

Monday, 23rd March, 1925

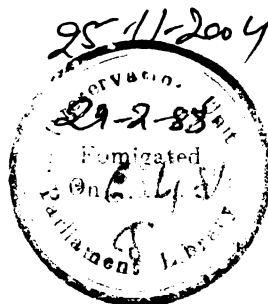
# THE COUNCIL OF STATE DEBATES

## Volume V

*(20th January to 26th March 1925)*

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### FIFTH SESSION OF THE COUNCIL OF STATE, 1925



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	PAGES.
<b>MONDAY, 23RD MARCH 1925—</b>	
Absence of Members on days on which their questions are put down ...	657
Questions and Answers ... ..	657—659
Bill passed by the Legislative Assembly laid on the Table ... ..	659
Message from the Legislative Assembly ... ..	659
Resolution <i>re</i> Provincial Contributions—Adopted as amended ... ..	660—681
Indian Tariff (Amendment) Bill—Passed ... ..	681—685
Indian Stamp (Amendment) Bill—Passed ... ..	685—686
Indian Income-tax (Second Amendment) Bill—Passed ... ..	686—687
Appreciation of the Aeroplane, Howitzer, Field gun and Armoured Car demonstrations arranged for Members of the Indian Legislature...	687—688
<b>TUESDAY, 24TH MARCH 1925—</b>	
Question and Answer ... ..	689—690
Indian Cotton Cess (Amendment) Bill—Passed ... ..	690
Nomination of Members to serve on the Joint Committee on the Indian Succession Bill ... ..	691
Nomination of Members to serve on Joint Committee on the Succession Certificate (Amendment) Bill ... ..	691
Nomination of Members to serve on the Joint Committee on the Indian Succession (Amendment) Bill .. ..	691
Statement of Business ... ..	691—695
<b>WEDNESDAY, 25TH MARCH 1925—</b>	
Questions and Answers ... ..	697—698
Messages from His Excellency the Governor General	699
<b>THURSDAY, 26TH MARCH 1925—</b>	
Bengal Criminal Law Amendment (Supplementary) Bill—Passed as recommended by the Governor General ... ..	701—751
Illness of His Excellency the Commander-in-Chief ... ..	751—752

# COUNCIL OF STATE.

*Monday, 23rd March, 1925.*

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

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## ABSENCE OF MEMBERS ON DAYS ON WHICH THEIR QUESTIONS ARE PUT DOWN.

**THE HONOURABLE THE PRESIDENT:** The Honourable Mr. Haroon Jaffer. (The Honourable Member was not present.)

**THE HONOURABLE SAIYID RAZA ALI:** May I, Sir, put question No. 166 on behalf of the Honourable Mr. Haroon Jaffer?

**THE HONOURABLE THE PRESIDENT:** I will allow the Honourable Member to put the question in a moment. As the House is aware, comments have been made more than once from the Chair on the impropriety of Honourable Members absenting themselves on the day on which their questions are put down. I take this opportunity to say that I associate myself with all that has fallen from my predecessors on this subject. At the same time, in justice to the Honourable Member whose questions are on the paper to-day, I wish to tell the House that he did inform me that he would not be here and that he took steps to get his questions put. Unfortunately the Member who was to ask these questions for him has himself fallen ill, and it is perhaps understandable that there is no one here to ask the questions to-day. I make this clear so that the Honourable Sir Muhammad Habibullah should not think that he has a grievance in the matter.

The Honourable Saiyid Raza Ali.

**THE HONOURABLE SAIYID RAZA ALI:** Question No. 166.

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## QUESTIONS AND ANSWERS.

### INCLUSION OF EXECUTIVE OFFICERS IN SUB-COMMITTEES OF CANTONMENT BOARDS.

166. **THE HONOURABLE MR. HAROON JAFFER:** (a) Will Government be pleased to state whether in the Lahore and Ambala Cantonment Boards, the Executive Officer has been included in the various sub-committees of the Boards formed under the New Cantonment Act?

(b) Do Government intend to issue any instructions in the matter of the inclusion of Executive Officers in sub-committees of Cantonment Boards?

THE HONOURABLE SIR NARASIMHA SARMA (*on behalf of His Excellency the Commander-in-Chief*): (a) and (b). The Government of India are making inquiries. I will let the Honourable Member know the result as soon as possible.

#### GRIEVANCES OF THE HAJ PILGRIMS.

167. THE HONOURABLE MR. HAROON JAFFER: (a) Will Government be pleased to state whether a deputation of the Anjuman-e-Islam, Poona, waited upon the Honourable Sir Narasimha Sarma in December last at Poona?

(b) What grievances of the Haji pilgrims were placed before him?

(c) What steps have been taken to alleviate them?

(d) What further steps do Government intend taking?

(e) Has any sum been provided in the Budget? If so, how much?

THE HONOURABLE SIR MUHAMMAD HABIBULLAH: (a) Yes.

(b), (c) and (d). Stated briefly the difficulties under which according to the deputation, pilgrims to the Hedjaz labour related to:

(1) Accommodation at Bombay and Karachi.

(2)-(3). The securing of passports and fares charged by shipping companies for children.

(4) Discomforts of the voyage.

(5) Lack of banking facilities.

(6) Danger of travel in Arabia.

I shall deal with each of those in the order of their enumeration.

(1) The Government of India have recently sanctioned subject to the approval of the Legislative Assembly an expenditure of about Rs. 33,000 to improve the accommodation at Karachi. At Bombay the difficulties cannot be said to be serious as private houses are engaged whenever the regular Pilgrim Musafir Khanas are full. Moreover it is anticipated that when the port of Calcutta is opened to pilgrim traffic the congestion at Bombay will materially decrease.

(2) Pilgrims are advised to supply themselves with passports in their own districts and those who follow this advice generally have correct passports. Pilgrims who do not bring passports from their districts are supplied with passports at the ports of departure by the Pilgrims Department after making necessary inquiries. The Government of India do not consider that the existing arrangement suffers from any serious defect. The only change contemplated by them relates to the quality of paper on which the passports are printed. The paper now used is said to be unsuitable for the purpose and the Government of India hope soon to substitute better paper for it.

(3) So far as the Government of India are aware the pilgrims have no difficulty in obtaining tickets either at Bombay or Karachi. As regards the charging of full fares for children under twelve years of age, the ship-

ping companies have, except in the case of infants under one year of age, to provide the same accommodation for children as for adults in view of the Paris Sanitary Convention of 1912, which requires the provision of the same amount of space for each person on a pilgrim ship irrespective of age. The Government of India are therefore unable to direct that two children under 12 years of age should count as one pilgrim.

(4) Travelling steerage is never very comfortable and a first experience of the sea is attended for the majority of people with a natural discomfort which I need not describe. The Government of India do not consider that any useful purpose will be served by the appointment of Travelling Inspectors on pilgrim ships as suggested by the députation. The suitability of a ship from the point of view of sanitation and general fitness, for a voyage is the subject for careful examination by the port authorities before it is allowed to sail. Special inspectors to look after the property of pilgrims who die on the voyage would prove an expensive luxury as shipping companies will pass on the cost to the pilgrims in the shape of increased fares. The master of the ship can be trusted to discharge this duty satisfactorily.

(5) The Indian Pilgrimage Officer, who has had special experience of the Haj during the last two seasons and was asked to investigate this matter, has reported that for the class of pilgrims concerned no banking arrangements at Bombay or Jeddah are possible.

(6) I regret that under rule 8(1) of the Indian Legislative Rules I cannot deal with this subject on the floor of this House.

(e) Yes, a sum of Rs. 50,000 roughly has been provided in the budget estimate of 1925-26 for expenditure in connection with the Haj and it is proposed to make, with the approval of the Legislative Assembly, a further allotment of Rs. 33,000 for the improvement of accommodation for pilgrims at Karachi.

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#### BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

THE SECRETARY OF THE COUNCIL: Sir, in accordance with Rule 25 of the Indian Legislative Rules, I lay on the table a copy of the Bill further to amend the Indian Cotton Cess Act, 1923, which was passed by the Legislative Assembly at their meeting held on the 21st March, 1925.

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#### MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

THE SECRETARY OF THE COUNCIL: Sir, the following Message has been received from the Legislative Assembly:

“In accordance with Rule 36 (1) of the Indian Legislative Rules, I am directed to inform you that the amendment made by the Council of State in the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to remit or vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to reduce the import and excise duties on motor spirit, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, was taken into consideration by the Legislative Assembly at their meeting to-day, the 21st March, 1925, and that the Assembly have agreed to the amendment.”

## RESOLUTION RE PROVINCIAL CONTRIBUTIONS.

THE HONOURABLE MR. A. C. McWATTERS (Finance Secretary): Sir, I beg to move the following Resolution:

“ This Council recommends to the Governor General in Council that he be pleased :

- (a) in pursuance of sub-rule (1) of rule 18 of the Devolution Rules, to determine the sum of Rupees 733 lakhs as the total contribution to be paid to the Governor General in Council for the financial year 1925-26 by the Local Governments mentioned in rule 17 of the said rules;
- (b) to take the necessary steps to amend sub-rule (2) of rule 18 of the Devolution Rules in such a way as to secure to the Local Government of Bengal the remission of the contribution payable under sub-rule (1) of rule 18 of the said rules by that Government to the Governor General in Council in the financial years 1925-26, 1926-27 and 1927-28, and further to provide that for the financial year 1928-29 the last previous annual contribution of the Local Government of Bengal shall be deemed to be the remitted contribution for the year 1927-28;
- (c) further to amend the Devolution Rules in such manner as to provide that out of the sum of Rs. 733 lakhs recommended to be determined by the Governor General in Council as the total contribution to be paid by the Local Governments to the Governor General in Council for the year 1925-26 the following remissions be made, namely :—

to the Government of Bombay 22 lakhs  
to the Government of Burma 13 lakhs  
to the Government of the Central Provinces 9 lakhs  
to the Government of Assam 6 lakhs;

and further to provide that the sum determined by the Governor General in Council as the total amount of the contribution for the year 1925-26 shall include the amounts so remitted and that for the year 1926-1927 the last previous annual contributions of the said Local Governments shall be deemed to include in each case the amounts remitted as aforesaid.”

Sir, this Resolution may appear somewhat involved, but the substance of it is quite clear. Out of our recurring surplus of Rs. 268 lakhs, we propose to make a recurring remission of Rs. 250 lakhs in the contributions of the four Local Governments who would obtain it under the formula in the Devolution Rules. Further, we propose to suspend for a further period of three years the contribution of Rs. 63 lakhs which is payable by the Government of Bengal, and this amount has not been taken into consideration on the receipt side in our Budget. And further, out of the Rs. 56 lakhs which we estimate will remain as non-recurring surplus, we propose to distribute Rs. 50 lakhs in the proportions I have just read out in my Resolution, to the four Local Governments who do not obtain any relief, or any substantial relief, under the formula in the Devolution Rules.

I do not think I need say anything to the House with regard to the recurring remission of Rs. 250 lakhs, which is made in accordance with the formula in the Devolution Rules. But with regard to the proposal in respect of the Government of Bengal, the Financial Relations Committee, in their report referred to the position of the Government of Bengal in somewhat special terms. They said that:

“ Bengal has a low scale of expenditure and an inelastic revenue, and it will receive only a very moderate start in its new financial career.”

The Joint Select Committee of Parliament, who considered the report of the Financial Relations Committee further said:

“ The Committee desire to add their recognition of the peculiar financial difficulties of the Presidency of Bengal, which they accordingly commend to the special consideration of the Government of India.”

The Government of India have from the beginning considered that this recommendation for special consideration put Bengal in a peculiar place as compared with other Local Governments. Three years ago when the contribution of Bengal was remitted, the Government of India were in a very much more difficult financial position than they are to-day. They had had a series of very large deficits, and they had had to impose a great deal of fresh taxation; yet even in those circumstances they felt the position of Bengal to be so serious that a remission for a period of years should be given. In the present year our position is fortunately very much better, and we think it is only fair and in accord with the spirit of the Devolution Rules, that a further respite should be given to the Government of Bengal. I do not think that I have heard outside this House much in the way of opposition to this proposal, and I hope all Members of this House will not grudge what we are now proposing to do for Bengal.

Finally, there is the temporary remission of Rs. 50 lakhs out of our temporary surplus of Rs. 56 lakhs. That is a special arrangement. It is obviously impossible out of the temporary surplus to make a permanent remission of contributions, and we feel that in this year, when we are able to do something in the way of a permanent remission for the other provinces, it is only fair that we should make the distribution of our surplus as widespread as possible, and we know that every one of these Governments has non-recurring expenditure of a useful character in excess of the amount which we propose to give them. I think, Sir, that is all I need say at this stage of the debate in moving my Resolution. I think the vote which this House gave on Friday last was a clear indication that they desired the distribution of our surplus to be on this scale, and I need only add that we are appreciative of, and extremely grateful for, the action both of this House and of the other House in passing the Finance Bill in the form in which it was presented by Government so as to enable us to make this relief on a substantial scale.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): Sir, I beg to move the amendment which stands in my name, that after clause (c) of the Resolution moved the following be added, namely:

"(d) to take the necessary steps immediately to secure the revision of the Meston Settlement by reference to a new tribunal."

Sir, this amendment is one which I feel sure will commend itself to every Member of the Council of State including the Government Benches. The recommendations which the amendment contains should not be regarded by Government in any light but that of a sincere representation to Government to provide means by which a crying wrong should be investigated and long felt grievances removed. And here, Sir, if I may be permitted I should like to ask the Honourable the Leader of the House if the Government official Members of this Council have a free vote on this occasion. (*The Honourable Sir Narasimha Sarma*: "I am afraid the normal convention cannot be departed from in this particular case".) I regret, Sir, to hear the Honourable the Leader's announcement because we have the peculiar position in this House of official representatives from the various provinces voting against the wishes of their own Local Governments. I regret, as I have said, to hear the announcement of the Honourable the Leader. The Meston Award has invoked widespread damning criticism from nearly every province and stands condemned by the Finance Department itself in the Resolution which has just been brought before this Council by the Honourable the Finance Secretary.

[Sir Arthur Froom.]

I will now, Sir, speak briefly for my own province which province has been treated with scant courtesy by the Central Government in the matter of its financial difficulties. Bombay has protested against the extraordinary and fallacious conclusions arrived at by the Meston Committee ever since the report of that Committee was published. In July 1920 a public meeting of all the citizens of Bombay, of all communities, assembled in the Town Hall to protest against the recommendations of the Financial Relations Committee, and at that time my Chamber sent a respectful cable of protest to the Secretary of State. And what happened? Nothing! Just a minute, Sir. Something did happen. I am wrong in saying nothing happened, because as a result of the continuous protest from Bombay the Secretary of State himself overruled the Meston Award and sanctioned a special rule, No. 14 (c), in the Devolution Rules thereby granting "a share"—(I am now quoting, Sir)—"in the growth of revenue derived from income-tax collected in the provinces so far as the growth is attributable to the amount of income assesses". Then Rule 15 fixed the year 1920-21 as the datum year for the calculation of a refund to the provinces of 3 pies in the rupee of the excess of income-tax paid in any subsequent year. This presumably, however, was a jest so far as Bombay was concerned as the datum year 1920-21 was a year of exceptional trade and prosperity. It is true that the following two years were also exceptionally good years and the Government of India benefited therefrom. The Government of Bombay in those 2 years did receive a small refund of their income-tax. I think it amounted to something like Rs. 12 lakhs and Rs. 16 lakhs, respectively. The boom, however, of course did not last. No booms ever do; and Bombay got nothing in 1923-24, nothing in 1924-25, and expects to get nothing in 1925-26. That is where I presume the Secretary of State's jest comes in. But it is a joke that my province does not very much appreciate.

As I have mentioned, Sir, Bombay protested in 1920 against the Meston Award and has continued to protest ever since, culminating, as Honourable Members of this Council are aware, in the Bombay Provincial Council recently moving the adjournment of their House, agreed to on all sides, as a protest against the unfair treatment accorded to them. I referred to this in my speech on the general discussion of the Budget and I refer to it again with emphasis. This last protest presumably has had some effect and has resulted in clause (c) in the Honourable the Finance Secretary's Resolution under which Bombay is to receive a temporary remission—of what? Of 22 lakhs!

Now, Sir, the Bombay Chamber of Commerce does not protest against the relief accorded to Madras, the United Provinces, the Punjab or Burma, which will take effect under clause (a) of the Resolution. Nor does Bombay make any objection to the further 3 years' remission to be enjoyed by Bengal; but Bombay does heartily press for a revision of the Meston Settlement by its reference to a new tribunal.

Sir, I will not weary this Council by a recital of figures which have been clearly set forth in a manifesto issued by the Bombay Government which has been widely circulated in the press. But I will content myself by reiterating that the whole of the Meston Award has been shown conclusively to be based on erroneous conclusions. The anticipations of the Meston Committee have been proved by events to have been false. As I said, I am not opposing the proposal for remission to the provinces, but I do contend that the allocations of revenues and their application to the



various provinces were wrong and were arrived at in an extraordinarily haphazard and unconvincing manner. The Meston Committee compared the revenue of Bombay in the year 1920-21 with that of 1912-13 and pointed out how, in the 8 years which intervened, Bombay had increased its revenue—its Excise Revenue, its General Stamps revenue, its Land Revenue—by some very considerable percentages. This reminds me, Sir, of a conjuror performing a trick; he produces something very extraordinary out of a hat, then says "Isn't it marvellous!" But when I explain to the Council that the year 1912-13 in Bombay was one of famine throughout the Presidency it will be seen at once by all Honourable Members that the trick falls somewhat flat. Sir, I contend again that the allocations of revenue were woefully miscalculated. The actual realisations of revenue in Bombay during the 4 years of the Reform Government are short by something like Rs. 9 crores compared with the conclusions of the Meston Committee. Can I say more? Is it any wonder that with this stupendous miscalculation we condemn the Meston Award? What use would it be to Bombay even if the whole of their contributions were remitted? What use is it to Bengal, who is suffering from a similar miscalculation, that her contribution of 63 lakhs is remitted for a further period of three years? Sir, the remedy lies only in a further examination of the whole question; and what better time than now when the revenues of each province under the reforms can be ascertained and given proper attention to?

Sir, I would invite the attention of Honourable Members to the Report of the Reforms Inquiry Committee. On that Committee sat representatives of the people of the Punjab, of Bengal, of the United Provinces, of Madras and of Bombay and this, I take it, may be claimed to be a fairly representative Committee. The Committee presented two reports, a majority report and a minority report; but in both these reports the Meston Settlement was condemned. The majority gave it as their opinion that the Meston Settlement should be revised as soon as a favourable opportunity occurred. The minority report stated that the Meston Award was crippling the resources of the provinces and further added that it has prevented Ministers from developing the nation-building departments to the extent which would have enabled them to produce any substantial results.

I contend, Sir, that the favourable opportunity quoted in the majority report is now, now at a time when the Central Government should not, nay, cannot ignore the conclusions arrived at by both these reports. The reports say that the crippling of the finances of the provinces under the Meston Award has gone far to prevent the reforms instituted under the Government of India Act of 1919 from attaining that success which we all hoped they would attain.

Sir, what does this amendment ask for? Nothing very alarming; nothing alarming to any province, nothing disturbing even to Government. It merely asks that the whole question of the financial relations between the Central Government and the provinces should be re-examined now. I appeal to all Honourable Members of this Council to support this amendment. I appeal with confidence to Members from Bengal, seeing that their needs are little less than those of Bombay. I appeal to the Members from the Punjab and would remind them that the Meston Award has been condemned by Sir Muhammad Shafi who hails from that province. I appeal to Members from the United Provinces and in doing so would

[Sir Arthur Froom.]

remind them that the Meston Settlement has been condemned by Sir Tej Bahadur Sapru. I appeal to Members from all the provinces to support this amendment—and I include Madras and would remind my Honourable friends from Madras that their esteemed representative from that province Sir P. S. Sivaswami Aiyer also condemned this Meston Award.

I now turn to the Government Benches and would remind the Honourable Finance Secretary that the Honourable Member in charge of the Finance Department himself has clearly shown his disagreement with the Meston Settlement. I remind the Honourable Home Secretary that his Chief has condemned the Meston Settlement. Can he vote against that? I would remind the Commerce Secretary that he cannot very well vote against the opinions of large centres like Bombay and Calcutta. I would also remind our esteemed Leader of the House, the Law Member, that his illustrious predecessor heartily disapproved of the Meston Award. I am sure the Honourable Sir Muhammad Habibullah too cannot honestly oppose this recommendation which has for its object the furtherance of the legitimate progress of the provinces. Finally, I would remind all the Honourable Members of this Council, both official and non-official, that our President himself has condemned the Meston Award.

THE HONOURABLE THE PRESIDENT: Amendment moved that after clause (c) the following be added, namely:

“(d) to take the necessary steps immediately to secure the revision of the Meston Settlement by reference to a new tribunal.”

THE HONOURABLE MR. G. A. NATESAN (Madras: Nominated Non-official): Sir, my Honourable friend Sir Arthur Froom is reputed for his strong loyalty and constitutionalism, but yet on this occasion he has tried to gather together for his purpose the discontent and perhaps the disloyal elements of this House. I was somewhat amused at the way in which he utilised certain observations of the majority report of the Muddiman Committee and I was wondering whether he remembered that he also was one of them and of the majority. The case against the Meston Award has been so firmly established that nobody has a good word for it, and I think it is hardly necessary for me to attempt to flog a dead horse. And speaking for Madras, let me state that I and my colleagues here or elsewhere do not grudge what has been given to Bombay and to Bengal on the present occasion. Bombay has got a gift of 22 lakhs which I think was acknowledged very gratefully elsewhere as a very generous act of the Government of India. Bengal has had its remission for three years—which I understand according to some legal authorities is a doubtful procedure according to Rule 18 of the Devolution Rules—but I do not pose as a lawyer. If anybody is hit very hard—and I want my Honourable friend, Sir Arthur Froom, to listen to me—by the Meston Settlement it is not Bombay, it is Madras and other provinces; and perhaps he will be very disagreeably surprised to hear that a leading Anglo-Indian paper of his province, the *Times of India*, made these remarks only the other day. I luckily got a cutting from it this morning. The *Times of India* recognises the injustice done to Madras under this Award. It writes:

“The contributions press more heavily on other provinces than they do on Bombay.”

THE HONOURABLE SIR ARTHUR FROMM: I never said in my speech that Madras was treated fairly. I said that all Provinces disliked this Meston Award and I take it Madras is a Province.

THE HONOURABLE MR. G. A. NATESAN: I was only going to make out that if anybody suffered most under this Award, it is Madras and we have the testimony of a leading Bombay newspaper; but my point is this. My Honourable friend Sir Arthur Froom has pointed out that the majority report of the Muddiman Committee says that we should wait for a favourable opportunity and he thinks, when not even four weeks, I should say not even three weeks, have elapsed since this report has been in our hands, that the time for considering this matter has arrived. I request him to read five lines above the passage he has quoted. where they say:

"It is clear that we have not the information upon which to base any recommendations for the revision of the Settlement." . . .

THE HONOURABLE SIR ARTHUR FROM: The object of my amendment is to get the correct data.

THE HONOURABLE MR. G. A. NATESAN: My Honourable friend is anxious to get correct data. Now, I would like to put one or two difficulties before him. I am not pleading for Madras or any other province. What are the data upon which these contributions can be settled or the revision of the Meston Settlement itself can be made? The Meston Settlement is in consonance with the Montagu-Chelmsford Act which has come into force. The principle of the Montagu-Chelmsford Act is the dyarchy system. Is a Committee now called upon to revise it, to base its recommendations upon the assumption that dyarchy—a thing which is condemned, or which at any rate has not proved satisfactory in the eyes of many? Is it to base it upon that or is it to base upon the assumption that complete provincial autonomy is to be given? If it is to be the latter, what are to be the financial sources of revenue for the provinces? What sources for the Central Government? These are all very difficult problems which will have to be solved. If, according to my Honourable friend Sir Arthur Froom, a case has been made out for going into the whole question of the terms of the Meston Settlement, raking it up and finding a new system of provincial adjustments, then I think a much better case has been made out to say that this cannot possibly be done unless the whole question of constitutional reforms under the present system of dyarchy is taken up together with this. I cannot possibly conceive of any one suggesting that the one can be done without taking up the other. Indeed, they are so closely interwoven, they are so interdependent, if that word can be used with appropriateness in any case, that there cannot be any stronger case than this. While, therefore, I admit that the Meston Award has been hitting every one hard, I do think that it cannot with any advantage to the public or to the provinces or even to the Central Legislature be possibly considered now unless we take up the larger question with which it is bound up, with which it is so closely interwoven, namely, the question of provincial autonomy. The majority report, I think, made it perfectly clear, and I hope I have shown that my friend the Honourable Sir Arthur Froom who has displayed the skill of a lawyer in reading only that portion of the Report which is most favourable to him in support of his proposition, has failed to make out a case for taking up the inquiry now.

THE HONOURABLE SIR ARTHUR FROM: I quoted *verbatim* from the report of the Committee.

THE HONOURABLE MR. G. A. NATESAN: This sentence, I thought, was not quoted. "It is clear that we have not the information upon which to base any recommendation". If I am wrong, I owe him an apology, but having sat very near to him and with ears open, I can say that I think he did not read this sentence.

THE HONOURABLE SIR ARTHUR FROMM: I said that I want a Committee and that the necessary data can be found.

THE HONOURABLE MR. G. A. NATESAN: Anyway, my statement is correct, that this particular sentence, the fifth sentence, was not quoted. I think, therefore, this is not the proper time to take up this question. My first contention is, and in this matter I am glad there is also the view of the Government of India and the Finance Minister, that before any attempt in the direction suggested by the Honourable Sir Arthur Fromm is made, you must wipe off the provincial contributions. It produces a feeling of jealousy between the Provincial Governments and the Government of India, and as this House is aware, if there is one question on which in the provinces officials and non-officials, and people of all political parties and creeds feel alike, it is this, and so long as you allow the provincial contributions to stand as at present, you will have a great deal of difficulty, and the difficulty which has been experienced in the past will, I think, crop up with considerable acuteness in the future. You must therefore as sound financiers do your best to wipe off these provincial contributions at the earliest possible moment. I am willing to join all the Members from the different provinces to compel the Finance Minister now to make a declaration that efforts will be made without undue delay before three years elapse to see that the whole of this is wiped off, and if it is done, I should have no objection to the other question being taken up, but you cannot now ask for an independent committee to inquire into the question of the Meston Award without taking the other question which is very closely connected with that of constitutional reforms. My Honourable friend Sir Arthur Fromm ought to have thought about this before he signed the majority report of the Muddiman Committee. If he was interested in the provinces so keenly, if he felt the financial oppression was cruel, he had no other alternative but to say that the present system on which the Government are working is hopelessly bad, that the financial portion is oppressing not only his own province but other provinces as well. But he did not say anything of the kind, and I think he has lost the best chance of his life, and I fear there is no use his coming here now with his tale of woe.

THE HONOURABLE SIR ARTHUR FROMM: May I rise to make an explanation, Sir? I did not want to interrupt unduly the Honourable Member from Madras. I made it perfectly clear in my speech that I had no objection to the remission of these provincial contributions. But what I do object to is the way in which the allocation of the revenue has been arrived at.

THE HONOURABLE DR. DWARKANATH MITTER (West Bengal: Non-Muhammadan): Sir, I understand that both the original Resolution as well as the amendment are now open to discussion. That being so, I have in the first instance to thank the Honourable Mr. McWatters on behalf of Bengal in regard to the proposals contained in his Resolution to give a

remission for three years to Bengal. Of course, in thanking the Honourable Mr. McWatters, I certainly couple with him the name of the Honourable the Finance Member who is present here to-day. Sir, Bengal cannot be too grateful to the Government of India for recommending that a remission be given for three years, but that is just in accordance with the spirit of the Report of the Joint Parliamentary Committee which drew attention to the peculiar financial difficulties of the Presidency of Bengal, and accordingly commended that special consideration should be shown to Bengal in the matter of giving a further equitable relief. Sir, reading the Devolution Rules as a lawyer, I consider that the recommendation is really a part of the Devolution Rules which were formulated by the Government in accordance with the powers given under the Government of India Act. Instead of the members of the Committee themselves directing that that should be made a part of the Devolution Rules, they left it to the discretion of the Government of India to grant special relief to Bengal on account of her peculiar financial difficulty.

Sir, I have heard it suggested, though I cannot refer to it here, but it has been suggested elsewhere, that in granting this special equitable relief to Bengal, which formed the recommendation of the Committee, the members of the Committee were influenced, as it were, perhaps unduly influenced, by the opinion or by the pressure of influential bodies in Calcutta. I submit, Sir, that there is absolutely no foundation for this suggestion. You will remember, Sir, as has been pointed out by the Honourable Mr. McWatters, that at the time when this recommendation was made, the Government of India themselves were faced with a deficit, and notwithstanding that because they made that recommendation, they considered that the need of Bengal was so peculiarly pressing, Honourable Members may not be aware that the Meston Committee did not take into account the fact that there was certain expenditure in the year 1921 which Bengal had to incur and this expenditure they should have taken into account in making the Award. I shall just for the sake of illustration allude to one item. A promise was made by the Government of India to open the new Dacca University. That meant a recurring expenditure of 4 lakhs of rupees. That was not taken into account by the Meston Committee when they made their Award. Another fact which they did not take into account was that Bengal at that time, like other provinces, was carrying on its government with the greatest possible economy. That also is a circumstance which was not taken into account by the Meston Committee. In these circumstances, I think, Sir, that Members from the other provinces will not grudge to Bengal the relief which is proposed in the Resolution of the Government of India. I am not here, Sir, to raise any question of provincial recrimination or jealousy. As the Honourable Sir Arthur Froom said, we are all willing if, as a result of the examination which forms the subject of his amendment, there will be an equitable adjustment of the financial relations in respect of all the provinces, and no one will be more pleased than I myself coming as I do from Bengal.

This brings me, Sir, to the consideration of the amendment which I support, and I do not think that the Resolution is in any way in conflict with the amendment, for I think we are all agreed, and I think Sir Arthur Froom agrees with me, that so far as the Resolution is concerned, it should be given effect to in its entirety. In the meantime an inquiry should be directed by the Government of India to have a revision of the Meston Settlement. Now, with regard to this Meston Award itself, I think opinion is almost unanimous, and Sir Arthur Froom has referred to the opinion not

[Dr. Dwarkanath Mitter.]

only of non-officials but also of officials to show that the Meston Settlement cannot stand scrutiny for very long. Sir, if the basis of the Meston Settlement is examined, I may just submit to this Honourable House that it is radically wrong. It is intended really to effect for all time, as it were, a separation of the central and the provincial revenues. It determines the tax jurisdictions and it effects the separation between the central and the provincial revenues once for all in the same manner as the separation now obtains in the United States of America. But the analogy of the United States is wholly misleading, for there it was the different States Governments that came into existence prior to the Central Government. In the case of India the position is just the reverse. If we are to search for an analogy, we might just look to the Colonies. In the Colonies, as far as I understand from the literature which I have read, the provincial revenues are supplemented by the revenues from the Central Government. That also, Sir, is a system which appears in a more pronounced form in the Australian Commonwealth. Looking to the Continent, in Germany also, the central revenues do supplement the provincial revenues. Therefore, the Meston Settlement proceeds on a basis of which we find a parallel only in the United States where the position, as I have already shown, is just contrary to what happens in India. It has been said, Sir, by a very distinguished financier that the tests with regard to the separation of tax jurisdictions and the real considerations involved in the choice of revenues from conflicting tax jurisdictions are the considerations of efficiency, suitability and adequacy. Now, with regard to the first two tests, I am bound to say that the settlement made by the Meston Award perhaps satisfies these tests. One can understand the customs and railways being put as a part of the central revenues, whereas land revenue and excise do naturally fall to the provincial revenues. With regard to the income-tax, I think the Government of India practically admit that this really ought to form part of provincial revenues because it is being provincially administered. If that is to be taken as an admission, direct or indirect, that is a matter, of course, which is to be taken into account. But however that may be, judged by the last test, namely, the test of adequacy, I respectfully submit to this House that the Meston Award will not stand scrutiny, for one of the great elements which the Meston Award did not take into account so far as my province is concerned is that it ignored altogether the historic circumstance, a circumstance which has existed ever since 1793, namely, the permanent settlement, and that the land revenue there is consequently inelastic. That was the thing which the Meston Award did not take into consideration. The result is that by arbitrarily marking off the revenues with a view perhaps to attain a certain symmetry they have retained the rigidity which has affected very unfairly some of the provinces, to wit, Bengal and Bombay. If this Committee had taken into account, instead of making this arbitrary decision the causes arising out of the historical circumstances, on which it is impossible now to go back, the result of the Meston Award would have been very different. Sir, in this connection I have one other thing to suggest, which is forgotten now. Honourable Members will not forget that Bengal which now contributes the largest share of the central revenues, is left with slender resources, because the heads of revenues have been marked as provincial and central. What are the results? We find this spectacle that by reason of the arrangement which has been arrived at, the Central Government are furnished with surpluses, but what is the position of the provinces? There are deficits

in some provinces which make it impossible for the Governments of those provinces to run their administration. Complaints must have reached the Government of India from Local Governments which suffer in that way. There are, on the other hand, certain provinces which are financially better off and are showing signs of affluence. That is the position which has to be encountered. It is because of this position that we ask that the amendment of Sir Arthur Froom should receive the attention of the Government of India and that there should be a revision of the Settlement in which the claims of all the provinces should be considered on an equitable basis having regard not only to a perfectly clear-cut standard but to the needs of each province. I therefore support the Resolution as well as the amendment. In my view the amendment does not really conflict with the Resolution, and the inquiry which the Honourable Sir Arthur Froom suggests is an inquiry during which, of course, relief might be given to the provinces as has been indicated in the Resolution. With these words, Sir, I support the amendment.

THE HONOURABLE MR. LALUBHAI SAMALDAS (Bombay: Non-Muhammadian): Sir, I need hardly say that I rise to support the amendment moved by my friend Sir Arthur Froom. My amendment was practically on the same lines, the only difference being that I suggested an independent authority. However, I support the amendment moved by the Honourable Sir Arthur Froom. I shall not repeat the arguments that were used by Sir Arthur Froom. But I will go a little more into details to satisfy this House and satisfy the Government of the injustice done by the Meston Award which, as my Honourable friend Mr. Natesan said, is almost a dead horse. Sir, the first mistake that the Meston Committee made was about the fixing the datum line at 1912-13 which, as has already been referred to by Sir Arthur Froom, was a famine year. All the Members here from Bombay know that there was a very bad monsoon in 1912 and the year was a bad one. We had to start a famine relief fund. It was not only the dry tract of Deccan that was suffering but the usually fertile Gujrat tract was also suffering. Both Gujrat and the Deccan suffered to such an extent that at that time we had about a crore and a half of less land revenue. Now, if the Meston Committee took that year, when we had about a crore and a half less land revenue, and then took the year 1920-21, and then took the average, naturally they came to the conclusion that the average would be 4 per cent. Now, Sir, there is a story of a man who drowned the whole of his family by going on averages. He went with his family to a river. The river was in flood. The man knew the arithmetical rule of three, and of calculating averages, and he said to other people on the bank of the river, "I want to cross the river". They said "You cannot; it is in flood." He said: "Let me ask you a few questions: How low is the water here?" He was told only one foot, but later on in the middle it was 8 feet and that at the other end it was again 1 foot. He made the average and said: "It is less than 3 feet and a half, and we are 5½ feet tall, and we will be able to walk through." And the whole family was drowned. The Meston Committee in advancing this solution has drowned not only Bengal and Bombay but the other provinces as well. It is time therefore that the Government of India awoke to the fact that the Meston Committee have made a mistake, that the premises on which their decision was based were quite incorrect, and as my friend Sir Arthur Froom pointed out, the expectations which they raised have not been fulfilled. We have got 9 crores of rupees less

[Mr. Lalubha Samaldas.]

during the five years that the Meston Committee's Award has been worked. But, Sir Arthur Froom did not mention one other fact. We had 9 crores less, but he did not say what the Government of India got. The Government of India, according to the Meston Award were to get 12½ crores from income-tax during five years. But what did they get? They got 32 crores and more. That is to say the Government of India have got 20 crores more than what the Meston Committee thought they ought to get under income-tax, while the Government of Bombay has got 9 crores less than what the Meston Committee thought they ought to get in Land Revenue, Excise and Stamps. That is to say we are down by 9 crores and the Government of India are up by 20 crores, and yet whenever the name or the demand of Bombay comes up here, we see a deaf ear turned to us. I cannot understand how my friends from Bengal were able to get on the right side of the Finance Member three years back when the Government of India showed a deficit balance. I wish they could teach us the way in which they approached the Finance Member so that we could go and get their support by adopting the same methods. It is really some sort of diplomacy which we in Bombay do not understand. And Bengal has been able to get round the Finance Member twice, once when there was a deficit they got a moratorium, and this second time when there is a surplus they have got a three years' moratorium. We do not grudge Bengal its remission. It has suffered and it ought to get it, but we want the same justice that has been extended to Bengal to be extended to Bombay.

Sir, I will now come to the two main heads under which the Meston Committee thought the Bombay Government would get a larger income. The Meston Committee have, as I said, gone by the rule of averages and done harm to everybody. The Meston Committee, referring to Bombay, I do not know whether it was meant as a compliment—said: "The former has obtained a scale of expenditure far above the Indian average." Because we are spending more, therefore we should not be given any concession. That may be one argument. The second part of the sentence is: "And the pace of expansion of its revenues is higher than any other province." For land revenue they put down that the percentage of expansion would be 4, while if they had a little more patience, if they had gone into the accounts of the previous ten years as they ought to have done, they would have found, as the Bombay representation says, that in 20 years the land revenue has increased by 14 per cent. only. This means that the percentage per annum is less than 1 per cent., and yet the Meston Committee said our percentage would be 4 per cent. Sir, possibly none of the Meston Committee knew what the ryotwari land revenue system in Bombay is. Had they known, they would have known that for 30 years there is no revision of settlement, and it is only at the end of 30 years that the revision of the settlement comes, and the percentage has been less than 1 per cent. And yet my Honourable friend the Finance Member says he can sit on the stile and keep on smiling and care not what happens. The time may come when both the stile and the smile will go and justice will have to be done to all the provinces including Bombay and Bengal.

The second head, Sir, is excise. As regards excise the Meston Committee never perhaps made inquiries that the sudden rise in excise was due to a change in the system. We had first one system and then later the auction system, and the sudden rise which occurred as a result of



the change led them to fix the average at a very high percentage. The same rule of averages, if not properly understood, does harm in this case also. As a result what happened? The Meston Committee thought that we would get 645 lakhs in the first year and 17½ lakhs more every year. As a matter of fact we have not in any year got 6,45 lakhs. The maximum we got in 1922-23 was just over 6 crores, and yet the Finance Member has no soft spot in his heart for Bombay. Sir, if I have not misunderstood him, I heard him the day before yesterday say that he is not going to stick very strictly to the dictum he first laid down; that he will not stick to the rule that no other taxation should be considered until all the provincial contributions are wiped off. If my understanding is aright, it means that the agitation we are carrying on in Bombay and elsewhere had had some effect. Either it may be the general taxation or it may be the cotton industry. As regards the cotton industry I want to say the cotton excise duty ought not to go to the Government of India. What have the Government of India done for the Bombay mill industry? Why should it go to the Government of India? Give it to us and the Government of Bombay and the cotton industry will decide what to charge and what not to charge. Can the Government of India honestly say they have done anything to help the cotton industry? The Government of Bombay have done everything to try and improve the conditions in Bombay; they have taken all the trouble to see that the labour does not live in slums; and all this at whose expense? At the expense of the Bombay general tax-payer. Therefore why should not the cotton excise duty be transferred to us? I believe the cotton excise must go. I was pleased to see, and I congratulate Madras on it, that on the last Resolution moved in the Madras Council two Madras Members, Mr. Satyamurti and Mr. Reddy, said they will not put the removal of the cotton excise duty against Provincial reductions.

**THE HONOURABLE THE PRESIDENT:** The Honourable Member must not raise a discussion on the abolition of the cotton excise duty. He must confine himself to the transfer.

**THE HONOURABLE MR. LALUBHAI SAMALDAS:** I want to say that the cotton excise duty should go to Bombay because the Government of India have no claim on it. We are spending money on improving Bombay and that money should come to us.

I have very little more to add. I only want to say that what the Muddiman Committee recommended ought to be accepted. Sir, Arthur Froom did not read the whole of it not with the idea of keeping any thing back. The previous sentence to which the Honourable Mr. Natesan referred did not affect the sense of the sentence that he read, which is the really important portion. The Honourable Mr. Natesan said that we have not all the facts before us. We do not say we have all the facts. As we have not got them we suggest that an independent authority should be appointed immediately to examine and revise the whole Settlement. It may be that the Central Government may have to pay a little more to the general pool or it may be that Madras has to pay more, but we want justice to be done to our cause; we do not want doles nor do we want charity.

**THE HONOURABLE MR. A. C. McWATTERS:** Sir, I rise to oppose this amendment and I hope to be able to convince the House that it is inappropriate that an amendment of this kind should be made to the Resolution which I have just moved. I propose to avoid entirely all comparative analysis of the position of the various provinces, what they have

[Mr. A. C. McWatters.]

done and what they have suffered. Any discussion of their rates of expenditure and of taxation would be fruitless and lead to nothing. But I can scarcely pass over one remark that was made by the Honourable Dr. Mitter when he contended that income-tax should be provincial revenue on the ground that it is provincially administered. I should like to assure him that it is not provincially administered. It is administered by the Central Government.

At the outset I should like to say that the Meston Settlement was undoubtedly made at a very difficult time and there is no doubt also that a great many of the assumptions on which that Settlement was based have not been borne out in practice. That we admit; we admit that practically every province has suffered. They have had to impose additional taxation. They have had to retrench much more than was expected. But who has been the greatest sufferer? The Central Government. They have had to face a series of deficits. They have imposed more taxation than any of the Provincial Governments. They have retrenched, I may say, more than any of the Provincial Governments. They have been the greatest sufferers from the Meston Settlement. And I should also like to say that we do recognise the particular difficulties from which the great industrial provinces of Bombay and Bengal are suffering. We do agree that when the financial relations of the provinces come to be revised, the question of putting the finances of the industrial provinces on a more secure basis is one which will have to be considered. But the greater part of the debate we have heard to-day has been entirely irrelevant to the amendment moved by the Honourable Sir Arthur Froom. The question before us is not whether the Meston Settlement is a good or a final settlement, or whether it is approved by the Home Member or by Sir Tej Bahadur Sapru. The question is whether it can be or should be immediately revised, which is an entirely different proposition.

Now the Government of India's position in this matter is perfectly clear. They have just received the Report of the Reforms Inquiry Committee to which reference has been made, and both the majority and the minority of that Committee have made recommendations regarding the financial relations of the provinces. The Government of India have not yet had time to consider the recommendations of that Committee, and until they do so it is obviously impossible for me to accept an amendment which says that the Meston Settlement should be immediately revised.

Some remarks made by the majority of the Reforms Inquiry Committee have been read out, but it is curious that neither the Honourable Sir Arthur Froom nor the Honourable Mr. Natesan have read out the whole of the relevant passage which bears an entirely different meaning to that conveyed by the two extracts they read out. This is what the majority said:

"We hope that with an improvement in the finances of the central government it will be possible to begin the work of reducing the provincial contributions. As we have shown, however, this is not likely permanently to meet the needs of certain of the provinces. It is clear that we have not the information upon which to base any recommendations for the revision of the settlement. We consider also that it is probable that an adequate revision will have to await a considerable improvement in the finances of the central government. We think, however, that the settlement should be revised as soon as a favourable opportunity occurs."

(*The Honourable Sir Arthur Froom*: "The opportunity has come.") Does the Honourable Member seriously contend that a favourable opportunity has suddenly occurred after he wrote that report? He was a signatory to that report. I appeal from him as the representative of Bombay Presidency to him as a signatory to this report.

Now, Sir, what does the minority say? The Honourable Member quoted one or two sentences but he curiously omitted the most important portion of what they said:

"Upon the materials before us it is impossible to examine the merits of the case for each province or to suggest an alternative to the Meston Award. We think that this is a task which can best be performed by a body of financial experts and even so we apprehend that it would be extremely difficult to arrive at any satisfactory solution independently of large and substantial alterations in the Constitution. Any temporary expedient which may be adopted for the relief of any particular province is bound to be resented by other provinces."

Well, Sir, that is the position. The Government of India have that report before them and they have to consider that report; and, in the quotations I have read out, both from the majority and from the minority report, there is nothing which suggests an immediate revision of the Meston Settlement.

That being the position, I can only put before the House certain other considerations which will have to be borne in mind when this matter is considered; and the first is this,—that until there is sufficient money to go round it is obvious that any relief which is given to particular provinces must be at the expense of some of the others. I do not lay great stress upon it. It is simply a matter of arithmetic; but it is a consideration which I would commend to the Members from other provinces here present. The second is that unless there is a prospect of any settlement which might be made in the next year or two being reasonably permanent, there is no object in undertaking it. It is essential that the revision must have some prospect of permanency, otherwise all that will happen will be that you will make your task of obtaining a successful and final settlement more difficult. You will simply be creating a number of new vested interests. Thirdly, I may recall to the House that we have now sitting a Taxation Inquiry Committee. It is perfectly true that the terms of reference to this Committee do not include the distribution of the proceeds of taxation between the provinces. They are not there to revise the Meston Settlement; but they are there to give advice as to the correct theoretical distribution of taxation, imperial, provincial and local, and as a result of their recommendations there is no doubt that we shall be in a better position to arrive at a solution of some of the problems which are raised by what is called the re-opening of the Meston Settlement.

Then, Sir, there is one particular point which is important and which has been referred to both by the Honourable Sir Arthur Froom and the Honourable Mr. Lalubhai Samaldas; that is the inequitable working of Devolution Rule No. 15. That rule was inserted on the recommendation of the Joint Select Committee of Parliament and was intended to give all the provinces some share in the income-tax based on the growth of assessed income. It is perfectly true that that rule has not worked out satisfactorily for Bombay and Bengal and some of the other provinces, and the Honourable the Finance Member in another place has definitely promised

[Mr. A. C. McWatters.]

that he will consider the revision of that rule. It is possible that the opinion of some independent body such as the Taxation Inquiry Committee might be taken on it; and in any case it will come up for consideration at the next meeting of the financial representatives of the provinces. This particular question is important because it may lead to some relief for the bigger industrial provinces.

That, Sir, is really all I have to say with regard to this amendment. The Government of India's position is quite clear. They cannot, until they have considered this report which is now before them, commit themselves to accepting an amendment of this kind. I should also like to appeal to the House. This Council represents the whole of India and I should like Honourable Members to take a statesmanlike view of the question, not from the point of view of their individual provinces but from the point of view of India as a whole.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, with the first portion of the Honourable Sir Arthur Froom's contention I am in perfect agreement. There can be no denying the fact that every province is dissatisfied with the Meston Award. The principle of allocating the same sources of revenue so widely varying in different provinces and provincialising those sources of revenue has worked hardship. Coming from Madras I also have a further grievance, that even in the working of the Devolution Rules framed under section 45 A of the Government of India Act, the Government of India have not treated Madras fairly. They seem to have acted in a most erratic manner without any definite principles. In the year 1923-24 they showed a deficit of some 38 lakhs and got all the contribution from Madras. But as a matter of fact we find that they had a surplus of 239 lakhs, out of which we would have got 121 lakhs if Rule 18 was worked properly. Again in the year 1924-25 they showed a small surplus of 18 lakhs but as a matter of fact they had a surplus of 400 lakhs, and if Rule 18 was worked properly we should have got 190 lakhs for Madras under the Devolution Rules. Sir, in this particular year 1925-26, taking the surplus as 387 lakhs we would have got 185 lakhs if Rule 18 had been applied, instead of which we are only given 126 lakhs. Even if we acquiesce in the favourable treatment accorded to Bengal we should have got 158 lakhs, and not 126 lakhs. Therefore by the non-application of Rule 18 and by not working it properly, Madras has lost some 400 lakhs during the last three years. Therefore I am one of those people who are hit very badly, not only by the Meston Award but also by the very erratic manner in which it has been worked by the Government of India. I am in entire sympathy therefore with any demand for its revision. But unfortunately I cannot accede to my friend's amendment for two main reasons. In the first place, Sir, I do not feel that any useful purpose could be served by undertaking the revision of the Meston Settlement at this time. The constitutional position under the Government of India Act is that really the provinces have no separate revenue fund at all and unless we solve that question we cannot usefully revise this Settlement. Any other independent tribunal will have to proceed theoretically upon the same basis as Lord Meston did, whatever may be the conclusions at which it arrives in regard to details. My Honourable colleagues are aware of the fact that under section 20 of the Government

of India Act all the revenues are raised in the name of and for His Majesty the King-Emperor, and both the Central Government and the Provincial Governments act merely as the agents of the Secretary of State in raising revenues and in borrowing funds. Therefore, until we constitute a provincial revenue fund there can be no real possibility of dividing the central revenues from the provincial revenues from a constitutional point of view. When our demand for self-government is outstanding and the Government have not made any announcement on that matter, I feel that any attempt at a partial adjustment of the financial relations between the Central Government and the Local Governments in certain matters will only tend to retard the advancement of our demand for further reforms. I feel strongly on that matter. Provincial autonomy is intimately connected with financial autonomy; the two are so inseparable that you cannot really claim one without getting the other. I shall only read one passage from the Report which has already been quoted. At page 44 the majority say:

"The revenues allocated to Local Governments must in fact be separated and held in separate accounts from the central revenues before anything in the nature of provincial autonomy could be set up. So long as the Central Government is responsible for the provincial ways and means programmes, so long obviously must it retain control in certain financial matters. For full provincial autonomy separate consolidated funds for the provinces would have to be constituted, and, as the right to sue Government is recognised in section 32, it would further be necessary to provide that, when the claim, if established, would have to be met from such consolidated funds, the suit would lie against the province."

It only lies now against the Secretary of State under section 32 of the Act. The minority also say the same thing at page 169 of their Report: They say:

"In any scheme of provincial autonomy it seems to us to be vitally necessary that the finances of the provinces must be separated from those of the Central Government. This will necessarily entail a determination of the sources of revenue to be assigned to each, of the limitation of the field for taxation for each so as to avoid conflict between the two and of the prescription of the limits within which and the conditions subject to which Provincial Governments may go into the market for the purposes of borrowing."

With this definition of the functions of the Central and Provincial Governments on financial matters and with the provisions of the Government of India Act as they stand now, I do not think any tribunal can really adopt any other principle except what Lord Meston adopted, though it may differ from him in regard to actual amounts. Therefore I strongly object to this question being taken up before we solve the question of self-government for India.

The only other objection I have is this: I certainly detest the idea of an outside tribunal. I do not like it. The question is essentially one between the Central Government and the provinces, or between the Government of India and the representatives of the people. There is no use appealing to another outside tribunal. The Honourable Sir Arthur Froom is right in saying that provincialising the same sources of revenue in all provinces does lead to great hardship. I do concede that. But if that is not the basis, then the matter of what revenue should be central and what revenue should be provincialised in each province must be a matter for each province to consider and agree. We in Madras may be content with revenue and excise; but another province like Bengal (when there is a permanent settlement) may not be content with land revenue.

[Mr. V. Ramadas Pantulu.]

Therefore let the Government of India fix these sources after negotiation and bargain with the provinces. But certainly an independent authority can do nothing. Moreover in all matters of constitutional advance we the Swarajists always hold that the representatives of the people and the Government should sit side by side and thresh out the matter. Therefore I am frankly against any outside tribunal or arbitrator being asked to mediate in this matter. Other objections have been very ably put forth by the Honourable Finance Secretary but I do not allude to them. I have only dealt with two constitutional objections and on these grounds, much as I sympathise with the desire of the Honourable Sir Arthur Froom to get this Meston Award revised, I am constrained to oppose his amendment.

THE HONOURABLE MR. R. P. KARANDIKAR (Bombay: Non-Muham-  
madan): Sir, I will at once make it clear that I do rise to support the amendment of the Honourable Sir Arthur Froom. I know that some judges look upon those awards as best that do not satisfy anybody. The Meston Award looks very much like those awards. All provinces are agreed that the Meston Award cannot stand. Consequently there is a body of opinion that says, "Since that is so, the Meston Award is good." It is the wearer of the shoe who knows where the shoe pinches. The representatives of the people have seen that the Meston Award cannot stand. There have been representations made now and again. Lately there has been a Resolution passed by the Bombay Legislative Council and the matter has been voiced by the Local Government in a memorandum which contains most of what can be said on the point. Those that have time to go through this memorandum may satisfy themselves as to most of the reasons, that they are legitimate and sufficiently cogent. I should think therefore that the time is long past when the Meston Award does require reconsideration. The question of provincial contribution is, again, like an apple of discord. When the question is started some provinces think that other provinces are going to tread upon their toes, and take away what is held out to them by the Treasury in a manner of speaking. But let me satisfy them, standing as I do on behalf of Bombay, that Bombay does not grudge the concession that is shown to Bengal. The question that would be raised is whether we are entitled to put the matter through for three years successively or whether we could not legitimately restrict it to one year only as is being done with regard to other provinces. The question of law has been started by the Honourable Mr. Natesan who says he is not a lawyer—nor am I to that extent; but I rather think that it would not be quite consistent to hold out any very strict promise to Bengal with reference to the two years beyond what has been promised to most provinces generally. I should think therefore that this is a matter worth considering as to whether the two other years that have been included in the second part of the first Resolution ought strictly speaking to be included, especially as I apprehend that if the concessions are to depend, as I said the other day, upon the salt tax—a tax upon the poor—I cannot promise to Bengal that I will continue the salt tax next year, if I am here at all, and that the Bengal contributions should share in any surplus created by the salt tax; unless that is guaranteed it is not quite consistent to hold out any promise to Bengal that any concessions would be available to that province beyond the year that we are passing through.

Then as regards the tribunal, I entirely agree with the remarks that fell from my Honourable friend, Mr. Natesan and the Honourable Mr. Ramadas; and indeed if the Bombay memorandum is carefully gone through they advert to very suggestive and pithy remarks collected from the Montagu-Chelmsford Report chapter 8, as also the remark that appears in their paragraph 19. The Bombay memorandum says:

"Immediately after the memorable declaration of August 1917, inquiries began as to the method of financial provision for the autonomous governments then foreshadowed. The principle of entirely separate financial sources of revenue was laid down by Sir James Meston (as he then was) and accepted on behalf of the Government of India."

The Local Governments accepted the principle in theory; but even at this early stage the Bombay Government claimed a share in the income-tax. In June 1918 appeared the Montagu-Chelmsford Report, and in Chapter VIII we find this principle again enunciated:

"Our first aim has, therefore, been to find out some means of entirely separating the resources of the Central and Provincial Governments. If provincial autonomy is to mean anything real; clearly the provinces must not be dependent on the Indian Government for the means of provincial development."

Sir, that is a very large question, and the position stated in the Montagu-Chelmsford Report is attempted to be contested in paragraph 20 of the Bombay memorandum. That is really a very very large question, and unless the provinces are given full liberty to manage their functions with reference to the finances and the agency through which they have to be managed it will be futile to talk of provincial autonomy. It raises really a very large question, and therefore it is perfectly clear to appreciate the reasoning of the minority, and I think my friend Sir Arthur Froom would have done better if he had sided with the minority. But there is now no question about it, and, since the Meston Award itself requires re-adjustment, nothing will be lost by accepting the proposition contained in the Honourable Sir Arthur Froom's amendment. He does not say anything about the personnel of the tribunal; nor does he say anything about its procedure. And therefore, the question raised by the Honourable Mr. Ramadas does not arise in this respect at all. Consequently, there is nothing to prevent the whole House voting for the proposition that the Meston Award cannot stand.

THE HONOURABLE THE PRESIDENT: The original question was:

"That the Resolution moved by the Honourable Mr. McWatters be adopted."

Since which an amendment has been made by the Honourable Sir Arthur Froom:

"That the following clause be added to the Resolution, namely:

'(d) to take the necessary steps immediately to secure the revision of the Meston Settlement by reference to a new tribunal.'

The question is that that clause be added to the Resolution.

The Council divided :

AYES 11.

Aman Ali, Khan Sahib.  
Ayyangar, Mr. K. V. R.  
Froom, Sir Arthur.  
Karandikar, Mr. B. P.  
Lalubhai Samaldas, Mr.  
Mitter, Dr. D. N.

Moti Chand, Raja.  
Ray, Raja P. N.  
Sinha, Mr. Sukhbir.  
Umar Hayat Khan, Col. Nawab Sir.  
Vedamurti, Mr. S.

NOES 26.

Abbott, Mr. E. R.  
Aftab Ahmad Khan, Sahibzada.  
Akbar Khan, Major Nawab Muham-  
mad.  
Amiruddeen Ahmad, Nawab Sir.  
Barua, Mr. C.  
Berthoud, Mr. E. H.  
Chadwick, Mr. D. T.  
Dawn, Mr. W. A. W.  
Dutt, Mr. Partap Chandra  
Khaparde, Mr. G. S.  
Ley, Mr. A. H.  
MacWatt, Major-General Sir Robert.  
McWatters, Mr. A. C.

Misra, Pandit S. B.  
Mitter, Mr. K. N.  
Muhammad Habibullah, Sir.  
Muhammad Hussain, Mr. Ali Baksh-  
Naidu, Mr. V. R.  
Natesan, Mr. G. A.  
Pantulu, Mr. Ramadas.  
Patterson, Lieut.-Col. S. B. A.  
Raza Ali, Mr.  
Sarma, Sir Narasimha.  
Singh, Mr. Charanjit.  
Tek Chand, Mr.  
Zahir-ud-din, Mr.

The motion was negative.

THE HONOURABLE THE PRESIDENT: The question now before the House is the Resolution moved by the Honourable Mr. McWatters.

THE HONOURABLE MR. LALUBHAI SAMALDAS (Bombay: Non-Muhammadian): Sir, I beg to move an amendment to the original Resolution that after clause (c) the following be added:

"(d) to convey to the Local Governments concerned the opinion of the Council of State that the amounts hereby released or given may be devoted mainly for expenditure in the Transferred Departments."

Sir, both at the time of the General Budget debate and at the time of the discussion of the Finance Bill, the Honourable the Finance Member and the Honourable the Finance Secretary said that the chief idea in reducing the contribution of the provinces was to help the nation-building departments. Sir, the nation-building departments, as they are called, are mostly dealt with in the Transferred Departments which are in the charge of Ministers. It has been said both in the majority and the minority reports of the Reforms Committee that Ministers have felt handicapped owing to the want of funds and that one of the reasons why the Reforms have not been the success that they ought to have been is due to this financial difficulty. Now, Sir, what is wanted is that the money that is thus released or given should be utilised in those departments which will lead to more education, better sanitation, more medical facilities and improvements in agriculture and co-operation. I therefore suggest that the House should accept this amendment so that the money thus released may be utilised for the purpose for which the Honourable the Finance Member has kept the salt duty at Rs. 1-4-0.



**THE HONOURABLE MR. G. A. NATESAN:** Sir, I wish to associate myself with all that has been said by the Honourable Mr. Lalubhai Samaldas. Speaking for Madras, I would point out that for some years past there has been a very great cry that the Transferred Departments have not had as much of finances as they were entitled to and that their work was very seriously crippled. The figures of the last three years that are quoted in the Report of the Muddiman Committee make it clear how unjustly the Transferred Departments had been treated in Madras. Whereas in 1921, 68 per cent. of the total expenditure was confined to the Reserved Departments, only 32 per cent. was spent by the Transferred Departments. In 1922, 67 per cent. was the amount utilised by the Reserved Departments and in the same year only 33 per cent. was utilised by the Transferred Departments. In 1923, 66 per cent. was utilised by the Reserved Departments and only 34 per cent. by the Transferred Departments. I also wish to point out, and the Honourable the Finance Member may be aware of it and particularly the Honourable Member from Madras who has recently joined the Executive Council, that owing to the strained financial condition the province was obliged to effect retrenchment to the extent of one crore; I think it was more than a crore. This retrenchment affected very seriously the departments of education, medical relief and sanitation and the department of Public Works was also affected. There is another trouble now brewing in Madras and this trouble is also brewing in other provinces as well. There has been lately a discussion in the Madras Legislative Council which resulted in an unsuccessful attempt at a vote of censure on the Minister for Excise because he was not working up to a policy of prohibition. The vote of censure was lost but it made it clear that the Members did not approve of the excise policy of Government and that as much as could be done to work up towards a policy of prohibition was not done. If I am not mistaken a considerable portion of the Madras revenue is derived from excise, and sooner or later that revenue is bound to go. I dare say the Honourable the Finance Member knows exactly the spirit of the times and the way in which forces are working. The Government of Bombay, if I understand correctly, has recently agreed to keep prohibition as its goal, and the Government of Madras will have to adopt that policy also.

**THE HONOURABLE SIR BASIL BLACKETT (Finance Member):** Is that to be done at the expense of the Central Government?

**THE HONOURABLE MR. G. A. NATESAN:** No. It cannot be at the expense of the Central Government because if the excise revenue is stopped, to that extent the moral and material resources of the country will improve, and I hope Sir Basil Blackett will continue to remain here to see that my statement is correct. Anything which is calculated to disturb the goal of prohibition is not calculated to advance the best interests of the country. However, that is only a side issue. I am only pointing out that, so far as the Madras Government is concerned, the Minister hereafter, whoever he may be, will have to show a considerable reduction in the excise duty which means less revenue and will have to show also that he has been really working towards a policy of prohibition. That would mean that the resources of the province will be considerably crippled, and therefore it is absolutely necessary that this amendment should be carried. The Honourable Sir Basil Blackett will remember

[Mr. G. A. Natesan.]

that not only he but we also have been saying that the nation-building departments will be crippled if provincial contributions are not remitted. All that this amendment asks therefore is that the amounts hereby released should be spent on the nation-building departments, and I am sure the Honourable the Finance Member will give his support to it.

THE HONOURABLE RAJA PRAMADA NATH RAY (East Bengal: Non-Muhammadan): Sir, I rise to support this amendment. In Bengal up to now one of the difficulties that had confronted the Ministers was that they had not sufficient funds at their disposal for the nation-building departments. Consequently they could not show much work and thus became more unpopular than they otherwise would have been. I think this amendment would be most welcome to Bengal, as it will improve the position of the Ministers and will probably be the means of having the reforms better worked in that province than has hitherto been the case. I take this opportunity of thanking the Honourable the Finance Member for granting a moratorium for another three years to Bengal.

THE HONOURABLE MR. A. C. MCWATTERS: The amendment which has been moved is in substance the same as an amendment which was moved in another place and accepted by Government. I am not therefore opposing this amendment. At the same time, I wish to make it clear that the circumstances of different provinces differ. We have not before us here information which would justify us in making an apportionment between the two sides of the Provincial Governments. For instance, I have here the views of the United Provinces Government which were communicated to the Reforms Inquiry Committee. They say that a policy of rigid economy has been pursued during the last two years mainly at the expense of the reserved side of the administration. Therefore, although all of us have the greatest desire that as much money as possible should be placed at the disposal of Ministers so as to carry out the development of the subjects under their control, most of which are of the nation-building character, I think we have to approach this matter with a certain amount of caution. Take, for instance, the case of the Central Provinces. We are giving to that province 9 lakhs, but so far as I am aware there are no Ministers and no transferred subjects there. I do not however oppose this amendment subject to this necessary caveat.

THE HONOURABLE THE PRESIDENT: The original question was:

"That the Resolution moved by the Honourable Mr. McWatters be adopted."

Since which an amendment has been moved:

"That the following clause be added, namely:

'(d) to convey to the Local Governments concerned the opinion of the Council of State that the amounts hereby released or given may be devoted mainly for expenditure in the Transferred Departments'."

The question is that that clause be added.

The motion was adopted.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Resolution as amended\* be adopted."

The motion was adopted.

### INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE MR. D. T. CHADWICK (Commerce Secretary): Sir, I beg to move that the Bill further to amend the Indian Tariff Act, 1894, as passed by the Legislative Assembly, be taken into consideration.

Sir, I feel I am running an imminent risk of incurring the displeasure of this House, for venturing to bring forward such a dull piece of work as an amendment of a Tariff Bill, hard after an interesting debate on provincial contributions. It is customary at this stage to explain what is within the provisions of a Bill. I owe a duty to the Council of State however to explain why this Bill is brought forward at all. During the last three or four years amendments in the tariff have been very largely given effect to through the Finance Bill and only at our last meeting last week this Council passed the Finance Bill and thereby approved of certain amendments to the Indian Tariff Schedule, yet here to-day I am asking the House to consider another long list of amendments to the tariff. The reason for this different treatment and for this separate Bill lies in the difference behind the intention of the Finance Bill and of this Bill. The object of the Finance Bill is to place the Government in funds for the forthcoming year, and changes in the tariff very frequently have an effect on the finances of the forthcoming year. But the necessity for placing the Government in funds for the forthcoming year is not the sole reason why it may become necessary from time to time to change the tariff. We

\* "This Council recommends to the Governor General in Council that he be pleased:

- (a) in pursuance of sub-rule (1) of rule 18 of the Devolution Rules, to determine the sum of Rupees 733 lakhs as the total contribution to be paid to the Governor General in Council for the financial year 1925-26 by the Local Governments mentioned in rule 17 of the said rules;
- (b) to take the necessary steps to amend sub-rule (2) of rule 18 of the Devolution Rules in such a way as to secure to the Local Government of Bengal the remission of the contribution payable under sub-rule (1) of rule 18 of the said rules by that Government to the Governor General in Council in the financial years 1925-26, 1926-27 and 1927-28, and further to provide that for the financial year 1928-29 the last previous annual contribution of the Local Government of Bengal shall be deemed to be the remitted contribution for the year 1927-28;
- (c) further to amend the Devolution Rules in such manner as to provide that out of the sum of Rs. 733 lakhs recommended to be determined by the Governor General in Council as the total contribution to be paid by the Local Governments to the Governor General in Council for the year 1925-26 the following remissions be made, namely:—
  - to the Government of Bombay 22 lakhs
  - to the Government of Burma 13 lakhs
  - to the Government of the Central Provinces 9 lakhs
  - to the Government of Assam 6 lakhs;

and further to provide that the sum determined by the Governor General in Council as the total amount of the contribution for the year 1925-26 shall include the amounts so remitted and that for the year 1926-27 the last previous annual contributions of the said Local Governments shall be deemed to include in each case the amounts remitted as aforesaid;

- (d) to convey to the Local Governments concerned the opinion of the Council of State that the amounts hereby released or given may be devoted mainly for expenditure in the Transferred Departments."

[Mr. D. T. Chadwick.]

have to amend the tariff in order to make it more suitable to changing conditions of trade, to make it more easy and fairer to work, and where those are the main reasons for amendment, it is only right and proper that such amendments should be brought before the Legislatures in a separate amending Bill. That is the case with this one.

The reasons behind these several amendments fall into about four groups, of which far and away the largest is a request to the Legislature to give legislative sanction to what is already in force under executive notifications. Section 23 of the Sea Customs Act authorises the Governor General to remove or to reduce duties wherever he thinks it necessary. That is a wide and extensive power and is rightly exercised only rarely and carefully and after due consideration. It is a necessary power because conditions of trade vary, whilst a Schedule must be interpreted very strictly. Occasionally the nomenclature in the Schedule works very unfairly on particular articles of trade and small alterations become needed immediately. Hence the Legislature has endowed the Executive Government with a certain amount of discretion in section 23 of the Sea Customs Act. The Government feel that when they have exercised that discretion, they ought from time to time to bring those cases before the Legislature for their endorsement. That accounts for most of the items in this Bill. I may just give one instance. Take sulphur for instance. Last May this Council endorsed the recommendation of the Tariff Board that sulphur should be transferred to the free list of imports. There was no point in bringing forward an amending Bill merely for sulphur. The exemption could more easily be given by executive action under section 23. Now we wish to incorporate that change in the Schedule to the Act. Therefore sulphur appears in this Bill. Others are of the same nature.

Leaving out those, we only have five cases for which reasons are different. Out of those five, two are small drafting amendments which we wish to make to the Act which was passed last May to protect the steel industry, namely, items 12 and 23. Of these, 23 is the only one of any interest, steel discs and circles. In the Steel Industry (Protection) Act it was decided to place a protective duty on steel plates and sheets, and the Schedule to that Act gave effect to that intention, but no mention was made of discs and circles which are punched and cut out of such sheets and are really portions of them. It was held by the customs authorities that, as discs and circles were specifically mentioned in another portion of the old Schedule and not mentioned in the Steel Act, the tariff duty on discs and circles was not altered and remained at 10 per cent. That was obviously not the intention. It was ridiculous. This Bill puts that right.

If that was all there was in the Bill I think I should have incurred the displeasure of the House for bringing forward such an uninteresting and dull measure. But there remain three items which have a little individuality of their own, silk mixtures, sugar and cigarettes. Silk mixtures need not detain us for any length of time. As the Council knows, our import duty on cotton is 11 per cent. *ad valorem* and on silk goods 30 per cent. *ad valorem*. As the Council realises there are many fabrics composed partly of silk and partly of cotton, and the duty may become very severe if such goods are assessed at 30 per cent. These cases of mixed goods frequently cause dispute and difficulty in customs offices. It has also been represented to us by the trade that this big gap operates very unfairly upon

certain articles of trade. Therefore we propose an intermediate rate for silk mixtures, namely, 20 per cent. There remain sugar and cigarettes. Here, Sir, the proposal is to change from *ad valorem* rates to specific rates. That involves a small matter of principle and one, as I said, of considerably more interest. I may remark in passing that practically every country in the world places specific duties on sugar and cigarettes. That however is no reason why India should do so unless it is advantageous from India's own interests. At present cigarettes are subject to true *ad valorem* duty of 75 per cent. on their value and sugar is also subject to an *ad valorem* duty of 25 per cent. The sugar *ad valorem* duty of 25 per cent. is however worked upon what is known as a tariff valuation, and to that extent it is a percentage on the prices of the previous 12 months, i.e., for the purposes of calculating the duty the value of the sugar imported into India is considered to be the average value at which sugar was imported in the previous 12 months, for the year ending 30th September in each year. This system was introduced many years ago at the request of the trade and of the Customs administration. The object was to prevent and avoid the necessity of assessing every consignment of sugar at its actual value. In other words it was merely a rough approximation to a true *ad valorem* duty. Now the Council will at once see that if tariff valuations and the price of sugar are high and a duty of 25 per cent. is levied, the result is that the duty is high when the price is high and the duty is low when the price is low. In other words the duty tends to accentuate differences and variations in price. This matter is of no moment if the *ad valorem* rate is a low one as it was when it was 5 per cent., or if the variations in price are small; but our duty is now 25 per cent., and the variations in the price of sugar

1 P.M. have been and are considerable. With a duty of 25 per cent. a change of only Re. 1 per cwt. in the tariff valuation of sugar means a change of 4 annas in the duty or Rs. 5 per ton; and as the imports of sugar range from about 450,000 to 500,000 tons a year an alteration in the tariff value of Re. 1 per cwt. means to the Finance Department a difference in their revenue of 22 lakhs; and therefore to that extent you can clearly see it makes it much more difficult to forecast what their revenue in any year will be. I will give you an example of the variations occurring in the last five years. The tariff valuation per cwt. in the last five years has been Rs. 32-4; Rs. 26-4; Rs. 16-4; Rs. 17-12; and Rs. 17-8; with the result that the revenues which the Finance Department have obtained from the import duty on sugar have varied from Rs. 650 to 440, 330 and 400 lakhs. Well, Sir, those are enormous variations from year to year in the receipt of customs from one commodity alone, and in many cases those variations have arisen practically solely from the variations in the price. For instance the total imports of sugar in 1923-24 were only 30,000 tons less than in the previous year, but the receipt in the customs duty was decreased by more than over a crore. Therefore both for the sake of introducing stability in revenue and for lessening these variations in price it is advisable to substitute a specific duty thereby making at least the duty constant.

It only remains, Sir, to see if this duty we propose is a reasonable one. We are making no alteration whatever in the two classes of sugar—above 23 Dutch standard and below. Those are the standards in force now. During the last 4 years 2 million tons of sugar have been imported at an average duty of Rs. 4/7 per cwt. The duty to-day is Rs. 4/6 and the import trade is healthy. With the falling price of sugar which has occurred since

[Mr. D. T. Chadwick.]

October imports have been coming in at the rate of 68,000 tons a month as compared with only 39,000 tons in the corresponding period in the previous year. It is therefore quite clear that sugar can pay this rate and the duty which we propose in this Bill will make practically no difference or only a little to the revenues anticipated in the current year.

The next item is cigarettes. Here again the proposal is to turn it from an *ad valorem* duty to a specific one, but the reason is somewhat different. The present duty is assessed at 75 per cent., an extremely high rate, on a true *ad valorem* basis. That means that all consignments of cigarettes at our different ports have to be assessed at value 75 per cent. It is very difficult when you have such a high duty as 75 per cent. to obtain a uniform assessment at the ports. One of the methods by which value is determined is by deduction from the wholesale price, at the port of entry; but it is perfectly clear that the wholesale price of an article in a big town like Bombay or Calcutta is entirely different from its wholesale price at a smaller port on, say, the Kathiawar coast. We have had, in fact, instances in which cigarettes are being sold inland at prices which could not possibly be the case had they entered the country through the main ports of Bombay and Calcutta. The proper remedy for that is to put on a uniform flat rate. The complete remedy is to impose a uniform specific duty for all cigarettes. Such was the original proposal. But in Select Committee it was modified slightly. Two classes determined by value were introduced in order to allow the imposition of a somewhat lower rate on the cheaper brands of cigarettes. A specific duty must necessarily be relatively heavier on articles which are really proportionately cheap in value and relatively lighter on those that are proportionately more expensive. That is inevitable. But that is a minor matter if the quantities at the two ends of the scale are very small such is the case with cigarettes. The imports into Bombay and Calcutta in six months last year were analysed in order to find exactly of what value the bulk of our imports consists. The total imports in those six months were 270 millions; and out of that number 220 millions or about 88 per cent. are valued to-day under Rs. 10 a thousand. Of these 220 millions, some 215 millions or over 95 per cent. pay between Rs. 6 and Rs. 7 duty; and out of that 215 millions, 205 millions are to-day paying Rs. 6/15. We do not wish to increase the duty on the poor man's smoke and therefore, as I have said, in the Select Committee the original proposal was modified to make two classes. The lower of these two classes consists of cigarettes valued at or below Rs. 10/8 a thousand. On these it is proposed to impose a duty of Rs. 7 duty, which is practically the duty over 95 per cent. of those cigarettes are paying to-day. In the higher grade, it is proposed to impose a duty 50 per cent. higher, or Rs. 10/8 a thousand.

The House will now see from the explanations I have given that the reasons for turning from *ad valorem* to specific duties in the case of sugar and cigarettes are practical and sound and that the duties that we propose are moderate and fair.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill further to amend the Indian Tariff Act, 1894, as passed by the Legislative Assembly, be taken into consideration."

. The motion was adopted.

Clause 2 was added to the Bill.

Items 1 to 6 of the Schedule were added to the Bill.

THE HONOURABLE MR. LALUBHAI SAMALDAS (Bombay; Non-Muhamadan): I would like to say a few words, Sir, on item 7 of the Schedule. I welcome the measure that is before the House because, as the Honourable the Commerce Secretary said, there have been such great fluctuations that it is very difficult for merchants and industrialists to know what the import duty of 25 per cent. would work out to. Under the present arrangements sugar merchants and industrialists, and I am an agent for one sugar concern, will know definitely where we stand. We know the duty will be Rs. 90 per ton, although personally I think that is lower than it ought to be; three years ago it was Rs. 8 per cwt., then 6½ and then near Rs. 4. However, I am prepared not only to accept and support this proposal, but to welcome the proposal made in the Schedule to fix the duty at Rs. 4-8 and Rs. 4.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, with regard to this sugar question, I should like a statement from the Honourable the Commerce Secretary as to how this application of Rs. 4/8 per cwt. works out on sugar *vis a vis* the present price of sugar and the application of the old *ad valorem* rate.

THE HONOURABLE MR. D. T. CHADWICK: The price of sugar for tariff valuation calculations in February last was Rs. 13-12 per cwt. The duty that sugar is now paying is Rs. 4/6 a cwt. Therefore calculated on the basis of an *ad valorem* duty they are actually paying about 32 per cent. They will continue to pay, as I tried to explain in my speech, practically the same under the Bill that is now put forward.

Item 7 of the Schedule was added to the Bill.

Items 8 to 12 of the Schedule were added to the Bill.

Items 13 to 18 of the Schedule were added to the Bill.

Items 19 to 23 of the Schedule were added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. D. T. CHADWICK: Sir, I beg to move that the Bill further to amend the Indian Tariff Act, 1894, as passed by the Legislative Assembly, be passed.

The motion was adopted.

## INDIAN STAMP (AMENDMENT) BILL.

THE HONOURABLE MR. A. C. MCWATTERS (Finance Secretary): I beg to move, Sir:

"That the Bill further to amend the Indian Stamp Act, 1899, as passed by the Legislative Assembly, be taken into consideration."

This very short Bill, Sir, has a very long Statement of Objects and Reasons. The Bill simply provides for the stamp duty leviable on workmen's compensation insurance policies. Since the Workmen's Compensation Act was passed in 1923, we have been depending upon a notification which under the general powers of the Government limited the rate of stamp duty on these policies which otherwise would have come under the much higher rate applicable to ordinary insurance policies. We have in the meantime had an opportunity of consultation with all Local Governments, whose

[Mr. A. C. McWatters.]

money this is, and they are all agreed upon the rate which is included in this Bill—one anna for Rs. 100 premium. That, Sir, is the simple explanation of this Bill.

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

“That the Bill further to amend the Indian Stamp Act, 1899, as passed by the Legislative Assembly, be taken into consideration.”

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. A. C. McWATTERS:** Sir, I beg to move that the Bill further to amend the Indian Stamp Act, 1899, as passed by the Legislative Assembly, be passed.

The motion was adopted.

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### INDIAN INCOME-TAX (SECOND AMENDMENT) BILL.

**THE HONOURABLE MR. A. C. McWATTERS (Finance Secretary):** Sir, I beg to move:

“That the Bill further to amend the Indian Income-tax Act, 1922, as passed by the Legislative Assembly, be taken into consideration.”

The necessity for this Bill arises from our giving effect to one of the recommendations of the Lee Commission, by which certain officers of the Government are entitled to overseas pay, paid in sterling in England, in the place of overseas pay paid in rupees in India. This overseas pay paid in sterling in England is of course liable to Indian income-tax, just as the overseas pay formerly received in India was liable. It is pay which is paid in respect of employment in India and it technically “accrues or arises” in India. The only question for decision is the method by which this income-tax should be collected. It is impossible for administrative reasons for the income-tax to be collected in England, as this would have involved a reference by the High Commissioner for India to income-tax officers scattered all over India in order to ascertain the correct rate of income-tax to be assessed, apart from the fact that the Indian Income-tax Act has no application in England and would have to be extended thereto by legislation. The two alternatives left were either to assess income-tax at the end of the year in a lump sum or to alter the law so that we could deduct at the source from the officers’ other pay the income-tax on the sterling pay which they receive in England. At present all officers’ income-tax is deducted at source in India and it is obviously a convenience both to them and to the Government that this extra amount should be deducted from the pay in India instead of being charged in a lump sum at the end of the year.

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

“That the Bill further to amend the Indian Income-tax Act, 1922, as passed by the Legislative Assembly, be taken into consideration.”

The motion was adopted.



Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. C. MCWATTERS: I move, Sir:

"That the Bill further to amend the Indian Income-tax Act, 1922, as passed by the Legislative Assembly, be passed."

The motion was adopted.

THE HONOURABLE SIR NARASIMHA SARMA (Law Member): Sir, I would now ask for your ruling in the matter of the Bill further to amend the Indian Cotton Cess Act, 1923, which has been laid on the Table to-day. May I take it that the Honourable Sir Muhammad Habibullah will have your permission to move for the consideration and passing of that Bill to-morrow, that is to say, with a curtailment of the usual three days' notice?

THE HONOURABLE THE PRESIDENT: Honourable Members have had an opportunity of looking at the Bill which has been laid on the table to-day. If any Honourable Member has any objection to proceeding with the Bill to-morrow, I should like to hear him. (There was no dissentient voice). Then the motion for consideration and passing of the Bill will be on the list of business for to-morrow.

#### APPRECIATION OF THE AEROPLANE, HOWITZER, FIELD GUN AND ARMOURED CAR DEMONSTRATIONS ARRANGED FOR MEMBERS OF THE INDIAN LEGISLATURE.

THE HONOURABLE SAIYID RAZA ALI (United Provinces East: Muhammadan): I am sure I voice the feelings of this House, Sir, and particularly of my non-official colleagues when I express the sense of our gratefulness to His Excellency the Commander-in-Chief for the aeroplane, howitzer, field gun and armoured car demonstrations that His Excellency arranged for the Members of the Indian Legislature. His Excellency's interest in drawing closer the Members of the Legislature to military questions is well-known, and it is very fortunate that so many Members were in a position to utilise the opportunities which were placed at their disposal by the Commander-in-Chief. It was only in January last that special arrangements were made for the convenience of Members of both Houses to witness and follow intelligently the manœuvres that took place here in that month. Coming closely upon that, these demonstrations have been most welcome to Members of the Legislature. In this connection, Sir, I feel I would be guilty of an omission if I did not especially mention one branch of the Force particularly, I mean the pilots; their daring, pluck, resourcefulness and skill were greatly admired by those who during the last three days have had an opportunity of going up in the air and I am sure Honourable Members of this House greatly appreciate their services.

The news of the illness of His Excellency the Commander-in-Chief has been heard with regret. His Excellency has had an attack of appendicitis; fortunately the attack is a mild one and we all hope and trust that His Excellency will soon completely recover to carry on the onerous duties that he has been performing for the last four and a half years.

**THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN** (West Punjab: Muhammadan): Sir, I endorse every word that has been said by my Honourable friend Saiyid Raza Ali.

The Council then adjourned till Eleven of the Clock on Tuesday, the 24th March, 1925.