

MUSADDIQ 'S MEMOIRS

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CHAPTER 3 THE PREPARATION OF THE BOOK OF ACCOUNTS

In the old regime the term budget was not known. The preparation of the annual budget has simply been adopted by Iran in imitation of western countries. It was introduced to the Iranian system of public administration only after the Constitutional Revolution [of 1905]. Previously, the revenues and expenditure of the state were fixed and did not change. Thus, only every few years a tally, known as the General List of Revenues and Expenditures of the Country, would be prepared in order to find out if there was a balance between the revenues and expenditures of the state. If there was not, the people responsible for governing the country would contemplate how they could restore economic equilibrium.

Now the revenue and expenditure should be described separately.

1-State Revenues

In the old regime we had two important revenues:¹

Of greatest importance was the agricultural properties tax, followed by the customs duties. Both of these require some explanation.

1.1. Taxation of Agricultural Properties

The tax payable on agricultural properties was a fixed sum and would not change until a new assessment, which was initiated only when the tax fixed for the property in question was no longer appropriate to that property's existing circumstances. The possible causes such as difference between the tax registered against a given property and the amount of tax which was actually due by the taxpayer for that property were numerous. Certain properties could have been improved since the last tax assessment. On the other hand, some properties could

have suffered total destruction or partial damage. Both these situations would justify a new assessment. Again, because of a rise in the price of agricultural products in the market, the tax liability of agricultural lands could be grossly different from that applicable at the time of the last assessment. Usually, the basic criterion for the assessment of tax on agricultural properties was one-tenth of the total revenue which the landowner obtained from his property. To fix and determine the amount of agricultural tax, the minister of finance appointed a well-informed and able accountant as the assessor. It was the duty of the tax assessor to investigate and discover the total revenue of that property in a short period in the interest of the state. I said that he did so in the interest of the state, because almost invariably in each new assessment something, either in cash or in kind, was added to the amount of tax already payable. If ever the tax fixed for a piece of property was to be reduced, the appointed tax assessor had to justify this decision by giving his reasons and evidence for the proposed reduction.

The procedure for tax assessment was that the appointed tax assessor went to the locality where the agricultural property was situated. There he conducted investigations about the property being assessed by seeking information from the headman of the village and the peasants and farmers about the water, soil, seeds and products of the property. He would take note of all relevant items of information obtained from these various sources. It was very rare for a landlord to disagree with the outcome of the investigations made locally by the assessor, mainly because these local investigations were not the subject of previous collusion or conspiracy between the interested parties. Thus the procedure of assessment in the old times was carried out at minimum cost and within the shortest period of time. At the same time, the taxpayers would usually pay their taxes quite willingly.

(In summer 1914 when I returned to Iran after having completed my education in Europe I was in Rustamabad, a village in Shimiran, in the house of the late Hasan Pirniya, Mushir al-Dawleh. There I saw one of the Belgian advisers who was responsible for the tax assessment in the District of Varamin. He said that, having exactly ascertained the total product of one of the villages of that district he had taken that as the criterion by which to assess the products of other properties in that district. He was therefore intending to assume the water and cultivated lands of other properties in that district to be similar so that he could fix a reasonable amount of tax guided by the typical village that he had thoroughly investigated. I was absolutely amazed at this proposition because in addition to the water and land, there are also several other factors which would have an impact on the amount of production and those factors too should be borne in mind. That is to say, it matters very much whether the land is productive, whether the peasants working on it are competent and hard-working and whether the landowner himself has any expertise in agricultural matters or not. Indeed there are very many properties which have water but have no productive soil, or they have good peasants but they do not enjoy the benefit of being supervised by landlords knowledgeable in agricultural matters.

Also between the years 1303 and 1306 AH solar (1924-7) when the American advisers were handling our financial affairs, they asked a number of questions to assist them in tax assessment. The landowners were required to answer these question which were printed on the back of tax returns. One of these question concerned the ratio of seeds to Summer crops. To state the obvious, this question was quite appropriate so far as corn was concerned. (Each landowner or peasant can compare the amount of his harvested product in relation to the quantity of the seeds he has used and accordingly he can come up with an answer that each seed has produced so much corn). But this question could not be asked about all types of Summer crops because, for example, you could plant a very small quantity of onion seeds and yet harvest a very considerable quantity of onion.)

The tax liability of each estate, as determined by the assessor, would be registered on a sheet of paper, known as ' the single sheet'. The single sheet being about 14 cm wide and 20 cm long was the standard paper used in all the state accounts. The total body of various single sheets, containing the assessment of the taxes of all the estates situated in any given district, was known as the 'aggregated booklets' and would be referred to as the aggregated booklet of this or that district. There were several copies of these aggregated booklets, one copy or more to be kept in the district in question and another copy in the capital city of Tehran. This duplication was intended to serve a purpose. For instance, if there were any discrepancies or differences between the landowner, on the one hand, and the government officials on the other, these various aggregated booklets could be consulted to settle the dispute.

The basic criterion for collecting tax from the agricultural lands was to collect one-tenth of the revenues obtained by the landowner from his properties. This customary principle was not contained in any binding legal document. Also, it was not clear whether this customary tax liability to the extent of one-tenth of the agricultural income obtained by the landowners was to be calculated on the basis of the landlord's gross or net revenue. Thus there were a few unsettled and general problems as to whether, instead of the gross revenue of the landowner, it was his net income which had to be taxed. It was also unclear which types of costs could be admitted as being deductible and which were not deductible.

FOOT NOTES

1- These were important because we also had other revenues which were of less importance, such as those from charities and co-operatives, the state mint, the post and telegraph office and others. All these revenues together would not exceed 1 million Rails.

(To be continued in the next issue)