differentiated according to the importance of the business and of the locality in which it is carried on, the rate being fixed by a consideration of the two combined. Tariff II. is differentiated according to the character of the enterprise, its importance and the importance of the locality. Tariff III. is differentiated according to either motive power, output, method, product or locality; Tariff IV. according to the character of the profession and the importance of the locality; Tariff V. is also differentiated according to the locality and the importance of the business.

Switzerland.—The system of income tax varies in the different cantons. Broadly speaking, these may be divided into four different kinds: (1) a graduated property tax, in which the rate applicable to each class of fortune is definitely fixed; (2) a proportional tax, under which property and income are chargeable, each at a fixed rate, while the total amount of the tax is liable to a proportionate increase according to scale if it exceeds certain specified amounts; (3) a system by which property and income are divided into three classes, the rate of the tax being increased by a graduated rise, according to the class to which the property or income belongs, and (4) a uniform rate of tax, with progression in the amount of income liable to taxation.

United States.—One of the means adopted by the Federal Government for meeting its expenses during the Civil War was the levying of an income tax. By the Act of Congress of the 5th of August 1861 a tax of 3% was imposed on all incomes, with an exemption of $800, and was made payable on or before the 30th of June 1862. No tax, however, was assessed under the law. In March 1862 a new income tax bill was introduced into the House of Representatives. This act, which was signed on the 1st of July 1862, imposed a tax of 3% on all incomes not over $10,000, and 5% on all incomes above that sum, with an exemption of $600. It was also provided that dividends of banks, insurance companies and railways should be assessed directly; but the bond-holder was allowed to deduct the dividend so assessed from his taxable income. In the case of government salaries, the tax was deducted before the salaries were paid. The income tax was first levied in 1863. The rate was changed by act of Congress in 1865, 1867 and 1870, and a joint resolution in 1864 imposed a special additional tax of 5% for that year. The tax was finally abolished in 1872. The total amount produced by the tax from the beginning was $376,150,209. The constitutionality of the act was subsequently brought into question, but was upheld by a unanimous decision of the Supreme Court in 1880, which held that the tax was not a direct tax but an excise tax, and that Congress had a right to impose it so long as it was made uniform throughout the United States. On the 27th of August 1894 an income tax act was passed as part of the Wilson Bill. By this act it was provided that a tax of

2% on all incomes should be levied from the 1st of January 1895 to the 1st of January 1900, with an exemption of $4000. The legality of the tax was assailed, chiefly on the ground that it was a direct tax, and not apportioned among the several states in proportion to their population. On the 20th of May 1895 the Supreme Court, by a vote of five to four, declared the tax to be unconstitutional. Accordingly, before any federal income tax could be imposed, there was needed an amendment of the constitution, and a movement in this direction gradually began. In the first year of the presidency of Mr W. H. Taft both Houses of Congress passed by the necessary two-thirds majority a resolution to submit the proposal to the 46 states, the wording of the amendment being "That Congress shall have power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several States, and without regard to any census enumeration."

Cape Colony.—Cape Colony was the only South African colony which, prior to the Union in 1910, had a system of income tax, which was first imposed by an act of the 31st of May 1904. Incomes not exceeding £1000 per annum were exempt from taxation; incomes exceeding £1000 but not exceeding £2000 were taxed 6d. in the pound on the excess beyond £1000; those between £2000 and £5000 were exempt for the first £1000, paid 6d. in the pound on the next £1000 and 9d. in the pound on the remainder; those exceeding £5000 paid 6d. in the pound on the second £1000, 9d. in the pound on the next £3000 and 1s. in the pound on the remainder.

New South Wales.—Income tax in New South Wales first came into operation on the 1st of January 1896. It is complementary with a land tax, assessed on the unimproved value of freehold lands (with certain exemptions and deductions). Incomes of £200 per annum and under are exempt, and all other incomes (except those of companies) are entitled to a reduction of £200 in their assessments. The rate of tax is 6d. in the pound. There are certain incomes, revenues and funds which are exempt from taxation, such as those of municipal corporations or other local authorities, of mutual life insurance societies and of other companies or societies not carrying on business for purposes of profit or gain, and of educational, ecclesiastical and charitable institutions of a public character, &c.

New Zealand.—In New Zealand the income tax is also complementary with a land tax. Incomes up to £300 per annum are exempt; incomes up to £1000 per annum are taxed 6d. in the pound, with an exemption of £300 and life insurance premiums up to £50; incomes over £1300 pay 1s. in the pound, which is also the tax on the income of trading companies, to whom no exemption is allowed. The income of friendly societies, savings banks, co-operative dairy companies, public societies not carrying on business for profit, &c., are exempt from income tax.

Queensland.—In Queensland income tax is levied on (*a*) income derived from property such as rents, interest, income from companies, royalties, &c., and (*b*) on income derived from personal exertion. On income derived from property all incomes not exceeding £100 are exempt; incomes between £100 and £120 pay £1 tax; those over £120 but under £300 have £100 exempt and pay 1s. in each and every pound over £100, while incomes over £300 pay 1s. in each and every pound. Incomes from personal exertion pay 10s. between £100 and £125; £1 between £126 and £150; between £151 and £300 have £100 exempt and pay 6d. in each and every pound over £100; between £301 and £500 6d. in every pound; between £501 and £1000 6d. in every pound of the first £500 and 7d. in every pound over £500, between £1001 and £1500 7d. in every pound of the first £1000, and 8d. in every pound over £1000; incomes over £1500 pay 8d. in every pound; 1s. in every pound is charged on the incomes of all companies and of all absentees.

South Australia.—The income tax dates from 1884 and is levied on all incomes arising, accruing in or derived from South Australia, except municipal corporations, district councils, societies, &c., not carrying on business for the purpose of gain, and all friendly societies. Where the income is derived from personal exertion the rate of tax is 4½d. in the pound up to £800, and 7d. in the pound over £800. For income derived from property the rate is 9d. in the pound up to £800, and 1s. 1½d. in the pound over £800. There is an exemption of £150 on incomes up to £400, but no exemption over that limit.

Tasmania.—In Tasmania there is (*a*) an income tax proper, and (*b*) a non-inquisitorial ability tax, one complementary to the other. The income tax proper is levied on all income of any company, at the rate of 1s. for every pound of the taxable amount; on all income of any person, at the rate of 1s. for every pound of the taxable amount derived from property, and on every dividend at the same rate. Personal incomes of £400 and over are assessed at the full amount, but an abatement of £10 for every £50 of income is allowed on incomes below £400 down to incomes of £150, which thus have £50 deducted; incomes between £120 and £150 have £60 deducted; incomes between £110 and £120, £70, and incomes between £100 and £110, £80. The ability tax is paid by (*a*) occupiers and sub-occupiers of property and (*b*) by lodgers. The amount of tax paid by occupiers or sub-occupiers is calculated upon the assessed annual value of the property occupied, and that of lodgers from the assessed annual value of their board and lodging. A detailed account of both taxes will be found in House of Commons Papers, No. 282 of 1905.

Victoria.—In Victoria the rate of income tax is fixed annually by act. The rate charged on income derived from property is exactly double that charged on income derived from personal exertion, the rate for which for 1905 was: on the first £500 or fractional part thereof, 3d. in the pound; on the second £500 or fractional part thereof, 4d. in the pound; on the third £500 or fractional part thereof, 5d. in the pound; on all incomes in excess of £1500, 6d. in the pound. All companies, except life insurance companies, were charged 7d. in the pound on their incomes; life insurance companies were charged 8d. in the pound.

BIBLIOGRAPHY.—The Annual Reports of the Commissioners of Inland Revenue, the Reports of Committees and other references mentioned in the article, as well as Dowell's *History of Taxation in England* (1884); Dowell's *Acts relating to the Income Tax* (6th ed., 1908), and Robinson's *Law relating to Income Tax* (2nd ed., 1908).

INCORPORATION (from Lat. *incorporare*, to form into a body), in law, the embodying or formation of a legal corporation, brought about either by a general rule contained in such laws, *e.g.* as the Companies acts, and applicable wherever its conditions are satisfied; or by a special act of sovereign power, *e.g.* an incorporating statute or charter. The word is used also in the sense of uniting, *e.g.* a will may incorporate by reference other papers, which may be then taken as part of the will, as much as if they were set out at length in it.

INCUBATION and **INCUBATORS.** The subject of "incubation" (Lat. *incubare*, to brood; *in-cumbere*, to lie on), a term which, while strictly signifying the action of a hen in sitting on her eggs to hatch them, is also used in pathology for the development within the body of the germs of disease, is especially associated with the artificial means, or "incubators," devised for hatching eggs, or for analogous purposes of an artificial foster-mother nature, or for use in bacteriological laboratories.

Life is dependent, alike for its awakening and its maintenance, upon the influence of certain physical and chemical factors, among which heat and moisture may be regarded as the chief. It is therefore obvious that any method of incubation must provide for a due degree of temperature and moisture. And this degree must be one within limits, for while all organisms are plastic and can attune themselves to a greater or less range of variation in their physical environment, there is a given degree at which the processes of life in each species proceed most favourably. It is this particular degree, which differs for different species, which must be attained, if artificial incubation is to be successfully conducted. In other words, the degree of temperature and moisture within the incubation drawer must remain uniform throughout the period of incubation if the best results are to be reached. It is not easy to attain these conditions, for there are many disturbing factors. We may therefore next consider the more important of them.

The chief causes which operate to make the temperature within the incubator drawer variable are the changes of the temperature of the outer air, fluctuations in the pressure of the gas when that is used as the source of heat, or the gradual diminution of the oxidizing power of the flame and wick when an oil lamp is substituted for gas. Also, the necessary opening of the incubator drawer, either for airing or for sprinkling the eggs with water when that is necessary, tends to reduce the temperature. But there is another equally important though less obvious source of disturbance, and this resides within the organism undergoing incubation. In the case of the chick, at about the ninth or tenth days of incubation important changes are occurring. Between this period and the fourteenth day the chick becomes relatively large and bulky, and the temporary respiratory organ, the allantois, together with its veins, increases greatly in size and extent. As a consequence, the respiratory processes are enabled to proceed with greater activity, and the chemical processes of oxidation thus enhanced necessarily largely increase the amount of heat which the chick itself produces. Thus an incubator, to be successful, must be capable of automatically adjusting itself to this heightened temperature.

The drawer of an incubator is a confined space and is usually packed as closely as possible with the contained eggs. The eggs are living structures and consequently need air. This necessitates some method of direct ventilation, and this in its turn necessarily increases the evaporation of water vapour from the surface of the egg. Unless, therefore, this evaporation is checked, the eggs will be too dry at the period—from the tenth day onwards—