

Tuesday, 1st March, 1921

THE  
COUNCIL OF STATE DEBATES  
(Official Report)

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## COUNCIL OF STATE.

*Tuesday the 1st March, 1921.*

The Council met in the Council Chamber at Metcalfe House at Eleven of the Clock, with the President in the Chair.

### QUESTIONS AND ANSWERS.

#### RATIO OF RS. 10 TO SOVEREIGN.

189. The HONOURABLE MR. LALUBHAI SAMALDAS: (a) Is it a fact that the new ratio of 10 rupees to the sovereign recommended by the Indian Currency Committee was based on the maintenance of high prices of silver and of commodities?

(b) Is Government aware that silver has now fallen to 34*d.* sterling or only 27*d.* gold, whereas the melting point of the rupee at 15 to the sovereign is 43*d.* gold?

(c) Is Government aware that commodity prices are rapidly returning to pre-war levels and are already at or under pre-war values for many leading commodities such as tea, coffee, cocoa, wool, cotton, jute, hides, copper, tin, zinc, lead, etc., etc., and the movement is spreading to other articles?

(d) Do the Government propose to urge upon the Secretary of State the advisability of reconsidering the question of the ratio of the rupee to gold?

The HONOURABLE MR. A. C. CHATTERJEE on behalf of the HONOURABLE MR. COOK: (a) The Indian Currency Committee's recommendation was based on the necessity of maintaining the exchange value of the rupee above its bullion value; on the desirability of reducing, or checking the further rise in, prices in India; and on the other considerations referred to in paragraphs 42 to 59 of their Report.

(b) Government is aware that the price of silver has fallen as stated. The melting point of the rupee at its former parity of 1*s.* 4*d.* was reached when the sterling price of silver in London was 43*d.* per standard ounce; this is equivalent at present to about 34*d.* gold.

(c) Government is aware that there has been, for various reasons, a marked fall, not necessarily permanent, in the prices of many commodities; many others, not mentioned by the Honourable Member including the principal articles of food and clothing—which are the necessities of life for the poor—are still far above pre-war values.

(d) The answer is in the negative.

#### RATIO OF THE RUPEE TO GOLD.

190. The HONOURABLE MR. LALUBHAI SAMALDAS: (a) With reference to the remarks of the Finance Member that "Silver now stands at 61*d.*, I would again remind the Council that at the 15 rupees parity the melting point of silver is 43*d.*"; will Government be pleased to say if it is aware that the 61*d.* then ruling was sterling price and was only equal to about 45*d.* gold?

(b) Is Government aware that the present price of silver is 34*d.* sterling; that the New York cross rate is 3·85 or thereabouts; and that on the basis of this cross rate 34*d.* sterling for silver means only about 27*d.* gold?

(c) Do Government propose to move the Secretary of State to reconsider his decision regarding the change of the ratio of the rupee to gold?

The HONOURABLE MR. A. C. CHATTERJEE: (a) and (b) Yes.

(c) Government is not prepared to move the Secretary of State in this matter.

#### RATE OF EXCHANGE.

191. The HONOURABLE MR. LALUBHAI SAMALDAS: (a) Is Government aware that the market rate of exchange to-day is about 1*s.* 4½*d.* sterling?

(b) Is Government aware that this is equivalent to only about 13*d.* gold?

(c) Is Government still bent on establishing the rupee at 24*d.* gold?

(d) If so, is such step in conformity with the policy enunciated by the Currency Committee in paragraph 36 of their Report?

The HONOURABLE MR. A. C. CHATTERJEE: (a) and (b) Yes.

(c) I would refer the Honourable Member to the reply which the Honourable Mr. Cook gave the other day to a similar question asked by the Honourable Maharaja Sir Manindra Chandra Nandy.

(d) Government does not consider that their attitude is in conflict with paragraph 36 of the Committee's report, inasmuch as the present conditions of World trade are highly abnormal and unstable, and therefore no new level can be said to have been established.

#### CURRENCY POLICY.

192. The HONOURABLE MR. LALUBHAI SAMALDAS: Will the Government lay on the table the whole correspondence between it and the Secretary of State, with regard to the currency policy adopted in pursuance of the Majority Report of the Indian Currency Committee, and particularly with regard to Reverse Bills?

The HONOURABLE MR. A. C. CHATTERJEE: The views of the Government of India prior to the Report of the Indian Currency Committee will be found in the official correspondence already published with the Minutes of Evidence attached to the Committee's Report. See especially pages 72 to 88 of Volume II. Government is unable to lay on the table the subsequent correspondence.

#### MILITARY OPERATIONS IN MESOPOTAMIA.

193. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government place on the table a statement showing:—

(a) the total overseas expenditure in rupees on military operations in Mesopotamia and elsewhere month by month during 1919 and 1920;

(b) the amount out of such expenditure that is debitable to the British Government;

- (c) the average rate of exchange prevailing each month ;
- (d) the amount debited to the British Government in sterling and the rate at which it is so debited ;
- (e) the amount already recovered from the British Government ;
- (f) the amount still in arrears ;
- (g) whether any interest is charged on such arrears ;
- (h) if so, at what rate ?

The HONOURABLE MR. A. C. CHATTERJEE : (a) It is not possible to give the Honourable Member the whole of the information for which he asks ; for, in the first place, the whole of the overseas expenditure referred to by him, is not brought to account in India and is not known to the Government of India ; and, in the second place, the accounts of such portion of the expenditure as is brought to account in India were prepared on a quarterly basis up to the 31st March, 1920. The following facts will, however, probably give the Honourable Member the substance of the information he wants.

(b) All overseas expenditure brought to account in India is debited to His Majesty's Government.

(c) A statement showing the rate of exchange on the first open day of each month during the years 1919 and 1920 is being sent to the Honourable Member.

(d) The arrangement in force up to 31st March, 1920, was that rupee expenditure recoverable from His Majesty's Government was converted into sterling at quarterly rates determined with reference to the average rates prevailing. Since that date the rates have been fixed monthly. The rates adopted for the adjustment of transactions with His Majesty's Government are contained in the statement which is being sent to the Honourable Member.

(e) and (f) Advance payments are made by His Majesty's Government from month to month with reference to estimates of recoverable expenditure furnished from India. The final adjustments are not made, however, till the end of the financial year, and consequently the actual expenditure is not known till then. Up to 31st March, 1920, the Home Government had repaid the Government of India the full amount debited in the Indian war accounts. The accounts for the financial year 1920-21 have not yet been completed, but, as I have already mentioned, advance payments have been made regularly by the Home Government, to cover our outgoings, pending final adjustment.

(g) and (h) Do not arise.

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The HONOURABLE THE PRESIDENT : The next item on the List of Business is the presentation of the Budget, but as the Budget is also being presented in the Legislative Assembly, it will be impossible for it to be taken now. I propose to interrupt the ordinary business, therefore, when the officers of the Finance Department are in a position to come over here and present it. We will therefore proceed to the Resolutions.

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#### RESOLUTION *RE* POWER OF ISSUING LICENSES FOR EXPORT OF RICE TO BE KEPT IN THE HANDS OF LOCAL GOVERNMENTS.

The HONOURABLE MR. MARICAIR : Sir, I beg to move the Resolution that stands in my name . . . .

The HONOURABLE THE PRESIDENT : Before the Honourable Member proceeds I want to remind him that we in this Council some days back discussed at great length the export of rice. He must therefore confine himself strictly to the terms of his Resolution.

The HONOURABLE MR. MARICA IR : Sir, I beg to move that—

‘ This Council recommends to the Governor General in Council that the power of issuing licenses for the export of rice from India to Ceylon and Straits Settlements should be kept in the hands of Local Governments instead of being surrendered to Foreign Governments.’

In this connection I may be permitted to say a few words that the Government of India was kind enough to grant the concession of shipping 15,000 tons of rice per quarter from the ports of Dhanushkoti, Tuticorin and Negapatam to Ceylon, and in doing so they have delegated the power of selecting persons to import rice in the hands of Ceylon Government. A *Press Communiqué* issued by the Government of Madras, dated the 8th of January, reads as follows :—

‘ The Government of India have sanctioned the export of 15,000 tons of boiled rice to Ceylon during the quarter ending 31st March 1921 on condition that no re-export is allowed from Ceylon. Exports will be restricted to the ports of Negapatam, Tuticorin and Dhanushkoti. The Ceylon Government will select their importers, allocate the quantity among them and communicate particulars to the Director of Civil Supplies, who will issue export licenses accordingly. The Customs officers will allow export up to the quantity covered by the licenses which they will then return to the Director of Civil Supplies for cancellation. No undertaking can at present be given that export will be allowed to continue after the first quarter of the year.’

The other day when I moved the Resolution in this House to do away with the restriction of shipping rice altogether and allow free shipment of rice to foreign countries, the Honourable Members of this Council had a difference of opinion saying that if such order is passed, there will be a famine in India and the price of rice will go considerably high. Seeing that the Council was not unanimous in my Resolution, I withdrew my motion. My object in bringing this Resolution and requesting the Government to keep the right of issuing permits in the hands of Local Governments is this. The Local Government will be in a better position to know whom to give such concession and whom not to give. The permit will only be issued to those *bonâ fide* and established shippers, and in doing so such license holders will be cautious and careful that they do not pay any excessive price for the rice. If this course is not adopted and the Ceylon Government is allowed to issue permits as they like, the merchants in Ceylon will naturally in competition capture the Indian market which will give cause to a rise in prices. My only object in bringing this Resolution is to keep the price of rice in our market steady and normal. I think the Honourable Member in charge of this subject will not hesitate to accept my Resolution, and that Honourable Members present will give a hearty support to my motion.

With these few words, Sir, I commend my Resolution.

The HONOURABLE THE PRESIDENT : If no Honourable Member wishes to speak I shall put the question.

The HONOURABLE MR. B. N. SARMA : I wish to know, Sir, if the amendment on the agenda is going to be moved or not. If the amendment is not moved, I propose to say a few words.

The HONOURABLE THE PRESIDENT: I think it would be convenient if I call on the Honourable Maung Po Bye to move his amendment at this stage. I had not seen that there was an amendment on the paper.

The HONOURABLE MAUNG PO BYE: My amendment, Sir, is in two parts: the first is that for the words 'Ceylon and Straits Settlements' be substituted the words 'any country'; the second part is that for the words from 'instead' to the end be substituted the words 'and that export surveyors of the quality of rice should be Government officials only' . . . .

The HONOURABLE THE PRESIDENT: There appear to be two amendments. The Honourable Member had better move his first part first, and the second amendment thereafter. They are not connected.

The HONOURABLE MAUNG PO BYE: Sir, from the reasons put forward by the Honourable Mr. Maricair I fail to see how the idea of distinction between the Straits Settlements and Ceylon and other countries for the purpose of the export of rice and the issue of licenses by the Local Government could be maintainable. They are not foreign countries; they are in the British Empire; they have no tariff wall built up against rice export from India. Equal treatment is necessary to all countries which absorb India's economical products. Burma may want to export rice to China and Japan; Bombay to Kenya and Egypt; why should the Madras market only have exclusive treatment? Without further argument, Sir, I hope the Honourable Mr. Maricair will be able to accept the first part of my amendment.

The HONOURABLE THE PRESIDENT: This amendment merely broadens the original question. I think it will be convenient for the Honourable Mr. Sarma to deal with both now. The remaining amendment is of a different character.

The HONOURABLE MR. B. N. SARMA: Sir, I think I shall deal with the Resolution as well as the amendment together, because they deal in substance with the same proposition. It is clear to my mind now, after I have heard what the Honourable Mover of the Resolution has said, that he has brought this Resolution under a misconception of facts; and I feel sure that he would be only too glad to withdraw it after he hears what I have to say. The position stands thus. The Government of India have not surrendered the control, in the manner suggested, to the Ceylon Government. The Government of India consulted the Madras Government as to what their proposals in the matter of allocation of the shipments were; and the Madras Government suggested that the matter should be left to the Ceylon Government, and so it was, upon the advice of, and in conformity with the wishes of, the Madras Government, that the Government of India acted—not in surrendering control to the Ceylon Government, but in making arrangements whereby the Ceylon Government was given a voice therein. The Madras Government on a previous occasion in dealing with similar exports in limited quantities *viz.*, chillies to Ceylon, made the same suggestion which was followed by the Government of India. I shall read an extract from the letter of the Madras Government to the Ceylon Government, which will convey to Honourable Members the views of that Government on the question. In 1919, the Madras Government wrote to Ceylon 'The purpose of this proposal, *viz.*, that Ceylon should distribute the allotment amongst the shippers, is to enable your Government to distinguish between established traders and new-comers. If the matter were left uncontrolled or left to the control of officers on this side, there would be the danger of this permissible export trade being cornered by speculators.'

[ Mr. B. N. Sarma. ]

The Ceylon Government accepted that proposal, and the Government of India acted upon the recommendation of the Madras Government. In December 1920, when we resolved upon allowing 15,000 tons to go from Madras to Ceylon, the Madras Government made identical proposals. This is what they said :—

‘ Regarding allocation, Madras Government suggests Ceylon Government should select their importers, allocate quantity among them and communicate particulars to the Director of Civil Supplies, Madras, who will issue export licenses accordingly. Customs officers concerned should be instructed to allow exports up to a quantity covered by license which should then be returned to the Director of Civil Supplies for cancellation. This system was followed regarding chillies last year.’

Consequently, the Honourable Mr. Maricair’s proposition appears to me to be quite unnecessary and may perhaps prejudice the object he has in view. I should think that the interest he has at heart would be served better if he were to approach the Madras Government with any recent information he may have on the subject, show them where the difficulty lies, and induce them to change the view they hold at present on the subject ; and if the Madras Government come forward with any definite proposals, I may assure the Honourable Member that the Government of India would not have the slightest hesitation in acting upon those recommendations. I say again it would be far better that the Honourable Mr. Maricair should leave things as they are. Assuming that the Madras Government does not see eye to eye with Mr. Maricair’s proposals, and if this Resolution is allowed to be passed, then the Government of India would, for the time being at any rate, surrender all control to the Madras Government, which perhaps he may not like. If the Honourable Mr. Maricair should be able to convince us that the Madras Government is wrong, I should think that the Government of India may be disposed to favour his proposal. Therefore, I think that, so far as his proposition is concerned, he has acted upon a misconception which must have arisen by a reading of the Madras Government Press *Communiqué* which does not contain all the facts,—it was of course unnecessary for the purpose.

Now with regard to the amendment that is suggested, I do not see that the Government of India can surrender to the Local Government the control in the manner suggested. Of course, the Local Government would be consulted, their wishes would be ascertained, but the final discretion must be in the hands of the Government of India. As far as Burma is concerned, the Government of India has always acted only after consultation with the Local Government and in accordance with their wishes, and the point does not arise at the present moment, because there is no control of the kind which the Honourable Member contemplates. Any person in Burma is able to send his rice outside, subject to certain restrictions which have no bearing on the amendment, namely, he can send only within the limit of a million tons of rice to ports outside India, one million and odd tons having been reserved for India. That is the only important limitation. The Government of India stated that, if prices should rise above a certain level at which they stood prior to the de-control in the manner explained in the Press *Communiqué*, then it may be that the Government would have to re-assume control. But barring these limitations, there is at present no other restriction whatsoever, and any person could export goods without any limitation whatsoever to any country he pleases, only after notifying to the Director of Civil Supplies or the officer concerned in Burma, the nature of the transaction, so that the officer may be



in a position to know as to whether the purchases were made above or below the prices fixed and the quantities exported are also within the limit. Consequently, I do not think that the Burma producer or trader is labouring under any disability whatsoever by reason of any limitations or restrictions imposed by the Government of India or the Local Government; and the question he has raised does not seem to arise now. I therefore hope that both the Resolution and the amendment would be withdrawn.

The HONOURABLE THE PRESIDENT : Does the Honourable Maung Po Bye wish to withdraw his amendment ? He must get the amendment out of the way first. The amendment must be either withdrawn or put to the Council. Does the Honourable Member desire that I should put his amendment to the Council ?

The HONOURABLE MAUNG PO BYE : As far as the first part is concerned, I will withdraw it.

The first part\* of the amendment was, by leave of the Council, withdrawn.

The HONOURABLE THE PRESIDENT : Do you wish to withdraw your motion, Mr. Maricaire ?

The HONOURABLE MR. MARICAIRE : I press for the motion.

The HONOURABLE THE PRESIDENT : Then I call upon the Honourable Member to move his second amendment, having withdrawn his first amendment.

The HONOURABLE MAUNG PO BYE : Sir, for the second part, I have nothing to urge whether the control is kept in the hands of the Government of India or the Local Government. My point is about the issue of licenses to exporters of rice. For the purpose of issuing of licenses there lies a question which is inseparable in the actual practice of doing so for the export of rice, in the way that before any license is issued the quality of rice must be surveyed and passed by an expert surveyor. Whether it is under the Government of India or the Local Government, this practice must always be carried out.

The Chamber of Commerce in Burma supplied the expert surveyors, but the Chamber of Commerce has to secure the service of experts from what is styled in Burma as the big mills owned by the European firms and the big mills had the bulk of the rice export trade in their hands especially to Europe.

There are other mills called the small mills owned by the Burmans, Indians and Chinese firms or merchants. The number of small mills is spread out all over the rice producing part of the country, whereas the big mills are in the seaport towns.

The rice market fluctuates constantly, and the demand from other countries at times came suddenly and tramp ships called at ports for rice cargo unexpectedly. There is always keen competition for the license of export. Some five minutes priority of getting the license makes a great deal of difference to the exporters benefit.

There are some complaints not recently only but since some years ago, that the facility of passing through the surveyors is not always given to all exporters on equal terms. Some say so far that better quality of rice is at times withheld and the inferior quality passed. Nothing is alleged against the Chamber of Commerce, but they do not like the way of working of some surveyors ; the small millers and traders other than those

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\* " That for the words ' Ceylon and straits Settlements ' the words ' any country ' be substituted."

[ Maung Po Bye. ]

outside of the firms which have the privilege of having representative members in the Chamber of Commerce ask for independent expert, export surveyors to be Government officers. . . . .

THE HONOURABLE THE PRESIDENT : Will the Honourable Member say whether he means expert or export ?

THE HONOURABLE MAUNG PO BYE : I mean both. I ask for independent expert, export surveyors to be Government officers and not the employees of the big mills.

The Government can always get such surveyors. These do not require any highly scientific qualification ; a fortnight's training would be sufficient to turn out such men.

I cannot understand why the Chamber of Commerce should insist to employ their own men only as surveyors. In the Burma Chamber of Commerce there is a large number of representatives of big mills and the pressure brought by them must be great.

At least interested parties should not have the power in any form to take part in the issuing of the licenses for the export of rice.

THE HONOURABLE MR. B. N. SARMA : The proposition involved in this recommendation is really the institution of a new Government Department, and I do not think that this Council would find itself able to support that recommendation at the present stage. At present, as the Honourable Maung Po Pye has said, the Government does not control by means of any expert advisers the determination of the quality of rice. The whole matter is left entirely to private trade, and, in lieu of that control by private trade of its own concerns, the Honourable Member suggests that there should be a substitution for that private control of Government control. Well, I should think that that is clearly a reactionary proposition. In one place the Honourable Member suggested that he has nothing to say against the Chamber of Commerce which makes the recommendation upon which the expert advisers are chosen. Well, if really there is any difficulty felt in Burma, in the Burmese trade circles, either by export merchants or producers—if there is any difficulty felt about the choice of experts as made hitherto—it seems to me that the proper forum for such a discussion would be in the Province itself. The question must be first threshed out in the Province, proper representation must be made to the Local Government, the question of cost must be worked out and recommendations must be made, if any, to the Government by the Local Government or through the Local Government. In this case, I have not been able to hear that any such process has been gone through. We have not been told that the agriculturists of Burma or the export merchants of Burma have hitherto represented to the Government the disabilities under which they have been labouring by reason of the choice of export surveyors as hitherto made, or that they desire a departure from that practice, and the first time that we have heard of it is when this amendment is recommended for adoption by this Council. I would suggest, therefore, that the Honourable Member should reconsider his position as to whether he can really recommend this measure at a time when trade is struggling hard, and rightly too, to be freed absolutely from all restrictions by Government—as to whether it is desirable that Government control should be substituted in any shape or form. We realise

that unfortunately at the present moment the Government has to step in occasionally and tinker with trade and we are trying to struggle out of that position, to get out of it as early as possible, and I think that, if it fortunately so happens that we can cease to interfere with the exporting trade, this proposition would be absolutely infructuous—I mean this devising of an expert staff, making budget provision therefor and selecting officers, would all be unnecessary for a temporary crisis, which has arisen only recently and which may be of short duration. Therefore, I think on the question of principle, on the question of expediency, on the question of economy, I would suggest to the Honourable Member that there is no need for pressing this amendment upon the attention of the Council at the present moment. There may be really some hardship felt in the Province as regards the nominations made by the Chamber of Commerce. But I would suggest to him that that question should be brought up for discussion in the local trade circles, and recommendations should be sent up here in due form later on, if necessary.

The HONOURABLE MR. K. V. R. AYYANGAR : I should like to support the Resolution of the Honourable Mr. Maricair.

The HONOURABLE THE PRESIDENT : The question before the Council is the second amendment of the Honourable Maung Po Bye. The Honourable Member has exhausted his right to speak on this amendment. Unless he wishes to withdraw the amendment, I shall put the question. Does he wish to withdraw the amendment ?

The HONOURABLE MAUNG PO BYE : No, Sir. I should like to say one word.

The HONOURABLE THE PRESIDENT : You have exhausted your right to speak. There is no right of reply on the amendment. The original question was 'that this Council recommends to the Governor General in Council that the power of issuing licenses for the export of rice from India to Ceylon and the Straits Settlements should be kept in the hands of Local Governments instead of being surrendered to Foreign Governments.' To that question an amendment was proposed by the Honourable Maung Po Bye, that the words 'and that export surveyors of the quality of rice should be Government officials only' should be added in place of the words 'instead of being surrendered to foreign governments.'

The Amendment was negatived.

The HONOURABLE THE PRESIDENT : The Council is now back on the original question. If any Member wishes to speak on that he is entitled to do so.

The HONOURABLE MR. K. V. R. AYYANGAR : I should like to support the Resolution of the Honourable Mr. Maricair. The whole question of doing away with the restrictions upon the export trade emanates from that class of people who are hard hit by such restrictions. Now, it is a great privilege in permitting 15,000 tons of rice per quarter, and I do not see any reason why we should surrender it into the hands of the Ceylon Government. In the matter of small products like chillies, the Government might have been led away by the theory that it would have given room for cornering. But as far as rice is concerned the control is sought to be in the hands of the Government of India, and I cannot see why any question of cornering should arise at all. The Government the other day when the export question was discussed, expressed so much interest in the welfare of the consumers of

[ Mr. K. V. R. Ayyangar. ]

India as against those of Ceylon. I do not understand why they should not have as much solicitude for the welfare of the Indian traders. It is a great privilege to Indian traders to have relaxed restrictions to 15,000 tons per quarter, and there is no reason why it should not be in the hands of the Indian traders. If it is surrendered to a Foreign Government, then Indian traders are at the mercy of the Ceylonese. When I heard that 15,000 tons of rice are to be permitted to be exported to Ceylon, on the suggestion of some rice merchants in Tanjore, I wrote to the Honourable Mr. Sabapathi of the Ceylon Legislative Council to see that some portion of the 15,000 tons of rice is permitted to be exported from different merchants in the Tanjore District. But he wrote me back to say that the Government of Ceylon had granted the licenses for all the quantity to Ceylon merchants and so it could not be given to any export trader from Tanjore. I see the mill-owners and merchants are greatly hit. If the Government should come to the rescue of these people who are exporters of rice from the District of Tanjore and from Madras to Ceylon, the Government would be relieving a great deal of difficulty among these people.

I support the Resolution.

The HONOURABLE MR. KALE : Sir, from the explanation which has been given by the Honourable Member in charge of the Revenue and Agriculture Department, it is clear that it is on account of the proposals that were originally made by the Madras Government that the arrangements which have been objected to were made. But to me there seems to be very strong reasons in the proposal which has been put forward by my Honourable friend Mr. Maricair, namely, that the Madras Government ought to be able to determine who should be the exporters of the rice that is allowed to be exported ; and if one important effect of the discussion will be that the Government of Madras will come to realise what the opinion of traders is, I think we shall have obtained a very valuable result. It is for that reason that I am inclined to support the Resolution of the Honourable Mr. Maricair, and I think that this Council should also accept that Resolution for this reason, if for no other reason, namely, that it will lay before the Government of Madras the views of this Council and of the traders of Madras who are immediately affected thereby. With these few words I support the Resolution.

The HONOURABLE MR. MARICAIR : Sir, I am sorry the Honourable Member on behalf of the Government could not see his way to accept the motion. It is a very important question as I have already explained and as explained by the other two speakers of this Council.

The Honourable Member went on passing a remark saying that I am bringing this matter under a misconception of the fact that the Government of India have already consulted the Madras Government and have acted only upon the advice of the Madras Government. How can he possibly expect us to know all this interior correspondence? I only go upon the Press Communiqué issued by the Government of Madras, where it is distinctly stated that 'the Ceylon Government will select their importers and allocate the quantity among them and communicate particulars to the Director of Civil Supplies.' From this Communiqué I have come to note that the Government of India have in a way surrendered their right, or delegated their power into the hands of the Ceylon Government. Hence I could not be found fault with.

The next question is with regard to the fact that the Government of India have acted upon the advice received from the Madras Government, which is very surprising to me. The Government of Madras is a Government under the control of the Central Government, and if the Government of Madras has given any wrong advice, or advice which is not good, are we responsible to accept such advice? Is it not the fact that the Government of India have got the power of controlling and revising the advice given by the Local Government, and we, Honourable Members of this Council, have we not got the power of advising the Government, or rather revising any action done by the Local Government? With this idea in view, I suggested to the Government of India to take into their consideration the fact that, by accepting the advice of the Madras Government, there would be a great deal of handicap to the public of India as well as to the interests of the poor classes of people. That is all my object in bringing forward this Resolution.

As I have already explained, we have dealt at great length last time with the point that by withdrawing restrictions altogether the people of India will suffer, and with a view to stop further supply I brought forward this Resolution. I cannot really understand the object of objecting to this Resolution which is a very important step in the welfare of the people of India.

The next point that the Honourable Member suggested to me was, that I should take up this question with the Government of Madras. Unfortunately, I have no power to be a member of the Madras Council as well. If I had been one, I would have certainly moved a Resolution in the Madras Council also. I thought that this was a Council which had more power and authority and could rectify defects, if any, committed by the Local Governments. If that is the wish of the Honourable Member on behalf of the Government, I have nothing more to say. If, however, the Government think that my motion should not be accepted, I am afraid the Government of India will be the cause of great hardship and inconvenience to the people, and the people of India will blame the Government and I hope that the Honourable Members of this Council will co-operate with my suggestion because it is a very important and a very reasonable one.

With these few words I press my Resolution, Sir.

THE HONOURABLE MR. B. N. SARMA: Sir, it is clear to me that the Honourable Mr. Maricair has not been able to follow clearly what I said. I am sorry I should have been so indistinct in the expression of my views on the subject, and I shall try to say once again how really there is not much difference between him and me.

I never blamed him for being under the impression that the Government of India has surrendered control to the Ceylon Government, because I myself said that he must have been under that impression, owing to the Press Communiqué issued by the Madras Government in respect of this supply question and his not having known what passed in this matter between the Government of India and the Government of Madras, and I therefore, once again repeat that I did not charge him with ignorance of any fact of which he could have been aware and of which he neglected to inquire.

The second point that he urges is, is the Government of India so impotent as not to be able to protect the people against an injustice that may be perpetrated by the Madras Government? But if you are to accept this recommendation,

[ Mr. B. N. Sarma. ]

that will be the position to which you will reduce the Government of India ; because the Honourable Mover wants the power of issuing licenses for the export of rice from India to Ceylon and Straits Settlements should be kept in the hands of the Local Governments, which is against him. If we keep that power in the hands of the Local Government or delegate it to them, then we would not be in a position to protect the people, who, Mr. Maricair says, suffer by reason of the existing arrangement, against any possible injustice that may be done by this Local Government or any other Local Government. Therefore, his pleading for the acceptance of this Resolution would be merely defeating the purpose he has in view, and therefore, I suggested to him that it would be better that the control should be retained in the hands of the Government of India, and that he should move,—if not he, he has got so many friends, one of them might move,—the Government of Madras to reconsider the question, and that a reasoned statement of the grievances should be placed before the Government of India, and the Government of India would certainly look into the matter and see if anything more can be done. The Madras Government has been of the opinion that Ceylon should allot the supplies, and we are bound to respect the views of the Local Government which must be presumed to know the facts. Certainly, if Mr. Maricair is able to convince us that the Madras Government is not right, we are in a position to, and we will, exercise authority, but he has not been able to do so. I think his Resolution does not effectuate the object he aims at.

The HONOURABLE THE PRESIDENT: The question is that the following Resolution as set out below be accepted :

‘ This Council recommends to the Governor General in Council that the power of issuing licenses for the export of rice from India to Ceylon and Straits Settlements should be kept in the hands of Local Governments instead of being surrendered to Foreign Governments.’

The Resolution was rejected.

The HONOURABLE MR. MARICAIR: I ask for a division.

The HONOURABLE THE PRESIDENT: I think I had better explain to the Council that it will be difficult to take divisions in this Chamber in the manner we took them in the other Chamber. I therefore propose that the division should be taken in this way. The division bell will be rung and the sand glass will be turned, and after two minutes the doors will be locked and I shall again put the question. The Secretary will then call the roll of the Council and each member rising in his place will say, Aye or No, or that he does not wish to vote. Let the division bell be rung and the minute glass be turned.

The HONOURABLE THE PRESIDENT: The question is that the following Resolution be adopted :

‘ This Council recommends to the Governor General in Council that the power of issuing licenses for the export of rice from India to Ceylon and the Straits Settlements should be kept in the hands of the Local Government instead of being surrendered to Foreign Governments.’

The Council divided as follows :

AYES—11.

Annamalai Chetty, Mr.  
Jaffer, Mr. E. H.  
Kale, Mr. W. G.  
Khaparde, Mr. G. S.  
Maricair, Mr. A.  
Naidu, Mr. V. R.

Pramada Nath Roy, Raja.  
Ram Saran Das, R. B.  
Rangaswamy Ayyangar, Mr. K. V.  
Umar Hayat Khan, Colonel Sir.  
Zulûkar Ali Khan, Sir.

NOES—26.

Abdul Majid, Nawab.  
Amin-ul-Islam, K. B.  
Barnes, Sir G.  
Barron, Mr. C. A.  
Bray, Mr. D. deS.  
Chatterjee, Mr. A. C.  
Dadabhai, Sir M.  
Edwards, General, W. R.  
Elliott, Lieut.-Col., A. C.  
Froom, Mr. A. H.  
Hammond, Mr. E. L. L.  
Harnam Singh, Raja Sir.  
Jha, Dr. G.

Lloyd, Mr. E. S.  
Moti Chand, Raja.  
Muhammad Muzammil-ullah Khan,  
Nawab.  
Murray, Sir Alexander.  
Nandy, Maharaja Sir M. C.  
Richey, Mr. J. A.  
Sarma, Mr. B. N.  
Sastri, Mr. V. S.  
Seddon, Mr. C. N.  
Smith, Mr. H. Moncrieff.  
Sukhbir Sinha, Lala.  
Wacha, Sir D.  
Zahir-ud-din, K. B. Saiyid.

The motion was negatived.

RESOLUTION *RE* INDIANS IN OVERSEAS DOMINIONS.

The HONOURABLE MR. LALUBHAI SAMALDAS : Sir, I beg to move  
12 P.M. the following Resolution :

' This Council recommends to the Governor General in Council the desirability of the immediate establishment of a separate Department of Government to watch and safeguard the rights and interests of Indians in Overseas Dominions and Colonies. '

Sir, in the beginning I had better make it quite clear that this Resolution is not meant as casting any slur or showing any want of confidence in the existing Department of Commerce and Industry. The Honourable Sir George Barnes has been always very sympathetic to the demands of the Indians from Overseas Dominions whenever we have approached him in this connection to get their difficulties settled and remedied . . . .

The HONOURABLE THE PRESIDENT : Will the Honourable Member kindly raise his voice. This Chamber is very bad for hearing.

The HONOURABLE MR. LALUBHAI SAMALDAS : Very well, Sir, I will begin from the beginning.

The HONOURABLE THE PRESIDENT : No, not from the beginning.

The HONOURABLE MR. LALUBHAI SAMALDAS : What I was going to say was, that this Resolution has been brought before this Council for the purpose of asking Government to take some action to safeguard the interests of Indians in all Overseas Dominions and Colonies.

We know that there have been difficulties ; there have been cases of racial bitterness ; there has been trouble in various directions in the various Colonies, and it is necessary that we should have one department here with a full-time man in charge of it to look after, and to attend to, the grievances of all these people whenever there is need for doing so. As I said in the beginning, Sir, we have always had in Sir George Barnes a very sympathetic officer who has always tried to look after the interests of Indians and fight for Indians in the Colonies. We have sometimes had differences of opinion also—for instance, when his department said that they could not proceed any further as regards the Fiji affair we thought that Government ought to have done more and made further inquiries—but that was a matter of difference of opinion. I cannot let this opportunity pass without giving my tribute of admiration

[ Mr. L. Samaldas. ]

and respect and also my congratulations for the Government of India's Despatch of the 21st October of 1920, which was issued with the Press *Communiqué* of the 27th December. That is the line, Sir, which we want the Government to take up as regards Indians in Colonies. That is the correct line, and, I believe, it must have pleased my Honourable friend to see that journals of all shades of opinion, both Indian and Anglo-Indian, congratulated the department over the splendid fight put up on behalf of Indians in East Africa . . . . .

The HONOURABLE SIR GEORGE BARNES: By no means all.

The HONOURABLE MR. LALUBHAI SAMALDAS: I am sorry if there are one or two exceptions. I believe I can say that it was received with almost unanimous approval. We want that policy to be continued. I will not take up the time of the Council by going in detail through all the questions that are agitating the people's minds now, either in British East Africa or in Fiji, or coming nearer home even in Ceylon—because the Ceylon Labour Ordinance has been also raising bitterness in the minds of some people here. What I want is that the Government of India should have a department—or to make it clearer—I want a department here with Consuls, if I may use that word, or representatives of India in all the Colonies, who will be under the guidance of the head of the department here. At present, whenever we have to make any inquiries, whenever we have some grievances reported to us, action is taken either by the Government in sending out its own representatives, as it did twice send out Sir Benjamin Robertson, or action has been taken by some private association. In this connection I may mention the association with which I am connected, the Imperial Indian Citizenship Association. We have sent out Mr. Andrews on two or three occasions to go and make inquiries into the grievances of these people and report to us. Now, Sir, while these inquiries do give satisfactory results, they are sporadic efforts. What we want is a continuous policy, and that policy can only be adopted if we have at the head of the department a full-time man to look after the interests of the Indians overseas, if there is a man at the head who will be in touch with what is going on everywhere and who will be able to get correct information. At present, to take the case of Fiji alone, we have two separate expressions of opinion. On the one side, the Government there say that it was Mr. Mani Lal who created trouble. On the other hand, we have Mr. Mani Lal who says that the Government was at fault. Then, as Honourable Members are aware, Mr. Andrews has written letters to the Bombay papers saying that it is the 'C. S. R.,' the Colonial Sugar Refinery Company that is at the bottom of all the trouble, that the Colonial Sugar Refinery fixed the wages and that no planter or manufacturer can raise that wage; the problem is perhaps more economical than racial. On the other hand, in 'British East Africa' the problem is—I hope I am not wrong in saying so—more racial. As Honourable Members are aware the Indians there in their last Congress practically passed a resolution on the lines of the non-co-operation movement here. It is a sad thing if this sort of thing is going to increase racial bitterness in India; it is just possible that the infection may spread here—or it may be the infection has spread from here to that place—it is very difficult to judge as to where from it has spread. However, it is time the Government of India did adopt a continuous policy as regards the interests of Indians overseas. What



we want, Sir, is that the Government of India should look after the interests of Indian subjects in the Colonies in the same manner as Britain would look after the interests of British subjects in foreign countries. That is all we want, nothing more. I think I am not asking for anything that the Government of India cannot afford to do.

Only one thing more, Sir. I have been told that I am practically playing into the hands of Government by allowing them to create a number of posts for their proteges. I am sorry that misimpression has been caused, but I think it is fair that I should reply to it in this Council. I am all for economy as regards Government expenditure or expenses on officers. But I think that where the self-respect of the country is affected, where Indians are likely to be treated not as equals but always as inferior persons, it is necessary that Government should, if it came to that, spend more money, and I am quite sure the general tax-payer will be glad to find that money, to provide funds to the Government to have a regular service in India and in the Colonies. It may be said 'here you have a department, the Commerce and Industries Department.' As I said, Sir, we could not have a better or more sympathetic officer than Sir George Barnes. Yet after all he has to attend to so many things; he is in charge of so many departments; he has to look after posts and telegraphs and so many other things. If there is a postal strike in Bombay—it even looks as if we were going to have a telegraph strike just now—naturally things nearer home, which affect the condition of things here, gain precedence over other affairs. For example, if a telegram comes from Fiji or even supposing the Imperial Indian Citizenship Association send a letter or telegram, the principal officer in charge of the department will say 'This could easily afford to wait. Let me settle my strike first; that is more important.' That is why I want that a full-time man should be given for this purpose, with, as I said, Consuls all round. With these words, Sir, I commend this Resolution to the acceptance of this Council.

The HONOURABLE THE PRESIDENT: I think it will be convenient to interrupt the business here in order to enable the Budget to be presented.

The HONOURABLE MR. E. M. COOK: Sir, I was rather hoping that the Honourable the Finance Member would finish his business in the other Chamber shortly in order to perform this duty here . . .

The HONOURABLE THE PRESIDENT: Of course, if you are not ready, the business can go on. I understood you had come over for that purpose.

The HONOURABLE MR. E. M. COOK: It might perhaps be as well, Sir, if Mr. Hailey could come over.

The HONOURABLE THE PRESIDENT: Certainly. Would the Honourable Sir George Barnes kindly go on?

The HONOURABLE SIR GEORGE BARNES: Sir, I think that it would be useful if I intervened early in this debate and put this House in possession of the general views of Government on the subject of the Honourable Mr. Lalubhai's Resolution. He asks in his Resolution that, in view of the growing difficulties of Indians abroad, that this Council should recommend to the Governor General in Council the immediate establishment of a separate Department to watch and safeguard the interests of Indians overseas.

In the object to be aimed at we are in entire accord with the Honourable Member, and we are determined to do all in our power not only to watch and

[ Sir George Barnes. ]

safeguard the material interests of Indians overseas, but to uplift their status and to make it worthy of the position which India holds in the Empire.

The Honourable Member speaks of the growing difficulties, and I think that it is in his mind that the difficulties are greater now than they have been in the past. . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: May I rise to a personal explanation, Sir?

The HONOURABLE THE PRESIDENT: If the Honourable Member in possession gives way, he may rise, otherwise the Honourable Member must wait till the Member speaking has finished his speech. I explained the procedure the other day.

The HONOURABLE SIR GEORGE BARNES: I do not share this view. I would rather say that of recent years there has been a much keener appreciation in India of these difficulties; they have been more in the public eye and have received more attention in the public press. This does not necessarily mean that the difficulties are greater than they were before. They are, it is true, still very great, but I see signs in several directions of an improvement. There can be no two opinions, I think, that the visit of Sir Benjamin Robertson to South and East Africa has had, and will have, most valuable results alike in allaying racial feelings and in doing something towards securing for Indians there a better appreciation of their position and their rights. In every direction the Government of India have been making, and will, I am sure, continue to make, strenuous efforts on behalf of the Indians overseas. The work has been, and will continue to be, difficult, largely because the Indians overseas taken as a whole are not a fair sample of the Indian people. They are for the most part drawn from the humblest classes of our population and are alike poor financially and deficient in education. There are of course exceptions, but they are few in number, and the few are apt to be judged by the low standard of the many.

Now, as I have just said, the aims of the Honourable Member the Mover of the Resolution and of the Government are identical. We all want to improve the status of the Indians abroad and to obtain recognition of that status by the various Governments concerned, and to secure their happiness and prosperity in the land where they have settled. The Honourable Mover urges that the end which we all have in view can best be attained by the formation of a separate Department to deal with the matter. As a matter of office organisation, the subject of Indians abroad has always of recent years been dealt with in a special branch, that is to say, that all papers, letters and questions on this subject have been dealt with by one officer. It is quite true that that officer has had other work to do besides. I do not understand that the Honourable Member suggests that a new Member of Council should be created whose sole duty should be the work connected with Indians abroad. . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: No, I did not suggest that.

The HONOURABLE SIR GEORGE BARNES: If this is the case, the present organisation should, I think, meet his views. The point which I should like to make is that the multiplication of Departments or the enlargement of staff at headquarters is not going to be a panacea. What we have

often felt the want of as the Honourable Mr. Lalubhai Samaldas pointed out in the past is more exact knowledge of the facts in each case on which we might make representations or take action, as the case might be. The staff at headquarters is, I think, sufficient, but often lacks the requisite information and knowledge.

I am in entire agreement with the remedy which the Honourable Member has suggested. In fact I had myself the pleasure of suggesting it to him a few days ago. I think that the Government of India should—with the consent of course of the various Governments concerned—have their own agents at the large centres of Indian population overseas. The agents would keep the Government of India informed of current events by regular reports, and would of course be called upon to provide special reports on subjects on which special information was particularly needed. The information which Sir Benjamin Robertson and Mr. Corbett have been able to give the Government with regard to the countries which they visited and the position of the Indians settled there has proved to be of infinite value, and the deduction to be drawn is, I think, that we ought to have permanent agents in the various countries concerned, who will keep our information and our knowledge up to date, and who will be able to help and advise the Indian settlers on any points of difficulty which may arise.

Now to return to the headquarters staff, I feel that the exact organisation of the staff at headquarters must be left to the discretion of the Member for the time being in charge, and I am confident that my successor will realise, as fully as we all do, the great and growing importance of the subject, and will do his utmost in the direction of uplifting the status of Indians overseas. If we can once lift up their status and secure them political rights, all other difficulties are lessened, if not at an end. My term of office is, I am sorry to think, just ending, but I can confidently assure this House that my successor in the work which lies before him will have the united and whole-hearted support of every Member of the Government.

THE HONOURABLE MR. LALUBHAI SAMALDAS: May I now make a personal explanation, Sir? It seems there has been some misunderstanding. When my Resolution was drafted it contained the words to which the Honourable Member has replied. Unfortunately, the President did not allow me to intervene then, otherwise I would have removed the first portion.

THE HONOURABLE THE PRESIDENT: I should like to make quite clear to Honourable Members the correct procedure when it is desired to make a personal explanation. I hoped I had made it clear the other day. If a member wishes to make a personal explanation and the member in possession of the Council likes to give way, he may make his explanation. If the member in possession of the Council is not prepared to give way the member wishing to make his personal explanation must reserve it till the speech of the member in possession has terminated. It is not unusual to give way on a *bond fide* appeal, but that is a matter entirely for the member in possession of the Council.

THE HONOURABLE RAJA SIR HARNAM SINGH: Sir, the emigration of Indian labourers to distant countries has been going on for many years past, and we have now more than a million Indians, I believe, in different parts of the British Empire. We have been hearing reports of anti-Indian legislation, and of various kinds of hardship and legal disabilities imposed on Indian settlers by the Governments of overseas Dominions and Colonies whose industries have been developed chiefly by Indian labour. Most of them emigrated

[ Raja Sir Harnam Singh. ]

as ordinary labourers ; but a considerable number have now permanently settled down as farmers, traders and artisans. Although many of them have forgotten their native language, and now talk only English and have made the Colonies their permanent home, yet their rights of property and citizenship are now threatened, and they have only a very doubtful status in the countries of their adoption.

They are British citizens in every sense of the word, and they need and deserve the protection which this citizenship implies. The welfare of more than a million of our fellow countrymen is a weighty matter, and it has rightly received, in recent years, the serious attention of the Government of India. This House is familiar with Sir Benjamin Robertson's African Missions. We are expecting great results from the representation of the Government of India to the South African Commission.

But the Indians are considered as intruders in these British Dominions and Colonies, and there is a definite policy of exclusion of the Indian from the British Commonwealth in Africa and other Colonies. The Indian, although he is a British citizen, is ultimately to be ousted. Land which he has spent years of hard labour to develop has to be given up. The Indian emigrants will therefore need the protection of the Government of India in maintaining their rights and privileges.

The establishment of a separate Department of Government for the purpose seems, however, to be a matter of considerable financial difficulty. There has already been an increased complexity in the machinery of the Government owing to the coming into force of the Constitutional Reforms. The appointment of Ministers, and the swollen number of the members of the Executive Council and with them of Secretaries, and the corresponding increase of the establishment have made the Government of India more expensive than it has ever been. There has already been an expression of public opinion against the growing expenditure, and I do not think it wise to create a new Department. For financial reasons alone I would not support the idea.

There is already a provision for the subject of emigration, and the Member for Commerce is responsible for it. I do not think it will receive less attention if it is not made an independent and separate Department. It is not an addition to the complexity, but a definite and strong policy of the Government that can safeguard the rights and interests of Indians in overseas Dominions. I believe that the Government of India have adopted such a policy, although the carrying out of the policy may be difficult owing to the fact that the overseas Dominions and Colonies are self-governing countries.

If the present arrangement and the activities of the Government do not satisfy the Indian public opinion, the portfolio of emigration may be entrusted to an Indian member of the Executive Council, who will be able to inspire more confidence in the people.

**THE HONOURABLE SARDAR JOGENDRA SINGH :** Sir, I wish to associate myself with the Honourable Mr. Lalubhai Samaldas in congratulating the Honourable Sir George Barnes and the Government of India on the courageous way in which they have represented Indian interests in the Colonies. The first beginning, so far as I remember, was made by Lord Hardinge in his speech at Madras when he made a bold stand for India, and committed his Government to the new policy which he initiated. The Indian

question is every day becoming of greater importance so far as emigration is concerned. I am interested in it as a large number of Sikhs emigrate to China, America, South Africa and other places, and I have noticed—and I think the Government of India will admit—that if emigrants had been guided in early days many of the troubles that have now arisen would not have arisen. As Sir George Barnes admitted most of the men who emigrate are uneducated, they have never travelled outside India and know nothing of the outside conditions. They go to new countries and look after themselves the best they can. Our Government affords them hardly any assistance in any way whatsoever. Sir George Barnes said that these difficulties existed before and were only becoming more pronounced to-day. I think in the coming days the question of our emigrants will become very important. A self-governing India will certainly assert itself and require equal treatment for our people wherever they go. Under these conditions, I am strongly in favour of the Resolution moved by Mr. Lalubhai Samaldas that a separate Government Department should be created to look after interests of our emigrants outside India, and that we must have regular agents in the countries where Indians go to look after them and to help them in their difficulties. Sir George Barnes has said that a department already exists, so it would not entail any further expenditure. All that would be necessary would be to appoint a whole-time officer dealing with emigrants only, and directing his staff of the agents in India and outside India. The expenditure to which Raja Sir Harnam Singh took such strong objection possibly will not be necessary; even if we have to spend money. I think we ought to spend some money in the interests of the large number of people who emigrate and whose interests cannot be so clearly looked after as they will be by a separate department concerned with the welfare of the Indians outside India. The emigrants generally go from villages. They hear—somebody goes and says—‘if you go to such and such a place you will grow rich very soon’ he says. The man buys a ticket and goes off. I remember the Komagata case particularly. Many of our men went to Canada. They were told that if they did not break journey anywhere they could settle down. They were never told that they could not land there, they had to go back and great difficulties arose. If we had a department dealing with emigration these difficulties would not have arisen. I therefore strongly support the Resolution moved by the Honourable Mr. Samaldas for a separate department to look after Indians outside India and to control emigration generally.

THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, I rise to support the Resolution but not entirely. My reason for saying this is that we need not create such a department, but certain departments which are now under the control of Government might take this matter up. We are all subjects of His Majesty the King, and in India as elsewhere, of course, we want equal treatment by all Governments. If our people go to Australia, they naturally ask for some money for necessaries. I think, if Government simply puts pressure on particular departments to look after the question, that will be quite sufficient. But, of course, we do hope now that we are all portions of one Empire we shall be treated on an equality, and therefore I support the Resolution.

THE HONOURABLE NAWAB ABDUL MAJID: Sir, so far as the spirit of this Resolution goes, I am in entire sympathy with it. The only difference I make is this, that the method advocated by my Honourable friend is not what it ought to be.

[ Nawab Abdul Majid. ]

At the present time everywhere in this country and even in these Councils, the talk is one of retrenchment. In every department, to speak of the Indian members, they raise their voice and say that the expenses should be reduced as much as possible. Of course, expenditure is allowable when you cannot do without expenditure. We have heard from the Honourable Member in charge of Commerce that we are doing what we ought to do and that we have done what we should do, and in fact, this has been acknowledged by the Honourable Mover himself that the Honourable Member for Commerce fought strenuously for the Indians who are now overseas. It would be much better if the duty of one work is in the hands of one separate department. But then again, the question arises whether the department already in existence are doing their duties or not. If they are doing their duties, then why go and ask for the introduction of a new department?

Sir, it cannot be denied that in this country there is a strong feeling so far on the question of treatment of the Indians overseas. If we would see in papers, if we would see in communications, if we would see in correspondence, everywhere the cry is that the Indians are not treated fairly when they leave their country and go to the Dominions and Colonies. So far as this feeling is concerned, I think the Members of this Council and the Government as well should pay great attention to it, and steps should be taken that the grievances of Indians overseas are remedied as much as possible. At the same time, we should not forget that our duty also is to reduce the cost of administration as much as possible.

With these few words I oppose the Resolution.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I rise to give my support to this Resolution. Complaints after complaints are received in this country from Indians who have settled overseas. Of course, we are grateful to the Government of India that they have done so much, and are ready to do what they can to help them. But much more has to be done. The Honourable Sir George Barnes has explained that he has appointed a special officer to look after this matter, but he has to look after other duties as well. So, in the Resolution a request is made that a separate department should be created in the Government of India to look after those Indians, and I think that that should be done.

Some Honourable Members of this Council have raised the question of extra expenditure. But I would submit that this expense, if it is an expense at all, should not be so greatly thought of, as we have to look to the interests of those Indians who have settled abroad and are put to such great difficulties and trouble. I think it is the duty of all of us to look after their interests and to remove their difficulties, and if for that purpose Government have to spend money, I think it is worth spending.

With these few words I strongly support the Resolution and request the Government to appoint a separate department or a branch to look after those Indians who have gone overseas.

The HONOURABLE LALA RAM SARAN DAS: Sir, it is a matter of great gratification that the Government of India has, of late, begun to look into the grievances of Indians abroad. The Honourable Member only prays for the creation of a separate department so that the questions of Indians overseas

may be specially looked after and not run any more as a side show. With these few words I beg to give my full support to the Resolution.

The HONOURABLE SIR ZULFIQAR ALI KHAN : I entirely advocate the spirit of the motion of my Honourable friend, the Honourable Mr. Mehta. There is no doubt that a great deal of heart-burning exists among the Indians that their poor countrymen who migrate to other countries are subjected to a great deal of humiliation in the Colonies. Those people who have settled down there by necessity or choice, when they are subjected to such humiliation, look to the mother-country and the Government for the redress of the grievances and wrongs to which they are subjected; and if the Government do not go to their help we can understand what their feelings of pain and sorrow will be. It is very humiliating for us to see their distress and not do anything for the redress of their grievances. I have no doubt that every Indian acknowledges what the Government has done in recent years. Sardar Jogendra Singh has just referred to the enunciation of the policy which Lord Hardinge laid down in his speech delivered in Madras. Every Indian's heart throbbed with gratitude when that speech was read. Now, Sir, the question is, whether the present Government has met the needs of the situation. As Sir George Barnes has said, they have done all they could in the matter, and their present department is quite equal to the situation which at present exists, and the situation which may arise in the future. I think it would be very unfair to say that the Government have not done, and are not doing, and will not be able to do, what is needful in the matter of what the Indians require of them. I think that under the present circumstances it would not be wise to create a fresh department, not only on account of the greater financial burdens, but also because it would mean an impeachment of the policy of the Government, which policy is, I think, a creditable one, and I think we must give the Government time to carry out their policy. I for one can see what difficulties the Government encounter in the Colonies and countries which are not entirely under their control, and therefore, I think that the Government of India will require some time to carry out and bring to perfection that policy. I think in a couple of hours we shall be hearing the Budget proposals of the Government of India, and if there is fresh taxation I am perfectly certain that the members who advocate the establishment of a new department will feel sorry for it. Therefore, Sir, I oppose this motion, but I entirely agree with the proposal that the Government of India should impart a fresh impetus to the policy that has already been adopted.

The HONOURABLE SIR ALEXANDER MURRAY : Sir, I had not intended to intervene in this debate, but I would like with your permission, Sir, to ask for a little information.

I do not quite realise the extent of the difference that exists between the Honourable Mover of the Resolution and the Honourable Member in charge of the particular Department. From what I can gather from the Honourable Sir George Barnes's speech, he sympathises very greatly with the difficulties which Indians have in the different countries to which they migrate, and I understood him to say that he was prepared to recommend to the Government that particular officers, such as Consuls or other officers mentioned by the Honourable Mover of the Resolution, should be appointed in these different countries in order to keep us here fully posted with information as regards the difficulties that Indians were having in other countries. If that is so, I

[ Sir Alexander Murray. ]

think that very largely meets the point of view put forward by most of the speakers this morning.

Might I at the same time mention that as one result of the International Labour Conference, and as we heard recently both in our House and in the other House, it is the intention of Government to create a particular Department, or shall I say a particular section of a Department, to deal with these international conventions so far as emigration and reciprocity of treatment are concerned. Now, I do not know whether the Department of Industry and the Department of Commerce are to be under one member in future or not. It seems to me that it would be a mistake to go on multiplying departments. If there is to be a Department of Commerce and Industry and this Department has to deal with questions of emigration and reciprocity of treatment of workers in different countries, then it would seem to be a mistake to create another Department for a particular thing like this. I wish to say that I sympathise entirely with the ideas put forward by the Honourable Mover of the Resolution that Indians should receive every consideration in other countries. I think in some countries in the past they have received far too little consideration. At the same time I feel that I cannot quite vote for the Resolution, as it stands, in view of what the Honourable Sir George Barnes has indicated, namely, that he proposes putting up several officers in foreign countries to report to this country what is going on in those countries. That being so, while I have every sympathy with this Resolution, I feel that I ought to support the Government in the attitude which they have taken up in this matter.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Sir, I am very thankful to the Honourable Member in charge for the sympathetic way in which he has received my Resolution, and also to the various Members all of whom have fully supported, not exactly the wording of my Resolution, but the motives underlying it. They say that they are prepared to support me and ask Government to do all that they can to improve the condition of Indians in those countries by not only looking after, safeguarding and watching over their interests, but, as the Honourable Member was good enough to say, by improving the material, moral and intellectual condition of Indians Overseas. That is what Government are prepared to do and that is what all my friends want. I am very thankful to those who are prepared to go further and say that India ought to pay a little more, if by paying a little more this will secure not only the well-being of these people, but what is of more importance, the self-respect of the country which is at stake. We want to feel, we want the Colonies to feel, that we are at the back of the Indians there. My Honourable friend said, perhaps correctly, that most of the men there do not come from the high status of the middle class Indians. That is true, but whose fault is it? I am not going to bandy words, but is it not the fault of the indenture system under which the poorest men went there? I am using strong words, but they are the words used by Mr. Andrews, as to the way in which people were led into immorality by only a certain number of women being allowed into the Colonies. Is that not the cause why people in the Colonies look down upon us? I want that condition improved, and that can only be improved by the appointment of Consuls. I want that to be done and the question now is, whether this country should find money for this purpose or not? I made it quite clear when I intervened in the debate with the Honour-



able Member in charge that I did not want a separate portfolio or a separate Member, but what I wanted, as I made clear, was that one full-time officer should be put in charge. I do not want that this Honourable Council should in any way interfere in the internal organisation of the Department concerned. That is the look-out of the Government, and it is for them to decide whether the portfolios of two Departments should be put in charge of one Member or how they should be divided. All I wanted is that a full-time man should be put in charge of the Consular service. If my Honourable friend the Member in charge will be good enough to assure me that the Government are prepared to accept these terms and that they will do their level best to create a Consular service, as early as possible, and put it in charge of one member, I will withdraw my Resolution. It was said that the Member should be an Indian Member. I would much rather like that he should be an Indian Member, but I want a capable man, as sympathetic as the present Member, the Honourable Sir George Barnes. If that assurance is given, I am prepared to withdraw my Resolution. I never meant, when I used the words 'create a separate Department' that I wanted any intervention or interference in the internal organisation of the Government of India. All I want is an assurance that, as speedily as possible, a Consular service will be established and that a full-time man will be put in charge of it here. If that assurance is given, I will withdraw my Resolution.

THE HONOURABLE SIR GEORGE BARNES: Of course, Sir, all that has been said to-day will be very carefully considered by my successor and by the Government of India, but the details of office organisation cannot be laid down here and really must be left to my successor. I must repeat that I do not think that the remedy lies in the creation of new posts. What we want is that the guiding hand should be guiding in the right direction and that, I am quite sure, it will be, and that the policy of the Government will continue on the lines which have been laid down. I should like to say that there is no one in the Government of India who has more strenuously supported the cause of Indians abroad than His Excellency the Viceroy. If Honourable Members of this Council will refer to the debates, or rather to His Excellency's speeches, in the old Legislative Council—unfortunately, I have not got them with me to refer to—they will see what very strong words His Excellency has used from time to time. There has been, I repeat, no stronger supporter of Indians abroad than His Excellency the Viceroy.

There is one small point which I ought to refer to. The words 'Consular' and 'Consuls' fell from my Honourable friend two or three times. What we want are Agents abroad. I think I would not use the word 'Consul' or the epithet 'Consular', because these words refer solely to representation in foreign countries. We cannot have a Consul in any part of the British Empire, but we can, with the consent of the Government of the particular part of the Empire concerned, have an Agent there whose duty it would be to report to the Government of India. I cannot give any pledge to the Honourable Member, but I hope that, after what I have said, he will withdraw his Resolution. I may add that with regard to our Agents abroad, it is my intention to bring forward, at least I hope to be able to bring forward, a Bill to amend the Emigration Act before I leave this country, and it will be part of the policy of that Bill that we should have Agents abroad. I think that goes as far as I can in the direction of a pledge to the Honourable Member.

The HONOURABLE MR. LALUBHAI SAMALDAS: In view of the assurance given by the Honourable Member in charge and of the opportunity which we shall have of discussing the amended Emigration Bill, I ask leave to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

### RESOLUTION *RE* INCOME-TAX RULES.

The HONOURABLE MR. ANNAMALAI CHETTIYAR: Sir, I beg to move the following Resolution:—

‘ This Council recommends to the Governor General in Council that the following rule under section 43 (1) of Act VII of 1918 may be sanctioned for the ascertainment of the taxable income of a business under the Income-tax Act :—

‘ In computing the amount of the profits of any business carried on by an assessee allowance shall be made for any bad debts proved to be such to the satisfaction of the Collector or the Commissioner and actually written-off in the Accounts of the assessee as such during the year and any doubtful debts to the extent to which they are estimated bad. In the case of the bankruptcy or insolvency of a debtor, the amount which may be reasonably expected to be received on any such debt shall be deemed to be the value thereof.’

Sir, the Income-tax Act of 1918 needs amendment in many ways. Many of the provisions that are found in the English Income-tax Act are absent. In the matter of income-tax legislation, it is expected, and with good reason, that England would be our model; for it is the country with which we are all most familiar, the country where income-tax was first introduced and the country therefore where the Act has been in force for the longest time.

Taking the English Act as our model we find in the Indian Income-tax Act of 1918 much room for disappointment. Provisions which would lessen the irritation and ensure a smooth working of the Act are sometimes absent, without wearying you with the endless tale of the grievances of the income-tax assessee, I shall for the present place before you the necessity for a provision for deductions of bad and doubtful debts.

It has been the uniform practice since the date of introduction of the Income-tax into British India to allow, as a deduction out of gross receipts, the amount of bad debts written-off in the accounts as such during the year though not for doubtful debts. In the K form Return under the old Income-tax Act and in the D form Return under the new Act, it is specifically provided in the instructions to the assessee for the preparation of the return that the amount of any bad debts written-off the accounts as such during the year may be deducted from the gross receipts, and that no deduction will be for the debts not actually written-off. This provision for deduction for bad debt is statutorily provided for in England in sections 100 and 101 of the Act of 1842, the Act of 53, section 25 of the Finance Act of 1907 and rule 3 to cases 1 and 2 to Schedule D to the Income-tax Act of 1918. The English Statute has made a further and more remedial provision by allowing a deduction even for doubtful debts by a method of valuation. Recently the Board of Revenue, Madras, acted contrary to the established practice of allowing for bad debts and have held that the bad debts written-off are losses of capital, and that therefore they could not be set-off against income unless they have been previously brought to account and taxed as income. I may invite the attention of the Government to the method universally adopted of arriving at the net profits of any business. Every man of business and every qualified accountant according to the recognised principles of accountancy

would carry the bad debts written off in the accounts under the head of expenses in the profit and loss account and not to the reduction of assets in the balance sheet. As it has been judicially decided by the House of Lords in England in a case reported in L. R. 1915, A. C. 433, that the profits for income-tax purposes must be estimated on ordinary principles of commercial trading and when a loss is incurred commercially speaking that loss is deductible even for income-tax purposes. Justice Napier in the recent Full Bench Judgment (Secretary to the Board of Revenue *Versus* Arunachallam Chettiar reported in I. L. R. Madras series, volume 44, January number) held that 'profits in a commercial sense differs very little from the meaning given to it in the income-tax cases though there may be debits which are not permissible under the provisions of the Income-tax Acts.' In discussing the meaning of the word profits and about allowing bad and doubtful debts, the same learned Judge rightly observes that, though there is no provision in the Indian Act regarding bad and doubtful debts as is contained in the English Act, the provisions in the English Act must be borne in mind in considering what are profits and that debts due and owing shall be items in accounts for the purpose of arriving at profits.

The questions whether losses on loans to customers form a loss of capital or income is also the subject-matter of a judicial decision in the case of Reid's Brewery Co., Law Reports 1891 2 O.B. page 1 wherein it is decided . . .

The HONOURABLE THE PRESIDENT : What Act was that decided on, Mr. Chettiar ?

The HONOURABLE MR. A. CHETTIYAR : An English Act.

The HONOURABLE THE PRESIDENT : What is the English Act ?

The HONOURABLE MR. A. CHETTIYAR : I am quoting an English decision which was decided under an English Act.

The HONOURABLE THE PRESIDENT : Which English Act ?

The HONOURABLE MR. A. CHETTIYAR : I cannot quote it now. I consulted my lawyers before making this quotation, but I cannot just now give the name of the English Act.

The HONOURABLE THE PRESIDENT : I think if Honourable Members cite cases they should be in a position to state under what Act they are decided.

The HONOURABLE MR. A. CHETTIYAR : May I proceed, Sir ?

The HONOURABLE THE PRESIDENT : Yes. But in future, it might perhaps be as well to be prepared to answer a question of that kind. It is not fair to the Council if, when you cite a decision under an Act, you are not able to say what Act it is under.

The HONOURABLE MR. A. CHETTIYAR : In that case it is decided that moneys lent out to customers or debts due from customers in the course of business were not invested capital, but only moneys used in the business and a loss of such monies is necessarily a loss suffered in the exercise of a trade and must therefore go to the profit and loss accounts. The leading books on accounting also take the commercial view.

The Madras Board of Revenue is acting probably on the reasoning that because bad debts are not specifically mentioned in the Act as an allowable

[ Mr. A. Chettiyar. ]

deduction, it must therefore be held that it is not allowable. The Board of Revenue failed to note that the allowances mentioned in the Act are not exhaustive. In a taxing Act it is not possible to deal with a variety of circumstances and provide for all the exigencies which may arise in any particular case and that it is not practicable to give any complete satisfactory definition of the words income or profits. To charge losses of loans, *i.e.*, bad debts to capital account and tax all incomings will in several cases lead to the ludicrous result of *taxing an insolvent to income-tax*. I may also invite the attention of the Council to the analogy of a trader trading in goods. In the case of a trader dealing in the purchase and sale of goods, the fall in price in goods necessarily comes into the profit and loss account by a valuation of the closing stock according to the then market price. The depreciation in the quality of the goods or the destruction of the goods or the fall in the price of goods fall unquestionably in the trading account, *i.e.*, in the profit and loss account.

Since income-tax is a direct tax and as such its incidence is more onerous than the case of indirect taxation, it must be the primary object of the Government to levy the tax with the minimum of irritation to the tax payers and with the least possible iniquity between one set of tax payer and another. In India specially where there is no intermediary between the assessing authority and the assessee as in the case of England, the necessity for caution is all the greater.

Under the aforesaid circumstances, it is highly necessary for a proper administration of Income-tax that a rule be sanctioned providing for the deduction of bad debts proved to be such according to the well recognised practice and principles of decisions arrived at by the courts and doubtful debts according to a system of valuation.

THE HONOURABLE MR. E. M. COOK : Sir, when we received notice of this Resolution, I was afraid from the wording of it that it was going to involve this Council in rather a long and complicated technical discussion, which might cover the whole field of mercantile book-keeping. It is clear to me, however, from the Honourable Member's speech that the question is very much simpler than the terms of the Resolution might imply. I may say at once on behalf of Government that I entirely agree with my Honourable friend that the loss on loans by a banker or a money lender in cases such as he cited ought to be allowed as a business expense. Unfortunately, for reasons which I hope to explain in a very few words, it is not possible to give effect to this in the particular way he suggests, though I hope that the alternative course which I will suggest will in substance meet his point. The rule which the Honourable Member proposes in his Resolution is practically a copy, I find, of rule 3 (1) of the rules applicable to cases 1 and 2 under Schedule D of the English Income-tax Act, 1918. The bad debts which are mentioned in the English rule are not bad debts in the sense in which the Honourable Member uses the expression. Under the English Act, income-tax is assessed on the profits of a business and these profits include the book debts that is to say, sums due but which have not been collected. Should any such sums not be collected, they are called bad debts and deducted as an allowance in the year in which they are written off. There are many other provisions in the English Act which deal with the particular case mentioned by the Honourable Member, but without going into detail, I may mention that rule 3, a portion of which he has quoted, also contains a provision in

this matter providing that in computing the amount of profits or gains to be charged to income-tax, no sums shall be deducted in respect of any loss not connected with or arising out of a claim, employment, profession or vocation. Now it is impossible to introduce a provision of this sort or any other provision regarding losses as a rule under our Act. It would take rather a long time if I were to explain fully the reasons why we cannot introduce a rule but, to cut a long story short, the fact is our Income-tax Act in this country is framed on very much more elementary lines than the English Act, and we have found that many difficulties have already come to notice regarding the assessment of mercantile profits. It is impossible to fit into our Act an isolated portion of the English Act, whether as a rule or as a substantive section of the Act, without bringing into it numerous other provisions. Now the whole of our Act will sooner or later have to be recast, and the Honourable the Finance Member has authorised me to say that he is prepared to agree to a small committee of experts being appointed, after the close of this Session, to examine the question of re-drafting the Act for the purpose of bringing in any provisions either in the Act itself or as rules which could be made consistently with the new Act, in order to provide for these and other cases that have arisen regarding the method of dealing with mercantile assessments. Meanwhile, as we cannot fit any rule into the general framework of our Act, we propose, in order to meet the wishes of the Honourable Member, to issue the following executive instructions, *viz.*, that where an assessment is made of profits or income from a banking or money-lending business, loans which cannot be recovered shall be deducted from the assessed profits of such business at the time at which such debts can be definitely proved to be irrecoverable. For example, if a banker has lent out 5 lakhs of rupees and receives Rs. 50,000 as interest, but has during the same year lost an irrecoverable loan of Rs. 25,000, he should be assessed on Rs. 25,000. Similarly, if the same banker receiving Rs. 50,000 as interest on his loans suffers the loss of an irrecoverable loan amounting to one lakh during the same year, the income to be assessed to income-tax from the money-lending business in that year will be nil. These examples will apply whether the assessee had previously been assessed to income-tax or not. This instruction will also apply to the assessment of other traders, where loans had been made in connection with a business, and in which the loans are of the nature of the business and the loss is a true trading loss. I do not say that these will be the actual words, but that is the substance to which we will adhere. I hope this effects the object of the Honourable Member, and in view of the assurance I have given that the whole of our Act will sooner or later be recast in order to make it suit the present more advanced commercial conditions of India, I hope he will withdraw his Resolution.

**THE HONOURABLE SIR DINSHAW WACHA :** Sir, I am glad to see that the Honourable Mr. Cook has admitted that the present Income-tax Act is defective, that it will have to be recast sooner or later, and that Government is prepared to agree to a small committee of experts being appointed to go into the intricacies of the whole question. As a matter of fact, as far as Bombay is concerned, I know that variety of difficulties have arisen, and there are objections taken from all points of view, not only by the banker and the money-lender, but also by companies and merchants. I am glad to hear that a small committee of experts is going to be appointed to go into the disputed points and to recast the Income-tax Act, so as to make it free from ambiguities, and more acceptable to a large class of mercantile and banking interests in all

[ Sir Dinshaw Wacha. ]

parts of India. So far it is all right. But what I do say is this. The Honourable Mr. Cook says that the difficulties pointed out by the Honourable Mr. Chettiyar might be solved by a rough draft notice which he has just read out. It is all well. That only refers to bankers and money-lenders, but what about the companies? There are a large number of mills and other industrial concerns in Bombay and elsewhere. These, particularly mill concerns, now and again incur bad debts by loss in goods sold but not fully paid . . . .

The HONOURABLE MR. A. CHETTIYAR : It refers to trade generally.

The HONOURABLE SIR DINSHAW WACHA : The Honourable Mr. Cook says that loans which cannot be recovered from the assessable profits of such business and so on. Now business is a vague term . . . . .

The HONOURABLE THE PRESIDENT : Will the Honourable Member resume his seat? Perhaps the Council will be in a better position if the Honourable Mr. Cook will read that statement again. There seems to be some doubt about the statement he made.

The HONOURABLE MR. E. M. COOK : 'Where an assessment is made on profits or income from a banking or money-lending business, loans which cannot be recovered shall be deducted from the assessed profits of such business at the time at which such debts can be definitely proved to be irrecoverable. I need not quote the example again. This instruction will also apply to the assessment of other traders, where loans had been made in connection with a business and in which the loans are of the nature of the business and the loss is a true trading loss.'

The HONOURABLE SIR DINSHAW WACHA : This refers to traders and money-lenders only. I speak of companies which do business and which often times incur bad debts. For instance, a company sells goods to a dealer. Eventually owing to a fall in prices, or to one reason or another, it is not able to make good the balance of the money, and the company sometimes finds it necessary to forego bad debts. In that case the company of course debits the balance irrecoverable to bad debts in the Profit and Loss Account, and that account shows afterwards a net income. The Income-tax Collector does not assess on that net income, but includes the bad debts written-off to which the party naturally objects. That is the difficulty, and many companies cannot get over them. I know as a matter of fact that some companies fought with the Income-tax Collector on such questions. There is another thing, I mean the Provident Funds on which the income-tax people would not give any rebate. The Bombay Tramway Company fought for it and got Rs. 50,000, but for five years they had to fight for the refund. That shows clearly that the income-tax officers who are charged with the duty of collecting the tax do not sometimes understand the correct methods of assessment and sometimes, of course, are obstinate and persist in taking no notice of the objections raised by the assesses. That is the reason why I say that if this notice is to be given it will not refer to Companies. Owing to the decline in prices and other factors mill owners are obliged to give concessions to traders. My companies have given up sometimes 50,000, sometimes 10,000 rupees. Necessarily booking may be required and this should be booked to a profit and loss account. Well, there is no reason why a company should be mulcted in that way. I cannot understand it. It is unjust, and therefore

I appeal to the Honourable the Finance Secretary here to modify his notice so as to include a provision that where in a particular business bad debts are incurred, a tax on such debts should not be leviable. That is all I have to say.

The HONOURABLE SIR ALEXANDER MURRAY: Sir, may I again rise to ask for some more information? I do not quite appreciate the difficulties in Madras. Personally, I have never incurred bad debts so I have never had to deal with them. But, as I understand the position, bad debts, and sometimes doubtful debts too, but especially bad debts, are a good deduction for income-tax. If they are not allowed as a good deduction in Madras, then in my opinion they ought to be allowed, for they are so treated elsewhere. I have had before me the manuals of different provinces in which bad debts are expressly stated to be good deductions from income tax. If the Honourable Member in charge would be good enough to say that, I think it would meet the point raised by the Honourable Mr. Chettiyar.

The HONOURABLE MR. LALUBHAI SAMALDAS: I agree with the Honourable Sir Alexander Murray that all bad debts ought to be allowed to be deducted. In the case of Joint Stock Companies, as my Honourable friend Sir Dinshaw Wacha said, sometimes the accounts are not properly prepared and bad debts are not deducted. It is only when accounts are not properly made out that it raises these difficulties. If this rule is made as suggested by the Honourable Mr. Cook, it will remove the difficulties raised by the Honourable Mr. Chettiyar and provide that companies do really get all their bad debts deducted, as Sir Dinshaw Wacha asked for.

The HONOURABLE MR. E. M. COOK: I beg to move that the question be put after the Honourable Mover has replied.

The HONOURABLE THE PRESIDENT: If you are moving the closure, I think I must put it in the form contemplated by the standing orders, that is to say "that the question be now put" I cannot put it with conditions.

The HONOURABLE MR. E. M. COOK: I am sorry. I thought this had previously been admitted. I should like to hear the Honourable Mover.

The HONOURABLE MR. A. CHETTIYAR: Sir, I thank the Government for the assurance that they have given this Council. They have met me only half way. I am sorry they have not seen the necessity to accept the Resolution fully. I am speaking of the doubtful debts. What I ask for is but a close following of the practice in England for a long time. The English Act itself made and has made all these years a provision for bad and doubtful debts. That such a provision has continued in the Statute shows such a relief is but bare justice to the assesses and I do not know why what has been allowed in England is to be disallowed in India. Well, Sir, I need not say more at present, as the Honourable Mr. Cook has shown enough evidence of his sympathy in the matter. I would only urge that in a very short time the provision for doubtful debts also should be made, as I trust it will. I may here be permitted to point out that in various other ways also the Income-Tax Act needs amendment. For the present I would instance only a few . . .

**THE HONOURABLE THE PRESIDENT:** The Honourable Member is replying to a perfectly definite point of Income-Tax Law. He cannot re-open the whole of the Income-Tax Act. He must confine himself entirely to the arguments which he wishes to rebut.

**THE HONOURABLE MR. A. CHETTIYAR:** I obey your decision, Sir. The whole question refers to the working of the Act; I think I will be in order if I make some remarks regarding the same.

**THE HONOURABLE THE PRESIDENT:** The Honourable Member will kindly listen to what I am saying. In replying to a Resolution he must confine himself to those points which were raised in the discussion. He must not break fresh ground. The reason for the rule is quite obvious, for, if he did so, he would be grossly unfair to the rest of the Council who would have no right of replying to the fresh points raised.

**THE HONOURABLE MR. A. CHETTIYAR:** I have no intention of pressing the Resolution. As the Honourable Member has given us an assurance that he will issue instructions in the manner described in the paper which he read out just now, I do not want to press this Resolution.

**THE HONOURABLE THE PRESIDENT:** Do you ask for leave to withdraw it?

**THE HONOURABLE MR. A. CHETTIYAR:** Yes.

The Resolution was, by leave of the Council, withdrawn.

**THE HONOURABLE THE PRESIDENT:** Is the Honourable Mr. Cook in a position to present the Budget?

**THE HONOURABLE MR. E. M. COOK:** I beg to present, Sir, the revised\* estimates for the revenue and expenditure of the current year, and the budget estimates for next year. With these statutory statements, there is also a memorandum explaining the details of the estimates, the draft of a certain Bill which has been introduced in another place to-day, and also the detailed estimates supporting the various demands for grants which will be voted on in another place. Also, there is a printed copy of the Finance Member's remarks in another place, which is being supplied to every Honourable Member now.

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#### BUDGET FOR 1921-22.

**THE HONOURABLE MR. W. M. HAILEY:** Sir, I regret the dispensation which provides that I should justify our stewardship for the last  
1 P.M. year, and make proposals for meeting our financial troubles in the coming year in another House, and thereby be deprived of an audience which is

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\* Vide *Gazette of India Extraordinary* of Tuesday, the 1st March 1921 and also pages 434 to 438 of *Legislative Assembly Debates* of 1st March, Volume I, No. 7.



certainly not less fitted than that audience to appreciate our difficulties and help us with its critical acumen in financial matters. Such, however, is the dispensation. If, moreover, that House has the privilege of first hearing our Budget proposals, it is not without its disadvantages. I am afraid that my case was either such a bad one or put so badly that I troubled them to the extent of an hour and a quarter in explaining it and in justifying my position. I have no intention of troubling this Council to a similar extent. It will be perhaps sufficient here, Sir,—as a copy of my speech has been laid by the Honourable Mr. Cook before the Members of this Council—if I explain in the very briefest way what has been the result of our present year's working, what will be the result of the working, as far as we can forecast it, of the year to come, and how we propose to meet the difficulties that lie before us in the next twelve months.

As regards the present year we expected a surplus of 2 crores. We have, I am afraid, to meet a deficit of 11 crores. That is mainly due to the fact that warlike operations have continued on the frontier.

Then, with regard to next year, we are expecting a total expenditure on the central account of 129 crores, and we anticipate that we shall have a revenue to meet it of only 110½ crores. That would mean a deficit of 18½ crores, and we propose—I leave aside all explanations and go at once to the matter which will mostly interest this House—we propose to make up that deficit and also to provide ourselves with a small necessary surplus amounting to about 84 lakhs in the following manner.

We propose, in the first place, to raise the general *ad valorem* duty on the imports from 7½ per cent. to 11 per cent. This we expect to bring us in about 3½ crores. We do not propose, Sir, to increase the cotton excise duties. We propose, in the second place, to withdraw the existing concession by which certain machinery and other supplies required for spinning and cotton mills are admitted free. We expect that this will bring us about 10 lakhs of rupees. The second customs proposal that we have put before the Lower House is the levy on matches of a specific import duty of 12 annas per gross boxes, that is to say, about one pie per box. That, I hope, will bring in 110 lakhs. The third is a substantial increase in the duties on imported liquors. When I announced that in the Lower House, a sigh of apprehension went round the benches, and I was obliged to give them the fullest details of what we proposed to do. Here, in this obviously very much more temperate House I do not perhaps need to explain the details: I will only say that the extra tariff should bring us in 94 lakhs. The fourth is the raising of the general *ad valorem* duty of 7½ per cent. to 20 per cent. on certain articles of luxury, such as motor cars, motor cycles and tyres (excluding lorries), silk piecegoods, fireworks, umbrellas, clocks, and watches, musical instruments, cinematograph films, etc. The fifth proposal is the raising of the present import duty on foreign sugar from 10 to 15 per cent. That, we hope, will bring us 65 lakhs. I come to the last of my tariff proposals, and that is the raising of the duty on tobacco other than unmanufactured tobacco by 50 per cent., and 75 per cent., instead of 50 per cent. *ad valorem* on cigarettes and cigars; that should bring us about 40 lakhs.

Now, Sir, we have to supplement these measures by measures which I think will not commend themselves quite so readily to large portions of our

[ Mr. W. M. Hailey. ]

public. We propose to raise the surcharge on goods carried on our railways, the surcharge that is which was sanctioned in 1917, and the increase is substantial. The present rates are 1 pie per maund on coal, coke and firewood and 2 pies on all other goods. We propose to substitute the following rates :—(1) 6 pies per maund on coal, coke, firewood, foodgrains and fodder; (2) 2 annas per maund on certain valuable commodities which can bear a high rate of tax, such as piecegoods, pressed cotton, jute and ironware, timber and oils; (3) 1 anna per maund on all other articles of general merchandise not falling within these two categories. At present there is a free zone for goods carried 10 miles or less, which we propose to extend to 20 miles. We hope these proposals will bring us the substantial sum of 5½ crores. Then follows another measure which is also perhaps less likely to commend itself to a large section of the public, that is, an increase in postal rates. I will give the House details. Abolition of the half-anna postage for letters, the charges in future to be one anna for letters not exceeding 2½ tolas in weight, and half an anna for every additional 2½ tolas; raising to half an anna the quarter anna post card; rate for book, pattern and sample packets to be raised from half an anna for every 10 tolas to half an anna for every five tolas or fraction thereof. At present the initial rate is ¼ anna for registered newspapers not exceeding 8 tolas in weight and ½ anna for papers not exceeding 40 tolas, and it is proposed that the maximum weight to be carried for a quarter of an anna be reduced to five tolas and that for half an anna to 20 tolas. I do not propose any increase in the parcel postal rates, but I propose that the rates of commission on money orders should be raised to the level which existed in 1902. That, we hope, will bring us 2½ crores. We regret the measure, but we see no way out of it in view of our financial difficulties. We believe that the present postal rates, enormously useful as they may have been in the development of India, are a luxury which we cannot afford. The remaining and final step, the inevitable step to complete the deficit which we anticipate is direct taxation. So far, I have provided for 16 crores. We have still about 3 crores to raise, and we propose to do this by increasing the maximum ordinary income-tax from 12 pies to 16 pies, and so to re-arrange the upper grades of supertax that it shall be four annas on incomes exceeding 3½ lakhs per annum. That, as I have said, should bring us the remaining 3 crores. We shall have altogether 19·17 lakhs against an anticipated expenditure of 18½ crores giving us, therefore, a surplus of 84 lakhs. These are the proposals which I have put forward on what I may call the revenue side. It will interest the House to know that with regard to Ways and Means and the capital side we propose to raise a rupee loan of 15 crores, and also propose to raise a 5 million £ loan in England. We propose to give 15 crores to Railways, and one crore to Delhi. That completes the account.

I am sorry again that I have only been able to give the facts to the House in the barest detail, but I thought it my duty to attend here and place our case at the earliest possible moment before the House.

**THE HONOURABLE THE PRESIDENT :** This closes the business for the day, and the Council stands adjourned to 3rd March, 1921, at 11 o'clock in this Chamber.

The Council adjourned till Thursday, the 3rd March, 1921.