

No. 18075

SUBJECT

0533/422

Taxation in Northern Turkeana

Exceptional measures owing to  
shortage of corn

Previous

Subsequent

38249/26.

see 3322/23.

Refers to Col. Regns. 289 and asks approval to a deviation from the established principle in the following :- Owing to shortage of coin in N. TURKANA exceptional measures have been taken for the collection of Poll Tax, necessitating the purchase by the D.C. of goats from the Nyiturkana for disposal in part as rations and in part by sale to traders.

There are apparently no precedents on record - but there have in practice been similar cases - for instance the fees of a school in the Turkana can be paid in kind and when that is required when taxation was first imposed in certain paper areas payment in kind was accepted. These transactions almost invariably resulted in a loss to Govt unless the annuities etc. <sup>are</sup> taken over at a valuation unfair to the person making the payment.

It is not unusual for the local prices of salable assets to drop very considerably when tax payments are due, and in a period of depression this can be offset by general remission of tax to cover the difference between normal prices and depressed prices, subject to S.G.'s approval.

This alternative method is open to objection because

Mr. Gifford to  
with letter

5th February, 1932

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It is not unusual for the local prices of salable assets to drop very considerably when tax payments are due, and in a period of depression this can be offset by general remission of tax to cover the difference between normal prices and depressed prices, subject to S. & A. approval. This alternative method is open to objection because

that Government to  
useful basis

it places the District Commissioners  
in competition with any would be seller  
in the locality - or else compels  
to maintain the same also in the  
hope that the demand will increase.

There is app. no probability  
that the eventual loss to Govt will not  
be as much as if Govt had corresponding  
amount had not been received.

Subject to any comments by  
D.C.A. approve the opening of  
a suspense account in respect  
of the purchase of animals which has  
already occurred but say that  
from the particulars given in 1  
it is not apparent that this is the  
best method of summing up the  
local difficulty - i.e. payment and  
inquire if it would not be practicable  
in similar cases while maintaining  
the principle of payment to be  
provided by way of Rs. 250.  
i.e. in respect of any arrears occasioned  
by the fall in price.

H.S. Poirer  
2/2/31  
D.C.A.

Mr. Preston,

The system of collecting revenues in  
kind used to be widespread in Northern  
Nigeria, and the principles laid down then

appear

91 A  
Audr. to D.C.A.  
23.12.31.  
D.C.A. to Audr.  
9.3.32.

appear to be equally applicable to Northern  
Turkana in existing circumstances.

The Auditor of Kenya recently addressed me  
on the subject, and I enclose a copy of the  
correspondence. The letter from the Colonial Office  
to the High Commissioner for Northern  
Nigeria of 18th October 1906 - an extract from  
which forms an enclosure to my letter - may be  
of interest to you. I won't trouble you with  
the Auditor's letter of 4th January, as it merely  
enclosed a letter from the Treasurer to the  
Colonial Secretary, which was all incorporated  
in the despatch, except for one paragraph which  
was condensed and of which I enclose a copy.

I am afraid that I do not concur in the  
suggestion made at the end of Mr. Priestman's  
minute.

C. J. Harding

Director of Colonial Audit.

9-3-32

There is approval of opening of a suspense  
account as recommended in 1931

~~Subject to any comments by D.C.A.~~

W.P. 10/13  
atm 1/3

Mr. Preston

2, 2/2/31 (1/1/32)

10th 1932

Seen A. J. Harding

19075/32 Kenya

2

C. O.

Mr. Foley 17/3/32  
Mr. Manning 17/3/32

27 341  
D 18

Mr. Parkison  
Mr. Tomlinson  
Sir C. Bottomley  
Sir J. Shuckburgh  
Permt. U.S. of S.  
Partly. U.S. of S.  
Secretary of State

19 March, 1932

DRAFT.

Kenya (1901)  
No 2294  
50

Sir,

I have the honor to acknowledge the receipt of your despatch No. 51 of the 5<sup>th</sup> Feb., and to inform you that I approve the opening of a European account for the purpose of recording the purchases and sale of goods obtained from the natives in Northern Turkana in payment of Poll Tax.

(Sgd.) P. CUNLIFFE-LISTER,

I have &c.

Auditor, Kenya Colony, to Director of Colonial Audit.

No. 1704.

23rd December, 1931.

Sir,

I have the honour to inform you that subsequent to the commencement of the collection of Poll Tax in Northern Turkana a question has arisen as to the best system to adopt in accounting for the sheep and goats in which, owing to the scarcity of coin in that province, the tax is mainly paid.

The normal avenue for disposal of this ~~issue~~ <sup>issue</sup> was to issue it as rations to the Military and Provincial Administration, and hitherto, the practice had existed of debiting the value of the goats when received, direct to an expenditure vote, and to credit the same vote as and when issues were made. In other words an expenditure vote was being made use of as a Suspense Account.

3. The matter was referred to me for my opinion and I strongly objected to this method of accounting and pointed out that it would be certain to cause trouble sooner or later. I suggested that this was obviously a Suspense Account and that it should be operated as such, and I submitted a memorandum (a copy of which is enclosed) offering suggestions as to how the account should be operated.

4. After considerable correspondence and an interview between the District Commissioner concerned, the Acting Deputy Treasurer and myself, it was agreed that the account should be placed on a proper footing, the suggestions made in my memorandum being adopted and the account operated as a Suspense Account.

5. An unusual complication of the problem was the necessity for allowing the District Commissioner to exercise his discretion to allow reputable traders a certain amount of credit, in order to dispose of stocks from time to time. The only alternative to this procedure was to accumulate large herds of sheep and goats with the risk of the outbreak of disease amongst the animals and resultant loss to Government. The Treasurer has, therefore, agreed to the proposal to extend credit to reputable traders provided all reasonable precautions are taken to secure eventual payment from them.

I have, etc.,

(Sgd) A. BRAGG.

for Auditor.

COPY.

Memorandum from Auditor to Treasurer, Kenya.

No. 1109.

19th August, 1931

Taxation in Turkana

It seems clear that the method proposed is the only way of getting the tax in, and a very sound and business-like way. Furthermore I see no objection, in the circumstances, to the transaction described in paragraphs 5 and 6 of the District Commissioner's letter, with the condition which he lays down that credit would only be given to reputable traders disposing of the stock, or a proportion of it by sale. This will tend to prevent it being taken in and issued out at fictitious values.

2. As regards accounting, I object very strongly to the method of using a subhead of expenditure as a suspense account. This is a suspense account beyond all doubt and should be operated as such. Disguising it under final expenditure only leads to trouble.

3. What I suggest is something in the nature of the account which used to be kept when many more fares were collected in kind. The details would be more or less as follows:-

(Enclosures  
A, B and C  
not copied)

- (a) Purchases would be recorded on a running voucher throughout the month (vide enclosure A) such as those used at some stations to account for telegrams and other recurrent charges.
- (b) Cash sales would be recorded at once in both the cash book and suspense account, a Miscellaneous Receipt being, of course, given to the buyer.
- (c) The Trade Goods Suspense account would be completed (vide enclosure B) at the end of the month by posting the purchases from the running voucher, and the issues to votes and sales on credit from the payment vouchers passed during the month.

(d)



- (d) The issues to votes (vide enclosure C) would be on payment vouchers with a corresponding receipt entry, to which they would bear a reference.
- (e) Sales on credit would be on a similar payment voucher allocated to "Advances" against the trader, and also giving a reference to the corresponding receipt entry.

The account would be balanced at the end of the month as shown. The "book value", of course, is simply the arithmetical balance of the cash column, and the District Commissioner would add a note as shown giving the actual amount of stock on hand with an estimate of its real value.

5. I do not believe that this method would make any extra work at all. All the cash book entries are necessary in any case and the District Commissioner must keep some record of the purchases and issues of the goats. I can hardly believe that he can devise a simpler one.

6. There would be no need to adjust small discrepancies except at the end of the year, but it might happen when the account was balanced at the end of the month that the District Commissioner found he had twelve goats on hand whose value appeared to be a minus quantity, or one ill-nourished specimen at an inflated value of about £3.10.0. This would be at once apparent and would be adjusted on your instructions. Under the other method such a statement of affairs might not be noticed for some time and the resulting muddle might take the three departments interested weeks to disentangle.

7. I believe there is a rule that the opening of a suspense account must be reported to the Secretary of State.

(Sgd) W.H. SMITH.

Auditor.

Director of Colonial Audit to Auditor, Kenya.

No. 857578.

9th March, 1932.

Sir,

In reply to your letter No. 1704, of the 23rd of December last and No. 17 of January 4th, on the subject of the collection of Poll tax in kind in Northern Territory and the accounting methods in connection with the disposal of animals as received by Government, I have the honour to inform you that I agree generally with the views expressed in your letter.

2. In this connection I enclose an extract from a ruling given by the Secretary of State in 1906 which is of interest in connection with the question raised in your letter as it lays down the following main principles which still hold good, viz:-

- (a) That the taxpayer, on tendering "kind" should receive at once a receipt quoted in sterling for the amount of tax so acquitted, and that any profit or loss thereafter accruing as a result of the disposal of the "kind", is entirely a responsibility of the Government.
- (b) That the abovementioned receipt having been given, the amount should be brought to account as Revenue at once.

3. The details in the working of a suspense account for revenue in kind can properly be regulated according to circumstances and, as far as I can judge, the system as described in your letter to the Treasurer

(No. 1109)

The Auditor,  
KENYA.

(No.1109 of the 19th of August, 1931) is satisfactory, but I am not clear as to whether it covers the two main points referred to above.

4. As indicated in paragraph 7 of your letter to the Treasurer, the sanction of the Secretary of State is required for the opening of the Suspense Account. This sanction was sought in the Governor's despatch No.51 of February 6th which is at present under consideration.

I have the honour to be,

Sir,

Your obedient servant,

(SIGNED) A J HARDING

Director of ~~Colonial~~ Audit.

COPY.

Secretary of State to High Commissioner of Northern  
Nigeria.

Extract.

18th October, 1906.

The position, I am to point out is as follows:-

The Government imposes certain taxes, requiring individual to pay certain amounts which are specified in sterling currency. As the taxpayers have not cash in their possession the Government received their taxes in kind accepting so much goods as representing so much currency, and give receipts for the nominal amount of the tax in currency.

If the Government has to incur expenses to turn the goods received into cash, those expenses are a part of the cost of collecting its Revenue, just as much as are the salaries of its Customs Revenue Staff, the upkeep of boats, buildings, and other requirements of the Revenue Department, the cost of transport, and a number of other outgoings which appear in the account expenditure.

The taxation of the country is the gross amount taken from the taxpayers and it is misleading to deduct any losses that may be made on the sale of goods taken in kind before stating the amount of the Revenue as it would be to deduct the cost of the departments collecting and showing a net Revenue accordingly.

A corresponding error of principle would be to deduct the total Revenue of the Protectorate from its total expenditure and show only the excess as the true expenditure.

The lines that Lord Elgin considers should be followed in this matter, and which it is expedient should

be laid down, without further delay, are as follows:-

(1) Whatever amount a Collector of Revenue gives the taxpayer credit for paying he must debit himself as receiving.

(2) The tax being assessed in sterling currency he must debit himself as receiving that amount in sterling currency.

(3) So much of such amount as he receives in cash will remain to the debit of his cash account.

(4) For the amount debited on account of Revenue received in kind he may take credit by an entry on the right hand side of his cash book for a transfer to a "Revenue Suspense Account".

(5) The whole Revenue shown on the left hand side of the Collector's cash book should be brought to account by the Treasurer under the proper head and items of Revenue.

(6) The Collector will remain accountable (a) for the cash balance shown as due by his cash book and (b) for the stock and goods transferred to his Revenue Suspense Account.

(7) His Revenue Suspense account will show on the debit (left hand side) the items of Revenue collected in kind and particulars of the kind of goods.

(8) Whatever cash he had actually to disburse for the purpose of realising Revenue received in kind, he will charge in his cash account (right hand side) as an imprest to his Revenue Suspense Account and he will debit that account (left hand side) with the same amount. If he has purchased more stock, e.g. transport animals or other trade goods (as has occurred in a recent case), he will show the nature of those purchases and the stock for which he is accountable in the same place.

(9) Whenever he sells any stock debited in his Revenue Suspense account and realises cash, he will take credit in his Revenue Suspense account for the amount received, and debit himself in his Cash Book.

(10) From time to time there will be losses or gains on these transactions and the amount of these will be ascertained at prescribed intervals by balancing the Revenue Suspense Account. This should be done at least monthly, and, after taking account of the value (as entered) of all stock remaining undisposed of, the amount found necessary to balance the Revenue Suspense account as deficiency or surplus should be entered in that account, and brought to account by the Treasurer as "Revenue Expenses" or "Revenue Profits" as the case may be.

14

EXTRACT.

Treasurer to Colonial Secretary, Kenya

No. 2206/23.

31st December, 1951

Taxation in Turkana

2. The position is particularly difficult at present as no tax was collected in 1950 until December, so that a double tax has had to be taken this year and Government has on its hand a large surplus of goats which is not likely to be disposed of for some months to come.

1951

F. S. M. WATSON.

For Treasurer

~~no fault.~~

Have you a  
precedent noted  
please? C.A.G.

R 297. 11/13

R. 291

No. I should like  
to see the book

1087

1/3



1023.

319/25  
228  
314/28  
229  
230  
231  
General  
232  
P. 233

23rd October,

24th

24th

25th

25th

25th

Re: Appointment of an Assistant Administrator-  
General.

Particulars of the loss of passport granted to one  
Sant Singh Jatt Singh in Lahore.

Re: The World Motor Transport Congress.

Claim by Mr. J. [Name], M.C., Administrative  
Officer, for acting allowance.

Information for the use of the Overseas Settlement  
Department.

Leave and Last Pay Certificate of Miss V. I.

KENYA.

No 5.



GOVERNMENT HOUSE  
NAIROBI  
KENYA

29 FEB 1932

POST OFFICE

February 1932.

Sir,

I have the honor to refer to Section 289 of the Regulations for His Majesty's Colonial Service and to ask your approval to a deviation from the established principle in the following regard:-

Owing to the extreme scarcity of coin at present in circulation in Northern Tanganyika, exceptional measures have had to be taken in connection with the collection of Poll Tax. The District Commissioner reports that the Natives are willing to pay their Poll Tax and they acquire the money by the sale of goats. It has been necessary for the District Commissioner to buy that and then to dispose of them in part by rations and in part by sale to traders as a substitute for rations, with the result that he has a large surplus of goats which cannot be disposed of in 2 or 3 months.

A. I am advised by the Treasurer that the buying and selling of these goats constitutes a service and that receipts and payments and that in accordance with the Regulation referred to it is necessary that the value of such receipts and payments should, excepting those otherwise authorized by me with your approval, be included in the Annual Estimates and accounted for accordingly.

B. The Treasurer, after discussion with the Assistant, has advised me that this is one of the

isolated ...

THE RIGHT HONORABLE

HONORABLE SIR PHILIP CHILIMBA-MUTEMU, P.C., C.S.C., M.C., M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
BOMBAY SQUARE,

LONDON, E. C. 4.

10 FEB 1932

KENYA.

No. 56



GOVERNMENT HOUSE  
NAIROBI.  
KENYA

29 FEB 1932

DL OFFICE

9 of 1932

Sir,

I have the honor to refer to Section 200 of the Regulations for His Majesty's Colonial Service and to ask your approval to a variation from the established principle in the following respects:

Going to the extreme end of the road, the present is disapproved in Northern Kenya. The proposals have had to be made in connection with the collection of Road Tax. The proposals are that reports that the proposals are quite similar to those which have been made in the past. It has been necessary for the collection of road tax to say that and then to propose to the local officials and in part to make it possible for the officials to do it that they can a large number of goats which cannot be disposed of in other ways.

2. I am advised by the Treasurer that the sale and killing of these goats constitutes a certain amount of receipts and payments and that in accordance with the regulations referred to, it is necessary that the whole of such receipts and payments should, excepting those otherwise authorized by me with your approval, be provided for in the annual estimates and account being accordingly.

3. The Treasurer, after discussion with the Auditor, has advised me that this is one of the isolated ...

THE RIGHT HONOURABLE  
HIS MAJESTY'S SECRETARY OF STATE FOR THE COLONIES,  
LONDON, S. W. 1.

isolated cases were an exception to the relation in  
question is to be held as a rule. It will be more  
satisfactory in every way to have the same relation  
for the purpose of the law. The same rule will be  
these points.

4. With that view in mind, we request  
your approval of the proposed changes in the  
carefully watching the list of the order,  
Northern, and the same. It is a matter of  
legislation, etc., etc.

Very respectfully,  
Your obedient servant,  
*[Signature]*

11 27  
*[Signature]*

W. H. C. C. H.