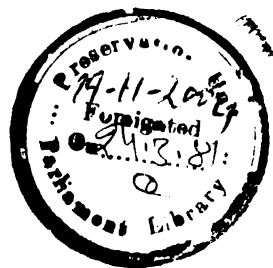


Thursday, 22nd March, 1928

THE  
**COUNCIL OF STATE DEBATES**  
(OFFICIAL REPORT)  
**VOLUME I, 1928**

*(1st February 1928 to 22nd March 1928)*

**FOURTH SESSION**  
OF THE  
**SECOND COUNCIL OF STATE, 1928**



CALCUTTA : GOVERNMENT OF INDIA  
CENTRAL PUBLICATION BRANCH  
1928

**Thursday, 22nd March, 1928—**

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# COUNCIL OF STATE.

*Thursday, 22nd March, 1928.*

The Council met in the Council Chamber at Eleven of the Clock, the Honourable the President in the Chair.

## MEMBER SWORN.

The Honourable Mr. Thomas Everard Tichborne Upton (Government of India : Nominated Official).

## QUESTIONS AND ANSWERS.

### THE SHIKOHABAD-ETAH-KASGANJ RAILWAY.

144. THE HONOURABLE NAWAB SIR MUHAMMAD MUZAMMIL-ULLAH KHAN: (a) Will the Government be pleased to state if it is a fact that the Shikohabad-Etah-Kasganj Railway scheme is being kept in abeyance?

(b) If so, will the Government be pleased to state the reasons therefor, and also when they propose to take it up?

THE HONOURABLE SIR GEOFFREY CORBETT: (a) No.

(b) The report and estimates of the project are under preparation and will be examined as soon as they are received.

### PROVISION OF INTERMEDIATE CLASS ACCOMMODATION ON THE PUNJAB MAIL OF THE GREAT INDIAN PENINSULA RAILWAY.

145. THE HONOURABLE MUNSHI NARAYAN PRASAD ASHTHANA: Have Government considered the advisability of providing intermediate class accommodation on the Punjab Mail of the Great Indian Peninsula Railway?

### PROVISION OF INTERMEDIATE CLASS ACCOMMODATION ON ALL TRAINS ON THE GREAT INDIAN PENINSULA RAILWAY.

146. THE HONOURABLE MUNSHI NARAYAN PRASAD ASHTHANA: (a) Are Government prepared to direct that intermediate class accommodation be provided in all trains on the Great Indian Peninsula Railway?

(b) If the answer to (a) is in the negative, is it intended to run another (additional) express train on the said Railway for intermediate and third class passengers? If so, when?

THE HONOURABLE SIR GEOFFREY CORBETT: With your permission, Sir, I propose to answer questions Nos. 145 and 146 together.

Government will bring the Honourable Member's questions to the notice of the Agent of the Great Indian Peninsula Railway, but must leave it to him to decide whether any action is necessary. They understand that a proposal to run another express train between Bombay and Delhi is already under consideration.

**APPLICATION OF THE PROVISIONS OF THE INDIAN BAR COUNCILS ACT TO THE  
ALLAHABAD HIGH COURT.**

**147. THE HONOURABLE MUNSHI NARAYAN PRASAD ASHTHANA :** When is it intended by the Government to apply the provisions of the Indian Bar Councils Act to the Allahabad High Court ?

**THE HONOURABLE MR. H. G. HAIG :** The Act, in virtue of sub-section (2) of section 1 already applies to the Allahabad High Court. It is proposed to bring into force on the 1st June 1928 the provisions of the Act not yet in operation in respect of that Court, *vide* section 1 (3).

**AMENDMENT OF THE RULES CONTAINED IN THE FIRST SCHEDULE TO THE CODE  
OF CIVIL PROCEDURE.**

**148. THE HONOURABLE MUNSHI NARAYAN PRASAD ASHTHANA :** (a) Is the Government aware that there is a feeling of discontent in the litigating public on the extensive powers given to the High Courts to alter the rules contained in Schedule I of the Civil Procedure Code ?

(b) Have Government considered the advisability of amending the provisions of the Civil Procedure Code so as to restrict this power by providing that all such rules when altered should receive the assent of the local Legislature ?

**THE HONOURABLE MR. H. G. HAIG :** (a) The Government are not aware of any such feeling of discontent.

(b) No.

**STATEMENT LAID ON THE TABLE.**

**COMMERCIAL TREATIES AFFECTING INDIA.**

**THE HONOURABLE SIR GEOFFREY CORBETT** (Commerce Secretary) : Sir, I lay on the table a list of further commercial treaties which affect India.

Country.	Nature of agreement.	Description.	Date.
Hungary	Treaty	Commerce and Navigation.	July 23, 1926.
Spain	Convention	Ditto	April 5, 1927.

These treaties provide for the grant of most-favoured-nation treatment to the products and manufactures of India on terms of reciprocity. This does not, however, include special commercial privileges granted by Spain to Portugal and the Spanish Zone of Morocco.

**BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE  
TABLE.**

**SECRETARY OF THE COUNCIL :** Sir, in accordance with Rule 25 of the Indian Legislative Rules, I lay on the table copies of a Bill to provide for the

modification of certain import duties relating to the protection of the steel industry in British India and of a Bill further to amend the Indian Tariff Act, 1894, for certain purposes, which Bills were passed by the Legislative Assembly at its meeting held on the 21st of March 1928.

### MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL : Sir, a message has been received from the Legislative Assembly. The message runs as follows :

" I am directed to inform you that the Bill further to amend the Indian Territorial Force Act, 1920, for certain purposes and the Bill further to amend the Auxiliary Force Act, 1920, for certain purposes, which were passed by the Council of State at their meeting of the 9th February, 1928, were passed by the Legislative Assembly at their meeting on the 21st of March 1928, with the amendments indicated in the attached statements. The Legislative Assembly request the concurrence of the Council of State in the amendments. The amendments made by the Legislative Assembly in the Bills are as follows :—

#### The Indian Territorial Force (Amendment) Bill :

1. In sub-clause (2) of clause 1, after the words " on such date " the words and figures " not later than the 1st day of January 1929 " were inserted.

2. After clause 1 the following new clause was inserted and the subsequent clauses were re-numbered accordingly :—

" 2. (1) In the long title of the Indian Territorial Force Act, 1920 (hereinafter referred to as the said Act), the words ' and to provide Amendment of long title to as the said Act), the words ' and to provide and preamble to Act XLVIII for the enrolment therein of persons other than of 1920. European British subjects ' shall be omitted.

(2) In the preamble to the said Act, the words ' and for the enrolment therein of persons other than European British subjects who may offer themselves therefor ' shall be omitted."

3. In clause 2 for the words, figures and brackets " Indian Territorial Force Act, 1920 (hereinafter referred to as the said Act) " the words " said Act " were substituted.

4. For clause 9 of the Bill the following clause was substituted, namely :—

" 9. In sub-section (2) of section 9 of the said Act,—

(a) after the word ' enrolled ' the words ' who has attained the age of eighteen years ' shall be inserted ; and

(b) the following proviso shall be added, namely :—

' Provided that nothing in this sub-section shall apply to persons enrolled in a University Corps '."

5. In clause 13 of the Bill after sub-section (1) of the proposed section 12 the following sub-section was inserted, namely :—

" (2) The Governor General in Council shall constitute a Central Advisory Committee to advise him on matters connected with the Indian Territorial Force generally " ; and sub-section (2) was re-numbered as (3).

#### The Auxiliary Force (Amendment) Bill :

In sub-clause (2) of clause 1, after the words " on such date " the words and figures " not later than the 1st day of January, 1929 " were inserted.

In clause 2 for the words, letter and brackets " clause (b) shall be omitted " the following was substituted, namely :—

(a) clause (b) shall be omitted ;

(b) in clause (c) the word " or " shall be omitted, and the clause shall be re-lettered as clause (b) ; and

(c) clause (d) shall be omitted.

### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Leader of the House) : Sir, to-morrow and Saturday are holidays on account

[Sir Muhammad Habibullah.]

of the Id-ul-Fitr, and I understand that a considerable number of Honourable Members may be absent from Delhi on those two days. In many cases it may be difficult or impossible for them to return for a later meeting of the Council. I suggest for your consideration, Sir, that any business taken up after the holidays would be before a comparatively sparsely-attended meeting, composed in the main of official and nominated Members of this Council; and that, if you could see your way to directing under Rule 27 and consenting under Rule 34 to setting down the remainder of Government business for to-day, not only should we have the advantage of placing it before a more representative attendance, but also such an arrangement might make for the greater convenience of Honourable Members.

The list of business for to-day already comprises the final stages of two Bills—the Finance Bill and the Indian Merchant Shipping (Amendment) Bill. Four more Bills have been laid before the Council to-day. Of these, two—the Indian Territorial Force (Amendment) Bill and the Auxiliary Force (Amendment) Bill—were initiated in this Council, and it may be assumed that Honourable Members are fully conversant with their subject-matter. The remaining two Bills are the Indian Tariff (Amendment) Bill and the Bill for protection of the steel industry. I understand that every effort has been made to place all these Bills in the hands of Honourable Members as soon as possible after their being passed by the Legislative Assembly.

If the Chittagong Port (Amendment) Bill is not amended by the Legislative Assembly, it need not be taken here. Otherwise a later date would have to be fixed for this item.

If this programme could not be disposed of to-day, it would, of course, be necessary to meet again next week: but if, as I hope, it be finished, I think I am correct in saying that it would be very much for the convenience of Honourable Members.

THE HONOURABLE THE PRESIDENT: I should prefer before I give any direction under Rule 27 or Rule 34 to hear something definite from some Honourable Members of the House as to what their wishes in the matter are.

THE HONOURABLE RAJA NAWAB ALI KHAN (United Provinces: Nominated Non-Official): Sir, it will be very convenient if all these Bills are taken up to-day because most of the Members want to leave Delhi to-morrow for their homes for the Id-ul-Fitr. So, I suggest that if there is no objection, these Bills had better be taken up to-day.

THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): On a point of information, Sir, I want to know whether it is open to us to move any other amendments to the Territorial Force and Auxiliary Force Bills which were not moved before?

THE HONOURABLE THE PRESIDENT: I will give the Honourable Member the rule which covers that point. The rule which applies in this case is Rule 35 (2) which runs as follows:

“Further amendments relevant to the subject-matter of the amendments made by the other Chamber may be moved, but no further amendment shall be moved to the Bill, unless it is consequential upon, or an alternative to, an amendment made by the other Chamber.”

I take it that the House generally approves the suggestion made by the Honourable the Leader of the House that it should proceed with this business to-day. (Honourable Members “Yes”.) The Bills, therefore, which have been laid on the table to-day will come up later after the business of the day which is already on the paper has been finished.

## INDIAN FINANCE BILL.

**THE HONOURABLE MR. E. BURDON** (Finance Secretary) : Sir, I move that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly, be taken into consideration. The Bill has been passed by the Legislative Assembly in the form in which it was introduced by Government, and as the Council is aware, it contains no proposals for new taxation. It merely provides for the continuance of the rates of salt duty, postage, income-tax, and super-tax prescribed by the Finance Act of 1927, that is to say, for the continuance of rates of taxation which were passed by this Council last year ; and it provides also for the credit to revenue for a further period of one year, that is to say, till the 31st March 1929, of interest on securities forming part of the Paper Currency Reserve—an arrangement which this Council has also accepted on previous occasions. On the other side of the Budget, the expenditure side, the Legislative Assembly have voted the whole of the votable supply demanded by Government with the exception of certain items aggregating some 23½ lakhs—a relatively small sum in the purely financial sense—and the four main Demands refused have been restored by the Governor General in Council as being essential to the discharge of his responsibilities. The net result at this stage is therefore that the Budget dispositions for next year remained as presented to this Council by me on the 29th February last ; in other words, the whole of the ways and means which the Finance Bill is designed to secure will be required for the purpose of balancing the Budget after providing for the final remission of the provincial contributions. The leading feature of the Budget for 1928-29, the extinction of the unremitted balance of the provincial contributions unaccompanied by any increase of taxation—taxation has in fact been decreased to some extent in the recent past—has, I know, the approval of the great majority of this Council. There are a number of amendments on the paper which, if carried, would seriously disturb the simple and, I submit, satisfactory situation which I have the privilege of placing before the House for their acceptance ; but I will not at this point anticipate the issues which the amendments raise, and will deal with them when they are brought forward.

Sir, I move.

**THE HONOURABLE SETH GOVIND DAS** (Central Provinces : General) : Sir, at this early stage of the debate I intervene only to clear the position of my Party. We Congress men are not opposing the consideration of the Bill, not because we are going to vote for the Bill, but because we want to see how far the Government is ready to honour the public wish and how far the Government is ready to accept our amendments. Let not the Honourable the Finance Member say, as he did in the other place, that because we did not oppose the Bill at its first reading and because we moved certain amendments and supported certain amendments, we cannot logically oppose the passing of the Bill at the third reading. There are, Sir, two distinct points involved in the discussion of this Bill. The first is the broader political question of Swaraj and the national grievances, and the other is reduction of taxation. As far as the first point is concerned, we Congress men cannot vote for this Bill so long as India is governed by the present constitution. And, Sir, I, on behalf of my Party, reserve my right to oppose the Bill at its third reading. As far as the other point is concerned, the reduction of taxation, there are certain amendments on the agenda and those amendments we shall move and we shall support. Of course, so far as the passing of those amendments is

[Seth Govind Das.]

concerned, we have not a shadow of doubt in our minds that this Council is going to reject them. Yet, Sir, this should not prevent us from doing our duty.

**THE HONOURABLE THE PRESIDENT :** The question is :

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is :

"That clause 2 do stand part of the Bill".

**THE HONOURABLE SETH GOVIND DAS :** Sir, I move my amendment to this clause, which reads thus :

"That in clause 2 for the words 'one rupee and four annas' the words 'eight annas' be substituted".

Sir, I do not want to make any speech on this amendment because it is not once, not twice, but times without number that this amendment has been moved here as well as in the other place. And whenever it has been moved a full discussion of the subject has taken place. The only ground on which the Government oppose this amendment is the financial ground. As far as that ground is concerned, I have more than once pointed out that for this extravagant Government, it is not impossible to meet the wishes of the people to this extent. I am sure that if they really want to redress the grievances of the poor and to give them certain relief, they can very well do away with their financial bogey.

Sir, I move my amendment.

**THE HONOURABLE MR. E. BURDON :** Sir, the merits and the demerits of the salt tax have been exhaustively discussed in this Council and elsewhere on very many occasions, and I will follow the excellent example of the Honourable Mover in not traversing once more the objections and the arguments which have been urged to the salt tax itself and to any particular scale of salt tax. My Honourable friend's main position is that he wishes to have the salt tax reduced for the benefit of the poor man. Now, Sir, the incidence of the existing salt duty has been calculated at 3 annas per head of the population per annum, and if the duty were lowered to 8 annas and if the reduction reached the consumer in full—a very large assumption, particularly in the first year of the reduced duty—the benefit to the individual consumer would be less than 2 annas a head. Now, Sir, I put it to the Council, will this minute pecuniary gain confer upon the poorer classes of the population a benefit as great or as truly beneficial as the judicious expenditure by the Provincial Governments of the resources set free by the remission of the provincial contributions? I think there can only be one answer to that question. I am confident myself that the Honourable Mover is not promoting the best interests of the poorer classes in suggesting this reduction of the salt tax, when, as a matter of practical politics, it could only be effected as an alternative to the remission of the provincial contributions. The reduction of the salt duty proposed by the Honourable Mover would involve a loss of revenue of, roughly, 4 crores in a full year and of, roughly, 2½ crores in the first year of the reduced duty, allowance being made for the operation of the system of credit sales. Now, Sir, I would take another point bearing upon this question of the loss of resources to the extent I have



just mentioned. I agree that it is a question of the utmost importance that we should consult the interests of the poor classes, but it is a question on which there is room for some considerable difference of opinion as to what are the true interests of the poorer classes, and particularly the poor agricultural classes, who at all times deserve our special consideration. As the Council is aware, the Royal Commission on Agriculture is now completing its labours, and in due course we shall receive their report from which we all hope there will proceed measures which will benefit that great body of the population of India, the poor agriculturists. But we shall probably find that it will cost money to put into force any recommendations of the Committee which may be accepted. We have to think of liabilities of this kind, and not merely of present liabilities, when we are contemplating the possibility of losing a considerable amount of revenue. And if the revenue were to be reduced, as proposed by the Honourable Mover, how would the Government be able to meet the new liabilities the possibility of which I have suggested? Again, what would those who know the true interests of the poor zemindar think better for him, that he should save 2 annas a year on the salt tax or that money should be available, money which in a very small proportion he finds himself, to finance measures of the Government the fruits of which return to him and to his class?

Sir, I oppose the amendment.

THE HONOURABLE THE PRESIDENT: The original question was:

"That clause 2 do stand part of the Bill";

Since which an amendment has been moved:

"That in clause 2 for the words 'one rupee and four annas' the words 'eight annas' be substituted."

The question is that that amendment be made.

The motion was negatived.

Clause 2 was added to the Bill.

Clauses 3, 4 and 5 were added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That Schedule I do stand part of the Bill".

THE HONOURABLE SETH GOVIND DAS: Sir, I move this amendment also without any speech. My amendment is:

"That in Schedule 1 to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head 'Postcards' the following be substituted:

Single . . . . .	Quarter of an anna.
Reply . . . . .	Half an anna."

THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I beg to support the amendment moved by my Honourable friend Seth Govind Das. As will appear from the detailed Statements in support of Demands for Grants relating to Posts and Telegraphs both for the revised estimate for the year 1927-28 and the budget estimate for the year 1928-29, the Postal Department shows a net profit of Rs. 15,97,000 and Rs. 7,56,000, respectively, whereas the Telegraph Department shows a loss of Rs. 19,89,000 in the year 1927-28 and Rs. 11,33,000 in the year 1928-29.

[Mr. Kumar Sankar Ray Chaudhury.]

Thus the Postal Department has to make up to a great extent the loss incurred every year in the Telegraph Department. I fail to understand why a certain class of people who use the Post Office for their means of communication should bear the burden of the cost of communication by Telegraph availed of by another class of people especially when the class who resort to the Post Offices are the poorer classes of the people, while those who avail themselves of the Telegraph system are the richer ones. That the burden thus imposed upon the poorer classes is improper and unduly severe is borne out by the fact that while the net receipt from Post Offices last year was Rs. 19,55,000 it is this year expected to be only Rs. 11,28,000, whereas the net receipt from Telegraphs last year was Rs. 23,09,000 it is this year expected to be Rs. 35,69,000. This shows that the richer classes of people are enjoying the benefits derived out of the poorer classes and can afford to avail themselves of the telegraph service more and more at the cost of the poorer people. Sir, it is not for me to suggest how the Government is to meet the deficit in the Telegraph Department, but I submit that it is not at all fair that the poorer classes, the dumb millions of India, for whom the Government protest their love and sympathy in season and out of season, should be made to suffer, to make up for the deficit of other departments which are run on an extravagant scale. That this is so has been to some extent admitted by the Honourable the Finance Member in his budget speech when he says that the loss in the Postal and Telegraph Departments

"has been brought about mainly by the fact that an additional sum of Rs. 8 lakhs has to be provided to enable the book value of a large volume of surplus obsolete and over-valued stores to be written down to their current values."

The fact that there has been a large volume of surplus and obsolete stores is a clear indication of the reckless and extravagant fashion in which stores are purchased, and the fact that they have been overvalued shows how attempts are made by the department to cover up their laches. Although the Telegraph department is a losing concern, it is managed more largely by Europeans and Anglo-Indians and this adds to the cost of its administration so that the working expenses under the head "Direction" for this department is Rs. 6,91,000, while that of the Postal Department is Rs. 5,80,000.

Before I close, Sir, I submit that no details about the Inter-Branch adjustments have been furnished to us in the detailed Statements about the Posts and Telegraphs, and we are therefore not in a position to judge whether further sums chargeable to the Telegraph Department properly are not made a charge upon the Postal Department.

THE HONOURABLE MR. A. C. McWATTERS (Industries and Labour Secretary): Sir, I rise to oppose this amendment. The Honourable Member was commendably brief and I will endeavour to follow his example. The implications of the motion are however of such importance that it is necessary for me to point them out very briefly. I should like to say in the first place that the financial loss through giving effect to this amendment would be one of 86 lakhs of rupees. That is a purely mathematical calculation if the lower postcard rate were introduced; but that is not quite the end of the story, because with the postcard rate at a quarter of an anna and the letter rate at one anna, you would have too large a gap between the two rates, and the actual loss would be considerably more than 86 lakhs. You can safely put the loss due to the acceptance of this motion as a crore of rupees; and a further point arises. We might assume that, if this lower postcard rate were introduced, there would be an increase in the number of postcards used. I would point out to the Mover of this motion that if that were so, it would merely

increase the loss to the department, because with the postcard rate at quarter of an anna we should be carrying postcards at a loss, and therefore the increase in the volume of traffic, instead of adding to our revenues, would increase our deficit. I oppose this motion therefore on purely financial grounds. I oppose it also very strongly on behalf of the Post and Telegraph Department which I represent in this House. The Post and Telegraph Department is not intended to be either a burden on the tax-payer nor intended to subsidise the tax-payer. It is intended to run neither at a profit nor at a loss, and the budget figures of this year will show that the department as a whole is expected to be running at the very small profit of Rs. 23,000 only. The Honourable Mr. Kumar Sankar Ray Chaudhury mentioned the different branches of the department and brought the usual charge against the Postal Department, that it was subsidising the Telegraph Department. The actual profit expected in the Postal Department is a sum of 7 lakhs, and it is obvious that a sum of 7 lakhs, even if that were available for reduction of postal rates, would not go far to meet the loss of a crore. Again, the expected deficit on the telegraph side of 11 lakhs is very largely due to the inclusion in the telegraph accounts of the working of radios, and if these were excluded, I think it would be found that the telegraph branch also was not working either at very much loss or profit. On the telephone side there is a small profit of 4 lakhs, but we have to take the department as a whole, and it is important I think to remember that we have been able in the course of the last three years, while making the department just self-supporting, to improve the conditions of service and pay of the very large number of subordinate staff in that department to the extent of about forty lakhs of rupees. These improvements in pay have been going on steadily for some time, and we have now practically reached the end of them, and we have I think rightly considered that our first obligation with regard to any surplus which the department earns is to set right any legitimate grievances which the staff of the department may have. That, I maintain, was our first duty, and this, I may say, was accepted unanimously by the Standing Finance Committee when I placed the case before them a month or two ago. There are several points raised by the Honourable Mr. Kumar Sankar Ray Chaudhury and I do not propose to go into them in great detail. They were charges of extravagance and so on, but I think I can assure him that if he will consider the total number of the staff, consider the proportion of those who are highly paid, if he will consider the various administrative changes and reforms introduced in recent years, he will find out that the department as a whole is not being extravagantly run.

But my main objection to this amendment is its very serious financial implications. It proposes to take away a crore of the revenues of Government, and the Honourable Member who moved it somewhat lightly suggested no constructive suggestion in its place as to how that money was to be found. I think that this year in particular he could have chosen no more inappropriate time to move this particular motion—a year in which we are hoping to get rid finally of the provincial contributions. We have here a constructive programme which has been worked out over a period of five years, a programme envisaged by the Honourable Sir Basil Blackett as soon as he came to this country, and carried out steadfastly over a period of five years, and he has now brought it to a successful conclusion at the end of his memorable career of office. I think, therefore, that this is the very worst year in which the Honourable Member could have chosen to bring forward this motion, which I oppose.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I hope my Honourable friend who has moved this amendment will not press it. If anybody will be benefited directly, it will be myself as

[Mr. G. A. Natesan.]

a humble business man and I shall certainly add to my income by at least Rs. 1,000 a year. Business men have now to spend more than double and I would welcome the pice postcard as I and other business men could make use of it very largely. But I honestly think it will not benefit the class of people whom my Honourable friend has in mind. It will benefit the small business men, like myself, big business men and other merchants who will be largely sending their articles by V. P. P. and who constantly have to be sending V. P. P. advices by means of the postcard ; they will benefit very largely. If my Honourable friend is interested in the poor—and I am sure he is—then I hope he will not press it.

There is one more point which I wish to point out and it is this. It was only the other day that I heard in the other place that as many as a thousand post offices are going to be added, and considering that it is really a disgrace that there are many places in India where there is no post office, I think this motion should not be pressed. If I go to my village, I have to wait for the postman a considerable time or send one of my servants to go to the post office to get a postcard. The postmen now are delivering letters to 3 or 4 villages at a time and if the villager is not intelligent enough to know his rights, he very often gets his letter every alternate day. That is a state of things which we all should try to remove. And all the available funds should be spent in that direction. The amendment is opposed to practical politics, and I therefore fear that I cannot support it. I thought it best that I and others who are equally interested in relieving the poor should state our position and that I should not give a silent vote. I am sure the amendment will not benefit the class of people whom he has in view. It will benefit me and even at some self-sacrifice, I am voting against it.

**THE HONOURABLE THE PRESIDENT :** The original question was :

“ That Schedule I do stand part of the Bill”;

Since which an amendment has been moved :

“ That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘ Postcards ’ the following be substituted :—

‘ Single . . . . .	Quarter of an anna.
Reply . . . . .	Half an anna.’

The question is that that amendment be made.

As many as are of that opinion will say “ Aye ”. (*Some Honourable Members :* “ Aye ”.) Those who are of the contrary opinion will say “ No ” (*Some Honourable Members :* “ No ”.) I think the Noes have it. (*The Honourable Seth Govind Das :* “ Ayes ”.)

The Council divided :

AYES—9.

Desika Chari, The Honourable Mr. P. C. Govind Das, The Honourable Seth. Mukherjee, The Honourable Srijut Lokesh. Padshah Sahib Bahadur, The Honourable Saiyed Mohamed. Ram Saran Das, The Honourable Rai Bahadur Lala.

Ray Chaudhury, The Honourable Mr. Kumar Sankar. Sankaran Nair, The Honourable Sir. Sinha, The Honourable Mr. Anugraha Narayan. Suhrawardy, The Honourable Mr. M.

## NOES—28.

Akbar Khan, The Honourable Major Nawab Mahomed.

Akram Husain Bahadur, The Honourable Prince A. M. M.

Burdon, The Honourable Mr. E.

Charanjit Singh, The Honourable Sardar.

Chettiyar, The Honourable Sir Annamalai.

Commander-in-Chief, His Excellency the Corbett, The Honourable Sir Geoffrey.

De, The Honourable Mr. K. C.

Froom, The Honourable Sir Arthur.

Godfrey, The Honourable Sir George.

Gray, The Honourable Mr. W. A.

Habibullah, The Honourable Khan Bahadur Sir Muhammad.

Haig, The Honourable Mr. H. G.

Khaparde, The Honourable Mr. G. S.

Latifi, The Honourable Mr. A.

Manmohandas Ramji, The Honourable Sir.

McWatters, The Honourable Mr. A. C.

Mehr Shah, The Honourable Nawab Sahibzada Saiyad Mohamad.

Misra, The Honourable Rai Bahadur Pandit Shyam Bihari.

Muhammad Hussain, The Honourable Mian Ali Baksh.

Natesan, The Honourable Mr. G. A.

Nawab Ali Khan, The Honourable Raja.

Singh, The Honourable Raja Sir Harnam.

Stow, The Honourable Mr. A. M.

Symons, The Honourable Major-General T. H.

Upton, The Honourable Mr. T. E. T.

Vernon, The Honourable Mr. H. A. B.

Weston, The Honourable Mr. D.

The amendment was negatived.

THE HONOURABLE RAI BHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to move the amendment which stands in my name and which runs as follows :

“ That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘ Parcels ’ the following be substituted :

‘ For a weight not exceeding twenty-five tolas . . . . . Two annas.

For a weight exceeding twenty-five tolas and not exceeding fifty tolas . . . . . Four annas.

For every fifty tolas, or fraction thereof, exceeding fifty tolas . . . . . Four annas .”

My proposal, Sir, is a very modest one and I consider that in years which show a surplus some reduction in postal rates ought to be made. I have not asked for a remission of taxation which will involve a heavy sum. In fact, I do not think it will materially affect the Budget as the difference could easily be made up from the contingent account. Therefore, I move my amendment, Sir, for the favourable consideration of the House.

THE HONOURABLE MR. A. C. McWATTERS : Sir, I regret that I must oppose this amendment. This amendment differs from the one which the House recently rejected in two important respects. In the first place, it is a novel amendment which has not been discussed year after year, and in the second place, it is an amendment which does not involve very large financial implications. We have endeavoured during the space of two days that we have had at our disposal to try and estimate what the effect of this amendment would be assuming that the maximum rates are in force. We have not been able to arrive at a very close calculation, but it will probably involve a loss of a few lakhs of rupees. What I expected however to learn from my Honourable friend was his real object in proposing this amendment. What class of persons he was expecting to benefit, and so on, because this amendment introduces important variations in the parcel rates and it is important to be clear as to what you are altering in a complicated Schedule like the parcel rates in order to see where the alterations in taxation are going to fall. We ourselves have not had time to consider the full implications of the Honourable Member's proposal in the short space of two days. As I said, it is entirely a new proposal.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I want to benefit the trade mostly.

**THE HONOURABLE MR. A. C. McWATTERS :** So, it is not for the benefit of the poor but for the benefit of the business men who send heavy parcels. Unless, therefore, we find out what the effect of this amendment would be, I am not, on behalf of the Postal Department, prepared to agree at such short notice to a change in complicated rates like the parcel rates which requires much more careful examination than we have been able to give. Therefore, I am afraid I must oppose this amendment.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Leave it open.

**THE HONOURABLE THE PRESIDENT :** The original question was :

“That Schedule I do stand part of the Bill”;

Since which the following amendment has been moved :

“That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘Parcels’ the following be substituted :

‘For a weight not exceeding twenty-five tolas . . . . .	Two annas.
For a weight exceeding twenty-five tolas and not exceeding fifty tolas . . . . .	Four annas.
For every fifty tolas, or fraction thereof, exceeding fifty tolas . . . . .	Four annas.’”

The amendment was negatived.

**THE HONOURABLE THE PRESIDENT :** The question then is :

“That Schedule I do stand part of the Bill”.

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is :

“That Schedule II do stand part of the Bill”.

**THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY :** Sir, I beg to move the amendment which stands in my name and which runs as follows :

“That in clause A of Part I of Schedule II to the Bill the words ‘Hindu undivided family, unregistered firm and other association of individuals not being a registered firm’ be omitted.”

**THE HONOURABLE MR. E. BURDON :** I rise on a point of order, Sir. It appears to me that amendments Nos. 4 and 6 which are in the name of Mr. Kumar Sankar Ray Chaudhury stand or fall together, and I would like to suggest that it would be for the convenience of the House if they were discussed together.

**THE HONOURABLE THE PRESIDENT :** The amendments, as I understand them, are certainly complementary to one another, and it would be better if the Honourable Member dealt with them in one speech after moving them together.

**THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY :** With your permission, Sir, I would also move my second amendment which runs thus :

“That in Part I of Schedule II to the Bill clause B be omitted.”

Taxes proper have been divided into two classes, *viz.*, taxes of capitation and apportioned taxes. The difficulty in collecting what are called capitation taxes have led to two parallel developments of this form of taxation. In the one case capitation tax has developed into the direct form of an income-tax, in the other it has been replaced in whole or in part by indirect taxes on articles of universal consumption as in the case of the salt tax. Income-tax therefore is a personal tax levied directly upon the people in proportion to their annual income, subject however to a minimum exemption. If this is so, I fail to understand how joint families, and particularly Hindu joint families, unregistered firms and other associations of individuals can be made subject to this form of taxation.

Are they like joint stock companies treated in law as corporate bodies having a personality of their own? If not, why should they be made subject to this form of taxation? The individual members who form part of these organisations are as much individuals in the eye of the law as any other individuals. A member of an undivided Hindu Mitakshara family may not claim any definite share in the income of the joint family property so long as it remains joint, but his share is quite definite depending upon the number and relationship of the members who compose the joint family and can be partitioned off at any moment a particular member chooses to have it done. A mere signification of that intention had been held in law to be quite sufficient for that purpose up till lately. His share therefore of the annual income can be easily ascertained. The fact that he can draw upon the family income in excess of his proper share for the maintenance of his family cannot affect the question, as no allowance is made under the income-tax rules for the expenses of family maintenance. I therefore submit that these classes of associations of individuals cannot legitimately be taxed under the principles of the income-tax laws. The position of companies as corporations stands on a different footing, but the income upon which income-tax ought to be levied upon them ought to be that income only which is left with them after paying dividend to the shareholders in the shape of reserve funds and similar amounts. Share capital issued by joint stock companies is in substance loans raised by these corporations for the floatation of the companies. Instead of a fixed rate of interest the company pays as consideration for the loan a certain portion of the yearly profit to the shareholders. If this be so and income-tax is not levied upon companies for the interest they pay on their debenture loans, I fail to understand why they should be made liable to pay income-tax in respect of the dividends they pay to the shareholders. These are however principles upon which joint stock companies and members of undivided Hindu families ought to be assessed and are at present not quite within the scope of the present Bill, but if my amendments are accepted that joint families as such are not liable to a levy of income-tax, consequential amendments of the Income-tax Act may, if necessary, be easily made later on. With these words I commend the amendments that stand in my name for the acceptance of the House.

THE HONOURABLE MR. E. BURDON: Sir, I oppose these combined amendments of my Honourable friend. My first objection to them is that they would have the effect of altering in a radical manner essential features of our whole scheme and system of income-tax taxation as contemplated by the Income-tax Act. I submit, Sir, that even if it is permissible to move amendments to the Finance Bill, amendments which have such an

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the implications which such changes in the law would mean. I would venture to suggest, Sir, that on this ground alone the Council should decline to entertain the amendments and should hold that my Honourable friend's proposal, if it is to be pursued at all, should be pursued in another manner, which would give the Legislature proper opportunities for examination. It is obvious, Sir, I think, that if these amendments had been proposed in another and more appropriate connection, the first step which the Legislature would have insisted on would have been that the matter should be referred to a Select Committee of the House for detailed consideration. This being my view I do not propose to go into the demerits of the amendments in very great detail. I could not do so satisfactorily, nor would the House be able, on such exposition as I could give on this occasion, to come to a satisfactory conclusion on such points of detail. I will however touch briefly on the following salient defects in the proposals. In the first place, I must point out that the taxation of the profits of companies at its source at a flat rate is merely a convenient form of taxation machinery. Ultimately the tax is recovered from the shareholders at the rate applicable to the shareholders' personal income. This result is secured....

THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY : Is my Honourable friend replying to my later amendment? I was dealing only with amendment No. 6.

THE HONOURABLE MR. E. BURDON : I am replying, Sir, to amendments Nos. 4 and 6. Amendment No. 8 in my Honourable friend's name deals with super-tax. As I was saying, this result is secured by section 48 (1) of the Income-tax Act, which reads as follows :

"If a shareholder in a company who has received any dividend therefrom satisfies the income-tax officer that the rate of income-tax applicable to the profits or gains of the company at the time of the declaration of such dividend is greater than the rate applicable to his total income of the year in which such dividend was declared, he shall, on production of the certificate received by him under the provisions of section 20, be entitled to a refund on the amount of such dividend (including the amount of tax thereon) calculated at the difference between those rates."

This being the case, to tax companies at graduated rates, which is one of the consequences of my Honourable friend's amendment, would, if Government continued to allow refunds, as necessarily they would have to, confer no benefit upon any one and in addition would be a source of grave inconvenience to the administration and to the tax-payer. The assessee in the end would continue to be taxed at the rate applicable to his personal income because he would continue to receive a refund of the difference between that rate and the graduated rate applied in the first instance to the profits of the companies. The inconvenience to which I have referred will arise in this way. In determining the refund payable to the shareholders it would be necessary in each case to ascertain the varying rates at which the companies from which the individuals receive dividends had been assessed. The work in connection with refunds is, even under the existing law, quite burdensome and a great increase in the income-tax establishments would be necessary if refunds were to be worked out under the proposed system of graduated taxation on companies. There is no reason at all why this extra expenditure should be incurred when there is no advantage to be secured by any one. To put the matter in a nutshell, my Honourable friend's proposal would merely have the effect of depriving the system of taxation at the source of whatever merits it may possess. I would add one further point. Let us take the case of the rich man, whose personal income is assessable at the maximum rate and who owns shares in a company



taxable under the graduated system at one of the lower rates. Obviously, equity and our own existing principles would require that we should recover from such an assessee the difference between the lower rate at which the company's profits had been taxed and the rate applicable to his personal income. But we should probably require a further amendment of the law in order to make this permissible, and the amendment once secured would again mean additional complexity of administration. I need say no more on the subject of companies. I now turn to the effect of my Honourable friend's amendment on the Hindu undivided family. The effect would be that Hindu undivided families would not be taxed at all—neither their joint income, nor the income of members received from the family—the reason in the latter case being that under section 14 (1) of the Income-tax Act any sum which an assessee receives as a member of an undivided Hindu family is absolutely exempt; that is to say, even if the family as such have not been taxed, it would still be exempt. Here again, my friend's amendment attacks an essential feature of our system of income-tax taxation. I see no reason why such a proposal should be considered on the present occasion, and I cannot see that there could be any justification at any time for exempting altogether from income-tax the income of Hindu undivided families. Thirdly, Sir, under the Mover's proposal no firm would be assessed as such. Now, Sir, a firm is a convenient body to assess both from the point of view of Government and the assessee, as the partners carry on trade together and keep books in which the partnership transactions are entered and earn together profits or losses. If we cannot assess or deal with the firms, our chances of recovering tax in many cases will be very small indeed. We should find ourselves involved in endless disputes as to whether a particular man is or was a member of a firm or not and whether he derived income from it or not. Moreover, if the firm is not an assessee, there may be a difficulty in getting its accounts, as they may be required in several different places for the separate assessment of the partners. Here again, Sir, I can see no object in exempting firms as such from taxation. I observe that it is optional with a firm to register itself or not. Yet at present firms do register themselves, and thus voluntarily bring themselves within the scope of the law relating to registered firms. Finally, Sir, I must confess that it has been quite impossible for us to estimate at all what the effect on the revenues would be if the amendments of my Honourable friend were accepted, and I really can see no reason why this Council should be expected to accept amendments the financial effect of which they cannot possibly know.

Sir, I oppose the amendments.

**THE HONOURABLE THE PRESIDENT:** The original question was:

"That Schedule II do stand part of the Bill."

Since which amendments have been moved:

"That in Part I of Schedule II the words 'Hindu undivided family, unregistered firm and other association of individuals not being a registered firm' be omitted; and that clause B be omitted."

The amendments were negatived.

**THE HONOURABLE SETH GOVIND DAS:** Sir, I rise to move the amendment standing in my name, it reads thus:

"That in clause A (1) of Part I of Schedule II to the Bill for the figures '2,000' the figures '3,500' be substituted."

Sir, when this limit of Rs. 2,000 was fixed for exemption from income-tax, the prices of necessaries were much lower than what they are now. In those

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days, the commodities of daily use, that is, food, clothing, housing, etc., could be had much cheaper than we can have them now. In those days things which cost Rs. 2,000 would cost Rs. 3,500 at this time. That is the reason, Sir, why I have moved this amendment. It is for giving relief to the middle classes of our people, and I hope that this House will accept at least this small amendment, which I move.

THE HONOURABLE MR. E. BURDON: Sir, my Honourable friend has called his amendment a small one. It would, however, cost over Rs. 86 lakhs per annum to give effect to it, and I am compelled therefore to oppose the amendment for reasons which have been given on a number of other amendments already to-day and which I assume have been considered sufficient by this Council and applicable not only to these amendments which have already been disposed of but to other amendments of a similar character. Finally, Sir,—I do not think I need say more than this—the Council having already agreed that it is impracticable in present circumstances to reduce the salt tax, that is to say to give relief to the poorest classes in India, will not, I imagine, think it justifiable or proper on the same occasion to give any form of relief from taxation to classes which are more well-to-do.

Sir, I oppose the amendment.

The amendment was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to move the amendment which stands in my name and which runs as follows:

“That in Schedule II to the Bill for Part II the following be substituted:—

#### PART II.

##### *Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income:—

	Rate.
(1) in the case of every company . . . . .	One anna in the rupee.
(2) (a) in the case of every Hindu undivided family—	
(i) in respect of the first twenty-five thousand rupees of the excess . . . . .	Nil.
(ii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna in the rupee.
(b) in the case of every individual, unregistered firm and other association of individuals not being a registered firm or company, for every rupee of the first fifty thousand rupees of such excess . . . . .	One anna in the rupee.
(c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—	
(i) for every rupee of the next fifty thousand rupees of such excess . . . . .	One and a quarter annas in the rupee.
(ii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna and six pies in the rupee.
(iii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna and nine pies in the rupee.

	Rate.
(iv) for every rupee of the next fifty thousand rupees of such excess . . . . .	Two annas in the rupee.
(v) for every rupee of the next fifty thousand rupees of such excess . . . . .	Two and a half annas in the rupee.
(vi) for every rupee of the next fifty thousand rupees of such excess . . . . .	Three annas in the rupee.
(vii) for every rupee of the next fifty thousand rupees of such excess . . . . .	Three and a half annas in the rupee.
(viii) for every rupee of the next fifty thousand rupees of such excess . . . . .	Four annas in the rupee.
(ix) for every rupee of the remainder of the excess . . . . .	Four annas in the rupee."

Sir, I moved this very amendment last year, and I gave my reasons for that then. I want to repeat them again, because as far as I understand an assurance was given by the Finance Department that when the provincial contributions were done away with and when there was a surplus Budget, this subject would receive favourable consideration. I am sorry to find, Sir, that this year, notwithstanding the provincial contributions having been totally remitted, and notwithstanding there having been a surplus, no action as was anticipated by me and by the other people has been taken. The difference in receipts, as I was told last year by the Honourable the Finance Secretary, amounts to about 59 lakhs. If I am right there, this 59 lakhs can be easily met by a reduction in the sum of reduction of unproductive debt. This year, Sir, I make the same proposal because I find, Sir, that the Finance Department has allotted 5.40 crores for reduction of this unproductive debt, which means 3 per cent., whilst in the United Kingdom the total unproductive debt is £7,700 and the reduction in that unproductive debt in the British Budget amounts to only £50 million, which is equivalent to two-thirds of one per cent. I think, Sir, that in case this paltry sum of 59 lakhs be adjusted that way, it will not affect the Budget at all. In addition to this, I want to say, Sir, that these small sums are easily adjusted by the Finance Department. In the year 1924-25, Sir, the budgeted income from income-tax was 18½ crores, and the actual receipts were about 16 crores. So the deficit of about 2½ crores was somehow or other met by the Finance Department. In the year 1925-26 the budgeted amount was 17½ crores, and the actuals were about 15.9 crores. In 1926-27 the budgeted amount was 16.5 crores, and the actuals were 15.65 crores, and in the current year the budgeted figure was 17 crores and the actuals seem to be short by one crore and thirty lakhs.

When, Sir, crores of rupees can be easily adjusted, this paltry sum of Rs. 59 lakhs will not upset the Finance Department. The rate of interest to the ordinary public, Sir, has of late years been ruling very high. Taxation in all other countries has been reduced after the war, but in India we find that our taxation has not been reduced materially. Of course we find that there has been some reduction in the excise duty of Rs. 1 crore and 75 lakhs, in the remission of stamp duty on cheques of about Rs. 7 lakhs, abolition of the duty on mill stores of about Rs. 8½ lakhs; that is not very much, Sir. I consider that unless some reduction is made in the rates of super-tax the development of the country will suffer. Sir, how does it suffer? It suffers because the capital available for investment in trade and commerce falls down and

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the people, I mean, the bankers who play a great and important part in the development of the country, cannot afford to spare so much money as they could otherwise do. Their profits are considerably reduced and the result is that the bank rate runs high, although on paper we see that the Imperial Bank rate sometimes falls down to 4 per cent. But, Sir, that interest is only meant for the cream of trade and commerce. The ordinary business man cannot avail himself of that rate, and as far as my information goes, and as far as the Punjab is concerned, the average rate of interest does not fall below 8 per cent. So, Sir, until some relief is given in super-tax, I think the country's prosperity will suffer. After the war the margin of profits in all business has been reduced to a minimum, and the result is that the country, notwithstanding its five years of good crops, is now poorer than what it used to be. I am not only advocating the cause of the rich people, but also of those people who are benefited directly or indirectly by the richer classes. With these words I put forward this amendment for the favourable consideration of the House.

**THE HONOURABLE MR. E. BURDON :** Sir, the amendment of my Honourable friend contemplates relief in two respects, firstly, a general lowering of the scale of the super-tax and, secondly, an alteration of the scale giving some relief to Hindu undivided families. The total cost of the relief, if granted, would, as my Honourable friend has said, be somewhere in the neighbourhood of Rs. 60 lakhs. My Honourable friend stated that he moved the same amendment last year, that it was rejected by the Council and that on that occasion the Finance Department gave a certain pledge or promise which he now suggests has not been carried out. The Financial Secretary last year on the occasion in question said the following :

"The Honourable the Finance Member has already agreed to give special attention to any grievances which Hindu undivided families in particular may feel and I would ask the Honourable Member to rest satisfied with that until provincial contributions have been reduced and until Government are in a position to consider how far they can reduce the scale of taxation."

I must at once join issue with my friend as regards the question of non-fulfilment of a promise. I think it will be clear from what I have read out that the conditions which my predecessor postulated have not yet been fulfilled.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** It is a question of interpretation.

**THE HONOURABLE MR. E. BURDON :** Certainly ; but the actual fact is that certainly in one respect the conditions have not been fulfilled for the provincial contributions have not yet been remitted, and until the provincial contributions have been got completely out of the way, Government cannot feel that they are in a position to consider whether they can reduce the scale of taxation.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** But that has been done in the coming year.

**THE HONOURABLE MR. E. BURDON :** It has been done in the coming year, Sir ; but I must ask my Honourable friend to accept this, that it will not be until the end of the coming year that we would really be in a position to know whether we have successfully extinguished provincial contributions and left ourselves in the position which we anticipated ; and I would submit that it is then and then only that we should be able, as my predecessor said, to consider how far the scales of taxation can be reduced.

Now, Sir, my Honourable friend said that Rs. 60 lakhs is a paltry sum of money. I am afraid I do not agree with him on this particular occasion ; and I think the feeling of the Council will be that now that we have reached the final stage in the task of extinguishing the provincial contributions, we should run no possible risk of missing the goal. Above all things I am compelled to oppose the amendment for the same reason which I gave in opposing a similar amendment of my Honourable friend Seth Govind Das.

THE HONOURABLE SIR MANMOHANDAS RAMJI (Bombay : Non-Muhammadan) : Sir, after hearing the Finance Secretary's speech and considering that a large sum of money has been remitted by way of provincial contributions, I hope my Honourable friend Lala Ram Saran Das will not press his amendment. We all know that the Government owes it to the people of this country that additional taxation which was put on during the war ought to be reduced whenever the finances of the country permit it. And we have reason to believe that the time has come when we will have to consider in what way the taxation ought to be reduced. Sir, the income-tax was considerably increased and super-tax was totally put on as a war measure. When we come to consider the question of abolition of the super-tax we will have to consider whether it could not as a whole be wiped off ; it is a question which ought to be considered very seriously. The first relief, if the super-tax is to be reduced, ought to go to the companies where a great deal of anomaly exists. The companies pay the super-tax, subsidiary companies have to pay the super-tax and the individual shareholders have also to pay the super-tax. So, the super-tax is being collected from so many sources in the case of companies and, therefore, if any relief is to be given, it ought to go to the companies. Therefore, I would suggest to my friend not to press his amendment.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, I would suggest to my friend, Lala Ram Saran Das, to press his amendment and not to withdraw it. After all, the super-tax was brought into force merely as a war measure. And it is more than 9 years since the war terminated and still no reduction has been made in the super-tax. Sir, I should say that 4 annas per rupee ought to be the maximum limit of the super-tax rate, because if a man has to work for 12 months, the utmost that you can ask him to pay you in the shape of super-tax is his salary for three months. As the rate stands at present, he has to pay nearly half of his earnings. That is to say, he earns for six months in order to pay the Government, and the other six months he earns for himself. That is too much and, therefore, I say that the sooner the reduction is made in the super-tax rate the better it will be. Even in the case of the land revenue, it is one-fourth that the Government takes, but here the maximum rate is 6 annas in the rupee as super-tax *plus* one anna and six pies as ordinary income-tax ; so it comes to 7½ annas per rupee. This amount seems to me to be quite unreasonable, and I say that the sooner the Government consider the ways and means of reducing it the better.

Sir, it is possible that nothing may be done this year or even the next year, but what we want is an assurance from Government that whenever they are in a position to reduce this super-tax they will do so. It may be next year, the year after or even a year after that.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It may be ten years hence !

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN : Or it may be 10 years hence. But this question must be taken up in the near

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future because when the super-tax was re-introduced, it was said that it was levied for the duration of the war only. So I maintain that some sort of assurance must be given to us either by the Honourable the Finance Member or the Finance Secretary that they will take up this question, so that the public may know that this super-tax was only for a certain period and not a perpetual one. With these remarks, Sir, I ask the Mover of the amendment to press it and ask for a division.

**THE HONOURABLE SIR ANNAMALAI CHETTIYAR** (Madras : Non-Muhammadan) : Sir, few will deny—it is a well known fact—that there has been an enormous increase in taxation in recent years, and I do not think I will be very wide of the mark if I say that it has fallen more heavily on the richer classes than on the other classes. It is only natural that those who have had to pay more by way of taxes should be given earlier relief than those who have had to pay less. The argument advanced by Government last year was, if I remember it aright, that the provincial contributions should take precedence of any relief in respect of super-tax. Now that the extinction of the provincial contributions has become an accomplished fact, the question to which the Government must turn its attention is the reduction of taxation, and I venture to suggest that the relief in super-tax must not be delayed. I am sure, Sir, that the Government will admit the justice of the contention. If the amendment is accepted, the loss in revenue according to the Mover of the amendment is about 60 lakhs, or about  $\frac{1}{2}$  per cent. of the estimated revenue. Sir, if the Government do really want to afford some relief to super-tax payers, I sincerely believe that it will not be beyond the power of the Finance Department to make some suitable adjustments and give this much-needed relief. Sir, the Honourable the Finance Secretary has told us that it is impossible for him to make any promise even for next year. I do not know whether it would be at all impossible for him to do so.

**THE HONOURABLE SIR ARTHUR FROMM** (Bemby Chamber of Commerce) : Sir, I must admit that the amendment of my Honourable friend Lala Ram Saran Das excites my lively sympathy. It excites my sympathy in the same way as it excited the sympathy of my Honourable friend, Sir Manmohandas Ramji, inasmuch as the super-tax, as he pointed out, was put on as a war measure and perhaps the most objectionable part of it is the company tax. At the same time, we must take a practical view of the situation. The balance carried forward by the Government of India amounts to, I believe I am right in recollecting, 5 lakhs, while it has been stated that the cost of revising the super-tax as indicated by Lala Ram Saran Das would amount to 60 lakhs. Now, may I ask where are you to get the balance of 55 lakhs from ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** : In the way by which Government have reduced 80 crores of rupees under the head of unproductive debt during the last three years.

**THE HONOURABLE SIR ARTHUR FROMM** : That is an entirely different matter, and I would strongly oppose any raid being made on that fund at all.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** : It will be a raid on the extent of expenditure and not on the principle.

**THE HONOURABLE SIR ARTHUR FROMM** : As I said, when I began my remarks, we must take the business point of view in this matter. My Honourable friend Sir Manmohandas Ramji has taken the businesslike point

of view and I follow his example. You cannot out of a small balance of 5 lakhs expect to make good 60 lakhs. Then my friend on my right suggested that the Honourable the Finance Secretary should promise to reduce income-tax next year. How can he promise what will happen next year? I should like to know myself what will happen next year and I should very soon make myself a rich man. We might have a bad monsoon. How can you expect the Finance Secretary to promise to set aside funds which he may not realize? I do beg Honourable Members of this Council to take a really clear view of the situation and I would put it to them that out of a balance of 5 lakhs you cannot spend 60 lakhs.

THE HONOURABLE THE PRESIDENT : The question is :

“That in Schedule II to the Bill for Part II the following be substituted :—

PART II.

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income :—

	Rate.
(1) in the case of every company . . . . .	One anna in the rupee.
(2) (a) in the case of every Hindu undivided family—	
(i) in respect of the first twenty-five thousand rupees of the excess . . . . .	Nil.
(ii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna in the rupee.
(b) in the case of every individual, unregistered firm and other association of individuals not being a registered firm or company, for every rupee of the first fifty thousand rupees of such excess . . . . .	One anna in the rupee.
(c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—	
(i) for every rupee of the next fifty thousand rupees of such excess . . . . .	One and a quarter annas in the rupee.
(ii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna and six pies in the rupee.
(iii) for every rupee of the next fifty thousand rupees of such excess . . . . .	One anna and nine pies in the rupee.
(iv) for every rupee of the next fifty thousand rupees of such excess . . . . .	Two annas in the rupee.
(v) for every rupee of the next fifty thousand rupees of such excess . . . . .	Two and a half annas in the rupee.
(vi) for every rupee of the next fifty thousand rupees of such excess . . . . .	Three annas in the rupee.
(vii) for every rupee of the next fifty thousand rupees of such excess . . . . .	Three and a half annas in the rupee.
(viii) for every rupee of the next fifty thousand rupees of such excess . . . . .	Four annas in the rupee.
(ix) for every rupee of the remainder of the excess . . . . .	Four annas in the rupee.”

The amendment was negatived.

**\*THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY :** Sir, I beg to move :

"That in Part II of Schedule II to the Bill, clauses (1), 2 (a), (b) and (c) except sub-clauses (i) to (x) be omitted."

As I have already stated, the object of the amendments which I seek to introduce is to bring both individuals and joint stock companies into the same position. I do not see any reason why persons acting in their individual capacities should be favoured in the case of the levy of income-tax and should be put in a worse position so far as super-tax is concerned ; for that is the effect of the Bill as it now stands. Clause 2 of Part I of Schedule II gives to the individuals the concession of a progressive rate which it denies to joint stock companies in clause B, which fixes for them uniformly the maximum rate of one anna and six pies in the rupee leviable upon individuals. In the case of super-tax on the contrary companies are chargeable only at the rate of one anna per rupee for all incomes, whereas the minimum rate for individuals, etc., is the same, and it gradually rises to as much as six annas in the rupee. If the object of making this distinction between individuals and joint stock companies were to foster the growth of joint stock companies in the country that policy is bound to be frustrated by the imposition of the maximum rate of income-tax upon them instead of the progressive rate applicable to the case of individuals in Part I. Joint stock companies in their initial stages are thus put under a greater handicap and, when and if they are able to overcome these difficulties and can make bigger profits, the pressure is relieved from them and they are made to pay the minimum rate only of the super-tax for all incomes however high they may be. This, I submit, cannot be helpful to the healthy growth of joint stock companies in the country. I therefore move my amendment.

**THE HONOURABLE MR. E. BURDON :** Sir, the effect of my Honourable friend's amendment would be that all assesses other than registered firms (which are not liable to super-tax at all), that is to say, all assesses, individuals, Hindu undivided families, companies, unregistered firms and other associations of individuals, would pay super-tax at graduated rates. To confine the description within even smaller limits, the changes effected would be, first, that companies which now pay a flat rate of one anna in the rupee would pay graduated super-tax at rates rising to six annas in the rupee ; and secondly, that the Hindu undivided family would lose the exemption from super-tax which is at present conceded to the first Rs. 25,000 of the excess over Rs. 50,000 of total income. The companies' super-tax paid by companies is not refunded to shareholders, and the change in taxation, so far as companies are concerned, would be to bring to Government some very very large additional sum by way of revenue. It would be so great that we have not really attempted to make a serious estimate of the amount ; but it has been suggested to me by those who would be responsible for making the calculation that it might be an additional sum of 8 or 10 crores of rupees derived from companies, and as the super-tax is not refundable, as I have said, the addition would be a net addition to the revenue. Now, Sir, I do not think the Honourable Mover can have appreciated that this would be the consequence of his proposal, and I do not think it requires any further comment from me except this, that the amendment is not only open to the general objection which I stated a short time ago in dealing with another amendment put forward by the same Honourable Member, but also illustrates very clearly the unsuitability and positive danger of bringing forward in light-hearted amendments to the Finance Bill changes affecting essential features of our system and scheme of income-tax and super-tax taxation.

\* Speech not corrected by the Honourable Member.



Sir, I oppose the amendment.

**THE HONOURABLE THE PRESIDENT :** The question is :

“ That in Part II of Schedule II to the Bill, clauses (1), 2(a), (b) and (c) except sub-clauses (i) to (x) be omitted.”

The amendment was negatived.

Schedule II was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. E. BURDON :** Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

**THE HONOURABLE SETH GOVIND DAS :** Sir, I rise to oppose the motion of my Honourable friend Mr. Burdon. As I have already said, we Congress men cannot vote for this Bill until the present constitution is not changed, and therefore, Sir, I am opposing his motion. I know, that when in spite of the opposition of the Congress Party as well as of the Nationalist Party the Bill was passed even in the other place without any amendment, my motion for rejection of the Bill cannot be accepted by this House. But, Sir, that is an entirely different thing. We are not concerned with what happens to the Bill. We only want that our protest should be recorded and that is the reason why I am opposing the Bill. Suppose, Sir, the Bill had been rejected in the other place, or even in this Council, what would have happened? In 1924 the Finance Bill was thrown out by the Assembly. Even this year, so many Demands have been thrown out by the Assembly. But we very well know that whatever we may do; we may pass any Resolution, we may throw out the Finance Bill, we may throw out any Demand; so long as His Excellency the Viceroy has power to supersede the decisions of the Indian Legislature the fate of all our doings will be the same.

**THE HONOURABLE SIR ARTHUR FROMM :** That is why you do it.

**THE HONOURABLE SETH GOVIND DAS :** Then it may be said, why should you do it? We are doing it only as I have said to record our protest against this system of government. It will also be said that this protest is being recorded year after year without any substantial or effective result, but let me point out, Sir, that these protests have not gone in vain. I admit that the logical result of these protests should have been the non-payment of taxes, and I admit that as far as that is concerned, we are weak. But that does not mean that no result has come out of these protests. In fact these protests did not begin from the year 1924 when the Finance Bill was thrown out in another place for the first time: these protests began, Sir, in the year 1884 when the Indian National Congress was founded; and if we see the history of the last 44 years, we see how far we have gone. I admit, Sir, that as far as the Government is concerned, we could not compel them to bow down to our demands and our wishes, but that was not the only object of these protests. We also wanted to create public opinion in favour of establishing Swaraj, and against this system of government; and if you see the history of the last 44 years, you will find how forward we have gone as far as this is concerned. We began, Sir, with prayers in 1884. When prayers did not bring anything, we began to make protests; and when protests also brought nothing, we began to non-co-operate. Throwing out the Finance Bill and throwing out the Demands according to us is non-co-operation within the Legislature. And do the Government know what will follow? If the Government remain

[Seth Govind Das.]

as obstinate as they have remained so far, I say the non-payment of taxes and even revolution is not too far. The obstinacy of the Government has led us from prayers to protests and from protests to non-co-operation, and let them think, Sir, what this obstinacy will lead us to in the future.

Englishmen are by nature conservative. They never change their settled policies till they are compelled to change them. And on account of this obstinacy they have gained something but I say they have lost much. They have lost America on account of this obstinacy; they have practically lost Ireland and Egypt on account of their obstinacy, and I say that they will lose India too if they remain as obstinate as they are.

In the beginning, Sir, the creed of the Indian National Congress was the establishment of responsible government within the British Empire. Then in 1920, it was changed to Swaraj by peaceful and legitimate means, and this year, Sir, though the Congress has not changed its creed, yet they have passed a resolution for complete independence. In the beginning, Sir, the bad days of England were considered to be the bad days of India. For the sake of England, we shed our blood, thousands and lakhs of our countrymen did that. Though we are poor, yet we gave lakhs and crores in the shape of loans and gifts in the days of England's adversity. But now, Sir, the idea is changing. There is a section of our countrymen who think that the worst days of England will be the best days of India, and there are reasons for this. Indians are never ungrateful to their benefactors. If anybody would do a little good to an Indian, he will remain grateful to him throughout his life. But what have the Englishmen done during the last 150 years? They have been exploiting this country right and left. What result do we find of the British rule of the last 150 years? Not even ten per cent. of our population can read or write; the population of the country is not increasing as compared to the proportion of increase in other civilized countries of the world; numerous epidemics have made India their home; the death-rate of the people of this country is much more than the death-rate of other countries, especially of children. People are not getting sufficient food to eat. Sir, one-half of our population is starving, not getting even two humble meals a day; and that food which they are getting, Sir, is rotten. I shall, with your permission, relate a personal experience in this connection. Only the day before yesterday in your Imperial city of Delhi, the pride of your rule, in the outhouses of 17, Windsor Place, I saw a sweeper's living. I went there to see his way of life, and what did I find? A wretched cot was lying with a dirty sheet of cloth spread over it and on that cloth was spread some cooked rice and pieces of bread. I asked him what he was going to do with that bread and rice. He told me that when the Members would leave this Imperial city, when the Government would go away to Simla, and when he will not be able to get food from the different houses, he would eat that already dried rice boiled with water. Sir, I could not check my tears at that time. This is the way, Sir, in which the people of your Imperial city are living. You can think yourself what would be the condition, then, in the villages.

Just the other day, Sir, two Members of Parliament who just left India, I mean, Messrs. Purcell and Hallesworth, referred to their impressions. They said:

"With joyful recollection of the wonderful days we have spent in your wonderful land, wonderful in its riches, history and wonderful too in its poverty and misery."

Mr. Mardy Jones, another M. P., who has also just left this country, said that the greatest indictment of British rule in India is the illiteracy of the masses,

and the low wages and terrible conditions of the workers. This opinion, Sir, Mr. Mardy Jones has just expressed in a report on the conditions of Indian workers which he read in England. But, Sir, these conditions are not shown to Sir John Simon. Sir John Simon is taken to Madras to be shown how the Brahmins and non-Brahmins are fighting. He is taken to the Punjab to be shown how the Hindus and the Muhammadans are fighting.

The Honourable Sir Basil Blackett, Sir, in another place replying to the debate on the Finance Bill read a list of the achievements of British rule and related how much the British had done for this country specially from the beginning of this century. I only want to ask him one question. Has he and his Government been doing even a small fraction of what is required? Suppose such appalling conditions would have prevailed in England, would he have been satisfied with doing as much as he has done in India? Take the example of Japan, an Asiatic country. How much they have improved in the last forty or fifty years, or take Afghanistan which was once a part of our own country, and see how much they have improved during the last ten years. I say, Sir, that if India only would have been free to-day, with such a big manpower and with so many resources, we would have done much more than the Honourable the Finance Member says the British Government have been able to do. All that he has been doing, Sir, all that the British Government has been doing, they are doing only to save their faces before the civilized world. If they would not have done even that much, they would have been condemned by the civilized world. I know that it will be said this is the old, old story. The Honourable the Finance Member or his Secretary will in the end get up and say, I have only related the old, old story. I know, Sir, that they are tired of hearing these grievances, but we cannot be tired of relating them unless and until these grievances are remedied.

And, Sir, in spite of all this poverty of the land, what do we find? The expenditure of the government is at its high level. They still spend about 60 crores of rupees on the military. The expenditure of the

1 P.M. Civil Service has gone up by Rs.  $1\frac{1}{2}$  crores according to the recommendations of the Lee Commission. Even before the appointment of the Lee Commission, this service was getting as high salaries as, I think, no other service in the world was getting. Taxation is not reduced; the salt duty cannot be reduced; we cannot have a pice postcard; and still, Sir, we are asked to vote for the Finance Bill.

Is there a single community in this country which is satisfied with the present system of government? In the beginning the Government pretended to protect Muhammadan interests, but we have seen that they cannot be fooled any more. Now, Sir, they are patting the back of the depressed classes. But, Sir, I have not a shadow of doubt in my mind that these depressed classes will also soon realise that a foreign Government can do no good to them. Except a few individuals here and a few individuals there, except a few organisations here and a few organisations there, whose names we have only heard—I mean when they went to co-operate with the Simon Commission—there is not a single community in this country, there is not a single political organisation worth the name in this country, which is pleased with the present system of government. And, Sir, if we even grant that the Government is a very good Government, a very civilised Government, a Government which is doing a tremendous amount of good to this country, even then I say that it cannot be a substitute for self-government. And here, Sir, I want to thank the Honourable the Finance Member for his very plain speaking. The other day in the other place he accepted that the British people were here not with selfless motives, but that they had some interest also, and I submit, Sir that this explodes once for all the theory of trusteeship.

[Seth Govind Das.]

Then, Sir, we Indians do not find ourselves in any way inferior to the English people. If equal chances are given to Indians, we will stand second to none in any competition. It has been proved so many times and in so many ways. Competitive examinations are a proof of this. The London correspondent of *Forward* wrote in November last that it was seriously being thought that the door of competitive examinations would be closed for Indians in England. He wrote :

"It is reported from very reliable quarters that Lord Birkenhead is very much upset at the success of as many as fourteen Indians at the last competitive examinations held in London for recruitment to the Indian Civil Service and that he has suggested in a note or memorandum that the question whether, having regard to the examinations which are being annually held at Allahabad for recruitment to the Indian Civil Service, the time has not arrived for the closing of the London door to Indians desirous of competing for posts in the Indian Civil Service should be considered by the Statutory Commission."

The chief cause of the trouble between Indians and Europeans in the British Colonies is in fact the Indian competition. We are, Sir, proud of our being Indians and therefore, Sir, it is but natural for us, for the people of this ancient land, for the people of this ancient culture, for the people of this ancient civilisation, that we want to make this country free from any foreign domination ; and it is but natural for us to try to remove all the obstacles in our way.

Now, Sir, it is for England to decide what kind of relation she wants to keep with India. Our doors are yet open, but they will not remain open for ever. England wanted to take advantage of our differences. According to them, when India was hopelessly divided communally and politically, they appointed the all-white Commission, but they have seen, Sir, with how much zeal, with how much enthusiasm, with how much unanimity, this Commission is being boycotted. Let them learn ....

THE HONOURABLE SIR GEORGE GODFREY (Bengal Chamber of Commerce) : I rise to a point of order, Sir. Is the Honourable Member in order in discussing these very general matters on the Finance Bill ?

THE HONOURABLE THE PRESIDENT : I am afraid the Honourable Member is in order ; he comes back to the Finance Bill occasionally in such a way as to make his remarks relevant.

THE HONOURABLE SETH GOVIND DAS : Thank you, Sir. Let them learn the last lesson from the appointment of this Statutory Commission. The Honourable Sir Basil Blackett the other day said in the other place that we were not going to gain anything from non-co-operation. I ask the Government Benches, Sir, whether they have forgotten the days of 1921. In 1921, when the non-co-operation movement was at its height, His Excellency the Viceroy invited us to a round table conference. Was it, Sir, on account of co-operation ? It was, Sir, in fact on account of non-co-operation. From 1924 we have begun to co-operate with you to some extent and you have given us in reward this Statutory Commission. You yourself see, Sir, whether non-co-operation has paid us or whether co-operation has. We are in fact convinced, Sir, that so long as we co-operate, so long as we do not compel the Government to give us anything, they will never move even their finger in this direction, because it is against their interest. Nobody in this world is so foolish as to do things against his own interest.

Englishmen generally read the "Decline and Fall of the Roman Empire" by Gibbon. They are proud in fact to follow in the footsteps of the Romans. I shall advise them not to read those big volumes of the "Decline and Fall

of the Roman Empire " by Gibbon but to study carefully a small book named " Later Moghuls " by an Englishman, Mr. Irwin, an ex-Member of the I. C. S. and I think if they read it and study it, if they make their plans after reading it, they will be more benefited than by reading Gibbon and by following in, the footsteps of the Romans. Let them come to their senses before it is too late.

I repeat, Sir, that under the present circumstances, we, Congress men, cannot vote for the Finance Bill and I oppose the motion of my Honourable friend Mr. Burdon.

THE HONOURABLE MR. KUMAR SANKAR RAY CHAUDHURY : Sir, after the lot that has befallen the amendments to the Finance Bills that we on the popular side have been moving in this House and the other from year to year, one cannot but feel quite helpless and dejected in taking any part in the further progress of the Bill. Without any avail whatsoever we have been crying ourselves hoarse about the high salt duty, excessive postal rates and unprincipled levy of the income-tax and that the people are unable to bear it any longer ; but the Honourable the Finance Member meets us by saying that the visible balance of trade is in favour of India. I would like to ponder over the word " visible " for a moment and try to understand what he means by it. Does he intend to signify or tries to suppress that it is not real, that the largeness of the trade indicates the further drainage of the resources of the people ? For though on the whole we have imported more goods including " private imports of treasure " than we have exported " a noticeable feature of the trade returns is," as Sir Basil later on has to admit, " the reduction in the net imports of treasure by 6½ crores ".

This shows, I venture to submit, that we are buying more and more goods from outside than selling and the wealth of the country is being gradually drained out of the country. If the inflow of gold in the United States from the rest of the world is a sign of the prosperity of that country, I fail to understand how India is going to become more and more prosperous by the gradual diminution of the inflow of treasure into the country. Is the prosperity of the country also demonstrated by the increase in the sources of revenue ? Has not the tax on income " proved a disappointment " ? Can the explanation that " the estimate made was unduly high " satisfy the public ? " Salt revenue is down on the original estimate by 25 lakhs ". " The system of credit sales is made to account for a portion of this decrease." May I ask what is the cause of the decrease of the other portion and whether this system of sale on credit is a recent innovation ? If it is not, it cannot be used as a ground for explaining the decrease : we have been crying for the last few years for the abolition of this duty on the ground of its being a duty on a necessity of life and as such falling heavily upon the poorer people. The fact that it is showing a decrease shows that the people cannot bear the burden and it is time that it should be abolished.

Although the revenue side of the last year's Budget thus gives a clear indication that the condition of the people is getting worse and worse, the Government in their Ways and Means and Public debt policy have been rather more anxious not to disturb the market in Government Securities than they themselves thought to be justified and did not make the terms of the rupee loan as attractive as they should have done, and the result has been a militation against complete success so that the Government had to tide over the difficulty by various expedients—viz., the re-introduction of Treasury Bills and recourse to foreign loans to meet the gradually swelling capital expenditure, so that we cannot afford any " slackening in the annual savings of the country " and

[Mr. Kumar Sankar Ray Chaudhury.]

cannot even dream of any reduction of taxation. Instead of a reduction of any of the taxes which fall heavily on the poor, we are having an increase in the military and civil administration. I shall deal with the Military later on, but the increase in the civil administration is mainly due to annual increments, most of which is due to the increase in the salary of the highly paid European Officers brought about by the recommendations of the Lee Commission, while the Government has not been in a position to provide for any new programmes over and above the five-year education programme of last year.

I now come to the Military Department. The expenditure on this branch of the administration is again rising year after year on one ground or another. His Excellency has in the other House made some announcements about the throwing open of the artillery and aircraft branch of the Army to Indians. This no doubt is a good thing to do save that it is not generous enough; but no college is to be established in the country for the training of officers in India. The ground I believe is financial, but may I say, if countries like Belgium or Holland are financially stronger than India, do they send their officers to be trained in foreign countries? May I ask if there is any country in the world that is without a military training college to supply her military officers? What will happen if war breaks out and it becomes impossible to send our men to foreign countries to give them military training? The Staff Colleges at Quetta and Indore had to be established in previous war times, and I do not understand why these colleges should not be enlarged into full-fledged military colleges.

I now come to the Simon Commission. Our objections to the Commission have been discussed in full in this and the other House only recently, and I shall close my remarks by making one observation only upon it. The Preamble to the Government of India Act has clearly laid down and various statements made upon the floor of the British Parliament by those in authority have repeatedly emphasised that the responsibility about the future constitution of India rests solely on the British Parliament and that Parliament alone, and that the British Parliament is not going to share this responsibility with any one else. Even when the Simon Commission left for India Lord Birkenhead stated that the sole responsibility about their manner and method of work rested entirely with the Commission and they were left entirely in charge of their procedure provided they acted within the four corners of their writs of Commission. The Government of India could at best help them with their advice. Moreover, the British Parliament sanctioned the grant of a sum of money for the expenses of the Commission. Under the circumstances I fail to see where does the responsibility of the Governor General come in by virtue of which they could certify the cost of the Commission in India under section 67A of the Government of India Act.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to fix the duty on salt manufactured in, or imported by land into certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly, be passed."

The motion was adopted.

## INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

THE HONOURABLE SIR GEOFFREY CORBETT (Commerce Secretary):  
Sir, I move that the Bill further to amend the Indian Merchant Shipping Act,

1923, in order to vest in the Governor General in Council the control of matters covered by that Act, as passed by the Legislative Assembly, be taken into consideration.

A year ago, when I introduced the Indian Lighthouse Bill in this Council, I said that it was the first instalment of a larger scheme for the transfer of the administration of the Shipping Acts, and of mercantile marine affairs generally, from the Local Governments to the Governor General in Council, that is, to the direct control of the Commerce Department of the Government of India. The present Bill is the second instalment of this scheme. The position of the Government of India in this matter is summarised in the Statement of Objects and Reasons, and is briefly as follows :

The Central subjects under the Devolution Rules include the following :

Firstly, Shipping and navigation ;

Secondly, Lighthouses ;

Thirdly, Port quarantine ; and

Fourthly, Major ports.

At the present time all these subjects are administered through the agency of the Local Governments, and statutory powers are to a large extent vested in them. The intention is that for the future the Government of India should progressively take over the direct administration of these subjects. The matter was discussed so long ago as November 1924 at a conference held in Delhi at which the representatives of the Local Governments and the Ports were present, and subsequently the matter was discussed with the Local Governments personally at the various ports and also with the commercial bodies. As a result of these discussions, it was decided that, first of all, shipping and navigation, and, secondly, lighthouses, should be administered direct by the Government of India, and that legislation should be undertaken for this purpose. It was also decided that the question of the administration of the major ports, about which there was some difference of opinion, should be reconsidered later when experience of the central administration of other subjects had been gained. Port quarantine was also to be considered at a later stage separately. I rather want to stress this point, because there seems to be some misconception in the mind of the public that the object of this Bill is to take over, under the direct control of the Government of India, the *port* administration. It is necessary to distinguish clearly the difference between *mercantile marine* administration, which includes the safety of shipping and cargoes and the safety and welfare of crews and passengers, and *port* administration, which is the commercial administration of the ports under the various Port Trusts. It is the first of these that we are now taking under the direct administration of the Government of India, and the second is postponed for further consideration at a later date.

In pursuance of this policy, the Indian Lighthouse Act was passed at the last September Session of the Legislature, and that provided for the direct administration of lighthouses by the Government of India. This Bill provides for the direct administration of shipping and navigation by the Government of India, through the substitution of the Governor General in Council for the Local Government in the Indian Merchant Shipping Act.

I wish to make it clear that these proposals are the result of mature consideration, and they have not been hurried in any way. The Local Governments and commercial bodies have been consulted at every stage, and I think we have the unanimous support of every one interested. This particular Bill has been specifically referred to Local Governments and commercial bodies

[Sir Geoffrey Corbett]

and has been generally approved by them. It received the unanimous support of the Select Committee of the Assembly which considered it in detail, and it was passed without a division by the Assembly last Monday. In these circumstances, Sir, I do not think I need go very deeply into the details of the Bill. The main body of the Bill is short, but there is a very long Schedule containing the necessary amendments to the Indian Merchant Shipping Act, which runs to nearly 300 sections. The main amendment is merely to substitute "Governor General in Council" for "Local Government" wherever it occurs. I think the only point to which I need draw particular attention is clause 7 of the Bill, which provides for the delegation of powers by the Governor General in Council to the Local Government. The object of this clause is first of all to provide a certain elasticity during the period of transition, and secondly, if experience requires it, to enable us to delegate the exercise of certain functions to the agency of Local Governments. Such a case would arise, for instance, in a small port where we had no staff of our own, and it was necessary to delegate to an officer of the Local Government the powers of a receiver of wreck or of a shipping master in a local shipping office. The only other point to which I need draw attention is clause 8, which was added by the Select Committee and empowers the Governor General in Council to appoint advisory committees to advise on rules and scales under the Act. This follows almost verbatim section 79 of the English Merchant Shipping Act of 1906, which gives the Board of Trade similar powers. The addition of this section was accepted by the Government, and it has considerable advantages from our point of view, because it will enable "far-off Simla and Delhi" to come into direct contact with the interests at the ports. I think it has great advantages and no objections that I can see. We have also undertaken, in pursuance of a recommendation by the Select Committee, to consult commercial bodies on the manner in which this advisory committee, or committees if they think fit, should be constituted. And if commercial bodies press for it, we are prepared to undertake legislation at a later date in order to define by Statute the composition and powers of the committees. I do not think I need say anything more about this Bill.

Sir, I move.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill further to amend the Indian Merchant Shipping Act, 1923, in order to vest in the Governor General in Council the control of matters covered by that Act, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Clauses 2 to 9 were added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR GEOFFREY CORBETT: Sir, before this Bill is passed and statutory effect is given to a rather complex and difficult piece of re-organisation, on which I have been engaged for some time, I should like to take this opportunity, with your permission, to express my thanks to the Local Governments and local officers and to commercial bodies, both British and Indian, who have given me their assistance and advice in working out the details of this scheme. And above all, I should like to express the sense of obligation which the Government of India as a whole, and I personally, feel to the Board of Trade and to their officers for their ungrudging and unfailing help at every stage.



Sir, I now move that the Bill, as passed by the Legislative Assembly, be passed.

THE HONOURABLE THE PRESIDENT: The question is:—

“That the Bill further to amend the Indian Merchant Shipping Act, 1923, in order to vest in the Governor General in Council the control of matters covered by that Act, as passed by the Legislative Assembly, be passed.

The motion was adopted.

## INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE SIR GEOFFREY CORBETT (Commerce Secretary): Sir, I move that the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.

Tariff Bills, Sir, may be of three different kinds. There is first of all the ordinary amendment of the tariff for revenue purposes which is included in the Finance Bill of the year. And there is secondly, the protective tariff Bill which is introduced in order to give effect to recommendations of the Tariff Board. And thirdly, there are the Bills which have no financial or protective significance, but merely undertake an amendment of the tariff for general purposes, such as to remove anomalies and even misprints which have been found to occur in the existing Tariff Schedules, and which are generally brought to light by Customs Collectors in the course of their duties or by commercial bodies who have been adversely affected. It is our custom to keep a list of these small amendments which are found necessary from time to time; and when there are enough of them we bring in a sort of *omnia in unum* Bill to make the necessary amendment of the law to put things right. The present Bill is a Bill of this third kind, and it contains a large number of small amendments that have accumulated in the last two years. There is no underlying principle of the Bill which requires any special explanation. Each amendment has to be taken on its merits. It has been very carefully examined by a Select Committee of the Assembly, and I do not think I need enumerate in any detail the various amendments now being made.

There are only two which are rather outside the usual scope of these Bills. The first is amendment No. 14, which reduces the duty on currants from the ordinary general rate of 15 per cent. to a specific duty of one rupee four annas per hundredweight. This was a condition of the *modus vivendi* which was arrived at with Greece, in the autumn of 1926, by which India receives most favoured nation treatment for all her goods entering Greece. I dare say Honourable Members may be aware that currants in the trade sense are small dried grapes grown, I believe, only on the shores of the Aegean Sea, in which Greece is particularly interested. In fact, Greece practically makes it a condition of giving most favoured nation treatment to other countries, that that country will not levy a duty on currants exceeding about two shillings a hundredweight; and this Rs. 1-4-0 was taken roughly as equivalent to two shillings a hundredweight, which is the figure in the Anglo-Greek Treaty.

The other item which requires special notice is amendments five, fifteen and sixteen which deal with belting. These amendments, though not strictly speaking protective, are the result of recommendations made by the Tariff Board, to the effect that the manufacture of belting in India should be given equal tariff treatment; that is, it should not receive definite protection, but these amendments in the tariff are necessary in order that the manufacturer of belting in India may not have to pay a higher duty on the raw materials of

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the industry than is payable on the finished article. That is what we call equal tariff treatment, and it is included in this Bill because it comes in the ordinary part of the Tariff Schedule and not in the protective part.

I do not think, Sir, there is any other item to which I need call special attention. I move.

The motion was adopted.

Clause 2 was added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR GEOFFREY CORBETT: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

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### STEEL INDUSTRY (PROTECTION) BILL.

THE HONOURABLE SIR GEOFFREY CORBETT (Commerce Secretary). Sir, I move that the Bill to provide for the modification of certain import duties relating to the protection of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration.

This, Sir, is a very modest protective Bill, and its object is merely to tie up one or two loose ends that were left by the last Steel Protection Act. It only deals with two small items. First of all, there are bolts and nuts. The Tariff Board recommended that compensatory protection should be given to the manufacturer of bolts and nuts in India; that is, not that the industry should be protected, but that it should not be handicapped in any way by the fact that a protective duty had been imposed on the bars from which bolts and nuts are manufactured. The existing duty on bolts and nuts is ten per cent., and the protective duty on the bars from which they are manufactured is as follows: The ordinary duty is Rs. 26 a ton, and the additional duty for bars not of British manufacture is Rs. 11, making a total of Rs. 37. These bolts and nuts are practically all manufactured from non-British bars, and therefore it is necessary to take the higher figure. To this the Tariff Board added an additional ten per cent. for wastage in manufacture, making a total of Rs. 40 a ton. The object of the first and second amendments in the Schedule is to enhance the duty on bolts and nuts from the present ten per cent. to Rs. 40 a ton.

In the second place, the Bill deals with the question of wire and wire nails. These have hitherto been enjoying a protective duty of Rs. 60 a ton, which was imposed with the object of encouraging the factory at Jamshedpur which had been established for the manufacture of wire and wire nails. But for an indigenous industry which deserves protection, it is necessary that the raw material of the industry should also be manufactured in India; and when protection was given, it was understood that the wire rod from which wire and wire nails are manufactured would be made by Tatas. Tatas, however, have so far failed to produce the necessary wire rod and there is no immediate prospect of their doing so. The Tariff Board made a full inquiry into the matter and have recommended that the protective duty should be removed, and that wire and wire nails should again become liable to the ordinary revenue duty of ten per cent. only.

That, Sir, is all that the Bill amounts to.

I move.

The motion was adopted.

Clause 2 was added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

THE HONOURABLE SIR GEOFFREY CORBETT: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

The motion was adopted.

## INDIAN TERRITORIAL FORCE (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move that the amendments made by the Legislative Assembly in the Bill further to amend the Indian Territorial Force Act, 1920, for certain purposes, be taken into consideration.

I do not think that the changes made in this Bill in another place, since it was passed by this House, need be in any way contested. In fact, I think that this House may accept them as improvements. In clause 1, a provision has been inserted to ensure that the Act comes into force by the 1st January 1929. A new clause 2 has been added, amending the Title and the Preamble of the Bill, in consequence of the decision that European British subjects who are students at Indian Universities will be eligible to join their University Training Corps.

Clause 9, which was clause 8 when the Bill left this House, has been remodelled as the result of a proposal to allow boys between the ages of 16 and 18 to be enrolled in urban units without liability for service, in the same way as youths of that age are permitted to enrol in the Auxiliary Force. The proposal has been accepted in the Assembly; but it requires an amendment in clause 9 to provide that enrolled persons under the age of 18 shall not be liable for military service.

A new sub-clause to clause 13 has been added, imposing an obligation on the Government of India to set up a central Committee to advise them on matters connected with the Indian Territorial Force. Government were in any case proposing to appoint such a Committee, and this clause will merely make it incumbent upon them to do so.

Sir, I move.

The motion was adopted.

THE HONOURABLE THE PRESIDENT: The first amendment is:

"That in sub-clause (2) of clause 1, after the words 'on such date' the words and figures 'not later than the first day of January 1929' be inserted".

The question is that this Council do concur in that amendment.

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The second amendment made is :

"That after clause 1 the following new clause be inserted and the subsequent clauses be re-numbered accordingly :—

' 2.(1) In the long title of the Indian Territorial Force Act, 1920 (hereinafter referred to as the said Act), the words 'and to provide for the enrolment therein of persons other than European British subjects' shall be omitted.

(2) In the preamble to the said Act, the words "and for the enrolment therein of persons other than European British subjects who may offer themselves therefor" shall be omitted'."

The question is that this Council do concur in that amendment.

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The third amendment made is :

"That in clause 2 for the words, figures and brackets ' Indian Territorial Force Act, 1920 (hereinafter referred to as the said Act)' the words 'said Act' be substituted."

The question is that this Council do concur in that amendment.

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The fourth amendment made is :

"That for clause 9 of the Bill the following clause be substituted, namely :—

' 9. In sub-section (2) of section 9 of the said Act —

(a) after the word 'enrolled' the words 'who has attained the age of eighteen years' shall be inserted; and

(b) the following proviso shall be added, namely :—

' Provided that nothing in this sub-section shall apply to persons enrolled in a University Corps'."

The question is that this Council do concur in that amendment.

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The fifth amendment made is :

"That in clause 13 of the Bill after sub-section (1) of the proposed section 12 the following sub-section be inserted, namely :—

' (2) The Governor General in Council shall constitute a Central Advisory Committee to advise him on matters connected with the Indian Territorial Force generally'; and sub-section (2) be re-numbered as (3)."

The question is that this Council do concur in that amendment.

The motion was adopted.

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** Sir, I move that the Bill as amended by the Legislative Assembly be passed.

**THE HONOURABLE THE PRESIDENT :** There is no necessity for that motion by His Excellency. A message in regard to the motions now carried in this House will go to the Assembly.

## AUXILIARY FORCE (AMENDMENT) BILL.

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** Sir, I move that the amendments made by the Legislative Assembly in the Bill further to amend the Auxiliary Force Act, 1920, for certain purposes, be taken into consideration.

The Legislative Assembly, Sir, has made only one important change in this Bill. Clause (d) of section 4 of the Act has been deleted. This clause permits the enrolment of Europeans other than British subjects in the Auxiliary Force. The Auxiliary and Territorial Forces Committee made a recommendation to this effect, but coupled it with their recommendation that the Auxiliary Force should be liable for general service within and without India. The second recommendation has not been accepted and one Local Government specifically proposed that Europeans other than British subjects should continue to be eligible for enrolment in the Auxiliary Force. The Assembly have held, however, that as a matter of principle, foreigners should not in future be enrolled in any volunteer force in India. We need not, Sir, object to this conclusion. The number of Europeans other than British subjects at present in the Auxiliary Force is, so far as we are aware, quite small. These persons will not be affected by the amendment which applies only to future enrolment. As in the case of the other Bill, provision has been added to ensure that the Act comes into force not later than the 1st January 1929.

Sir, I move.

The motion was adopted.

THE HONOURABLE THE PRESIDENT : The first amendment made is :

“ That in sub-clause (2) of clause 1, after the words ‘ on such date ’ the words and figures ‘ not later than the 1st day of January, 1929 ’ be inserted.”

The question is that this Council do concur in that amendment.

The motion was adopted.

THE HONOURABLE THE PRESIDENT : The second amendment made is :

“ That in clause 2, for the words, letter and brackets ‘ clause (b) shall be omitted ’ the following be substituted, namely :—

- (a) clause (b) shall be omitted ;
- (b) in clause (c) the word ‘ or ’ shall be omitted, and the clause shall be relettered as clause (b) ; and
- (c) clause (d) shall be omitted.”

The question is that this Council do concur in that amendment.

The motion was adopted.

## STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Leader of the House) : Sir, as I stated before, if the Chittagong Port Amendment Bill is passed by the Legislative Assembly without amendment, no further meeting of this Council would be required. In view, however, of the fact that it is impossible to foresee the fate of this Bill, it will be necessary to reserve Wednesday, the 28th March, for Government business, in order to deal with possible contingencies in connection with the Bill.

THE HONOURABLE THE PRESIDENT : The position strikes me as extraordinarily unsatisfactory and indicates to me that possibly business in another place has not been so arranged as to bear in mind the convenience of this Council. The position as it is, leaves me no option but to adjourn the Council till

Wednesday next at 11 o'clock in the morning. If in the meantime it should transpire that there will be no business for the Council on that day, I hope Government will take steps to inform Honourable Members as early as possible of the position.

The Council will now adjourn to Wednesday morning, the 28th March at 11 o'clock.

The Council then adjourned till Eleven of the Clock on Wednesday, the 28th March, 1928. (Subsequently a Circular No. XXXII, dated 27th March 1928, was issued to Members adjourning the Council *sine die*.)

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