‘Horrid appealing’: accounting for taxable profits in mid-nineteenth century England

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Abstract

In 1855 Jane Carlyle, wife of historian Thomas Carlyle, appeared before the General Commissioners of Income Tax to appeal against her husband’s assessment. Moulded around her memoire of the appeal, this paper explores the process of and social context for mid-nineteenth century English income taxation of profits, and the associated accountings and processes of accountability. It reveals how local tax authorities employed sovereign powers as the basis for regulatory control. The paper outlines conditions of possibility for the emergence of modern Inland Revenue powers based on disciplinary technologies. © 2001 Elsevier Science Ltd. All rights reserved.

1. Introduction

It was with feeling like the ghost of a dead dog, that I rose and dressed and drank my coffee, and then started for Kensington.

Jane Welsh Carlyle wrote these words in her journal on 21 November 1855, the day that she attended an income tax appeal hearing before the general commissioners at Kensington in London on behalf of her husband, Thomas Carlyle, the eminent historian and social critic.1 The commissioners did not accept Mr. Carlyle’s contention that he earned no taxable profits from his literary endeavours. They called Mr. Carlyle before them to account for his profits. Mrs. Carlyle went instead.

Attendance at an income tax appeal was an unusual occurrence in Mrs. Carlyle’s life and she faced it with dread:

O me miseram! not one wink of sleep the whole night through! so great the ‘rale mental agony in my own inside’ at the thought of that horrid appealing (JWC, 21.11.1855).

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1 The journal quotation has been reproduced from Bliss (1950). The journal and letters of Jane Welsh Carlyle (JWC) and Thomas Carlyle (TC) have been published in a number of collections. Bliss is my principal source for Mrs. Carlyle’s writings, and I will refer to this source with the abbreviation ‘JWC, [date attributed to the document]’. When I use other published versions of letters written by the Carlyles, I will document them in the following manner. ‘JWC-Froude’, ‘JWC-Holme’ or ‘JWC-Duke’ followed by the date that the document was written will refer to Mrs. Carlyle’s letters published in Froude (1883, Vol. II), Holme (1965) and Sanders, Fielding, Ryals et al. (1970.) respectively. On the few occasions that I quote from Mr. Carlyle’s letters, my source is Sanders et al. (1970) and referenced as ‘TC-Duke, [date of letter]’. 

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Once she reached the Tax Office, she read similar
dread in the faces of others in the waiting room:

The men seemed as worried as the women,
though they put a better face on it, even carry-
ing on a sort of sickly laughing and bantering
with one another (Ibid.).

The Carlyles were Scots who had lived in Lon-
don for 20 years. Thomas Carlyle (1795–1881) was
a leading historian, essayist and social theorist, and
a significant nineteenth century public figure (Dic-
tionary of National Biography from the Earliest
Times to 1900, DNB, 1950, vol. 3). His historical
biographies and social commentary\(^2\) attracted
international acclaim and he engaged in a lively
social and intellectual life. Mrs. Carlyle (1801–
1866) was a ‘most remarkable’ person as well
(DNB, p. 1024). She was a well-educated woman
with her own circle of literary friends. Her mar-
rriage rested on a traditional division of duties: she
managed the household economy while her hus-
band pursued his career; she budgeted and dis-
bursed her ‘house-money’, while her husband
controlled and invested the couple’s wealth (Rose,
1984; Walker, 1998). Mrs. Carlyle sought to pre-
serve the circumstances that would permit her hus-
band to write in peace and was prepared to make
exceptional efforts to do so (Rose, pp. 246–247). In
the mid-1850s, Jane Carlyle did not let her chronic
illness impede her from carrying out the tasks that
she understood to be her wife’s responsibilities.
She undertook the visit to the Tax Commissioners
to spare her husband the upset of the encounter
although he was willing to go himself (Rose, p.
246). As she expressed it in her journal, ‘[i]f Mr. C.
should go himself, he would run his head against
some post in his impatience; and besides, for me,
when it is over it will be over’ (JWC, 20.11.1855).
Her correspondence 7 years later exposes her mis-
placed confidence that she would put the experience
of the appeal out of mind. While travelling in 1862,
Mrs. Carlyle wrote to her husband in London,
worried that he had failed to submit his income
tax return:

Did you fill up the income tax paper and send
it to the address indicated on the paper? If
you didn’t you must do it yet — even if after
the appointed time, or there will be another
hundred pounds or two clapped on to the tax!
And I shall have to ‘appeal’ again or pay ever
so many pounds to the end of the chapter! . . .
[A]ltho’ you had that paper in your hands
before I left, and I told you, you had to fill it
up, still I hadn’t made you fill it up before my
eyes. . . . (JWC, 8.9.1862).

The memory of her appeal remained in her mind
as she anxiously entreated her husband to complete
his return and submit it to the tax authorities.

The assessment and determination of tax
liability — essential actions of taxation defined by
law — were more closely associated with the pro-
cess of tax appeal in the mid-nineteenth century
than in the present day. Taxpayers in Britain today
may refer certain decisions made by tax officials to
higher legal tribunals or the courts. An ‘appeal’,
therefore, is the exercise of the right to have a case
adjudicated or the adjudication itself. In 1855 Brit-
ish taxpayers possessed less extensive rights of
appeal. Relevant to an understanding of the his-
torical process are older meanings of ‘appeal’ as ‘a
calling to account before a legal tribunal’ and as an
occasion ‘to challenge’ or ‘to accuse’ the person
brought before the tribunal (Shorter Oxford Eng-
lish Dictionary, 1980). Mrs. Carlyle’s ‘calling to
account’ involved answering the commissioners’
questions, explaining her husband’s position,
rebuking the commissioners’ assertions, providing
financial information and listening as the tax
authorities debated the extent of her husband’s tax
liability. Tax accounting, as she experienced it,
took place in the context of the appeal.

An analysis of Mrs. Carlyle’s summary of the
appeal, supported by other documentary evidence,
reveals the process of income taxation in a parti-
cular mid-nineteenth century setting and the rea-
sons why her experience of the appeal might linger
so powerfully in her mind. In her account, key
elements of regulatory control exercised by the tax

\(^2\) Carlyle’s works include Sartor Resartus (1834); The French
Revolution (1837); Chartism (1840); Past and Present (1843); On
Heroes, Hero-Worship, and the Heroic in History (1841); and
Fredrick the Great (1858–1865).
authorities over taxpayers in Victorian Britain can be identified. Also, tensions arising from the incompleteness of regulatory control can be recognised. This paper adopts a Foucauldian analysis of regulation that distinguishes ‘sovereign’ and ‘disciplinary’ modes of power and recognises the significance of the ‘calculable’ person — in the form of Mrs. Carlyle in this instance (Boland, 1987; Foucault, 1975/1979; Hoskin & Macve, 1986, 1994; Miller & O’Leary, 1987; Miller, 1990, 1994; Preston, 1989). The dependence of tax law and practice on accounting practice (Boden, 1999; Lamb, 1996; Power, 1992; Preston, 1989) is recognised.

This study of the Carlyle case identifies some of the practices of power and social relations in 1855 from which the modern UK social and institutional practice of taxation emerged. The paper argues that the overt exercise of sovereign power, essentially unmediated through any ‘objective’ routines of calculation, was the basis for regulatory control during the mid-1850s. The conditions of possibility for the emergence of the disciplinary technologies that underlie modern regulatory control of British income taxation by the Inland Revenue were discernible in 1855. In particular, we can begin to see how taxation practice began to create taxpayers as calculable subjects. However, implementation of the new system of government based on disciplinary power was blocked for two reasons. First, knowledge of the taxpayer obtainable by tax authorities was limited by design under tax law. Second, local commissioners who exercised regulatory control were independent of central government and accustomed to older traditions of governance. During the mid-nineteenth century the Inland Revenue did not yet have the power to control income tax practice.

The rest of the paper explores these issues more fully. In the first section, the motivation for this research and its relationship to existing literature are discussed. Next, the research approach of this study is explained. Mrs. Carlyle’s story is then related to give thematic structure and illustration to an analysis of the major social and institutional aspects of mid-nineteenth century tax accounting. As background to an analysis of the appeal itself, an outline will be given of the basis for and administration of English income tax in the nineteenth century. Mrs. Carlyle’s narrative is then analysed to reveal important elements of the process of tax assessment and determination. Finally, some conclusions are drawn that relate the historical aspects of tax/accounting interrelationships to wider aspects of accounting history.

2. Motivation and previous research

This paper seeks to extend our understanding of taxation as a social and institutional practice that relies on accounting and entails accountability (Hopwood & Miller, 2000). In the existing literature, only a fragmentary and elliptical history of the interactions between UK income taxation and accounting practice has been written. This paper analyses income tax practice as it operated in a particular mid-nineteenth century context. In doing so, it seeks to provide a basis for further research into the social and institutional history of UK taxation practice.

Taxation is a process of regulation (Picciotto, 1992, p. 77) that relies on accounting practice to provide regulative techniques. Three papers provide direct insights into UK income tax practice and raise questions of how it has developed over time. From Preston (1989), Lamb (1996) and Boden (1999), an understanding that modern UK

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3 English practices were largely representative of British practices. Income tax operated according to the same legal and administrative system in England and Wales. In Scotland, a few distinctions of administrative procedure and responsibility operated (Lamb, 1997a, p. 227; Commissioners of Inland Revenue, CIR, 1870). Income tax extended beyond Great Britain when it was introduced to Ireland in 1853 (CIR, 1870, p. 197); Inland Revenue officers took more responsibility for Irish tax administration than was the case elsewhere.

tax accounting for profits rests on regulated calculation and accountability may be derived, i.e. self-assessment based on adjustment of commercial profits as a key element of tax assessment and self-discipline created through a range of disciplinary technologies as the dominant mode of regulation. ‘Adjustment of commercial profits’ means that the taxpayer starts with profits measured according to commercial accounting norms and then makes adjustments to conform to taxable profit measurement rules (Lamb, Boden).

Taxation and accounting form an ‘interpenetration of practices’ (Freedman & Power, 1992, p. 2). Accounting is ‘a process of attributing financial values and rationales to a wide range of social practices, thereby according them a specific visibility, calculability and operational utility’ (Miller, 1990, pp. 316–317). As ‘practices’, we must consider the ways in which the processes of taxation and accounting come together to attempt ‘to intervene, to act upon individuals, entities and processes’ (Miller, 1994, p. 1). In arguing that taxation has a dual nature, Preston (1989) distinguishes the practices of taxation developed by tax officials (‘disciplinary technologies’) from the powers to tax derived directly and indirectly from tax legislation (‘sovereign powers’) that are given to the departments of government. Taxation as a distinct social and institutional practice (Miller, 1994) renders the programmatic aims of the state to be deliverable and the subjects of taxation to be governable (Miller, 1990).

Income taxation represents another case of ‘accountability’ in the history of accounting and management (cf. Hoskin & Macve, 1986; Bryer, 2000), but one that has not yet been explored in historical detail. Preston (1989) highlights some of the relevant issues. He documents ways in which the tax authorities use disciplinary technologies to create the self-examining, self-calculating and self-disciplining taxpayers who are objects of the tax authorities’ powers. His case study explores how the Inland Revenue’s application of disciplinary technology influenced internal accounting practices in a UK record company. He motivates his own work by observing that UK accounting research has largely ignored the relationship between taxation (as Inland Revenue powers and practices) and accounting practice (p. 390). He challenges others to research ‘the historical conditions of possibility for the emergence of the . . . tax liability based upon accrual accounting measures of income, in an attempt to reveal how the two practices became interconnected’ (Preston). Lamb (1996) outlines the historical and contemporary relationships between UK accounting and taxation. This paper makes clear that the ‘formal independence of . . . contemporary tax and accounting profit recognition and measurement regimes’ and the ‘effective interdependence of tax and accounting practices’ are both legacies of the nineteenth century history of tax and accounting (Lamb, 1996, p. 933). Boden (1999) considers how tax categorisation of income and computational rules apply to the self-employed in the UK. Her focus is primarily contemporary, but she develops the historical context for her analysis. Her paper draws attention to interactions between tax regulation, financial reporting and modes of accountability at the level of the individual and in everyday life.

In published accounting history, taxation is acknowledged as one among a number of significant historical influences on accounting practice, but the interrelationships between taxation and accounting have received relatively little substantive attention.5 A few historical studies outline the general features of the UK tax/accounting relationship, but do not explore them in detail. Parker

5 UK and US accounting researchers show increasing interest in taxation issues, but tax has been and remains an under-represented area of research within the accounting research field (Lamb & Lymer, 1999). Not surprisingly, therefore, UK tax history has received little coverage in academic accounting journals. For example, no UK income tax research papers appear in Accounting, Business and Financial History in the last five years (Ibid.: Table 1). Lamb (1996) and Boden (1999) provide historical coverage, but in papers focused on contemporary matters. The interdisciplinary journal, British Tax Review, provides some historical research on UK tax written from an accounting perspective, e.g. Edwards, 1976. US income tax history is better represented in accounting journals, but still constitutes a small literature. Accounting Historians Journal yields most of the relevant papers (Broden & Loeb, 1983; Cataldo, 1995; Hopwood & Hreha, 1984; Kozb, 1983; Samson, 1985; Schultz and Johnson, 1998), but historical pieces occasionally appear in other journals (e.g. Samson, 1998). Watts and Zimmerman (1979) provide some discussion of tax from a comparative US/UK historical perspective.
(1986) briefly examines tax as one area of law and practice that stimulated the growth of the accounting profession. Maceve (1994) considers the evolutionary development of interacting tax and accounting conventions that were required to make the concept of ‘income’ taxation work in practice. Several studies in UK accounting history treat accounting and taxation as interacting regimes of calculation (Edwards, 1976, 1989; Napier, 1993, 1996; Watts & Zimmerman, 1979). Unlike the other cited authors who discuss tax as a relatively small part (1–5 pp.) of their papers, Edwards (1976) makes the relationship between tax and accounting his central focus. He argues that ‘in the absence of any readily available figure for business profits, the [early nineteenth century] tax authorities were obliged to introduce their own rules’ (p. 302). Edwards and the other authors cited accept and do not question the idea that nineteenth century tax authorities used ‘their own rules’. Consequently, we know very little about the circumstances in which rules were formed or how rules were used in practice. This paper begins to explore these issues through the analysis of Mrs Carlyle’s experiences.

A desire to understand tax effects in net profit measurement has motivated prior research into historical accounting/tax interactions. Researchers seek to recognise ‘tax influence’ on the development of particular accounting theories, principles and techniques. Edwards (1976) traces ‘the likely effect of the tax treatment of capital expenditure on the measurement of accounting profit’ (p. 301). Researchers tend to adopt the idea that modern UK accounting profit calculations are ‘less influenced’ by tax rules than is the case in other countries (e.g. Ibid., p. 300). In this literature authors seek to explain the origins or development of modern accounting features. They are less concerned to examine taxation and its historically and culturally specific network of connections to accounting. The current analysis seeks to refocus attention on these patterns of connection by tracing the particular context in which Mrs Carlyle accounted for her husband’s taxable profits.

Accounting history tends to focus on interactions between accounting and taxation in a corporate or pre-corporate business context. It conforms to Boden’s (1999, p. 38) generalisation that ‘academic accounting research has tended to [see] financial reporting … as a mode of accountability for, or representation of, public or private organisations and institutions, as distinct from individuals’. An emerging body of UK accounting history research concerns accounting in ‘everyday life; (Hopwood, 1994). Walker (1998, pp. 485–486) explains that such research asks ‘how accounting was enmeshed in the most private of social institutions and basic of economic units [i.e. the family and household]’. An extension of this research could examine how external regulatory practices intervened in systems of family and household accounting. This paper provides glimpses of tax interventions in the Carlyle household.

Historical research outside the accounting domain also touches upon interrelationships between tax and accounting. The tax historian Sabine (1966) focuses on the development of the Inland Revenue as an efficient tax bureaucracy in his political and economic history of UK direct taxation. Other historians of taxation (e.g. Stebbings, 1993, 1994, 1996, 1997, 1998) are attentive to the legislative history of taxation, but also examine aspects of administrative practice. Economic historians (e.g. O’Brien, 1988) consider the calculation of tax bases and tax administration in a general sense. Legal scholars (e.g. Freedman, 1987, 1993, 1995) look at the extent to which accounting practice is authoritative in case law for defining taxable income, as well as variation in such authority over time.

This paper will look more closely at historical interactions between UK income taxation and

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6 Tax influence is presented in a number of ways: as a cause of accounting theories and as a source of calculative techniques (e.g. Edwards, 1976; Watts & Zimmerman, 1979); as a negative influence on the development of commercial accounting practices (e.g. Edwards, 1976, 1989; Watts & Zimmerman, 1979; Napier, 1996); and as a body of law or practice that was (essentially) separate from accounting (e.g. Edwards, 1976; Napier, 1993).

7 This analysis is evident in the historical work cited in note 6, as well as developed in the comparative international accounting literature. See, for example, Nobes and Parker (1995) and Lamb, Nobes and Roberts (1998).

8 See Freedman and Green (1995) for an interdisciplinary analysis of the extent and operation of conformity between tax and accounting profit measurement in contemporary policy and practice.
accounting practice than previous studies have done. Detailed study of income tax practice in a particular context will make it possible to trace a wider range of social and institutional connections between tax and accounting than previous research has done. In this way, the manner in which tax practice relies on accounting and entails accountability will become clearer. This new understanding of UK historical tax practice will provide a conceptual backdrop against which to recognise and begin to interpret changes in tax/accounting relationships in their particular historical and cultural contexts. As part of a social and institutional history of UK tax practice, this study aims to improve understanding of emerging rules and practices, shifting patterns of connection between tax and accounting calculation, and varying forms of regulatory interventions into private lives as well as public and private organisations.

3. Research approach

The period of focus chosen for historical research should permit us to recognise and explore the characteristics of income tax practice and its interrelationships with accounting that have ceased to exist as well as those characteristics that persist (Hopwood, 1987). The period of study for this research is explained below. A reconstruction of ‘the ways in which the present emerged from the past’ (Ibid., p. 230) requires consideration of these practices in their social, economic and political context (Carnegie & Napier, 1996; Hopwood & Johnson, 1986; Miller, Hopper & Laughlin, 1991; Miller & Napier, 1993). In order to illuminate themes of governance, power, accountability and calculation, this research considers questions that have not been answered in prior literature: who were the institutional characters of mid-nineteenth century English tax practice?; what was the process of income taxation in practice?; and how did tax authorities exercise regulatory control over taxpayers? To help form plausible explanations, a framework of themes is derived for the analysis and interpretation of the historical evidence from Mrs Carlyle’s journal and letters and other historical sources. Then, there is a consideration of how the context in which Mrs Carlyle wrote about her experience of income tax may affect a critical reading of her text. Finally, the framework of analysis is applied to interpret Mrs Carlyle’s case in its historical context. In writing this paper, its author tests and integrates an argument that sovereign power was the basis for regulatory control of income tax in the mid-1850s and that a regime of regulatory control based on accountability came later.9

3.1. Period of study and themes

Certain features of nineteenth century income tax continue to be integral to regimes of regulated calculation and accountability in modern British income and corporation taxation (Preston, 1989; Lamb, 1996; Boden, 1999).10 A comparison with the historical studies highlights four persistent features. First, tax rules governing the measurement of taxable profits are distinctive from commercial accounting rules (e.g. Edwards, 1976). Second, adjustment of profits for tax purposes start with a calculation of profits made for commercial purposes (e.g. Edwards, 1976; Freedman, 1987). Third, judicial interpretation through case law is

9 Jordanova (2000, Chapter 7) provides a useful summary of historical research practice and the historian’s skills. Elements that she associates with good historical research practice underlie the research approach for this paper. She emphasises the importance of comparisons as providing context for questions (p. 174), of close, critical reading of textual evidence (p. 184), and writing as ‘the foremost act of interpretation’ (p. 186).

10 In the UK today, the self-employed pay income tax and companies pay corporation tax on their trading profits. Essential principles of these taxes are the same (Lamb, 1996) and many practices apply in a similar manner. The routine occasion of accounting for taxable profits is the completion and submission of the annual tax return. The act of making taxable profits visible typically takes place in the privacy of the taxpayer’s home or tax agent’s office. Taxable profits are calculated and recorded in the manner prescribed on the return itself and in the accompanying instructions. Once the taxpayer submits a return, the tax authorities subject it to various forms of checking. The authorities can alter a self-assessment to correct minor errors or to make substantive adjustments. If they make no adjustment or if the taxpayer accepts any adjustments made, the tax liability is ‘determined’ and becomes final. A statement of account issued by the authorities summarises tax liabilities and their settlement. Verified or adjusted calculations form part of a database used for checking later returns and comparing one taxpayer’s calculations with another’s.
important for the formation and enforcement of tax calculative principles and rules (e.g. Edwards, 1976; Freedman, 1987). Fourth, the Inland Revenue is the agency of regulatory control — on a de facto basis at least (e.g. Edwards, 1976).

Only in the last quarter of the nineteenth century — when income tax was fast approaching its centenary — were these features of tax regulation introduced or acknowledged as elements of normal practice. A firm distinction between calculations of profit for tax and for commercial accounting purposes became explicit in 1878 when legislation introduced a statutory depreciation allowance (Edwards, 1976; Watts & Zimmerman, 1979). Adjustment of commercial profits became a legal principle after the judiciary decided that profit must be understood in ‘a sense which no commercial man would misunderstand’ (Gresham Life Assurance Society v Styles, 1892, 3 TC 185; see Freedman, 1987). Prior to 1874 the judiciary had no explicit obligation to adjudicate income tax cases; taxpayers and Inland Revenue officials had no specific rights of appeal against the decisions of local commissioners of income tax beyond a panel of the commissioners themselves (Stebbings, 1996, 1997). The Inland Revenue did not acquire full legal control over income tax assessment until 1964, but its officers were recognised as having de facto control in the 1880s (Lamb, 1997a, p. 327) and more comprehensively in the early twentieth century (Sabine, 1966, pp. 155, 249).

The appearance of these features in the last quarter of the nineteenth century suggests that the income tax case is another example of a shift in mode of governance from one based on the exercise of sovereign power to one based on ‘accountability’ ( Hoskin & Macve, 1986, 1994). In this paper evidence is presented to begin to support such an analysis. Based on their study of US managerial accounting, Hoskin and Macve argue (1986, p. 118) that ‘accountability’ emerged only around 1800 ‘when all aspects of human activity to do with words, things and values are made subject to technologies of [alphanumeric] writing’. Accountability in this sense became possible with the conjunction of disciplinary practices and the emergence of the new kind of ‘human accounting’ which defined future targets via the new process of putting numbers on human performance. Bryer (2000, p. 133) disputes this claim and argues that if by ‘accountability’ Hoskin and Macve mean ‘calculability’, then the ‘modern obsession’ with accountability can be traced back through intermediate forms to feudal accounting. Bryer’s meaning of ‘accountability’ is more narrowly descriptive of particular social relations than Hoskin and Macve’s.

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11 In the present day, UK taxation incorporates extensive rights of appeal. UK taxpayers may appeal against adjustments made to their self-assessment returns. General commissioners, a body of part-time, unpaid, local non-specialists appointed by the Lord Chancellor, may hear appeals. Alternatively, the taxpayer may opt for the appeal to be heard by special commissioners, a small body of salaried officials who are employed centrally. Neither body of commissioners comprises a court of law, but their functions are essentially judicial (Stebbings, 1993). Taxpayers (or their agents) may appear before the commissioners. As much of the evidence related to an appeal is gathered through correspondence, taxpayers commonly do not appear before the commissioners. Taxpayers (and Inspectors of Taxes) have rights of appeal on points of law to the High Court against the decisions of general and special commissioners. Further appeals may be made to the Court of Appeal and the House of Lords. A tax liability is determined once rights to appeal have been exhausted or not taken up.

12 In a modern tax system such as Britain’s, the sovereign power of statute, civil proceedings and the criminal justice system reinforces the disciplinary power of the tax authorities built through the articulation of rules, forms and procedures (Preston, 1989). Under self-assessment, real — rather than threatened or implied — exercise of sovereign power is rare; disciplinary power operates through the internalised, self-disciplining exercises of calculation, form filing and procedure following. Regulatory control over a vast population of taxpayers is more complete when based on disciplinary technologies than it would be if based on the exercise of sovereign power alone. However, it is not complete. Ambiguity and complexity of tax law interact in tax accounting to create space for taxpayer creativity and non-compliance with the intentions of tax law (McBarnet & Whelan, 1992; Miller & Power, 1992).

13 As Bryer (2000) uses the term, ‘accountability’ always requires a particular qualifying adjective (e.g. capitalist) and applies to a particular nexus of power relationships (e.g. managers-social capital-investors) in a particular context (e.g. companies and capital markets). Capitalist accountability, for example, is economic, and management is accountable to social capital, while investors are accountable to each other (p. 142). He argues (p. 133) that different power relationships (e.g. under feudalism or under capitalism) would manifest different forms of accountability (e.g. feudal, transitional capitalistic, capitalistic). Patently, they would — if one equates ‘accountability’ with ‘calculability’ in the manner that Bryer does.
For Hoskin and Macve, ‘accountability’ certainly involves ‘calculability’, i.e. the use of the accounting record as a means for predictive control ... of money, goods or workers’ (Hoskin & Macve, 1986, p. 124), but much more as well. They refer to ‘human accountability ... wherein the individual subject is rendered ... as calculable man’ (p. 113). Accountability implies the construction of institutionalised power relationships. These involve a specialised technical discipline developed by the powerful (accounting knowledge) and an internalised routine of self-discipline followed by subjects (calculation according to the rules of the discipline and reporting to the powerful). This ‘double disciplinariness’ is what is historically new, as it operates through writing, examination of texts and the summative calculation that can become the ‘mark’ of the human subject. In practice, accountability is a system in which the self-disciplining behaviour of subjects permits the extension of power exercised by the powerful beyond the scope of their surveillance capability.

One significant terminological and conceptual issue concerns the relationship between accountability and responsibility. As Hoskin (1996, pp. 265–266) writes, ‘[a]ccountability is more than ... responsibility. ... In its operation and scope, accountability is more total and consistent. Not only are duties specified, but the means of evaluating the level of [subjects’] performance is already prescribed, in implicit or explicit norms, standards and targets of performance ...’. ‘Responsibility’ implies being answerable, providing a response to a question, and therefore, having an obligation to account for what has been done. Thus, the stewardship relation constructed under charge/discharge accounting was one of ‘responsibility’; a detailed audit could check outcomes against inputs, and the steward was obligated to respond to questions, in a process that made the past visible (Ibid.). The new writing, examining and grading practices of ‘accountability’ entail prescribing targets, thus putting the agent under an obligation for what is to be done — the future — as well as what has been done — the past.

A social and institutional history of UK tax practice must explore institutions, processes and the nature of regulatory control before the emergence of features that can be recognised as powerful institutions of modern tax regulation. Once this is done, we can begin to evaluate the nature of the changes in tax practice and regulatory control that occur later in the nineteenth century. The research presented in this paper focuses on Mrs Carlyle’s case in 1855 — an appropriate time because by then income tax was well established, but the changes in the practices of regulatory control introduced in the 1870s were still somewhat distant. Income tax practice is examined before it came to be a system of accountability, meaning an institutionalised system of human power relationships that rests on accounting knowledge and the disciplining of subjects through accounting routines of calculation and reporting. ‘Discipline’ in this context implies both a coercive power to control as well as a creative power to shape knowledge and subjects, and accountability operates through writing, examination and summative calculation of human subjects.

3.2. Reading the Carlyle memoir

Through Mrs. Carlyle’s memoir of her appeal, this study examines the process of and social context for British income taxation. It illuminates the themes of sovereign power, discipline, regulatory control, calculability and institutionalised accountability. Thomas Carlyle claimed exemption from income tax on professional profits. This placed his case at the margins of taxability. Large numbers of tax appeals concerned exemption from tax; the exemption boundary was described as ‘that sore place above and beyond all others in the working of the income tax’ (Gladstone quoted in CIR, 1870, p. 126). Assessment of taxable trading or professional profits was the basis for frequent argument with tax authorities and significant tax evasion (Select Committee, SC, 1852a, various; CIR, 1870, pp. 130–131; Sabine, 1966, p. 68). Where taxability was most contested we are likely to find the emergence of the new techniques of control and calculation that underlie institutionalised forms of tax assessment, appeal and determination. Therefore, this is an important arena for examining interrelationships between taxation and accounting and Mrs. Carlyle’s journal provides a rare private account of these intersections that is
widely accessible to scholars in its published form.\textsuperscript{14}

Mrs. Carlyle’s journal does three things. First, it recounts her husband’s case. Second, it describes a process from the viewpoint of a participant. Third, it reveals certain features of the appeal that she observed and chose to record, as well as her own reactions. Notwithstanding the richness of this documentary source, its use as a research document presents three methodological questions. Are her descriptions of technical rules and practice consistent with other sources? Is her experience representative? How may her motives for recording the experience shape the narrative?

The issues of consistency with other sources and the representativeness of the Carlyle case are addressed by reviewing other commentaries. Descriptions of procedures, rules and characters involved in the appeal have been checked to the reports of the Commissioners of Income Tax (CIR) which include narrative outlines of the law and discussion of problems in practice. Further corroborating evidence was found in the three volumes of testimony from more than 40 separate examinations of witnesses before two Parliamentary Select Committees (SC) on income tax (SC, 1852a,b, 1861). These sources provide evidence sufficient for recognition of the ways in which Mrs. Carlyle’s case was and was not representative.\textsuperscript{15}

At least two plausible explanations of why Mrs. Carlyle recorded her experience of the appeal can be identified. Either, her journal manifested her habit of ‘creat[ing] with words [her] own experience’ (Rose, 1984, p. 37) or she wrote the account in the hope that her husband would eventually read it and appreciate her efforts on his behalf.\textsuperscript{16}

In either case, the main risk to the researcher who interprets the journal is exaggeration. Given that this study is concerned with Mrs. Carlyle’s representation of her feelings only to the extent of identifying elements of the taxing process that provoked them, exaggeration would serve to throw such relationships into sharper relief.

4. Background to the Carlyle appeal

4.1. Nineteenth century income taxation

Income tax was introduced in 1799 in England, Scotland and Wales during an expensive war with Napoleon’s France. Tax was charged on the income, including trading profits, of sole traders, professionals, firms and companies. From 1799 to 1816 (with a gap during the peace of 1802) income tax developed into an effective source of tax revenue. After final peace was reached with France in 1815, income tax was retired in 1816. In 1842 it was reintroduced ‘temporarily’ to help Prime Minister Robert Peel’s Conservative Government weather a financial crisis exacerbated by the reform of indirect taxes, a process that culminated in the repeal of the Corn Laws in 1846. The income tax rate was set at 7 d. in the pound (7/240 or 2.92%). Despite the official policy of successive governments that income tax was temporary, it was levied in every year after 1842.

When income tax was reintroduced in 1842, Thomas and Jane Carlyle were preoccupied with personal matters. Jane’s mother had died and Thomas was in Scotland settling her estate. Nonetheless, Mr. Carlyle’s letters make clear his displeasure with the tax bill (see Sanders et al., 1970, vol. 14, pp. 122, 188). He was a Whig and did not support the ‘Tories’ tax reforms. The Carlyles’ correspondence reveals that the income tax quickly became a matter of domestic discussion and ironical disapproval.\textsuperscript{17}

\textsuperscript{14} Mrs. Carlyle’s published journal and letters are available from a number of sources; see note 1 supra. The published source of the journal text used for this paper is Bliss (1950).
\textsuperscript{15} Sabine (1966) and Stebbings (1993, 1994, 1996, 1997, 1998) confirm the CIR reports and SC evidence as the main sources of evidence of income tax administration and practice. Sabine, who had full access to the Inland Revenue Library, did not cite other narratives of appeal besides Mrs. Carlyle’s.
\textsuperscript{16} Rose (1984, p. 248) argues that Mrs. Carlyle kept her journal in the period 1855–1856 — a difficult phase of their marriage — so that her husband might understand her suffering and efforts on his behalf when he eventually read it, as he did after her death.
Mrs. Carlyle paid her husband’s income tax from her quarterly household allowance. This is exceptional. Walker’s (1998) study of household accounting suggests that it would be unusual for a wife to be responsible for her husband’s personal expenses (see p. 509). One explanation might be that the expense of the tax was small. However, in the 1840s income tax was a large expense relative to other household expenses.\footnote{In an 1845 letter (JWC-Duke, 7.10.1845) Mrs. Carlyle asks her husband (who was in Scotland) for more money because of an increase in her outgoings, including the income tax:}

I am also under the disagreeable necessity of warning you that you must bring some money — ‘The thirty pounds I left done already? No not done absolutely but near it. And yet my living has been as moderate as well could be. … But just take the trouble to see how it has gone — …’

\begin{tabular}{llll}
\hline
 & \$ & & \\
£ & S & D \\
\hline
Your debt to clear off & 4 & 18 & 6 \\
Water-rate & 0 & 6 & 6 \\
Church-rate & 0 & 11 & 3 \\
Rent & 8 & 15 & 0 \\
[Coal merchant’s] quarter account & 5 & 8 & 0 \\
Taxes & 3 & 2 & 2.5 \\
[Servant’s monthly] wages & 1 & 0 & 0 \\
\hline
\textbf{£24. 1. 5} & & & \\
\hline
\end{tabular}

\footnote{See Jones (1997, pp. 15–16) and O’Brien (1988) for some discussion of other forms of taxation.}

were part-time and some of whom were unre- munered for their services:

I went in a cab [from home in Chelsea to Kensington], to save all my breath for appealing. Set down at 30 Hornton Street, I found a dirty private-like house, only with Tax Office painted on the door. A dirty woman-servant opened the door, and told me the Commissioners would not be there for half-an-hour, but I might walk up (JWC, 21.11.1855).

Income tax administration involved parallel structures of officials appointed by county institutions and appointed by central government. Responsibility for assessment and collection rested with the general commissioners. In most districts this tribunal was a subset of the local land tax commissioners (CIR, 1858, p. 760) appointed by county Grand Juries (Sabine, 1966, pp. 28, 36). The central officers of the Inland Revenue, as well as Inland Revenue officials based in local tax offices (‘surveyors’), were Treasury appointees and salaried government employees. Fig. 1 summarises the structures as they existed in 1855.

The relationships in Fig. 1, and described below, applied in England and, on the whole, elsewhere in Great Britain; in Scotland some detailed procedures were distinctive (Lamb, 1997a, p. 227; CIR, 1870). The independence of the two administrative structures was established in law and practice. In principle, the commissioners were the representatives of the people and the Surveyor was the representative of the ‘the Crown, the Chancellor of the Exchequer and the commissioners of Inland Revenue’; the surveyor was responsible for seeing ‘that the Crown received no damage’ and that the duties assigned to the Commissioners and their appointed officials were carried out (W. H. Smith, MP, Hansard, 10.5.1883). The Inland Revenue had no authority to alter the decisions of the local commissioners. The claim of the Chairman of the Board of Inland Revenue never to have attended an appeal hearing (Pressly, SC, 1852a, q. 177) illustrates the independence of the structures in practice.

The general commissioners of Income Tax formed one of many ‘administrative tribunals’
Prime Minister given leave to form government by sovereign

Fig. 1. Organisational control and supervision of income tax assessment, 1855. Note: Direct judicial authority over income tax assessment by appeals to the courts only came into force in 1874 when leave to appeal to the High Court was given; leave to appeal to the Court of Appeal and the House of Lords was not introduced until 1878.
given ‘statutory power to resolve disputes in certain specialist fields’ during the nineteenth century (Stebbins, 1997, p. 119). As Stebbings notes, statute specified the constitution and duties of the tribunals, but their procedures were not usually described in detail. Initially the commissioners’ responsibilities extended only as far as making and administering income tax assessments; from 1803 they acquired ‘the power of hearing and determining appeals against those assessments’ (Ibid.). Like other tribunals, the commissioners ‘enjoyed a large degree of informality, proceeded in English, eschewing written pleadings and jury trial, and were staffed by men ignorant of the rules of law’ (Ibid., p. 121).

In most parts of Britain, commissioners were appointed for districts that consisted of several parishes. They had to be men of ‘integrity and independence’ with an income of at least £200 per annum or an estate of £5000 (5 & 6 Vict. c. 35. s. 10). Typically, they were retired businessmen and justices of the peace (SC, 1852a, q. 121, 3119–3120, 3137) and in London representatives from leading mercantile and financial houses (SC, 1852a, q. 733–741). Only the commissioners had the power to sign and issue income tax assessments in the local tax district. They received no payment for their services.

Commissioners appointed parochial assessors, collectors, a clerk and, sometimes, an assistant clerk to carry out day-to-day administration of the taxes. In most places assessors and collectors were appointed to compulsory office — meaning that it could not be declined — for a one-year term. The commissioners appointed the clerk to the commissioners annually, but in practice the office was more permanent. Many clerks served more than one set of district commissioners and may also have served as clerk to the land tax commissioners and local magistrates (Stebbins, 1994, pp. 63–64; SC, 1852a, q. 2658–9; 1861, q. 1824). These officials received commission (‘poundage’) on amounts of tax assessed and collected locally. Clerks received 2d. for every pound (240d.) assessed, and assessors and collectors shared 3d. for every pound. Remuneration by poundage created incentives to increase local assessment and collection, as well as to resist reforms suggested by the Inland Revenue, e.g. tax collection by government employees (Lamb, 1997a, pp. 242–244, 252; 1997b, p. 20).

Surveyors were authorised by law to examine tax returns and assessments before and after approval by the commissioners. In practice, the surveyor set the amount of assessments of trading profits and professional income in conjunction with the officers of local tax administration (SC, 1852a, Pressly, q. 168; Welsh, q. 833, 842). As well as guarding the Crown’s interests concerning income tax, surveyors filled a similar role for inhabited house duty and land tax, and were officers of stamp duties (CIR, 1858, p. 101). Following its reintroduction in 1842, income tax took the greater part of surveyors’ attentions. Travelling Inspectors appointed by the central Board supervised the Surveyors and acted as accountants for local collection. Three special commissioners dealt with trading profit assessment if taxpayers made special elections, but their services were relatively infrequently used (CIR, 1870, p. 122). In 1849 tax administration began a period of rationalisation following the amalgamation of excise, stamp and direct tax administration under a single Board of Inland Revenue that was responsible for the monitoring the system and employed a central staff to provide legal and administrative support (Lamb, 1997b, pp. 26–28).

4.3. Taxpayers and non-taxpayers

There were already some half-score of men assembled in the waiting-room, among whom I saw the man who cleans our clocks, and a young apothecary of Cheyne Walk [the street on which the Carlyles lived]. All of the [men assembled in the waiting-room], to look at them, could not have been suspected for an instant, I should have said, of making a hundred a year. Feeling in a false position, I stood by myself at a window and ‘thought shame’ (as children say) (JWC, 21.11.1855).

On arrival at the Kensington appeal hearing, Mrs. Carlyle found herself in public, forced to

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20 From 1854 a Clerk’s poundage reduced to 1d. once his total poundage exceeded £500 (CIR, 1870, p. 123).
acknowledge something of her husband’s private affairs simply by her physical presence in the room with others. Surrounded by local tradesmen known to her as she waited, she reacted with discomfort. Clock cleaners and apothecaries were not the equals of the wife of a successful author and heiress to landed property. To mingle with such people before the appeal made the whole event seem even more awkward. The final words of this passage express her social unease. ‘Feeling in a false position’ did not mean that she came to the appeal with the intention to pretend or deceive; her phrase probably meant that she felt out of place. She ‘thought shame’ in the sense of ‘felt ashamed’ perhaps because she felt dishonoured or her sense of common decency was offended by a tax system that would assess individuals without the means to bear it.

As Jane Carlyle looks around her, she finds it hard to believe that any of the men that she sees could earn enough to be taxpayers. Income tax in the mid-nineteenth century did not tax the masses.21 In 1842 the exemption level for individuals was £150 per annum, approximately equal to a good annual salary or good annual profits for a small trader or professional man. The exemption excluded an estimated one-quarter of income from taxation (Wood, SC, 1852a, q. 226). It operated as an all-or-nothing exemption: a man earning £149 per annum would pay no income tax, but a man earning £150 would pay 2.9% of his income, i.e. more than £4 and approximately two weeks’ wages. In 1853 the exemption level was lowered: incomes less than £100 became exempt from tax and income from £100 to £150 was subject to a lower tax rate (5 d./£ or 2.1%). The operation of the exemption was widely believed to be inequitable, and tax evasion by taxpayers with incomes close to the limit was a serious problem.22

In all likelihood, the individuals seated around Mrs. Carlyle in the commissioners’ anteroom had come to the tax office for one of two reasons. Some came to contest the size of an estimated assessment, issued by the authorities because the taxpayer had completed no return or because the authorities did not believe the sums entered on the return. Others came to demonstrate their exemption from tax because their total taxable income was less than £100 per annum:

Men trooped in by twos and threes, till the small [waiting-]room was pretty well filled; at last a woman showed herself. ‘O my!’ did I ever know the full value of any sort of woman — as woman — before! … The woman sat down on the same bench with me, and, misery acquainting one with strange bedfellows, we entered into conversation without having been introduced, and I had ‘the happiness … of seeing a woman more miserable than myself’. Two more women arrived at intervals, one a young girl of Dundee, ‘sent by my uncle that’s ill,’ who looked to be always recapitulating inwardly what she had been told to say to the Commissioners. The other, a widow, … seemed to attach an irresistible pathos to the title of ‘widow,’ this woman. ‘And me a widow, ma’am,’ was the

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21 As a rough estimate, 12% of the English and Welsh male population occupied in work in 1861 was assessed to income tax. Given that the number of persons assessed included corporate bodies, women assessed to tax (unmarried) and multiple assessments, an estimate made by an Inland Revenue statistician of 900,000 persons assessed was dubious (Stamp, 1922, p. 435). The occupied male population statistic for 1861, 7.3 millions, is based on census report data (Mitchell, 1962, Chapter II, Table 1).

22 Parliament set up the Hume Select Committee (SC, 1852a,b) to consider ways of making income tax more equitable. It heard copious evidence of the inequity of the exemption and the administrative difficulties in dealing with the assessment and appeals of small traders. The exemption’s absolute nature created incentives for individuals to evade the tax (SC, 1852a, Pressly, q. 226; Till, q. 2730–35). Many individuals failed to complete their tax returns, and many others lied about their income. Evidence was given that 16% of all persons assessed to tax on their trading profits had made no return of income and another 15% made ‘insufficient returns’ (SC, 1852b, Pressly, q. 5056). Influenced by the Select Committee’s report, Parliament altered exemption rules in 1853, hoping, no doubt, to reduce tax evasion around the absolute limit, but at the same time to widen the tax net to include more modest tradespeople and clerks.
winding up of her every paragraph (JWC, 21.11.1855).

The women waiting to see the commissioners were taxpayers or representatives of taxpayers. An unmarried woman could be a taxpayer, but a married woman normally was not (Boden et al., 1995, p. 132). Under nineteenth century property law, a British woman’s property became her husband’s on marriage. The law obliged the property owner — the husband — to account for income tax. A widow, on the other hand, regained property on her husband’s death and thereby became a taxpayer in her own right. Therefore, the widow attended the Kensington Tax Office on her own account, but Mrs. Carlyle and the young girl sent by her sick uncle were only representatives of taxpayers. They had no official standing under income tax law.

4.4. The burden of income tax

In 1854 Britain went to war with Russia in Crimea. As illustrated in Fig. 2, income tax rates doubled from 6 April 1854 and increased again one year later. For the tax year ended 5 April 1855, the income tax rate on taxable incomes of £150 per annum or above doubled to 1s. 2d. in the pound (14/240 or 5.8%); in the following year the rate was 1s. 4d. in the pound (16/240 or 6.7%).

Taxable income falling within the lower band (£100–150) was taxed at 4.2% in 1854/55 and 4.8% in the following tax year. Although these rates are low in comparison to modern income tax rates, it is a fallacy to assume that taxation was insignificant in the nineteenth century and that people perceived income tax changes as trivial.

In Mrs. Carlyle’s memoire, the widow’s tale of imminent business closure highlights one consequence of tax rate change:

The … widow, and such a goose, poor thing; she was bringing an appeal against no overcharge in her individual paper, but against the doubling of the Income Tax. She had paid the double tax once, she said, because she was told they would take her goods for it if she didn’t — and it was so disgraceful for one in a small business to have her goods taken; besides it was very disadvantageous; but now it was come round again she would give up (JWC, 21.11.1855).

Evidence given to parliamentary Select Committees (1852a,b, 1861) on the income tax is larded with other examples of the economic weight of the tax.

The widow in Jane Carlyle’s tale had received her ‘individual paper’, her tax assessment. She had no cause to complain about the profits assessed,

![Graph](image-url)

Fig. 2. Income tax assessed and income tax rates: Britain, 1842–1862. Note: Income tax was extended to Ireland in 1853 and contributed approximately 8% of total UK income tax charged in the following year (CIR, 1870, p. 197). Source: CIR, 1867–1870.
but lodged an appeal so she could protest to the
local commissioners about the increase in the tax
rate. Parliament set rates annually, not the local
authorities. The woman had no valid grounds
under tax law for opposing the calculations done
in her case. However, she made clear that the
increase in tax would cause her to cease business.

The widow presented herself to Mrs. Carlyle as
a past victim and object of the taxing process. In
1854 the commissioners determined her tax
assessment. Then, the collector of taxes went to
her premises to collect the tax due. He threatened
to seize goods instead of cash, as he was entitled to
do, if she did not pay. She paid. Experience of the
sovereign power of the law was shocking to the
widow. Her stock in trade could be diminished
without warning. In a small community, such cir-
cumstances would become known and damage her
trade as well as embarrass her before neighbours.
Faced with another, larger tax assessment in 1855,
the widow expressed herself as having no will to
continue her business.

Income tax could cause a significant increase in
household expenses, as Mrs. Carlyle explained to
her husband in February 1855. She petitioned him
for an increase in her household allowance, which
was set at £200 per annum. She listed five causes
of increased annual expense:

1. Rise on servant £6 0 0
2. Rise on light and water 1 14 0
3. On Taxes 7 16 8
4. On provisions 1 20 0
5. Cessation of butter 2 0 0

£29. 10s. 8d.
(JWC-Holme, p. 147).

She highlighted the doubled income tax among
other increased taxes:

We are higher taxed. Within the last eighteen
months there has been added to the Lighting,
Pavement, and Improvement Rate ten shil-
lings yearly, to the Poor Rate one pound, to
the sewer rate ten shillings; and now the dou-
bled Income Tax makes a difference of £5.16s.8d.
yearly, which sums, added together, amount to a
difference of £7.16s.8d. yearly,
on taxes which already amounted to £17.12s.
8d. (Ibid.).

This passage implies that the Carlyles were pay-
ing income tax of £11.13s.4d. yearly from the
household budget, almost as much as a servant’s
annual wage. At a tax rate of 5.8%, the amount
implies taxable income of approximately £200 per
annum. After reading the ‘Budget’, Mr. Carlyle
increased his wife’s annual allowance to £232.

5. The appeal

5.1. The characters

‘First-come lady,’ called the clerk, opening a
small side-door, and I stept forward into a
grand peut-être. There was an instant of
darkness while the one door was shut behind
and the other opened in front; and there I
stood in a dim room where three men sat
round a large table spread with papers. One
held a pen ready over an open ledger; another
was taking snuff, and had taken still worse in
his time, to judge by his shaky, clayed
appearance. The third, who was plainly the
cock of that dunghelp, was sitting for
Rhadamanthus — a Radamanthus without
the justice’. ‘Name,’ said the horned-owl-
looking individual holding the pen. ‘Carlyle.’
‘What?’ ‘Car-lyle.’ Seeing he still looked
dubious, I spelt it for him (JWC-Froude,
21.11.1855).

In her narrative, Mrs. Carlyle recollects her
frame of mind as she moved from the anteroom
to the commissioners’ chamber, and then char-
acterises the commissioners and their officials who
wielded the sovereign power of the taxing state.
She refers to stepping forward into ‘a grand peut-
être’, an uncertain, problematic thing (Centre
National de la Recherche Scientifique, 1988). Her
words make clear that she did not know what
would happen to her when she passed into the
next room, but the phrase also suggests her social
discomfort with the idea of ‘appealing’. She is
acustomed to being accountable to her husband over her household financial calculations, but being called to account in public before the unknown agents of sovereign power is daunting and unfamiliar. She knows how to report her calculations and gets the financial settlement that she requires from her husband; she can only hope that her information will persuade the commissioners of the merit of her appeal.

The first official that she meets is the clerk to the commissioners. In her experience, his only function is to convey her to the commissioners. In practice, however, the clerk would have occupied the administrative centre of local tax assessment. He was not, however, usually involved in calculating taxable profits (Till, SC, 1852a, q. 2679). Parochial assessors, or perhaps the surveyors, would have delivered official tax forms, filled in with the taxpayer’s name, to all persons believed to possess the means to pay tax (SC, 1852a, q. 112, 777). Taxpayers had 21 days to complete the forms and return them ‘under cover and seal’ to the clerk. If the taxpayer failed to return the forms, the assessor passed an estimate of the taxpayer’s income to the clerk. Once the clerk received notice of an amount of taxable income, he would ask the commissioners to raise an assessment in an amount that ‘to the best of their judgment’ ought to be charged. The assessment then would be sealed and passed to the Board of General Commissioners for approval and issue. After issue of the assessment, the clerk would calculate and record the tax payable and deliver the details to the collector for his action (CIR, 1858, p. 77).

Most clerks had a legal training. They guided the commissioners — usually laymen — in matters of legal procedure, especially during an appeal (Stebnings, 1994). The clerk would have been responsible for writing up the appeal outcome. During the appeal that Mrs. Carlyle experienced, the influence of the clerk on the commissioners was not evident. Perhaps the fact that clerks were appointed by the local commissioners and, in practice, owed them deference sometimes pushed the clerks into the background when the commissioners were present.

Of the three other men in the room, one holds a pen in readiness to record details of the appeal; he is the Inland Revenue’s surveyor. He had the right to examine details of the assessments and other records kept by the clerk. If there were a dispute over a particular assessment, surveyors and taxpayers could appeal to the commissioners. In the Carlyle case, the taxpayer made the appeal. The surveyor would attend the appeal hearing to provide a justification of the earlier decision (SC, 1852a, Offor, q. 2467) and as the Treasury’s representative.

Written records were important to surveyors. On such practices of creating and then interpreting texts the Inland Revenue would build its disciplinary powers. In his evidence to a Select Committee, one London surveyor said, ‘I never take any statement except it is in writing’ (SC, 1852a, Welsh, q. 935). The surveyor habitually maintained his own records of cases; from data collected in this way, the surveyor could compare a current return with previous returns and identify trends (q. 920). Surveyors placed importance on writing for two reasons. First, they were accountable to the Board of Inland Revenue and subject to review by travelling supervisors. Second, assessments with which the surveyor had been involved were always open to appeal and, therefore, the possibility of justification before the Commissioners.

The other two men described by Jane Carlyle are commissioners, the formal authorities in the process of local taxation. One is a rather dissipated, sickly character. The other Commissioner, who she describes as ‘Rhadamanthus’, dominates him. In Greek mythology, Rhadamanthus was a judge in the underworld. The commissioners saw themselves as judges: ‘We sit as judges, and our clerk assists us in that; the appellant is on the one side, the surveyor on the other, to take care of the revenue’ (SC, 1852a, Offor, q. 2467). The Board of Inland Revenue also regarded the commissioners’ functions as primarily judicial.23 In law, general commissioners could not hear appeals on assessments that they themselves had made, nor in cases

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23 See, for example, the Board of Inland Revenue circular to all general commissioners, 16 May 1860, British Parliamentary Papers, 1871 (462) XXXVII.235.
where they had a personal interest (CIR, 1858, p. 76). In practice, these rules were usually followed (SC, 1852a, Hyde, q. 1539–1541), but not always (SC, 1852a, Welsh, q. 750, 812–818, 838–839). It seems reasonable to presume for the purposes of the current analysis that the two commissioners hearing the Carlyle appeal had not made the original decision over how much taxable income to assess.

5.2. Calculability

The taxation of profits rested on self-assessment. The taxpayer was asked to report a calculation of taxable income every year on his return. In 1855 professional income from authorship was assessed on the basis of the average taxable profits from the three years preceding the start of the current tax year. Therefore, Mr. Carlyle should have entered the average of his annual net profits from authorship for the three year period April 1851–April 1854.24 If published estimates (Holme, 1965, p. 142) are correct, he should have entered a sum less than £150 as his taxable profits for the tax year.25 Tax payable would have been calculated by multiplying the current tax rate by the appropriate average profits. Tax authorities sought accurate and honest tax calculations from taxpayers that would permit them to levy current tax as well as form the basis for evaluating future returns and the calculations of other taxpayers in similar circumstances. However, tax authorities could not rely on taxpayers to supply such calculations, and practices based on the exercise of sovereign powers were essential to tax authorities’ judgements about the size of taxable profits.

Rhadamanthus does not seem to understand that an author’s income could vary considerably from year to year, depending on whether he was writing or had published a book:

‘Huffigh! Huffigh! What does Mr. Carlyle mean by saying he has no income from his writings, when he himself fixed it in the beginning at a hundred and fifty?’ [said Rhadamanthus. I replied] ‘It means, sir, that, in ceasing to write, one ceases to be paid for writing, and Mr. Carlyle has published nothing for several years.’ ‘Huffigh! Huffigh! I understand nothing about that.’ ‘I do,’ whispered the snuff-taking Commissioner at my ear. ‘I quite understand a literary man does not always make money. I would take it off, for my share, but (sinking his voice still lower) I am only one voice here, and not the most important’ (JWC, 21.11.1855).

Evidence that Mr. Carlyle had himself fixed it in the beginning at a hundred and fifty ‘fuels Rhadamanthus’ disbelief that the taxpayer had a smaller taxable income. The second commissioner understands the pattern of earnings, but he indicates that he lacks the power to influence his colleague on the matter.

Rhadamanthus says that Carlyle ‘fixed [his taxable profits] in the beginning at a hundred and fifty’. The phrase ‘in the beginning’ may be significant.26 From 1842 until 1854 £150 per annum was the exemption limit. Possibly Carlyle tried to argue that his income fell below the £150 limit in 1842, thinking that he would avoid the tax. Perhaps he had to concede that his income was £150 per annum and that tax was payable.27 Perhaps Carlyle never calculated his income again, but instead accepted or used the earlier calculation of £150 in each successive year. Such behaviour would be consistent with his expressed lack of interest in ‘business’ (e.g. TC-Duke, 20.4.1842) and dislike of

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24 Until 1853 professional income was assessed on the basis of the actual income of the preceding year of assessment (CIR, 1870, p. 123). It is quite possible that this change in the tax base was a source of confusion to the Carlyles. It may also have been an explanation for the greater interest of the tax authorities in his financial affairs.

25 Holme (1965, pp. 142, 150) estimates that he earned approximately £800 in 1847 from his writing, but ‘something under £150 for the years between 1848 and 1855’; only in 1858 did he receive more than £2800 in one year from his writing.

26 Holme (1965, p. 142) interprets the phrase to mean that Carlyle calculated ‘in 1854’ his last three years’ earnings as averaging £150 a year. The context suggests that there is more to it than this.

27 In 1848–1849, surveyors reported that some 9687 traders and professionals who had claimed exemption were found to have incomes above £150 (SC, 1852a, Pressly, q. 359–363).
the income tax, as well as consistent with the manner in which many taxpayers dealt with the tax authorities.

Taxpayers frequently failed to submit returns and relatively large numbers of men with incomes close to the exemption limit practised tax evasion. A commissioner reported to a Parliamentary Select Committee: ‘[A] great number of persons are content to make their returns the same as in the previous year, rather than go through perhaps the pain and the disagreeable operation of calculating nicely their incomes for the purpose of being taxed’ (SC, 1852a, Till, q. 2742, emphasis added). Evidence presented to the Select Committee (SC, 1852a, 1852b) makes clear that tax authorities believed that tax evasion was widespread in the process of reporting trading and professional profits. Such profits were largely invisible until reported by the taxpayer. This characteristic of the tax base posed ethical problems for taxpayers. Assessment relied upon the veracity of taxpayers; ‘we are at their mercy’ was a common sentiment expressed by commissioners and other tax officials (e.g. SC, 1852a, Nicholson, q. 2980, 3041). One commissioner expressed his inability to deal with such problems under existing arrangements: ‘I am quite satisfied that there is a vast deal of fraud, but it is quite beyond our control; we cannot get at it’ (SC, 1852a, Offor, q. 2601).

Despite these fundamental problems of profit assessment, commissioners were responsible for making the system work as best they could. Officials faced two practical issues of calculation: how could tax authorities judge the reliability of calculations disclosed by taxpayers; and how could they make alternative calculations of their own? One technique was ‘assessment by analogy’ (Lamb, 1997b, pp. 17, 30). Assessors, surveyors and Commissioners pooled their knowledge of the local community, local industries and local commerce to assess by guesswork and estimate and by comparisons between individuals and over time (SC, 1852a, Pressly, q. 168, Lee, q. 3268; SC, 1852b, Pressly, q. 5105–6). Another technique used by authorities to supplement their limited knowledge of the taxpayer was estimated assessment or ‘surcharge’ (CIR, 1870, p. 120). In many cases where the authorities suspected that taxpayers would be under-assessed based on past declarations or the current tax return, Commissioners deliberately would approve assessments that showed significantly higher taxable income than assessments had in previous years. If the Commissioners believed that an individual possessed taxable income above the exemption limit, they might raise an estimated assessment. By issuing an estimated assessment, they intended to ‘bring the party before them’ (SC, 1852a, Nicholson, q. 2979). If the taxpayer did not appeal, then the authorities’ guess was probably accurate; if the taxpayer did appeal, then the authorities would have an opportunity to gather more accurate information. This technique seems to have been employed in Carlyle’s case. As Jane Carlyle’s narrative goes on to make clear, the 1855 tax assessment was for £250 of taxable profits, an amount well in excess of £150.

5.3. Examination

‘Ha!’ cried Rhadamanthus, a big, bloodless-faced, insolent-looking fellow. ‘... Why is Mr. Carlyle not come himself? Didn’t he get a letter ordering him to appear? Mr. Carlyle wrote some nonsense about being exempted from coming, and I desired an answer to be sent that he must come, must do as other people.’ ‘Then, sir,’ I said, ‘your desire has been neglected, it would seem, my husband having received no such letter; and I was told by one of your fellow commissioners that Mr. Carlyle’s personal appearance was not indispensable’ (JWC, 21.11.1855).
The commissioner expected Thomas, not Jane, Carlyle to appear before him. A letter from Mr. Carlyle argued that he need not appear, but this is dismissed as ‘nonsense’ by the commissioner who expects Mr. Carlyle to bow to the sovereign power of the commissioners and appear for examination as he ‘must’ and ‘as other people’ do. In this sense, a notice of an appeal hearing sent to the taxpayer was a calling to account that the authorities expected taxpayers to obey.

The proceedings before the commissioners were only in part inquisitorial, meaning that the commissioners had limited powers to enquire beyond the circumstances put to them (Stebbings, 1993). They could, however, demand under written warrant that the taxpayer return a statement detailing particular sources of profits and deductions made (5 & 6 Vict. c. 35. s. 120). It is not clear if Mr. Carlyle was asked to complete such a statement, but it is quite clear that he did not provide one. In an appeal, the commissioners had no general power to summon the taxpayer for an oral investigation (Stebbings, 1993, p. 55). However, they could, after an initial review of the taxpayer’s grounds for appeal and all relevant documents (e.g. the return and correspondence), call the taxpayer before them to verify particulars before they made their final determination of the appeal. These seem to be the circumstances of Mrs. Carlyle’s appearance before the commissioners.

Before 1874 income taxpayers had no specific legal right to appeal beyond the commissioners to the courts (Stebbings, 1996, 1997). The determination of an appeal by the commissioners would be final. They would have determined the 1855 appeal whether or not Carlyle (or his wife) came before them. In this sense, Mrs Carlyle’s assertion that ‘Mr. Carlyle’s personal appearance was not indispensable’ was accurate. Without further information, the commissioners would have used judgement and local knowledge to make a final determination. Probably, this would have meant the confirmation of the original assessment.

5.4. Verification and judgement

Swearing oaths was an important part of the tax procedure as defined in statute. If, after review of an appeal case, the commissioners wished to verify particulars before confirming or altering the assessment, they could summon the taxpayer to appear before them. An oath could be required ‘... to verify the contents of his statement or schedule’ (5 & 6 Vict. c. 35. s. 122). In other circumstances, general commissioners could write to taxpayers to demand a written answer to questions, or, alternatively, that the person appear before the commissioners for viva voce examination. The taxpayer was not required to give evidence under oath, but any answers given were recorded (5 & 6 Vict. c. 35. s. 123). Once the examination was complete, the taxpayer would be asked to verify any evidence already given by swearing an oath.

Despite these detailed provisions in law for swearing practices, evidence presented to the Select Committee makes clear that commissioners very rarely required taxpayers to swear to the accuracy of their testimony or written statements supplied (SC, 1852a, Welsh, q. 863–6; Offor, q. 2599). For most commissioners it was enough that the taxpayer was willing to swear an oath. Through viva voce examination, they sought to judge how far they could rely upon the taxpayer’s statements.29 If the taxpayer was prepared to swear to his statements and if the Commissioners concluded that the taxpayer was honest, they would accept the returns or statements (SC, 1852a, Welsh, q. 871). Primary verification of profit calculations, therefore, rested not on documentary evidence, but on judgements of honesty obtained by physical inspection and interrogation of the taxpayer as he or she stood before the commissioners:

‘There,’ said I, handing to Rhadamanthus Chapman and Hall’s [Carlyle’s publisher’s] account; ‘that will prove Mr. Carlyle’s statement.’ ‘What am I to make of that? Huffgh! We should have Mr. Carlyle here to swear to this before we believe it.’ ‘If a gentleman’s word of honour written at the bottom of that paper is not enough, you can put me on my oath: I am ready to swear to it.’ ‘You! You, indeed! No, no! we can do nothing with your

29 This attitude is similar to that of modern US tax auditors who ‘audit the taxpayer, not the return’ (Pentland & Carlile, 1996).
oath.’ ‘But, sir, I understand my husband’s affairs fully, better than he does himself.’ ‘That I can well believe; but we can make nothing of this,’ flinging my document contemptuously on the table. The horned owl picked it up, glanced over it while Rhadamantus was tossing papers about, and grumbling about ‘people that wouldn’t conform to rules;’ then handing it back to him, saying deprecatingly: ‘But, sir, this is a very plain statement’ (JWC, 21.11.1855).

Jane Carlyle presents herself as confident that a copy of her husband’s account with his publisher will prove his claim that he had no taxable profits in the relevant period. If the document is insufficient, then she is confident that his ‘gentleman’s word of honour written at the bottom of that paper’ will do the trick. Rhadamantus indicates that he cannot believe anything written by Mr. Carlyle until he is ‘here to swear to this’. Jane’s offer to give an oath is of no use because she is not the taxpayer and has no standing before the commissioners. Her expert understanding of her husband’s affairs is irrelevant because the commissioners really want to judge the taxpayer as he stands before them.

The Chapman and Hall statement of account eventually ended up in the hands of the ‘horned owl’, the surveyor. While the commissioner complains about taxpayers who ‘wouldn’t conform to rules’, the surveyor concludes that the statement provided by the Carlyles verifies their claim of no taxable income. The surveyor’s willingness to contradict the commissioner reflects his independence from the patronage of the local commissioners. His readiness to interpret written evidence may also reflect practices of writing down evidence and calculations, as well as scrutiny of texts. His approach may reflect an increasing emphasis on training and expertise in the Inland Revenue.30 The surveyor’s practices were distinct from the Commissioners’ preferences to judge the person not the return. The contrast between the behaviour of the Commissioner and the Surveyor illustrates different practices of governance: the dominant practices of the Commissioner based on the exercise of his sovereign power to ‘read’ the subject in person and the emerging practices of the Inland Revenue based on ‘reading’ the subject through texts.

Although legislation detailed procedures for collecting written evidence, these were not followed uniformly in practice. Instead of following the statutory provisions, letters often were sent to appellants asking them for accounts in whatever form they could supply (SC, 1852a, Welsh, q. 878). It would not have been unusual for Mr. Carlyle to supply his account with his publisher as proof of his (lack of) income. Surveyors and commissioners consulted a taxpayer’s books and accounts when they were offered, but they preferred to receive written statements of profits in the format specified. The combination of the pressure of a large number of appeal hearings plus a legal requirement of written justifications for appeal decisions meant that officials, particularly the surveyors, preferred to receive written statements that could serve as the basis for formal written proceedings of the appeal (SC, 1852a, q. 1197). This preoccupation with writing an accounting of the taxpayer’s case was a grounding for systematic rewriting and examination as a method of regulatory control.

5.5. Legal limits of calculability

‘[If he has no income from his writings, t]hen what has Mr. Carlyle to live upon? You don’t mean to tell me that he lives on that?’ pointing to the document [from Chapman and Hall]. ‘Heaven forbid, sir! But I am not here to explain what Mr. Carlyle has to live on, only to declare his income from Literature during the last three years.’ ‘True! True!’ mumbled the not-most-important voice at my

30 In 1855 Inland Revenue appointment was by nomination. The right connections, rather than necessarily having ability, were often relevant qualifications. Technical expertise was gained through experience on the job. By the late 1870s, consistent with other branches of the Civil Service, surveyors were appointed on the basis of open examinations in higher arithmetic, geometry, translation from French, German or Latin, Euclidean geometry, algebra, double-entry bookkeeping and political economy (Sabine, 1966, pp. 73, 122–123).
elbow. ‘Mr. Carlyle, I believe, has landed income.’ ‘Of which,’ said I haughtily, for my spirit was up, ‘I have fortunately no account to render in this kingdom and to this board’ (JWC, 21.11.1855).

Rhadamanthus was not obliged to heed the advice of the surveyor and he did not easily give up his interrogation of Mrs. Carlyle. He wonders how they live on Mr. Carlyle’s income from authorship. Even a close friend of the Carlyles ‘remarked that no one who visited [them] could tell whether they were rich or poor’ (Holme, 1965, p. 146). The Carlyles had other income besides Thomas’s professional income. There was income of £150 per annum from landed property in Scotland that Jane inherited from her mother and which belonged under law to her husband. Mr. Carlyle also had an interest-earning deposit of some £2000 in a Dumfries bank (Holme, 1965, p. 142). Tax would have been deducted at source from rent and interest in Scotland — hence Jane’s comment that she had no ‘account to render in this kingdom and to this board’ concerning their other income. Had the couple’s total income fallen below the tax exemption level (then £100 per annum), Thomas Carlyle would have had to disclose his total income to the Kensington Commissioners to claim the benefit of the exemption.

Mrs. Carlyle states that she is under no obligation to explain their circumstances to the Commissioners beyond the question of ‘income from literature during the last three years’. She is correct, as confirmed by the less powerful commissioner. Income tax was gathered by reference to the different sources (‘schedules’) of a taxable person’s total income (Boden, 1999; Lamb, 1996; Sabine, 1966, p. 35). This system of regulatory categorisation of income ‘at source’ (Boden, p. 40) was introduced in 1803 as an administrative improvement of the original income tax (Sabine, 1966, pp. 35–8; Soos, 1995); the system was continued, virtually unchanged, when income tax was reintroduced in 1842.

A desire to increase tax revenue by reducing evasion motivated the introduction of the Schedu-ular system and the complementary system of taxation at source.31 The 1799 income tax had required taxpayers to report a single calculation of their total income from all sources. Given the variety of types of income, the geographical spread of sources, and the difficulty of calculation of profits, there was much scope for tax evasion. Piecemeal taxation permitted taxpayers to keep secret the total amount of their income. Such secrecy was deliberately built into law and procedure as part of the political process of making income tax acceptable to Members of Parliament and their constituents (see Lamb, 1997b, pp. 14-15; and Stebbings, 1998). Only if taxpayers wished to claim exemption from income tax altogether did they have to disclose total income to tax officials.

Recognition of income at source was ‘impossible’ only in the case of Schedule D trading and professional profits (SC, 1852a, Pressly, q. 373–86). ‘Schedule D’ relied upon an accounting of income by the final recipient and payment of income tax on assessment. Thomas Carlyle’s professional income was categorised as Schedule D, and the Carlyle case provides evidence of some characteristic problems. The source of such income was substantially hidden from easy scrutiny, ‘sufficient’ returns were difficult to obtain, and the amounts were difficult to estimate (Ibid.). Schedule D income was problematical to tax. This and other features of the piecemeal taxation of income at source placed legal and practical limitations on the calculability of taxable income.

5.6. Determination of the appeal

Rhadamanthus is not insensible to the advice and views of his fellow commissioner and the sur-

31 The system of deduction of tax at source, rather than payment of tax by the final recipient (i.e. taxation of income at destination), applied to as many income tax schedules as was feasible. It was regarded as essential to the reduction of tax evasion (SC, 1852b, Pressly, q. 5061). The system collected tax ‘from persons not directly interested in its payment, and evasion was reduced because the tax was deducted before the income reached the ultimate proprietor’ (Soos, 1995, p. 49). For example, a tenant would have deducted income tax from the rent payment to his landlord.
veyor, but he was unwilling to concede the game to Mrs. Carlyle and the absent taxpayer:

‘Take off fifty pounds, say a hundred — take off a hundred pounds,’ said Rhadamanthus to the horned owl. ‘If we write Mr. Carlyle down a hundred and fifty he has no reason to complain, I think. There you may go. Mr. Carlyle has no reason to complain.’ Secondcome woman was already introduced, and I was motioned to the door; but I could not depart without saying that ‘at all events there was no use in complaining, since they had the power to enforce their decision.’ (JWC, 21.11.1855).

Rhadamanthus does not want to deal with precise calculations any more than Mr. Carlyle does. ‘Take off fifty pounds, say a hundred’; assessment of taxable profits was a practice of rough estimation. By determining the assessment as £150 of taxable profits, Rhadamanthus — who appears to be acting alone in this decision — uses a figure that he takes to be the last one personally provided by Mr. Carlyle. In effect, he is saying that he will over-assess Carlyle until he starts to obey the rules of income tax, including instructions from the commissioners to appear before them in person for judgement. Jane Carlyle recognises that the decision of the commissioners is final. There is no appeal to a higher authority.

Effectively the appeal was an occasion for unequal negotiation between various parties. Mrs. Carlyle had her say and had some effect, despite her lack of standing. The weak commissioner tried to voice his views but with no apparent impact. The surveyor — who could only advise — appeared to have had some influence through his confident exercise of technical expertise. His reading of the Chapman and Hall account challenged Rhadamanthus’ estimation. In the end, however, Rhadamanthus, the most powerful authority present, determined the appeal. Thomas Carlyle was assigned his tax liability in his absence, and his wife was left to recalculate its impact on her ‘house money’ before she made her account of the appeal to her husband.

6. Conclusions

Jane Carlyle left the Tax Office on 21 November 1855 relieved that her husband had not faced the ordeal and that things had not gone worse (e.g. she was not required to pay the original assessment):

On stepping out, my first thought was, what a mercy Carlyle didn’t come himself! For the rest, though it might have gone better, I was thankful that it had not gone worse. When one has been threatened with a great injustice, one accepts a smaller as a favour (JWC, 21.11.1855).

Her outing saved the household approximately 10% of her quarterly budget. Nonetheless, she walks away sore that she did not win her argument and aggrieved at the injustice done. The appeal led to a further ‘unjust’ assessment by the local commissioners in the sense that she believed it was inaccurate and still excessive. She had no appeal to a higher authority. The appeal was an occasion for unequal negotiation between various parties. Mrs. Carlyle had her say and had some effect, despite her lack of standing. The weak commissioner tried to voice his views but with no apparent impact. The surveyor — who could only advise — appeared to have had some influence through his confident exercise of technical expertise. His reading of the Chapman and Hall account challenged Rhadamanthus’ estimation. In the end, however, Rhadamanthus, the most powerful authority present, determined the appeal. Thomas Carlyle was assigned his tax liability in his absence, and his wife was left to recalculate its impact on her ‘house money’ before she made her account of the appeal to her husband.

32 She would have disagreed with the Chairman of the Board of Inland Revenue, who argued that all the injustice of an ‘unjust assessment’ raised in an estimated amount was erased by the power of appeal (SC, 1852b, Pressly, q. 5127–30).
experience in which she felt the sovereign power of the local commissioners firsthand. Experience of the sovereign powers of the tax authorities created a commitment to avoid a repetition of the experience in the future.

Mrs. Carlyle’s journal provides insights into how tax administrative rules intervened in taxpayers’ lives and began to control their income tax reporting. She was accustomed to being accountable to her husband over domestic financial matters, but direct experience of the public sovereign power of the state was unfamiliar. The written evidence of her reactions and memory of her experience of the tax appeal reveals a transformation of Mrs Carlyle into the representative household subject who responded to the tax authorities’ disciplinary power. While she lived, she would ensure that the household dealt with its income tax obligations according to the instructions communicated in letters from the tax authorities. She was not the calculable subject of state power herself, but, as was the case in so many other domestic financial matters, she assumed much of her husband’s burden to comply with the discipline of tax practice.

The Carlyle account reveals details about a particular place and setting where taxable profits became visible, about the social interactions that occur around this event, and about the process by which taxable profits were determined. Absent from the narrative of tax assessment is a concern with precise or protracted calculation; instead, there is a preoccupation with procedure and examination. It is possible to generalise from the Carlyle case in some respects because Jane Carlyle’s journal is an unusual account of the usual process of income taxation at the margins of taxability. Inland Revenue reports and testimony before Parliamentary Select Committees substantiate the view adopted in this study that Mr. Carlyle behaved and was treated by the tax authorities like many other taxpayers with small Schedule D incomes. The Carlyle journal and letters constitute an unusual source because they reveal ways in which the tax appeal provoked personal reactions immediately and over a number of years, including the self-discipline to avoid similar circumstances in the future. Mrs. Carlyle’s involvement in the appeal as her husband’s informal representative makes clear that his personal relationship with the tax authorities has been transformed in their particular case into a household relationship with taxation.

In 1855 the taxpayer was expected in practice to make a tax accounting in the sense of ‘a telling’ rather than regulated calculation. The appeal was a calling to account before the commissioners, and it was an occasion for judgement of the taxpayer as well as for verification of self-assessment of taxable profits or for unequal negotiation of estimated taxable profits. Local tax commissioners exercised sovereign power in bringing the taxpayer before them in the appeal hearing. At the same time, conditions of possibility for the emergence of the disciplinary power of modern tax practice were evident. Having experienced the sovereign power of commissioners to apply rough justice through estimation and judgement, taxpayers were more ready to comply with the procedural and calculative rules of income tax. The Inland Revenue designed and distributed return forms to elicit written, examinable and standardised knowledge of the taxpayers. Effective disciplinary practices within the Inland Revenue hierarchy (e.g. roving supervisors, performance monitoring and standardised accounting) reinforced the technical authority of its officers vis-à-vis local commissioners.

This study of the Carlyle case identifies some of the practices of power and social relations from which the modern UK social and institutional practice of taxation emerged. As a starting place for further research into UK tax practice, it outlines a pattern of historical change in the nature of regulatory control and highlights inherent tensions in the relationship between taxation and accounting. This analysis draws upon the theorising of Hoskin and Macve (1986, 1994) to suggest that income tax gained its potential as a new and powerful form of accounting around the turn of the nineteenth century, but accountability in income tax practice emerged slowly over the next century or so. Following Hoskin and Macve (1986, pp. 113, 125), one can say that the introduction of British income tax in 1799 presaged a new way of taxing, one based on and one that creates taxpayers as calculable subjects. The self-
assessment of total taxable income required by the 1799 income tax had the potential to turn each taxpayer into a case that was capable of written summary and examination according to a single ‘mathematical expression of human value’ (Ibid., p. 113). However, the 1799 income tax did not work well and was altered to permit piecemeal income taxation. The changes in tax law associated with piecemeal taxation help explain why accountability emerged slowly in practice. The limits that piecemeal taxation placed on calcu-

ability can be seen in the Carlyle case.

Recognition of taxable income by source and deduction of tax whenever feasible were the twin planks of income tax ‘efficiency’ in the nineteenth century. The system retained the concept of the individual or person as the object of income tax (viz. tax exemption rules and procedures). Taxpayers’ concerns about the invasion of their privacy by tax assessment, especially when conducted in their local community by neighbours, led politicians to legislate secrecy provisions for income tax. In consequence, tax authorities lacked knowledge of the taxpayer because they could not calculate, nor require the taxpayer to calculate, total taxable income. The problem was not that calculation per se was impossible or not done for income taxation, but that a totalising calculation consistent with the concept of the taxing person was not yet enforceable or verifiable. Before the introduction of progressive income tax in the first decade of the twentieth century, an individual was required to calculate total taxable income only when the taxpayer wished to claim exemption from or reduction of income tax.

Trading profits were not subject to deduction of tax at source and became visible through an accounting for taxable profits. Tax law treated profits as a precisely calculable part of total income, but did not define the precise calculations (Edwards, 1976; Freedman, 1987). The absence of enforceable totalising calculation made it easier for taxpayers to hide or minimise their taxable profits. For example, local authorities could not tell if a trader’s or professional man’s extravagant lifestyle was funded from undisclosed Schedule D profits or other income taxed elsewhere. Most other forms of income suffered tax deduction at source, but Schedule D law required assessment as the basis for tax collection. Income tax administration became preoccupied with problems of Schedule D profit measurement.

The unreliable nature of Schedule D tax accounting became more of a problem as Schedule D profits became a larger part of the income tax base (see Fig. 3). The tensions around calculation of profits and self-assessment intensified. The bigger that trading profits became, the more that the problems attached to their assessment grew. Understanding this refocusing of tax practice on control of the Schedule D tax base is central to understanding nineteenth century shifts in patterns of regulatory control for income tax.

In nineteenth century Britain, sovereign powers to tax and regulate the taxpayer belonged to independent local Commissioners, not the Inland Revenue. Ex post facto, the Inland Revenue is identified as the creator of tax rules and practices (e.g. Edwards, 1976) and capable of governing taxpayers through a nexus of disciplinary technologies (Preston, 1989). Until the Inland Revenue gained de facto power to assess tax and determine the liability through procedure, local commissioners were habituated to exercise their sovereign powers to estimate tax liabilities based on local knowledge and judgement, as well as force a substantial proportion of taxpayers to appear in person before them for judgement. Inland Revenue officers were more habituated to rely on written evidence, calculation and close attention to legal rules. Their powers rested on technical authority and knowledge of the taxpayer gained through the collection, creation and analysis of written evi-

33 There were undoubtedly cases where taxpayers carefully calculated their taxable profits and total income. Some 69% of Schedule D taxpayers were estimated to make sufficient returns (SC, 1852b, Pressly, q. 5056). However, CIR reports and SC evidence make clear the tax authorities’ preoccupation with those who did not.

34 The technologies of profit taxation were like a ‘supple-

ment’ (Derrida, 1967/1998, pp. 144-5; Ezzamel & Hoskin, 1995, p. 7) to technologies of income tax based on deduction of tax at source. Eventually a supplement becomes the most important aspect of practice.
dence. In general, the forms of power employed by local commissioners and Inland Revenue officers complemented each other. However, they represented different modes of governance and the different approaches featured in a competition for de facto control of the taxing process. Inland Revenue techniques and procedures would not dominate practice until the local commissioners relinquished de facto control of the taxing process and the judiciary began to reinforce standardised techniques of legal interpretation. The shift of de facto regulatory power from the local commissioners to the Inland Revenue occurred gradually (Stebbings, 1994, p. 66). Not until the twentieth century was the Inland Revenue recognised as controlling local tax administration, leaving the Commissioners to function as a judicial tribunal (Sabine, 1966, pp. 155).

This paper has examined the process of and social context for mid-nineteenth century British income tax. It has drawn attention to a subsequent shift in mode of governance of income tax and outlined the inherent tensions in the social and institutional practice of taxing business profits. There are many directions in which these themes may be pursued in further research. Accounting is integral to tax practice, but it is an accounting that changes over time and as the tax context changes. We need more studies of tax and accounting as they come together and change. In particular, we need a better understanding of how tax law, rules and procedures have emerged and been applied in practice, and how such changes have introduced shifts in the character of power relations and forms of accountability. Research into how the complexities of organisational taxation link to the accountability of individuals in a historical context and in comparative settings would enrich our understanding of tax practices and their many connections to accounting.

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