

7th March, 1925

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OF THE  
SECOND LEGISLATIVE ASSEMBLY, 1925



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# LEGISLATIVE ASSEMBLY.

*Saturday, 7th March, 1935.*

The Assembly met in the Assembly Chamber at Eleven of the Clock,  
Mr. President in the Chair.

## QUESTIONS AND ANSWERS.

### ARREST OF SRIJUT PREMANATHA DUTTA AFTER HIS ACQUITTAL IN THE CHITTAGONG MURDER CASE.

1151. **\*Mr. A. Rangaswami Iyengar:** Will the Government be pleased to state whether the arrest of Srijut Premanatha Dutta immediately after acquittal and release in the Chittagong murder case has been made under Bengal Regulation III or under the Bengal Criminal Law Amendment Ordinance, and if so, whether the authority or the approval of the Government of India was obtained to the steps taken?

**The Honourable Sir Alexander Muddiman:** The arrest was made by the Local Government on its own authority under the Bengal Criminal Law Amendment Ordinance. The approval of the Government of India was not necessary and was not applied for.

**Mr. A. Rangaswami Iyengar:** May I know, Sir, if the Government of India have laid down any policy in respect of cases in which persons have been acquitted of offences that they may still be proceeded against under the Criminal Law Ordinance?

**The Honourable Sir Alexander Muddiman:** In circumstances where men are acquitted on the ground that the legal evidence is not complete but grave suspicion exists the use of the Ordinance is justifiable enough.

**Mr. A. Rangaswami Iyengar:** Am I to take it that, notwithstanding the fact that the court found there was not sufficient evidence, nevertheless the Government would proceed under the Ordinance even after the verdict of the court?

**The Honourable Sir Alexander Muddiman:** Certainly. That was one of the objects of the Ordinance, to deal with cases in which complete legal proof was not sufficient.

**Mr. A. Rangaswami Iyengar:** Even where a man was brought before a court and acquitted?

**The Honourable Sir Alexander Muddiman:** Certainly. It might be so.

### TERMINATION OF THE NORTH-WEST FRONTIER PROVINCE SECURITY REGULATION OF 1922.

1152. **\*Lala Duni Chand:** (a) Will the Government please state the date on which the term of the North West Frontier Province Security Regulation of 1922 will terminate?

(b) Do Government propose to continue it and, if so, will they consult the Legislative Assembly before giving a further lease of life to it?

(c) Will the Government please lay on the table a list showing names, addresses of and the offences committed by the persons who have been dealt with under the said Regulation? Will Government please also state the nature of punishment awarded in each case under this Regulation?

**The Honourable Sir Alexander Muddiman:** (a) 9th March 1925.

(b) The Government of India have already decided that it is necessary to continue the Regulation for a further period of three years.

(c) A statement is laid on the table giving the information asked for by the Honourable Member up to 31st December 1924.

### STATEMENT.

*Proceedings under the North-West Frontier Province Security Regulation, 1922.*

Serial No.	Name of person.	Residence.	Section under which dealt with.	Nature of order.	Reasons for the issue of order.	REMARKS.
1	Maulvi Muhammad Isahq.	Hazara District.	3 (a)	Forbidden to enter the N.-W. F. P. on his release from jail.	Originally detained under Regulation III of 1818. It was considered undesirable that he should return to the Province owing to his past political activities. The order was served on Muhammad Isahq.	
2	Mokarrab Hussain.	Bannu . .	3 (b)	Forbidden to return to the Bannu District.	Connected with political agitation in 1921 at Bannu from where he absconded to Afghanistan. Apprehended at Peshawar when returning from Kabul.	
3	Maulvi Ibrahim.	Lahore . .	3 (a)	Ordered to leave the Province.	Delivered a very seditious speech at Peshawar at a largely attended meeting in Peshawar City.	
4	Faiz Muhammad.	Darbar (near Chakdara). Dir, Swat and Chitral Agency.	3 (c) and 3 (d).	Ordered to reside in Peshawar City and not to leave it without the permission of the Officer in Charge, Intelligence Branch, N.-W. F. P. and to abstain from all seditious hostile to Government.	Belonged to the Rawalpindi Police. Deserted and went to Kabul where he associated with Indian revolutionaries. Expelled from Kabul with other Indian revolutionaries. Arrested at Quetta and sent to Peshawar. Bears a bad character and presence in the Malakand Agency considered undesirable.	



*Proceedings under the North-West Frontier Province Security Regulation, 1922—contd.*

Name of person.	Residence.	Section under which dealt with.	Nature of order.	Reasons for the issue of order.	REMARKS.
5 Mohar Singh, Secretary, Singh Sabha.	Peshawar	3 (d)	(1) To abstain for a period of one year from all communications with the unlawful associations known as the Sri Gurdwara Parbandhak Committee.	Holding political meetings and processions and spreading political propaganda among the Sikh troops in Peshawar.	
6 Sundar Singh, ex-Secretary, Singh Sabha.	Do.	3 (d)	(2) To abstain from organising or participating in political demonstration within the limits of the N. W. F. P.		
7 Teja Singh, Vice President, Singh Sabha.	Do.	3 (d)	(3) To abstain from all action hostile to Government.		
8 Atma Singh, Treasurer, Singh Sabha.	Do.	3 (d)			
9 Sundar Singh	Do.	3 (e)	Ordered to leave the Province.	Holding political meetings and processions and spreading political propaganda among Sikh troops in Peshawar.	
10 Badhu Singh	Do.	3 (e)	Do.	Holding political meetings and stirring up agitation among Sikhs.	
11 M. Moysey (formerly an officer of the 1st/2nd Punjabis).	No fixed residence.	3 (e)	Do.	Undesirable activities in Afghanistan and N.-W. F. P. tribal territory. Arrested at Landi Kotal when returning from Kabul.	
12 Syed Habib Shah	Lahore	3 (b)	Ordered not to enter, reside or remain in the Peshawar District.	Past political activities.	
13 Sudh Singh	Sargolha	3 (e)	Ordered to leave the Province.	Seditious speaker.	
14 Nasir Ahmad	Peshawar	3 (b)	Forbidden to enter the area lying to the west of the administered border of the N.-W. F. P.	Working as a revolutionary agent.	

GRANT OF A SUM OF RS. 10,000 TO KHAN BAHADUR NAWAB DOST MUHAMMAD KHAN OF TAHKAL, PESHAWAR DISTRICT.

1153. \***Lala Duni Chand:** (a) Will the Government please state whether Sir John Maffey while relinquishing charge of his duties as Chief Commissioner, North-West Frontier Province, gave a sum of Rs. 10,000 to Khan Bahadur Nawab Dost Muhammad Khan of Tahkal, District Peshawar, in the North West Frontier Province?

(b) If the answer to part (a) be in the affirmative, will the Government please state out of which fund the said amount was given and for what purpose?

**Mr. Denys Bray:** With your permission, Sir, I will answer this and the next two questions together.

I will give the Honourable Member the answers as soon as I get the information from the local administration.

ENTRY BY KHAN BAHADUR NAWAB DOST MUHAMMAD KHAN INTO THE CITY OF PESHAWAR WITH AN ARMED FORCE.

†1154. \***Lala Duni Chand:** (a) Will the Government please state as to whether it has been brought to the notice of Government that Khan Bahadur Nawab Dost Muhammad Khan of Tahkal while passing through the Cantonment of Peshawar entered the city of Peshawar with an armed force of over 500 Pathans and if so, with what object?

(b) Did the Government take any action against the said Nawab Dost Muhammad Khan for a breach of the law? If not, why?

PUBLICATION BY KHAN BAHADUR NAWAB DOST MUHAMMAD KHAN OF A PAMPHLET CONTAINING CERTAIN ALLEGATIONS AGAINST THE HINDUS.

†1155. \***Lala Duni Chand:** (a) Will the Government please state whether it has been brought to their notice that a pamphlet under the title of "Nasihāt Nama brai Ghaur o' Khaus Ahalyan-i-Oeshawar," was published and issued by Khan Bahadur Nawab Dost Muhammad Khan of Tahkal about the third week of September 1924?

(b) Is it a fact that the cost of the publication of the said pamphlet was paid out of the Political Fund, if so, why?

(c) Was it stated in pages 22-23 of the said pamphlet that the Hindus in general aided the Japanese Government during the Great War with a view to overthrow the British Government in India, and have the Government so far taken any action against the author of the said pamphlet?

(d) Will the Government please lay on the table for the information of the House the English translation of pages 22-23, 24-25 and 26 and 27 of the said publication?

SALE OF STAMPS TO THE PUBLIC ON SUNDAYS AND POST OFFICE HOLIDAYS.

1156. \***Khan Bahadur W. M. Hussanally:** (a) With reference to answer to question No. 907 will Government please state at what Post Office in Sind stamps were sold to the public hitherto on Sundays and other Post Office holidays?

(b) At what Post Office in that Province will stamps be sold on such days under the new orders?

(c) From what hour to what hour?

**Sir Geoffrey Clarke:** (a) At Karachi Head Office, Karachi Frere Hall, Manora, Kotri, Tatta, Sukkur, Jacobabad and Sehwan.

(b) At all head, sub and departmental branch offices.

(c) The hours are those during which the offices are open for the receipt and despatch of mails. They vary according to local circumstances and can be ascertained in each case at the office concerned.

TOTAL COST OF ESTABLISHMENT EMPLOYED TO SELL STAMPS TO THE PUBLIC.

1157. \***Khan Bahadur W. M. Hussanally:** (a) What is the total cost to the Postal Department of the establishment employed to sell stamps to the public?

† For answer to this question, see answer below question No. 1153.

(b) What would be the cost if the old system of sale on commission were reverted to?

(c) Is there any other objection to sale on commission besides cost?

(d) Would that cost be not covered by the larger sale on commission?

**Sir Geoffrey Clarke:** (a) Postage stamps are required to be sold at post offices by window and counter clerks and outside by some postmen and all village postmen and mail-peons. In certain specially selected post offices separate stamp vendors are provided at an annual cost of Rs. 56,604.

(b) Rs. 10,62,844 based on last year's sales.

(c) Yes. There are administrative objections.

(d) No. This would make no difference to the amount of stamps sold.

#### RESOLUTIONS OF THE RAILWAY PASSENGERS' CONFERENCE.

1158. **\*Khan Bahadur W. M. Hussanally:** With reference to answer to question No. 909 will Government please inquire from Agents what action, if any, has been taken by them on the said Resolutions and place the same on the table?

**The Honourable Sir Charles Innes:** Government regret that they cannot take the action suggested. The resolutions referred to matters which are within the competence of Agents, and Government are not prepared to admit that every time a Conference of this kind passes a series of resolutions, railway administrations should be required to report what action has been taken on those resolutions.

#### PAYMENT OF CLAIMS FOR GOODS LOST OR STOLEN ON INDIAN RAILWAYS.

1159. **\*Khan Bahadur W. M. Hussanally:** (a) With reference to answer to Question No. 916 regarding payment of claims for goods lost or stolen on Railways, were copies of these reports supplied to Members?

(b) If not, do Government propose to supply them?

**The Honourable Sir Charles Innes:** Copies of the reports have been placed in the Library. If any Honourable Member requires a copy for his own use, he can get one on application to the Railway Board.

#### THE STATION MASTER OF SIMLA.

1160. **\*Khan Bahadur W. M. Hussanally:** With reference to answer to question No. 917 regarding the appointment of the station master at Simla will Government make inquiries and supply the information?

**The Honourable Sir Charles Innes:** The Government regret that they cannot undertake to make inquiries regarding the posting of station masters to particular stations.

#### MEASURES TAKEN TO PUT A STOP TO CORRUPTION AND BLACKMAIL ON THE NORTH WESTERN RAILWAY.

1161. **\*Khan Bahadur W. M. Hussanally:** (a) With reference to answer to question No. 918 will Government please state what steps has the Agent, North-Western Railway, taken to put down corruption and blackmail on the Railway and how far have these steps succeeded?

(b) If no steps have been taken, what steps does he propose to take?

**The Honourable Sir Charles Innes:** The Honourable Member is referred to the speech made by Mr. Hindley in this House on 26th February last, in which he referred particularly to the measures taken on the North Western Railway.

SCHOOLS MAINTAINED BY THE NORTH WESTERN RAILWAY FOR THE CHILDREN OF THEIR EUROPEAN AND INDIAN EMPLOYEES.

1162. **\*Khan Bahadur W. M. Hussanally:** (a) With reference to answer to question No. 919 how many and what schools were maintained by the North Western Railway for the benefit of the two communities?

(b) What kind of education is imparted at each class of schools and upto what standard?

(c) What is the reason of the disproportionate amounts spent on the two classes of schools?

(d) Do Government propose to extend the system and range of education of the children of Indian employees of railways? If so, when? If not, why?

**The Honourable Sir Charles Innes:** The number of schools maintained by the North Western Railway for the benefit of the communities is as below:

Europeans and Anglo-Indians	...	...	...	5
Indians	...	...	...	1

The Government do not know the kind of education imparted at the different schools.

The amount spent on the 5 European and Anglo-Indian schools was Rs. 13,644 and on one Indian school Rs. 6,754. The whole question of assistance to be given by railways to their employees for the education of their children is now being considered.

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THE GENERAL BUDGET—LIST OF DEMANDS—*contd.*

SECOND STAGE—*contd.*

*Expenditure from Revenue—contd.*

DEMAND No. 17—TAXES ON INCOME.

**Mr. President:** The House will now resume consideration of Part II of the Budget. The motion to adjourn the discussion yesterday means that the entire consideration of "Customs" was postponed till next Thursday. We therefore come to Demand No. 17, "Taxes on Income." The question is:

"That a sum not exceeding Rs. 62,57,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1926, in respect of 'Taxes on Income'."

It will be convenient to take all the motions for reduction by Rs. 100 together. They all raise questions relating to the general administration of the Income-tax Department. The one exception to that seems to me:

to be the one standing in the name of Mr. Neogy, which raises the particular question of the operation of Devolution Rule No. 15 under which the provinces share to some extent in the excess of income-tax realized over a certain level. As regards the larger amounts of reduction, they seem to me to raise lesser questions, and, therefore, I propose to call on Lala Duni Chand first to move the reduction of Rs. 100 in respect of the general policy of the Income-tax Department.

#### GRIEVANCES OF INCOME-TAX ASSESSEES IN THE PUNJAB.

**Lala Duni Chand** (Ambala Division: Non-Muhammadan): Sir, the two motions Nos. 17 and 21 that stand in my name are allied motions, and I propose to take them together. My whole object in putting forward these motions is to draw the attention of the Government to the state of affairs as it obtains in my province with reference to the administration of the Income-Tax Department. I do not deny, in fact I endorse the statement of the Honourable the Finance Member, that in certain quarters there is a tendency to evade the payment of the dues to which the Government are entitled. I think the Government are fully entitled to realize every pie of what is due to them. I am in favour of the Government employing every legal process to realize what is under the law due to them. But while I recognize that there are a certain number of tax-payers who want to evade the payment of the Government revenue, there are a much larger number of people out of whom more than is due to the Government is realized. The policy of the Government in recent years, so far at any rate as the Punjab is concerned, and I shall speak only with regard to the Punjab, has been to get out of the tax-payers more than they are really liable to pay. The Government have been in greater need of money during recent years, and I understand that for that reason the Government have adopted the policy of getting more out of the tax-payer than he is really liable to pay. Various methods have been adopted by the Government to achieve this object in view. (Mr. K. Ahmed: "Why did you pass the Income-tax Act?") I have already said that whatever Government are entitled to get by way of income-tax, they ought to get, but the Government are not entitled to get even a pice more than the Income-tax Act entitles them to realize. I have already made my position clear. Unfortunately the impression has been created in the Income-tax Department that the Government need more money and that therefore the subordinates of the Government should get more money out of the people. I say, Sir, that practically what I should call a process of extortion has been going on. I may at once make it clear that I am not using the word "extortion" in any criminal sense; I am using the word "extortion" in the sense in which I shall use it in the case of a lawyer like Mr. K. Ahmed to whom a client comes and Mr. K. Ahmed thinks that the client believes that he is indispensable to him. Immediately the lawyer comes to know that he is indispensable to the client, he will try to extort the maximum amount out of him. Similarly, when that impression is created in the Department that the Government want more money, the subordinate officers of Government try to get more money for the Government. I would here invite the attention of the House to the income-tax realizations during recent years in my province. The Explanatory Memorandum shows that in 1921-22 the income-tax realizations in the Punjab were Rs. 50,81,829. In the next year, 1922-23, they were Rs. 76,36,881. This comparative statement at once shows that in the course of one year there

[Lala Duni Chand.]

was an increase of about 52 per cent. in the income-tax realizations. What can it be due to? Can it be due to a sudden increase in the income of the province as a whole? Or was it due to the policy that was adopted by the Government? I venture to think that this rapid increase, this abnormal increase, from Rs. 50 lakhs to Rs. 78 lakhs was due to the policy that has been adopted by the Government in connection with income-tax administration. In later years the same policy has been pursued. The income-tax payers of the Punjab have got many grievances in connection with the administration of income-tax. In the first place they are suffering from what I have already described as the policy of the Government of getting the maximum out of the people to which the Government are not entitled. A persistent and insistent cry has been raised during the last ten years in the Punjab, and representations have been made from almost every town against over-assessment and the methods of assessment. I would like that the Government should enforce the law most rigidly and to its logical conclusions. Notwithstanding the fact that the protest has been so strong, I hear of very few cases in which the Government have thought it fit to start any prosecution. I would like in the case of those defaulters who deliberately want to cheat the Government that prosecutions should be started; but the Government are afraid of starting prosecutions, not because they do not want to start prosecutions, but the Government do not start prosecutions as they find themselves in a very false position. (Mr. K. Ahmed: "Oh, no.") Excuse me, please. Various income-tax officers know exactly the position that if the matter is put before a criminal Court, the Income-tax Department will be exposed. Now, under the law everybody is required to put in income-tax returns. I know in a very large percentage of cases the income-tax returns are not accepted. What are the alternatives open to the Government under these circumstances? Either to prosecute those people who put in false returns or to accept those returns as correct. The Government do neither. The Government neither prosecute those people who are supposed to have put in false returns nor do the Government accept the correctness of their returns. Income-tax officers go on assessing people much more than they should. Another thing is, Sir, that the state of trade is not at all taken into consideration in making assessments. I understand in the case of certain articles in certain years people made fat profits and the people should pay on those fat profits; but at the same time in the case of other trades, it is a well known fact that people suffer seriously and no account is taken by the income-tax officers of those losses. It is the general practice of income-tax officers to take cognisance of the profits and to ignore the losses. I would particularly ask the Government Member in charge to go into the question of the grievances of the Punjab in the matter of over-assessment and if inquiry is held into the grievances of the Punjab most of the grievances will be substantiated. Then, I submit, Sir, there is a good deal of defect in the law. What kind of law have we got now? The income-tax officer assesses and an appeal lies to the Assistant Commissioner and in certain cases the Income-tax Commissioner. Practically the Assistant Commissioner and the Commissioner are also income-tax officers for the purposes of making assessment. It is an old old story about which the people of India have been crying that the powers of prosecutor and judge should not be vested in one and the same person. It is a farce really to appoint one officer of the department as the assessing officer

and another officer of the department as an appellate authority. I submit that it is the special need of the country in connection with income-tax administration that the power to hear appeals should be made over to some agency other than the Income-tax Department agency. Then, there is the law regarding interest. Whatever interest accrues in a certain year is regarded as the income on which income-tax should be charged. We know it as a matter of fact that even 10 per cent. of the interest that accrues is not really realised. It means that on 90 per cent. of the income that is never realised income-tax is charged. This part of the law requires alteration and I hope the Government will see their way to remedy this state of law. Then, I submit, Sir, my province particularly suffers from another kind of grievance, and it is this. Whenever a big person happens to be the assessee the income-tax officer really likes that he should dance attendance on him in his office from day to day. If he sends his clerk or his manager to the income-tax officer, an average income-tax officer thinks that it is an insult to him that the big man himself does not come and he sends only the clerk. (Mr. K. Ahmed: "Let him send a pleader also.") It will be perhaps better. The case may be different in other provinces. I am not talking about other provinces. A good deal of the element of personal likes and dislikes enters into the question of assessment. If the income-tax officer dislikes a certain person he will not have any scruples to assess him correctly. I submit there have been many cases of that kind in my province. I may invite the attention of the House to a recent case. That case is *sub judice*. Beyond making a mere statement of fact I will not say anything about that case. The income-tax officer was charging a certain firm from year to year at very exorbitant rates and each year the assessee was filing objections, with the result that the assessment was considerably reduced. What has happened recently is that the income-tax officer took the law into his own hands and went to the premises of that firm and got hold of all the books, etc., the firm had. The result has been that there are now two criminal cases going on, one by the income-tax officer against the proprietor of the firm and the other by the proprietor of the firm against the income-tax officer. I do not want to say anything further, Sir, about this case, which is *sub judice*. I submit that there has been a good deal of abuse of income-tax administration in Amritsar, in Sialkot, etc. Serious allegations have been made against the method of assessment and most of these allegations have been substantiated. Really from every quarter of the Punjab the cry comes that the income-tax officers do not take into consideration the question whether the man to be assessed should be correctly assessed at a certain figure or not. All that they want is that he should be assessed at the highest figure regardless of the true state of affairs concerning his income. These are the few grievances among many of the tax-payers of the Punjab to which I have invited the attention of the House. Whenever the question of individual grievances of the income-tax payers is raised in the House the Honourable the Finance Member, Sir Basil Blackett, always says that this House is not the proper place where individual grievances should be agitated. I have seen it more than once that this is the view that has been advanced by the Honourable the Finance Member. I know if it was a case of one or two individual grievances, of course those may not be agitated on the floor of this House. But I know that almost every second tax-payer in the Punjab has got a grievance of that kind. I think this is the proper place where this question should be agitated.

[Lala Duni Chand.]

I particularly request the Honourable the Finance Member to make inquiries into the grievances of the tax-payers of the Punjab. I have already stated, let him get whatever he is entitled to but let him not get what he is not entitled to. If he holds an impartial inquiry into the grievances of the income-tax-payers of the Punjab, he will find that what I have submitted to the House is correct and that whatever questions I have been raising regarding the abuse of the income-tax administration in my province are right. It is only with this object in view that I have raised this question in the House. I know that the House will not be very enthusiastic over the particular grievances of a particular province. Therefore, I would not very much care to press a motion of that kind to a division. But this does not mean that the point underlying my motion does not deserve consideration. I have placed the case of my province in the hope that the grievances of the income-tax payers of the Punjab will be gone into and redress granted to them. At one time, Sir, I was under the orders of my party that I was not to move this motion formally, though I could ventilate by means of a speech the grievances of my province. (Laughter.) I belong to a party whose orders are binding upon me and I must obey those orders. But I have now consulted the Secretary of my party and I am authorised by him to move this motion. Therefore, I formally move this motion.

**Mr. President:** Reduction moved:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 100."

**Mr. K. Ahmed** (Rajshahi Division: Muhammadan Rural): Sir, it appears to me that my Honourable friend Lala Duni Chand has misrepresented the whole case in his motion. Sir, by moving for the reduction of the grant in question by Rs. 100 he meant to pass a vote of censure on Government. Is not that so? (Lala Duni Chand: "No, Sir.") He has attacked the whole Government staff. He says that you have got a number of income-tax officers, you have got Assistant Commissioners and you have got Commissioners who are in charge of this department to extort—that language has been used—money, but this expression has been qualified by saying that that extortion is not for use in the criminal court. I thank my friend for giving me the professional complement I have the honour to enjoy at the Bar. But I contend that if it is not extortion, then probably it is not to be found in the dictionary. I think my friend's own factory has produced that kind of thing that he has said about the Government officers. Then, Sir, he said that this is a grievance on behalf of the people of his province, the Punjab. Sir, I remember the time when the Income-tax Act was passed and I remember also that at one stage my Honourable friend had been opposing it. In spite of all that he took part in it and the Act was finally passed. Therefore, if this tax is to be paid to the Government according to that Act by the people of this country including the Punjab, I do not think my friend ought to have any grievance. Furthermore, Sir, he says that this is the grievance of his province and it must be inquired into. The suitable way for him to ventilate the grievances of his province would be to give notice of a Resolution to the Secretary of the Legislative Assembly. If he is prepared, as he said he is, to ask the Government to inquire into the matter, then he ought to



withdraw his motion and save us from the difficulty of going into the case. If he is not—I think he is—then what justification is there for him to attack the Government officers unnecessarily? Where is the extortion? There are Government officers and there is the law. So, if you submit an account which is accurate, it is all right and you must pay the amount assessed. If, on the other hand, the account is not correct, then the man ought to be prosecuted as there is a passage in declaratory portion to fill in the income-tax form to the effect that “I, so and so, submit this account and hereby declare that this is the correct and true account for the year, and so forth”. I shall be surprised if it was meant that my Honourable friend desired to get some encouragement in a court of law and extort money from the assesses and from the public as cases are settled instead of prosecution for submitting an inaccurate account and assessments are being made on some understanding between the assesses and the Government. That would be the abuse of the powers of the court, and that will also be against the public policy. If my friend's ulterior motive is that the Government are wrong because they do not prosecute a man for submitting an account which is not accurate, then this will be rather urging for fomenting litigations. Then again my friend has been talking of the Assistant Commissioners and the Commissioners. These are the two officers who assess incomes and these are the people who sanction prosecutions and before whom people are prosecuted. My learned friend's clients are very rich men. He said that he had two cases but he does not like to say who the parties are because the case are still *sub judice*. I say that my friend cannot have a proper idea by being engaged only in two cases.

**Lala Duni Chand:** I am not engaged in these cases; I have nothing to do with them.

**Mr. K. Ahmed:** Probably his friends have to do with those cases and he is speaking on their behalf only. I say that two cases are not the test cases for forming such opinions. Therefore, my friend has got no legs to stand upon. I wish that he will withdraw his motion because his arguments will not hold water. I support the Government officers because they are really doing things in a businesslike manner and what is needful under the circumstances.

#### ASSESSMENT OF THE VALUE OF RENT-FREE QUARTERS AS A PART OF SALARY.

**Colonel J. D. Crawford (Bengal: European):** Sir, I wish to intervene in this debate on the question of the grievances of the public regarding income-tax to make one particular point and that is the unfair incidence arising from the inclusion of rent-free quarters in income. To explain my point I will illustrate it by one case. Take a man getting a salary of Rs. 1,500 a month, or a total of Rs. 18,000 per annum. In a place like Calcutta or Bombay his rent-free quarters, or the allowance which may be given to him in lieu of rent-free quarters, will amount to not less than Rs. 800 per mensem, making altogether a total of Rs. 21,600. He would at once become liable to income-tax at 1 anna per rupee, as his income will be over Rs. 20,000. But if that same man on the same salary were living in the mufassil where he will get far better accommodation at a rate of Rs. 100 per mensem, his total income will be shown as Rs. 19,200 and he will escape the additional taxation.

**Mr. Harchandrai Vishindas** (Sind: Non-Muhammadan): On a point of order, Sir. Is this a part of the Punjab grievances to which I thought the debate at present was to be confined?

**Mr. President:** I pointed out that I am now taking motions for reduction Nos. 17, 21, 22, 24 and 26 together, leaving the whole field of income-tax administration open to debate.

**Colonel J. D. Crawford:** Might I suggest to the Honourable the Finance Member that the whole question of the inclusion of rent-free quarters might be reconsidered and that it might be possible to introduce some system assessing such quarters at, say, 10 per cent. of the salary of the individual concerned, or at the actual rate whichever is less. I can assure him that the subject is one which has caused considerable heart-burning in Calcutta. It was with the greatest difficulty that I myself signed my income-tax paper showing the amount and value of my rent-free quarters, and I was sorry to do so this year because I felt that I had a real grievance in comparison to the men who were living in cheaper provinces.

#### INADEQUACY OF INCOME-TAX STAFF IN SIND.

**Mr. Harchandrai Vishindas** (Sind: Non-Muhammadan): Sir, my motion for a reduction of Rs. 100 is intended to draw the attention of the Income-Tax Department to a particular grievance relating to my province of Sind, and I do not share the despair of my friend Lala Duni Chand that because the grievance relates to one province, there will be no enthusiasm on the part of the Members. Only yesterday's example shows that on a grievance relating to the individual city of Bombay, namely, the existence of the cotton excise duty, all Members, including Pandit Motilal Nehru, joined with the Bombay Members in attacking that impost. Sir, when I rise and relate the grievances affecting my province, I dare say a great deal of sympathy will be shown by Honourable Members when they see that my representation is a reasonable one. In this instance I am not going to attack the staff or to say there is any unfair incidence of taxation so far as my province is concerned, but I attack the Income-Tax Department only in so far as they are not quite just and fair to the merchants of Sind. I mean to say the staff is so very inadequate, as I will try to explain in detail, that the merchants suffer a good deal of inconvenience and delay, and for that reason when the Honourable Mr. Sim, who was then in charge of this income-tax portfolio, visited Karachi, the merchants approached him and pointed out this grievance. Whether Mr. Sim made any kind of investigation into these grievances and whether there has been any action for any kind of redress of these grievances the public do not know. Now my complaint is this, that the income-tax staff in Sind consists of these officers:—

- 1 Assistant Commissioner for Sind,
- 3 income-tax officers for Karachi town,
- 1 income-tax officer for Hyderabad and district,
- 1 income-tax officer for Sukkur and parts of Sukkur and Nawat, Shah districts,
- 1 income-tax officer for Shikarpur and part of Sukkur district, and
- 1 income-tax officer for Larkhana district.

In the Budget there is no provision made for any extra staff, although it is intended for the next year to take over the whole of the income-tax work, including that of villages, by this department alone. Up till now the income-tax work in the province of Sind has been done by this exclusive department only in certain selected areas which I have just mentioned, but from the next year the whole work of the province, including that of the villages and towns, will be taken over by this department, and all that work which used to be done or which is being done by the Revenue Department will be taken away from them. That being so, one would naturally expect that there would be an increase in the staff, but there is no provision for such increase in the Budget. As a matter of fact even the present staff is quite inadequate for the work allotted to it for this reason. At page 214 of the Standing Finance Committee's Report, Volume IV, No. 3, it is laid down that one income-tax officer is necessary for every 700 ordinary assesses, and one for every 4,000 salaried assesses, and 1 for 900 reference cases. If this ratio were given effect to, in the city of Karachi alone, where there are 3,200 ordinary assesses, and nearly 2,000 of the other classes, we should have had 5 income-tax officers, instead of which there are only 3.

**Mr. K. Ahmed:** So much the better. You get the benefit.

**Mr. Harchandrai Vishindas:** Mr. Kabeer-ud-Din Ahmed does not understand me at all. He probably thinks we escape the income-tax. We do not. It only means that those officers are over-worked. And if we do escape unjustly, then I say, on the principle laid down by Lala Duni Chand and the complaint made by Colonel Crawford the other day, we ought to be assessed properly. It may be Mr. Ahmed's mentality that he should escape from payment of income-tax, but that is not mine. As a matter of fact, I say that even with the present amount of work which will be thrown upon these income-tax officers in accordance with the number and proportion laid down by the Standing Finance Committee, there ought to be 5 officers in Karachi even now. Instead of that there are only 3. And what is more, after taking up such extra work in Sind, these three are to be curtailed to two.

**Mr. K. Ahmed:** Therefore there is no justification for moving for a reduction at all.

**Mr. Harchandrai Vishindas:** Mr. Ahmed is so far distant that I am not able to hear him, so I will not answer. The present number of officers are not to be reduced to two, and one is being sent far away into the district of Thar and Parkar. In Hyderabad town and district the number of assesses is 2,000 and therefore, according to the above calculation, there should be at least two, if not three, income-tax officers. These are, Sir, the only grievances I have. I dare say the Honourable the Finance Member will make a satisfactory explanation which will necessitate my withdrawal of this motion—if it is satisfactory.

#### ALLOWANCES OF INCOME-TAX OFFICERS, ETC.

**Khan Bahadur W. M. Hussanally** (Sind: Muhammadan Rural): Sir, I wish to supplement the remarks of my friend Mr. Harchandrai Vishindas by saying only a few words in regard to this particular motion, and that is that if one of the three income-tax officers who are now posted to Karachi is taken away from the city work and is made to do the income-tax work of the district of Karachi, *plus* the district of Thar and Parkar, it will be simply

[Khan Bahadur W. M. Hussanally.]

impossible for him to cope with the work. I believe the gentlemen who propounded the scheme are not aware of local circumstances and local distances. Karachi district is a very extensive district with hardly any railway communication. Thar and Parkar district again is entirely devoid of railway communication. The railway in both these districts only passes through one corner and does not reach the interior of the district at all. The result will be that this officer, if he has to do the entire work of both these districts, will not be able to finish the work of the two districts even within two years' time if he has to go from village to village. There are villages and towns in the Thar and Parkar district which are perhaps two or three hundred miles away from the headquarters. I am informed that the scheme does not provide for any extra establishment, so that if he has to serve notices upon the assesseees, how is he to do so? There are only a very few post offices in both these districts and it will take months before a notice is served on any assessee in the interior of the district. Therefore, this scheme is entirely unworkable, and I do hope the Board of Inland Revenue will reconsider the whole scheme. The best system would be to allow the Revenue Department to continue doing the assessment work of the interior of these districts rather than take over the whole of the income-tax work of these two districts. My friend Mr. Hudson is not here in the House, but I suppose if he were consulted, he would bear me out in what I say.

**Mr. K. Ahmed:** What common sense is there, Sir?

**Khan Bahadur W. M. Hussanally:** I am sorry I cannot hear my friend Mr. Ahmed. Mr. Hudson I see is there. I dare say he will bear me out with regard to the distances and the unworkability of the scheme.

Sir, I have a similar motion in my name. I do not know if I will be in order if I speak on that motion also just now. I think it will save time. My motion is with regard to the allowances that are paid to the income-tax officers in Sind and their pay. The income-tax officers of the Bombay Presidency begin on Rs. 300 and rise by a biennial increase of Rs. 50 to Rs. 900. Well now this will do very well for new recruits who can rise to the maximum in course of time, but the income-tax officers as they exist at the present moment, particularly in Sind, have been taken from the Revenue Department. They have got long service at their back and they have begun to get these increments after they joined the Income-tax Department, so they can never hope to rise to the maximum or any decent pay before they retire, because the increments are biennial; whereas in other Provinces, and particularly in the Delhi Province, the increase allowed is Rs. 40 a month every year, though the maximum is Rs. 850 only whereas the maximum for the Bombay Presidency is Rs. 900. I do not see why there should not be a uniform system everywhere. I think it will be more satisfactory to people even if the increase were reduced a little, but the increase were made annual. Many of these old men that have been taken from the Revenue Department into the Income-tax Department would then be able to rise to some decent pay before they retire. I therefore make that suggestion for the consideration of the Board of Revenue.

Another point that I want to raise in connection with this matter is the question of allowances. I can assure my Honourable friends Mr. Lloyd and Mr. Tottenham whom I do not see in the House . . . (Mr. Harchandrai

**Vishindas:** "He is in the gallery." (**Mr. K. Ahmed:** "Order, order.") (I wish my friend Mr. Kabeerud-Din Ahmed would not ejaculate like that. He is simply wasting the time of the House.) I can assure them both that there is any amount of discontent prevalent among income-tax officers in Karachi. I know that the former Assistant Commissioner, who died a little time ago, used to get Rs. 200 a month as local allowance. After his death, however, the new incumbent, who came in, had his allowance entirely stopped for a long time. Well, recently I am told he has been allowed Rs. 140 a month as local allowance and that also only for six months. The rest of the time he is supposed to be touring (though he does not do it for six months together) and for the period he travels he draws his ordinary travelling allowance under the rules but no local allowance. But what are the allowances that the local provincial men in the same position get? The Deputy Collectors who are posted to Karachi and have no touring get Rs. 200 a month as Karachi allowance all the year round. Whereas a Deputy Collector who is a touring officer gets Rs. 150 a month *plus* six months' Karachi allowance when he is at headquarters, the Assistant Commissioner of Income-Tax gets Rs. 140 rent for six months only, as if he has not to keep a house during the time he is supposed to be on tour; and so far as conveyance allowance is concerned he gets nothing. There are three income-tax officers in Karachi. One of them gets Rs. 100 rent and Rs. 100 conveyance allowance, so that he may be said to be all right. The second man gets Rs. 100 rent and no conveyance allowance. The third man gets Rs. 60 rent and no conveyance allowance. Now, I do not see why there is this distinction made. All three of them have any amount of outdoor work to do in the city. The travelling allowance or daily allowance under the rules is entirely a separate thing altogether. The Assistant Commissioner naturally has to keep a house all the year round in Karachi, and I do not see why his house rent should be confined to six months and no more. The whole question requires reconsideration and resettlement, and I hope the Board will give attention to it.

#### EXTRA TAXATION OF COMPANIES REGISTERED UNDER THE INDIAN COMPANIES ACT AS COMPARED WITH PRIVATE FIRMS.

**Sir Gordon Fraser** (Madras: European): Sir, may I with your permission move No. 25? It does not refer to new taxation but to the question of present taxation. The motion which stands in my name is:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 1."

I do so in order to draw attention to what I consider to be the unfair treatment of those in this country who trade as companies under the Indian Companies Act. My contention is that this tax is likely to deter traders from carrying on their business as companies. I think that instead of penalising such companies every effort ought to be made, every encouragement ought to be given to traders to trade under the Indian Companies Act, so that as far as possible all the commerce and industry of this country should come under the conditions and restrictions of the Act. The tax referred to is the flat rate tax of one anna in the rupee that is charged as super-tax on the profits of all companies registered under the Act. The result is that shareholders in such companies are penalised to this extent as against their competitors who trade as ordinary traders. Now, Sir, I contend as I have already said that it is to the benefit of the general public as a whole that the commerce and industry of this country should

[Sir Gordon Fraser.]

be carried on as far as possible under the conditions laid down by the Act. I think the reason is obvious because a company has to lay all its cards on the table, it has a definitely subscribed amount of capital . . .

**Mr. President:** That question comes under Schedule III of the Finance Bill and not under this. I understand the Honourable Member is raising a point which would require an amendment of the Act?

**Sir Gordon Fraser:** Yes, I think that is so, Sir.

**Mr. President:** We are now discussing the administration of the existing Act and not the amendment of the Act. The proper opportunity will arise on the Finance Bill.

**Sir Gordon Fraser:** There is only one other point I would like to refer to, Sir. It is a peculiar feature of the present Act and of the method of administration of the Act that burden falls most heavily on those who conduct their business on sound lines and maintain proper methods of accountancy. It is not necessary to go into details because we all know that very many in this country escape taxation either wholly or in part. In many cases they pay very much less than the amount to which they are liable. I knew sometime ago an Indian trader in Madras who I knew perfectly well was making a very substantial profit. I asked him to what extent he was paying income-tax on those large profits I knew he was making. He seemed to be very surprised and he told me he was not paying any income-tax at all but he was subscribing to the War Loan! It shows there are some who do not think themselves morally bound to pay if they can possibly get out of it. I do not want to condemn the administration of the Act at present as I realise the many difficulties there are

12 NOON. to contend with. I also realise that since the transfer of the department to the Central Board of Revenue there have been very great improvements. But the fact remains that many that are liable to pay escape wholly or in part, and I want to draw the particular attention of the Central Board of Revenue to this and I hope that everything possible will be done to rope in all those who are liable, whether they pay the tax now or not.

#### EXEMPTION FROM INCOME-TAX OF THE AMOUNT REPRESENTING THE RENT OF GOVERNMENT HOUSES OCCUPIED BY GOVERNORS OF PROVINCES, ETC.

**Mr. Devaki Prasad Sinha** (Chota Nagpur Division: Non-Muhammadan): Sir, we have heard the grievances of those who want to be exempt from the payment of income-tax. I want to draw the attention of the Honourable the Finance Member to certain cases in which income-tax ought to be levied and is not levied. Particularly, Sir, I want to draw the attention of my Honourable friend, Mr. Patel, to what I am going to say. Sir, it is well known that Governors in all provinces occupy Government Houses that are rent-free. Quite recently a case was brought into prominence . . . (Mr. V. J. Patel: "I am not a Governor.") Under the Swaraj Government I hope Mr. Patel will be a Governor of some province. Well, Sir, quite recently in Bihar and Orissa attention was drawn particularly to this question by the local income-tax officer of Bihar and Orissa assessing the Governor of Bihar and Orissa on the amount representing the rent which he would have had to pay upon the Government House. Well, Sir, that decision of the local income-tax officer was upheld by the appellate authority in Bihar and Orissa.

But to our great surprise and astonishment that decision was upset by the Government of India. I ask Sir Basil Blackett to tell me whether that is a fact or not. I do not see any reason why any person, whatever be his rank or his dignity, should be exempt from the operation of this law. If Sir Basil Blackett, when he occupies a Government quarter, has to pay rent and in that way to undergo a deduction in the total amount of his income, why should any other officer of Government, when he occupies a house that is rent free, not be assessed to income-tax upon the amount that represents the rent of the house? Because after all the tax-payer has had to find the money for building the house and the capital expenditure which has been incurred for the construction of Government houses in various places has got to be replenished. (Mr. K. Ahmed: "A Governor is a Governor.") I do not see why my Honourable friend Mr. Kabeer-ud-Din Ahmed betrays particular anxiety in this matter; so far as we are aware, he has no chance of occupying any Government House in any province. I draw the attention of the House to this question not with a view to show disrespect or disregard for any of the representatives of the King-Emperor in the various provinces, but merely to draw attention to a case of gross injustice in which the tax-payers have to suffer. (Mr. K. Ahmed: "No, not a bit.") Well, Sir, I do not know what is the practice in Delhi. So far as I have been able to calculate, the rent of the Government House that is being built in Raisina would come to no less than Rs. 75,000 a month, and I ask Sir Basil Blackett to tell the House plainly whether he proposes to assess His Excellency the Viceroy to income-tax upon the amount representing the rent of Government House. (Sir Chimanlal Setalvad: "The salary of the Viceroy would then be a *minus* quantity.") So much the better; the non-votable character of his salary would then become votable by that device. But I ask the House to consider this question in all seriousness. It is not a question which ought to be laughed away. The case actually happened in Bihar and Orissa and the Governor of Bihar and Orissa was assessed income-tax upon the amount representing the rent of the Government House which he occupies. I ask, why did the Government of India upset the decision of the local income-tax authority? That is one of my questions.

The next question, Sir, is one which concerns chiefly Members coming from Bihar and Orissa. It is well known that almost all the mines in Chota Nagpur in the districts of Manbhum and Singbhum belong to people who live either in Calcutta or in Bombay. In justice and in equity the income-tax leviable upon such mine owners ought to go to the accounts of Bihar and Orissa—of course a proportionate share will go to Bihar and the rest to the Government of India. But, Sir, is it not a fact that the Government of Bihar and Orissa gets absolutely nothing from the income-tax levied upon those mine owners who actually derive their profits in Bihar and Orissa? I cannot assert with any authority, but I state from information that the Government of Bihar did make certain efforts to induce the Government of India to make some rules whereby the mine owners of mines within the jurisdiction of Bihar and Orissa would have to pay income-tax in such a way that the proportionate share of the tax could go to our province. Why has that suggestion not been considered seriously by the Government of India? Do the Government of India think that the province of Bihar and Orissa is so rich that it can forego the income from income-tax that is levied upon mine owners who reside in Calcutta or Bombay? I submit that in justice and in equity a proportionate share of the income-tax levied upon persons who carry on business and who derive profit in my province ought to go to my province.

## TAXATION OF SMALL TRADERS.

**\*Mr. H. G. Cocks** (Bombay: European): There are just one or two points in connection with the income-tax administration which I should like to refer to. One is the question of delays. I think that the administration generally has improved in the last few years, but there are still very considerable delays in certain matters which accountants and others have to take up; and I have found it necessary in certain cases to write over the heads of Collectors, who sit on letters and consider the matters put to them to be great problems, direct sometimes to the Commissioner of the Province and sometimes to the Central Board of Revenue. I hope that when such cases are brought to the notice of the highest authorities they will do their best to investigate the cause which led to delay on the part of the Collectors, with a view to tightening up the administration generally. Matters sometimes go on for three or four months which ought really to take only three or four weeks.

The question of one-man companies is perhaps hardly within the question of administration. But the question does arise whether the present law and administration can touch them. I believe it is admitted that they cannot be touched; but one would like to know what steps the Government propose to take. Chambers of Commerce were circulated and opinions were invited and given some months ago now, and one has heard no more, and one would like to know what steps have been taken with this end in view. I should like to throw out the suggestion that the Income-tax Manual compiled by Mr. Sim—I think about four years ago—which has now got many correction slips added to it be got out in a new edition. It has become extremely unwieldy and very difficult to refer to. It requires a new index. Every correction slip means taking out the old index and putting in a new one.

I should also be very interested to know whether Government can give any statistics with reference to the taxation of small traders. We all know that this is a great evil of income-tax law. As Sir Gordon Fraser has said, the man trading in the open, the European trader and the better class Indian trader, who keep proper accounts, are assessed; but the bazar traders who make very good profits are very difficult to get at. I should very much like to know whether Government have any statistics to show the number of forms which they send out to be filled up and how many of these forms are returned and how many do not come back, and of the latter, how many lead ultimately to assessments; and whether any real attempt is made to get at the small trader in small towns, I mean in a place like Nasik, which is rather off the usual track. It is a very important point, and as I say the traders in towns feel somewhat suspicious that they pay income-tax at a high rate, and that if those in small places are made to pay income-tax, the rate could be made materially lower. I have often wondered whether it would be possible to institute a traders' tax at a round figure as an alternative to income-tax in the case of small traders giving them the option of paying income-tax . . . .

**Mr. President:** That arises under the Finance Bill and not under the Demand which the House is now discussing.

**Mr. H. G. Cocks:** Sir, with all due respect, I may say that if the administration is faulty in the collection of taxes from small traders, is not a suggestion in connection with this question in order?

\*Speech not corrected by the Honourable Member.



**Mr. President:** A suggestion is quite in order, but the Honourable Member is discussing an amendment of the law which is not in order. I understand the Honourable Member wishes to amend the law. As I have said, it can only be done when the Finance Bill comes up.

**Mr. H. G. Cooke:** Yes, it would amount to that, undoubtedly. But if the administration is faulty, perhaps I thought I would be in order to throw out a suggestion . . . .

**Mr. President:** I do not want to be severe in this matter. I put it in this way. The Honourable Member is entitled to throw out an idea, but he is not entitled to dissect it before the House.

**Mr. H. G. Cooke:** Very well, Sir.. What I say is if a traders' tax were instituted, instead of the administration requiring the small trader to pay income-tax, he would still have the option of paying income-tax on the usual scale if he chose, and the Government would have the opportunity of demanding from him income-tax regularly. I think a lot of administrative inconvenience and difficulty could be got over if a small trader were able to pay a round sum instead of a detailed amount which really leads to very considerable trouble.

**Nawab Sir Sahibzada Abdul Qaiyum** (North-West Frontier Province: Nominated Non-Official): Sir, I do not wish to say much on this subject, because I have no experience of the operation of the Income-tax Act, nor am I a trader to be worried by it. But I wish to quote a glaring instance of the overzealousness of the income-tax officers in assessing income-tax. A certain official, who had retired from service, was receiving a part of his pension regularly: After some time on the full settlement of his pension, he was paid a larger sum as arrears of pension after the deduction of the usual income-tax. The income-tax officer sent him a notice later on to say that the arrears having raised the total amount paid during the year, the income-tax should be charged at a higher rate than what was deducted from his pension month by month. It was pointed out to the income-tax officer that the mistake made was not due to any fault of the poor pensioner, but was due to delay on the part of Government in adjusting his pension. However, that did not appeal to the income-tax officer, and he ruled that the accumulated pension having been paid in a certain year, it must be counted as income for that year and that the pensioner must be assessed at a higher rate. He was asked for his authority. The ruling quoted by the income-tax officer was found not very satisfying and so a second reference was made to the income-tax officer. Finding that his argument was a bit weak, he sent one of his forms to be filled in, asking the poor pensioner to state whether he had any other income from any other source. It is with these devices that the income-tax officers try to raise their revenue. I need not say what happened. The assessee had to submit to the ruling of the income-tax officer. But what I really want to bring to the notice of the Government Members is that, leaving aside this particular case for the moment, it is either the poor Government servant or the pensioner who suffers most at the hands of the income-tax officers, more than the traders and business men. No part of his pay or pension can escape the notice of the income-tax officer, while the trader is not so much exposed, and his account books are not so much subjected to scrutiny. I trust that the department will exercise a more vigorous scrutiny of the account books and returns submitted by traders and business men than the accounts of the Government servants and poor pensioners.

## PAYMENT OF INCOME-TAX BY INSTALMENTS.

**\*Mr. Bipin Chandra Pal** (Calcutta: Non-Muhammadan Urban): I want, Sir, to invite the attention of the income-tax administration to a very small point. We all know that the reputation of a tax-gatherer is of a stricter type, and I think the tradition has come down even to our day that those who collect taxes try to take as much as they can out of the tax-payer and those who are called upon to pay the tax try their best to pay as little as they can. (*A Voice*: "Quite natural.") Yes, I know it is quite natural, but whatever is natural is not always moral.

Now, Sir, my complaint is this, that the Income-tax Department makes it very difficult for poor tax-payers to meet their demand. They make a whole demand for a year just about the close of the year, and this demand comes about the end of March or in the beginning of February. I know of instances when honest tax-payers applied to the Income-tax Department to be allowed to pay their income-tax from month to month or from quarter to quarter, and the reply of the department was that the law does not allow them to accept payments by instalments. I do not know if the law allows the department to do so or not, but I hope the administration will see to it that those who want to pay their taxes either monthly or quarterly in advance will not be debarred from doing so. (*A Voice*: "Any arrears.") I do not mean arrears, but I say that those who want to pay their taxes every month or every quarter in advance should be allowed to do so.

## EXEMPTION FROM INCOME-TAX OF SECURITIES HELD BY CO-OPERATIVE CREDIT SOCIETIES.

**\*Diwan Bahadur M. Ramachandra Rao** (Godavari *cum* Kistna: Non-Muhammadan Rural): Sir, I wish to draw attention to a matter of all-India importance and that is in regard to co-operative societies. I gave notice of a motion, because co-operative societies are liable to income-tax. Sir, as the question of income-tax administration is under discussion, I wish to mention this point, with your permission, so that this matter may also be considered along with the other matters to which attention has been drawn. Sir, as Honourable Members are aware, the co-operative movement has been in existence now for some years, and the whole object of that movement is to promote thrift and to bring persons into that movement with the express object of promoting in them the spirit of thrift. I understand, Sir, that some time ago the Central Board of Revenue decided that the securities held by the co-operative credit societies are liable to income-tax. There are three questions relating to this matter. One is when security is held within the taxable limit, and again when security is held above the taxable limit, and then there is the question of super-tax. Whatever may be the distinction between these three classes of income, it seems to me, Sir, that a very essential object of the co-operative societies would be defeated if incomes derived from securities with co-operative societies are liable to taxation. I understand, Sir, that in England the practice is the other way. Co-operative societies are totally exempt from income-tax and, in view of the importance of the movement, I trust that the administration will see its way to exempt these societies from income-tax. I understand, Sir, that the Government have the power now under the existing Act; it would not necessarily mean an amendment of the Act. I am bringing this matter up, Sir, because it is a matter of extreme

\*Speech not corrected by the Honourable Member.

importance that every assistance should be afforded by the Government to the growth of this movement. This has been their declared policy and I trust, Sir, that the matter will receive consideration.

**Mr. A. Rangaswami Iyengar:** I move, Sir, that the question be now put.

PAYMENT OF REFUNDS OF INDIAN INCOME-TAX BY THE HIGH COMMISSIONER FOR INDIA IN CERTAIN CASES.

**\*Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): I wish, Sir, to refer only to one special item which I dare say Honourable Members of this House may have noticed in the Minutes of the Standing Finance Committee which have been circulated to this House. The Income-tax Department, I understand, have authorised the High Commissioner for India in London to refund income-tax or Indian income-tax to Englishmen resident in England on presentation of the coupons which generally go out with dividend bonds. I understood, Sir, in the Standing Finance Committee, where this question of giving sanction for increases in the necessary staff for the High Commissioner came up, that of late years such claims for refund have been increasing. It would be, I think, interesting to this House to know the extent of the increases and also the authority under which the High Commissioner is allowed to refund income-tax. I understood from an esteemed lawyer member of the Standing Finance Committee that the Income-tax Act, as it stands at present, does not allow such a refund of income-tax by anybody except certain officials specially so appointed by the Government of India. I do not grudge at all, Sir, the due refund of income-tax to anybody either in India or in England but I feel that, if the Government of India give facilities for the refund of income-tax to those in Great Britain, there might as well be a reciprocity in the matter and there might be some organisation available in India where Indians who pay income-tax on British securities, etc., may also have the same ease in getting the necessary refunds.

**Mr. A. H. Lloyd** (Member, Central Board of Revenue): Sir, this debate began with the motion moved by the Honourable Member from the Punjab who desired to express the grievances of the Punjab income-tax payers. He allowed himself, I am afraid, to use somewhat strong expressions. I will not refer again to the use of the word "extortion" because he got out of that by giving it a different meaning from the one which is usually applied to it. But these are the actual words which he used in another passage:

"Government have been in recent years in greater need of money and I understand that for that reason Government have adopted the policy of getting more out of the tax-payer than is due to Government."

On behalf of the Central Board of Revenue, which is engaged in the administration of the Income-tax Department, and naturally also on behalf of the Government of India itself, I am bound to repudiate that suggestion most emphatically. In all the tax-gathering departments that are under our control, and I am quite sure in all the tax-gathering departments in India, constant care is taken to impress upon all concerned that their duty is to obtain what is strictly due to Government, neither more nor less. He tried to support his suggestion by quoting the rapid increase in receipts between two recent years from about 50 lakhs to 76 lakhs in that province. This increase can be readily explained without imputing illegal conduct to any officer. It was due surely to the great improvement which has been effected in recent

[Mr. A. H. Lloyd.]

years in the administration of the department owing to the operations of the recently organised special staff. (*Lala Duni Chand*: "Was this improvement effected in that particular year?") Just about that time. The Honourable Member admitted that there was a certain number of tax-payers who wanted to avoid paying their just dues but he added that there was a much larger number out of whom more than is due to Government is realised. I have here the report of the Income-tax Commissioner for the Punjab and the North-West Frontier Province, and I think it will interest the House to know that in the year 1923-24 in the Punjab, out of 23,363 persons who were taxed, only 4,839 declared themselves to be taxable. Or, if you exclude the people who are obviously caught, people with salaries and companies, out of 19,675 people who were found to be taxable, only 2,914 submitted returns and admitted that they were taxable. In the face of figures like that, Sir, can it be claimed that the Income-tax Department, if it has recourse to a provision of the law which is designed for dealing with those who do not submit returns or keep accounts, is acting extortionately or unjustly? The point of the Honourable Mover has already been dealt with by Mr. Kabeer-ud-Din and, if I may say so, it struck me that Mr. Ahmed's speech deserved the serious attention of the House and not, I venture to say, to be greeted with laughter. (*Lala Duni Chand*: "You give away your case when you quote Mr. Ahmed.") I venture to differ from my Honourable friend. But the point is also rubbed in by the remarks which the Honourable Members from Madras and Bombay, Sir Gordon Fraser and Mr. Cocke, have made regarding the inequity of the strict taxation of companies and others who keep proper accounts while their competitors who do not keep proper accounts, generally small traders, are able to evade taxation. This raises a point that cannot be too often repeated, namely, that evasion of income-tax is not merely a fraud upon the Government but is a fraud upon the honest citizen and a fraud upon the general body of tax-payers. If evasion is successful, it reduces the yield of the tax and another tax must be found. Well, Sir, we know from yesterday's debate that this House has already got other purposes to which to devote the proceeds of another tax if another tax can be found. The Honourable Member referred to income-tax returns, and said:

"If an income-tax return is submitted, what are the alternatives? The income-tax officer should either accept it or he should prosecute."

I am afraid the speaker has not read the Income-tax Act. A very clear alternative is laid down by the Act,—an Act which was passed by this Assembly. It has been the policy of the Department to refrain from having recourse to extreme measures in the earlier years of the operation of the current Income-tax Act. The report of the Central Board of Revenue of India on the returns for the year 1923-24 shows this. It is not attributable to the department's being afraid of prosecuting but to the fact that it has been willing to be lenient until the public has become better accustomed, than it has shown itself so far, to meeting the demand upon it for the payment of the just dues of Government; that is to say, of the other tax-payers.

The suggestion that the appeals are a farce is one which I really cannot allow to go unchallenged. In the year to which I have referred, in the province from which the speaker himself comes, the Assistant Commissioner and the Commissioner modified orders in 280 cases. That is not a farce.

**Lala Duni Chand:** What was the percentage of the appeals accepted?

**Mr. A. H. Lloyd:** I have not got that figure. Any figures of that sort would be misleading. I merely quoted the figure I gave to show that it is absolutely wrong to use any such expression as "farce". The Assistant Commissioners and Commissioners of Income-tax are officers of a decidedly high status and they can be trusted with the duty that has been imposed upon them by the law of deciding appeals in a just manner. The Honourable Member proceeded to express great solicitude for certain "big persons" who found themselves inconvenienced because they were required to attend the income-tax officer's office, presumably because they had failed to send proper information by their representatives. I do not know whether there is any foundation for this allegation, Sir, but I do not think that the House will consider, generally speaking, that extraordinary measures that would be inconvenient to the Department should be taken in favour of persons who happen to be men of influence in a particular locality. Any such suggestion hardly strikes me as being very democratic.

Perhaps I have given too much time to the Honourable Member's remarks. There are one or two other matters to which I should like to refer before the House proceeds to vote. I will therefore pass on to what Colonel Crawford said about rent-free quarters. He urged Government to reconsider the arrangement of assessing the value of rent-free quarters as a part of salary. The same point was raised incidentally, or more than incidentally, by what was said by the Honourable Member from Bihar and Orissa regarding Government Houses. There is no doubt at all that if the income-tax officer did find that the Governor of Bihar and Orissa was liable to pay income-tax on the rental value of the free house or houses given to him, he was right in law, and it is not correct to say that his decision was upset by the Government of India . . . .

**Mr. Devaki Prasad Sinha:** I am very sorry to interrupt the Honourable Member, but is it . . . .

**Mr. A. H. Lloyd:** Would the Honourable Member mind my finishing? I am in the middle of a sentence. It is not correct to say that the decision was upset by the Government of India. The point was a new one. It had never been contemplated that tax should be charged upon the rental value of the Government Houses or of Viceregal Lodge, and when the point came to their notice, it received the careful attention of the Government of India, which decided that the case was a special one and one for the exercise of the powers conferred upon the Executive Government by the Income-tax Act of making an exemption from taxation by notification under the Act.

**Mr. T. O. Goswami** (Calcutta Suburbs: Non-Muhammadan Urban): Does that not mean upsetting the decision?

**Mr. A. H. Lloyd:** The expression "upset" appears to me to relate to an interpretation of the law, not to an alteration of the operation of the law by executive statutory power.

**Mr. Devaki Prasad Sinha:** May I ask if that notification related to the period before the issue of the notification or if the notification came into operation after it was issued?

**Mr. A. H. Lloyd:** May I ask for notice of that question?

**Mr. N. M. Joshi** (Nominated: Labour Interests): Answer to-day; otherwise we will vote against that grant.

**Mr. A. H. Lloyd:** The notification is of general effect. It applies to all Government Houses and to Viceregal Lodge.

**Mr. Devaki Prasad Sinha:** Subsequently, and not to the period before the issue of the notification.

**Mr. A. H. Lloyd:** As regards the general question, I do not think it is my province to discuss it, but I think the House will see that the Honourable Member answered his own point by what he said about the rental value of the new Viceregal Lodge at Raisina.

To return now to Colonel Crawford's case that the same concession should be given to those who occupy rent-free quarters of a less exalted character, this is a matter which will receive careful consideration. His suggestion that the amount of the rental value of a house taken into the income for assessment should be limited to 10 per cent. of the salary certainly seems to merit consideration. It is not possible for me to say anything more on that. But I would just mention that there is a difficulty. If you allow the value of rent-free houses to be tax-free, it is difficult to withhold the same concession from house rent allowances. If you allow those free, you might be able to see that Government or municipal bodies fixed the amount of house allowance at a suitable proportion to the pay, but other employers could conceivably fix the house rent at a very much higher figure than was really justified, leaving a very much smaller figure for salary. There is also another great difficulty which I do not think is perhaps realised. If you do allow house rent allowance free, what about those whose pay is fixed not with reference to what I might call *mufassal* cost of living with an additional allowance for living in a large expensive town but who draw a salary which is fixed definitely for work in that large town and in fixing which the cost of the house rent has been taken into account? However, the whole subject will receive further examination.

Two Members from Sind have spoken, but I venture to suggest that the points which they made are really points which it is not easy to deal with in detail in the House. Mr. Harchandrai Vishindas spoke of the inadequate staff in the province of Sind and in support of his argument quoted some figures from the proceedings of the Standing Finance Committee regarding the standard of work set up in one province. The standard given in the volume of the Standing Finance Committee's proceedings which he quoted was not in any sense meant to be taken as of universal application. All sorts of considerations affect the appropriateness of a standard in any particular case. If a very large proportion of income-tax payers are salary earners and a very small proportion are assessed on other income, obviously a standard of work could be laid down including a very much larger number of assesseses for each income-tax officer than elsewhere. Then again the geographical distribution of assesseses would make a big difference. The work in a large town for obvious reasons can be dealt with much more rapidly than is the case when the assesseses are spread about in a number of towns or villages lying in a rural or semi-rural charge. However, the Honourable Member can trust the Central

Board of Revenue to make a demand upon the House for increased staff if it is satisfied that increased staff in any case is necessary. We have not hitherto found that our difficulty has been to persuade the Standing Finance Committee or the House that the staff we were asking for was not big enough.

The other Member from Sind referred to the case of distant villages. I must assure him that it is our policy in the Bombay Presidency to confine the work of our special staff to towns and accessible places and to continue to use the Revenue Department for assessments in more remote places. The same Member voiced the grievances of certain officers imported from other Departments of Government regarding the rates of increment which they receive. I shall not be expected, Sir, I think, to go into this in detail at all. I would merely point out that the initial pay in the case of men who were transferred from other Departments was fixed with reference to their previous service, and the scales of pay in the Income-tax Department were so arranged as to fit in as far as possible with the scales of the provincial services in different provinces. If any individuals have a grievance the proper course for obtaining redress is to make representations. I do not think that the House will desire to discuss this matter further in detail. The same may be said to apply to the question of the allowances to certain individual officers to which the Honourable Member referred.

I have already dealt with Mr. D. P. Sinha's first point. As regards his second point, the distribution of the pic-allowance between provinces, the matter is one which has not, so far as I am aware, been placed before the Government of India. The Government of India have powers under the Government of India Act to settle disputes between provinces in matters of this sort.

**Mr. Devaki Prasad Sinha:** Is it not a fact that the Government of Bihar and Orissa has sent a representation to the Government of India on this point?

**Mr. A. H. Lloyd:** I am not aware of that, Sir. So far as can be traced, there is no such representation before the Government of India now.

**Mr. Devaki Prasad Sinha:** It was sent in last year or the year before last.

**Mr. A. H. Lloyd:** Then I come to Mr. Cocke. Mr. Cocke complained of delays. We have not received, so far as can be remembered, any complaints of such delays, but if we do receive complaints, the Central Board of Revenue and the Commissioners of Income-tax will certainly take any measures that are possible to put the matter right. The last thing that the Department wishes to do is to make itself more unpopular than unfortunately its very existence compels it to be by causing inconvenience to members of the public in the manner suggested. As regards the matter of one-man companies, all that can be said at the moment is that the matter is still under the consideration of the Government of India, and I am not in a position to disclose, or shall I say that there is no definite final decision of the Government of India which can be disclosed. It is proposed to reprint the Manual shortly. As regards the case of small traders, I have made some allusions to this matter already. We do not possess special statistics showing traders separately from other assesses, but perhaps I need not proceed further with that point as you.

[Mr. A. H. Lloyd.]

Sir, have ruled that it was a matter which should only be glanced at rather than discussed at length. The Honourable Member who sits behind me (Nawab Sir Sahibzada Abdul Qaiyum) took up a few minutes of the time of the House by describing the hard lot of a pensioner who had received in one year an amount of his pension which did not represent what was due to him for one year and was taxed upon his actual receipts in the year. This is correct in law, and I am afraid once again that I should be offending against your ruling, Sir, if I were to enter upon a lengthy argument as to whether the law should or should not be amended in this respect.

**Nawab Sir Sahibzada Abdul Qaiyum:** May I know, Sir, whether if the Government were to allow pensions or salaries to be accumulated, they would then be entitled to assess the income at higher rates? What is there to prevent the Government from paying their servants by the year or by the decade and then assessing them at a higher rate of income-tax?

**Mr. A. H. Lloyd:** The answer to that question, Sir, is that common honesty would prevent it. When cases of the sort happen, they happen through accidental causes. We should remember that it will also be found that the principle cuts both ways, and that cases do occur where a salaried person or a pensioned person pays less income-tax than would have been due from him had his salary or pay been disbursed strictly according to the period when it fell due.

**Nawab Sir Sahibzada Abdul Qaiyum:** But the question is whether the rate should be raised higher on that account, or whether it should be the same rate. I do not want Government servants and pensioners to escape assessment, but why should the rate be raised when there is an accumulation of arrears?

**Mr. A. H. Lloyd:** The point is really one of law, Sir, but I merely meant to state that the rate can be lowered as well as increased in the manner described. With his plea that the case of Government servants and pensioners should receive special consideration as they have no opportunity of escaping from taxation at the full rate to which they are liable, I might perhaps admit a certain natural sympathy of my own. But I am afraid that it is no argument for administering the law otherwise than literally, where such persons are concerned.

The Honourable Mr. Bipin Chandra Pal desired that income-tax should be accepted in instalments. That would be an exceedingly inconvenient practice and it probably would be undesirable to regularise it or make it of general application. The result of it would be to postpone the collection of the tax throughout the year, to postpone by that extent the receipts of money into the Government treasuries and it might therefore eventually mean loss to the Government, loss of interest. We get back to the old point that this would be a case of benefiting individuals at the cost of the general tax-payer.

I think perhaps the House has heard enough from me; but there is one point that Sir Purshotamdas Thakurdas raised that should be mentioned. (Mr. V. J. Patel: "And Mr. Ramachandra Rao.") I must apologise to my Honourable friend Mr. Ramachandra Rao for having overlooked his remarks about co-operative societies. He has raised a



complicated question which it is not very easy to discuss in a debate of this sort, and I think, Sir, with your permission, I will take refuge behind your ruling that proposals for the amendment of the law should not be discussed in a debate on administration.

**Diwan Bahadur M. Ramachandra Rao:** My point was whether the Government of India have power to exempt societies, as they have granted exemption in the case of the Governor of Bihar and Orissa.

**Mr. A. H. Lloyd:** The use by Government of this power of statutory exemption is a matter of general administration and not the administration of a particular taxing department and the point might perhaps be raised on another part of the Budget Demands.

**Mr. M. A. Jinnah:** Is the use of that power by the Government of India only confined to the Governors and Viceroy?

**Mr. A. H. Lloyd:** Certainly not, there are a number of exemptions in existence.

**Mr. M. A. Jinnah:** Why do not you exempt these societies?

**Mr. A. H. Lloyd:** Sir Purshotamdas Thakurdas raised the question of payments made by the High Commissioner of refunds in certain cases where section 48 applies—what is called small incomes relief. The arrangements made were described to the members of the Standing Finance Committee. The criticism which that Committee directed to the matter has not been overlooked and in accordance with the undertaking that was given to the Committee, the matter is being carefully examined, but it is not possible at this moment to announce any final decision in anticipation of what may be done before the period of one year expires for which the Standing Finance Committee agreed that the existing arrangements should be carried on, by approving of the grant of certain additional staff for the purpose. The point, I can assure him, will not be overlooked and such measures as may be necessary will be undertaken and such limitations and such control over any work for which we may employ the High Commissioner's services as may be appropriate will certainly be devised.

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): May I then take it that the additional expenditure for which application was made to the Standing Finance Committee has not been put in the Budget?

**Mr. A. H. Lloyd:** No, Sir. It has been sanctioned for one year in accordance with . . . . .

**Sir Purshotamdas Thakurdas:** I am afraid I do not see that in the record of the Standing Finance Committee. I have got a copy here.

**The Honourable Sir Basil Blackett** (Finance Member): If the Honourable Member will look at the record in Vol. IV, No. 3, dated the 26th January 1923, page 207, he will find the following statement:

"But the Committee were not satisfied that a case had been made out for making permanent arrangements for this work and agreed to the additional staff proposed being entertained for a period of one year only."

**Mr. A. H. Lloyd:** The Honourable Member has perhaps forgotten that the matter came up twice in the Committee. I have nothing more to say, Sir.

**Mr. President:** The question is:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 100."

The motion was negatived.

OPERATION OF DEVOLUTION RULE NO. 15 AND THE BENEFIT DERIVED BY PROVINCES THEREUNDER.

**Mr. K. C. Neogy** (Dacca Division: Non-Muhammadian Rural): Sir, I move that the Demand under the head "Taxes on Income" be reduced by Rs. 100.

As I have indicated on the notice paper, my intention is to discuss the operation of Devolution Rule No. 15 and the benefit derived by the various provinces thereunder. During the general discussion on the Budget the Meston Settlement came in for a good deal of criticism. I believe that there is a complete unanimity of opinion as to the necessity of revising the Meston Settlement. But I am not going into that question on this occasion. My intention is to draw the attention of the Government to the fact that Devolution Rule No. 15, which was intended to give the industrial provinces a share in the Taxes on Income, has failed in its primary object in so far as it does not benefit either Bombay or Bengal. Sir, I hope the House will bear with me a little when I give the brief history of this rule. As the House is aware, the Montagu-Chelmsford Report laid down the outlines of the financial re-arrangement as between the Central Government and the Provincial Governments which would be a feature of the proposed reformed constitution. It laid down that income-tax, which had so long been divided between the Central Government and the Provincial Governments, was to belong solely to the Government of India. This naturally aroused a good deal of opposition from Bombay and Bengal. And when the Meston Committee came out, a specific term of reference was added at the instance of Bombay, which raised the question as to whether the provinces were to get any share of the income-tax at all. The Meston Committee in dealing with that point observed as follows, in paragraph 7 of their report:

"We doubt if it will be possible permanently to exclude local Governments from some form of direct taxation upon the industrial and commercial earnings of their people and we recognise the natural anxiety of provinces to retain a share in a rapidly growing head of revenue. But so far as the income-tax is concerned, we see no reason to vary the scheme of the report."

Thereafter, when the matter came up before the Joint Parliamentary Committee, the Governments of Bombay and Bengal, and I think a number of public associations in those provinces, sent up representations to the authorities in England asking for a reconsideration of this matter. The Joint Parliamentary Committee had the advantage of consulting the Secretary of State's Council on the point, and then they proposed the addition of Devolution Rule 15 so as to meet the demand of these two provinces for a share of the income-tax. In their report on Devolution

Rule No. 15, the Joint Parliamentary Committee observe as follows:

"Certain provinces, particularly the three presidencies, are dissatisfied with the treatment of their own claims, and the Government of Bombay contest not only the amount of their contribution, but also the allocation of the heads of revenue on which the whole scheme is based. The Committee see no reason to differ from the fundamental features of the proposals, and they are definitely opposed to provincialising the taxation of income."

And a little later they proceed to observe as follows:

"None the less the Committee would be glad, on grounds of policy, to alleviate the disappointment caused by the restraints which the system of contribution lays on the employment by the provinces of their revenues. In searching for such alleviation they have been materially assisted by suggestions from the Council of India, a body to whose advice great weight attaches inasmuch as it is the authority charged by law with the responsibility of controlling the revenues of India. Accepting the more important of these suggestions the Committee are of opinion:

- (1) That there should be granted to all provinces some share in the growth of revenue from taxation on incomes so far as that growth is attributable to an increase in the amount of income assessed."

Then follow some suggestions which do not bear on this point. Now, Sir, we come to Devolution Rule No. 15, clause (1) of which runs as follows:

"Whenever the assessed income of any year subsequent to the year 1920-21 exceeds in any Governor's Province or in the Province of Burma the assessed income of the year 1920-21, there shall be allocated to the local Government of that Province an amount calculated at the rate of three pies in each rupee of the amount of such excess."

Now, Sir, what is the result of the practical working of this rule? I am indebted to the courtesy of Mr. Rau for the statistical statement I propose to lay on the table in this House, and which I trust will be incorporated as an appendix\* to this debate. When we examine this statement we find that in the last four years the Government of India have distributed about Rs. 90 lakhs to the different provinces under the provisions of Devolution Rule No. 15, and in the Budget this year they propose to set apart 25½ lakhs for the same purpose. When we examine the figures of the last four years we find that out of Rs. 89,96,000, Rs. 16,90,000 have fallen to the lot of Madras, Rs. 17,72,000 to Bombay, Rs. 95,000 only to Bengal, Rs. 3,53,000 to the United Provinces, Rs. 14,74,000 to the Punjab, Rs. 8,52,000 to Burma, Rs. 10,35,000 to Bihar and Orissa, Rs. 6,63,000 to the Central Provinces, and Rs. 10,62,000 to Assam.

When we come to the figures of the Budget year 1925-26, we find that out of a total of 25½ lakhs;

2,00,000 go to Madras,  
nil to Bombay,  
nil to Bengal,  
nil to the United Provinces,  
4,94,000 to the Punjab,  
8,28,000 to Burma,  
4,88,000 to Bihar and Orissa,  
nil to the Central Provinces, and  
5,40,000 to Assam.

Now, Sir, surely it was not the intention of the Joint Parliamentary Committee that the two industrial provinces should be deprived of a share of the income-tax revenue and that the other provinces, for whose benefit it was not mainly intended, should come in for such large shares. But I do not complain that the other provinces derived some benefit under the provisions of this Rule. My complaint is that in fixing the figures for 1920-21 as the standard, the Government of India and the authorities in England did a great injustice both to Bombay and Bengal, for we find that 1920-21 was a year of unprecedented boom in the industrial conditions

\* Printed as Appendix A to these Proceedings.

[Mr. K. C. Neogy.]

of these two provinces. The boom lingered for two years more in Bombay for we find that in 1921-22 they came in for Rs. 14,72,000 under this rule and in 1922-23 for 3 lakhs. After that Bombay has not got anything as the result of the working of this rule. In Bengal, it was only in 1921-22 when the figure of 1920-21 was exceeded, with the result that she got Rs. 95,000 that year, and in the succeeding years she got nothing out of this arrangement. Now, Sir, I think it was unpardonable on the part of Government to overlook the fact that both these provinces were passing through abnormal conditions of trade in that year and one would have expected Government to point out to the authorities in England that it was unjust to take the figures of 1920-21 as the basis for calculation. Sir, as early as September 1920 when the draft rules framed by the Joint Parliamentary Committee were published even a humble student of politics like myself pointed out in a newspaper article, which I hold in my hand, that:

"there was some risk in fixing the assignment on the basis of receipts for 1920-21 because it must not be forgotten that the recent inflation is not a little due to the prevalence of abnormal conditions during and after the War, and may suffer a shrinkage. . . . The proper course would be to fix the assignments on the basis of average receipts during the last few years."

That was the suggestion I put forward as early as September 1920.

Now, Sir, when we come to a province like Assam we find that in 1920-21 their income-tax receipts stood at a comparatively low figure, perhaps due to the fact that the tea trade was experiencing a slump, and as the tea trade has been recovering, we find that their share of income-tax under Devolution Rule 15 is going up by leaps and bounds. I maintain that it was wrong on the part of the authorities to take the figures of 1920-21 as the basis for calculation.

Sir, I am not concerned just now with the principles of federal finance. I am not going to enter into that vexed question as to whether income-tax receipts can as a principle of sound federal finance be claimed by the provinces to be shared with the Central Government. What I would point out is that unlike the Devolution Rules dealing with the provincial contributions, Rule 15 is meant to be a permanent feature of the present financial arrangement between the provinces and the Central Government. And so long as the revision of the Meston Settlement is not undertaken, this Devolution Rule will continue to operate to the hardship of the industrial provinces, because I think the Honourable the Finance Member will not contest my proposition that these two provinces cannot be expected to exceed the standard figures fixed by this rule in the near future. I take it, Sir, that the Joint Parliamentary Committee and the Government of India did not intend Devolution Rule 15 to be a joke so far as Bombay and Bengal are concerned. If that be so, may I appeal to Government to take this question up with the authorities in England and see that a proper basis of calculation is arrived at. I am not asking for any revolutionary change in the financial arrangements between the provinces and the Central Government. What I ask for is that you should give effect to the intention which the Joint Parliamentary Committee undoubtedly had in mind in framing Devolution Rule No. 15. Sir, the Honourable Finance Member is shortly proceeding home on leave. May I appeal to him to devote a part of his well-earned rest for the purpose of amending the rule in consultation with the authorities in England? Sir, it is not

my intention to press this motion to a division. (*Cries of "Why not?"*) Well, I am entirely in the hands of the House; but I hope the reply which I am going to get from the Honourable Finance Member will be a hopeful one, and that he will agree to reopen this question in consultation with the authorities in England. I move my motion.

**Mr. President:** Reduction moved:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 100'."

**\*Sir Ohimantal Setalvad** (Bombay: Nominated Non-official): Sir, I have great pleasure in joining with my Honourable friend Mr. Neogy in drawing attention to the very unfair manner in which Development Rule 15 is worked. I do not propose, Sir, on this occasion to go into the iniquity of the Meston Award when it treated the industrial provinces by the same rule as it treated what may be called the agricultural provinces, because that large question is not before the House on this motion, and I hope that we shall get another opportunity to debate that much-vexed question. But the fact remains that this Devolution Rule No. 15, which was intended as a sort of corrective to the iniquity of the Meston Award, has not fulfilled its purpose. As has been pointed out already, while Madras under Devolution Rule 15 got 4 lakhs and odd in 1921-22, 10 lakhs and odd in 1922-23, 2 lakhs in 1923-24, and 2 lakhs in 1924-25, and while the Punjab got 30 lakhs in 1921-22, 5.60 lakhs in 1922-23, 4.24 lakhs in 1923-24, 4.51 lakhs in 1924-25 and 4.94 lakhs in 1925-26, Bombay gets nothing in 1923-24, 1924-25 and 1925-26 and Bengal has got nothing since 1921-22, in which year she got only .95 lakhs. I have taken the figures of Madras and the Punjab only as illustrative of the situation. The other provinces too have also profited, while the two industrial provinces of Bombay and Bengal have not profited at all. For instance, Bihar and Orissa will get in 1925-26, 4.88 lakhs; it got 4.35 lakhs in 1924-25 and 2.55 lakhs in 1923-24, and also 2.87 lakhs in 1922-23; it must be remembered that Bihar and Orissa is the province that pays no provincial contribution at all.

**Mr. Devaki Prasad Sinha:** May I correct the Honourable Member? Bihar and Orissa is not an agricultural province entirely; it is greatly industrial.

**Sir Ohimantal Setalvad:** I never said it was agricultural. I am only pointing out that here is a province which pays no provincial contribution at all but still profits so largely by this Devolution Rule 15, while the two provinces for whose benefit it was designed have not profited at all and are not likely to profit in future years. The result, therefore, of Devolution Rule 15 is this, that Madras, which under the Meston Settlement got a windfall of 5 crores odd, gets a further windfall every year which now comes to 2 lakhs for 1925-26; similarly, the Punjab, which also got a windfall under the Meston Settlement, now gets a further windfall under this income-tax arrangement; and its share will be 4.94 in 1925-26; while the only two provinces of Bombay and Bengal, to whom this sop was thrown on the recommendation of the Joint Parliamentary Committee, have not benefited at all under the arrangement. Devolution Rule 15 was so framed as necessarily to lead to this result; because what was provided was that the provinces would get a certain share in any increase in the amount of income assessed over the income of 1920-21. So the situation was this, that we got a share in any increase in the total

\*Speech not corrected by the Honourable Member.

[Sir Chimanlal Setalvad.]

income assessed, but the provinces got no share at all in any increased amount of tax by raising the incidence of taxation, namely, the rate of assessment. Where the Government of India raised the rate of assessment and thereby the total income-tax of any particular province increased, the province got no increase in it at all, but when the total number of assesses increased the provinces shared in the increase.

Then, Sir, as has been pointed out already, so far as Bengal and Bombay were concerned, the situation worked really very hard on them, because the datum line was taken in a very exceptional year 1920-21, when there was an exceptional boom in trade and industry, and therefore the income-tax collected in that year stood at a very high figure. In subsequent years it has not been possible to exceed that datum line taken, which was a very very exceptional year indeed, with the result that has been put before the House. As has been pointed out already by my friend Mr. Neogy, the matter requires to be immediately dealt with. Here is a plea not for reopening the Meston Settlement, because that will take time; the matter will have to be thoroughly gone into from all aspects and some fresh Committee probably will have to be appointed to investigate the whole question. But what has been pointed out now is that the Meston Settlement which was made to give some relief to the provinces most affected by it, namely, Bombay and Bengal, has worked in such a freakish manner that no time should be lost in immediately tackling this Devolution Rule No. 15, and I do hope, Sir, that the Government of India and the Honourable the Finance Member will take this matter into their immediate consideration and arrive at some solution of the difficulty that has been pointed out in the working of Devolution Rule No. 15. As I said, Sir, I do not propose to enter on this occasion into the question of the Meston Settlement. As you know, Sir, Bombay is particularly sore. Bombay feels that she has been treated very very badly indeed by the manner in which the Meston Settlement was made, and I may again tell the House what I told the House once before, I think last year, that Bombay will never rest content till the Meston Settlement is reopened and some more equitable arrangement is arrived at. However, as I said, I will take another opportunity of pressing the view of Bombay on the attention of the House. For the present I only wish to draw the attention of the House to the unfair way in which Devolution Rule No. 15 has worked, and we do hope that the Government of India will take immediate steps to remedy the situation.

**The Honourable Sir Basil Blackett** (Finance Member): Sir, I should like to join my voice with that of the last two speakers in complaining of the inequitable way in which Devolution Rule No. 15 has worked against the Government of India. Sir, that rule was intended to arrange that there should be a datum line for income-tax in 1920-21 and that a share in the increase and the growth of revenue from taxation of income, so far as that growth is attributable to an increase in the amount of income assessed, should go in some measure to the Provincial Governments. With one exception, that of the year 1921-22, the net revenue of the Government of India from Taxes on Income has been considerably less each year than the amount in 1920-21. None the less we have had to pay out each year to these grasping provinces sums amounting to lakhs and lakhs of rupees. (Mr. Duraiswami Iyengar: "We pay you crores; you pay us lakhs".) I fully recognise that the way in which this Rule has worked, has not been

altogether satisfactory. It has, as is pointed out by Mr. Neogy, had the result that, since 1921-22, Bengal has had no gain from the provision, Bombay has had a sum of 8 lakhs in 1922-23 and nothing since, and that the amount that has gone to Madras is exceedingly small. The increase has been chiefly in the case of the agricultural provinces, if I may include Bihar and Orissa as a partially agricultural province, and not in the case of the provinces where there are large industrial centres such as Bombay, Cawnpore, Madras or Calcutta. That was certainly not the intention with which the Joint Select Committee had framed their proposals. The explanation is quite a simple one. It is that the year 1920-21 was a year of very good trade and the datum line has been a high one, which has not been reached in the case of the industrial portions of India since, with the exception of the year 1921-22, whereas, mainly because additional assessments have been made and our income-tax machinery has been getting more effective, the same has not applied to the agricultural provinces. The problem is simply to see whether we could find some datum line for the future better than the datum line which has worked in the past. It is probable that, with the existing datum line, it will be at any rate two or three years before either Bombay or Bengal get a share in the income-tax. I do not know why Mr. Neogy should expect me to take this exciting subject home with me to London or why he should think that it is specially to be debated in London. It is a matter for consideration in the ordinary course by the Government of India. No doubt, it would require reference to the Secretary of State for final settlement but I do not see any reason why it should be regarded as a matter that should be taken to Whitehall and should not be discussed in Delhi. I would suggest that the proper way for its discussion would be for the Finance Members of the provinces who are particularly interested to bring it up on the agenda of the next Finance Members' Conference. That would be an opportunity for discussing it. It is a matter that would have to be discussed between all the provinces and could hardly be settled offhand by the Government of India, and, as the Government of India are prepared to go . . . .

**Sir Ohimanlal Setalvad:** May I know from the Finance Member whether the Finance Members of the various provinces have not already in their previous conferences brought this matter to his notice?

**The Honourable Sir Basil Blackett:** I do not remember its being brought to my notice—at any rate it has not been put as a formal matter for discussion and I would suggest that it might very well be brought up formally at the next conference. Though I do not want to prophesy or to promise that the Government of India would be willing to make any large concession, I am quite prepared to consider the matter and see whether we can arrive at something that would at any rate give some effect to the purpose that lies behind Devolution Rule No. 15.

**Mr. President:** The original question was:

"That a sum not exceeding Rs. 62,57,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1926, in respect of 'Taxes on Income'."

Since which an amendment has been moved:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 100."

The question I have to put is that that reduction be made.

The Assembly divided :

AYES—63.

Abhyankar, Mr. M. V.  
 Abul Kasem, Maulvi.  
 Acharya, Mr. M. K.  
 Ahmed, Mr. K.  
 Aiyangar, Mr. C. Duraiswami.  
 Alimuzzaman Chowdhry, Mr.  
 Belvi, Mr. D. V.  
 Chaman Lal, Mr.  
 Chanda, Mr. Kamini Kumar.  
 Chetty, Mr. R. K. Shanmukham.  
 Cocke, Mr. H. G.  
 Crawford, Colonel J. D.  
 Dalal, Sardar B. A.  
 Das, Mr. B.  
 Das, Pandit Nilakantha.  
 Datta, Dr. S. K.  
 Duni Chand, Lala.  
 Dutt, Mr. Amar Nath.  
 Ghose, Mr. S. C.  
 Goswami, Mr. T. C.  
 Govind Das, Seth.  
 Hans Raj, Lala.  
 Hari Prasad Lal, Rai.  
 Hussanally, Khan Bahadur W. M.  
 Iyengar, Mr. A. Rangaswami.  
 Jeelani, Haji S. A. K.  
 Jinnah, Mr. M. A.  
 Joshi, Mr. N. M.  
 Kasturbhai Lalbhai, Mr.  
 Kazim Ali, Shaikh-e-Chatgam Maulvi  
 Muhammad.  
 Kelkar, Mr. N. C.  
 Kidwai, Shaikh Mushir Hosain.

Lindsay, Mr. Darcy.  
 Lohokare, Dr. K. G.  
 Makan, Mr. M. E.  
 Mehta, Mr. Jamnadas M.  
 Misra, Pandit Shaumbhu Dayal.  
 Misra, Pandit Harkaran Nath.  
 Murtuza Sahib Bahadur, Maulvi  
 Sayad.  
 Mutalik, Sardar V. N.  
 Narain Dass, Mr.  
 Nehru, Dr. Kishenlal.  
 Nehru, Pandit Motilal.  
 Nehru, Pandit Shamlal.  
 Neogy, Mr. K. C.  
 Pal, Mr. Bipin Chandra.  
 Patel, Mr. V. J.  
 Purshotamdas Thakurdas, Sir.  
 Rajan Bakhsh Shah, Khan Bahadur  
 Makhdum Syed.  
 Ranga Iyer, Mr. C. S.  
 Ray, Mr. Kumar Sankar.  
 Rhodes, Sir Campbell.  
 Roy, Mr. Bhabendra Chandra.  
 Samiullah Khan, Mr. M.  
 Setalvad, Sir, Chimanlal.  
 Shafee, Maulvi Mohammad.  
 Singh, Mr. Gava Prasad.  
 Sinha, Mr. Ambika Prasad.  
 Sinha, Mr. Devaki Prasad.  
 Syamacharan, Mr.  
 Sykes, Mr. E. F.  
 Tok Kyi, Maung.  
 Yakub, Maulvi Muhammad.

NOES—41.

Abdul Mumin, Khan Bahadur  
 Muhammad.  
 Abdul Qaiyum, Nawab Sir Sahibzada.  
 Ahmad Ali Khan, Mr.  
 Aiyer, Sir P. S. Sivaswamy.  
 Ajab Khan, Captain.  
 Akram Hussain, Prince A. M. M.  
 Ashworth, Mr. E. H.  
 Badi-uz-Zaman, Maulvi.  
 Bhore, Mr. J. W.  
 Blackett, The Honourable Sir Basil.  
 Bray, Mr. Denys.  
 Burdon, Mr. E.  
 Calvert, Mr. H.  
 Clarke, Sir Geoffrey.  
 Cosgrave, Mr. W. A.  
 Fleming, Mr. E. G.  
 Fraser, Sir Gordon.  
 Graham, Mr. L.  
 Hira Singh Brar, Sardar Bahadur  
 Captain.  
 Hudson, Mr. W. F.  
 Innes, The Honourable Sir Charles.  
 Lloyd, Mr. A. H.

Mahmood Schamnad Sahib Bahadur,  
 Mr.  
 Marr, Mr. A.  
 McCallum, Mr. J. L.  
 Mitra, The Honourable Sir Bhupendra  
 Nath.  
 Moir, Mr. T. E.  
 Muddiman, The Honourable Sir  
 Alexander.  
 Muhammad Ismail, Khan Bahadur  
 Saiyid.  
 Naidu, Mr. M. C.  
 Raj Narain, Rai Bahadur.  
 Rangachariar, Diwan Bahadur T.  
 Rao, Mr. P. R.  
 Reddi, Mr. K. Venkataramana.  
 Rushbrook-Williams, Prof. L. F.  
 Sahni, Diwan Bahadur C. V.  
 Visvanatha.  
 Singh, Rai Bahadur S. N.  
 Stanyon, Colonel Sir Henry.  
 Tonkinson, Mr. H.  
 Wajihuddin, Haji.  
 Webb, Mr. M.

The motion was adopted.



**Mr. President:** I had almost said "The unwilling Ayes have it!" I observe that the House could not at first make up its mind as to whether to divide or not, and then when it did decide to divide, more than half of the House did not know which way to vote. If Honourable Members will kindly make up their minds beforehand, thereby not delaying divisions, I should be much obliged. I have no concern which way Honourable Members vote, but I have some concern with the speed with which they do vote.

The Assembly then adjourned for Lunch till Twenty-five Minutes to Three of the Clock.

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The Assembly re-assembled after Lunch at Twenty-five Minutes to Three of the Clock, Mr. Deputy President in the Chair.

#### ADDITIONAL PROVISION IN THE VARIOUS PROVINCES.

**Mr. K. Rama Aiyangar** (Madura and Ramnad *cum* Tinnevely: Non-Muhammadian Rural): Sir, I beg to move:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 3.50 lakhs."

The object of this motion, Sir, is to point out how the expenditure of this department has been growing and how we have been budgetting accurately for the amount of growth of expenditure that should be allowed. Usually you find that you budget for more than what could be spent. Of course not that the money is lost, as it will be argued on behalf of the Government. It will be there no doubt. But the effect of such small variations will be that about a crore or a crore and a half will be put on the expenditure side in excess of what ordinarily should be allowed for increase of expenditure that you anticipate. While I am willing that you should pay attention to the details of the expenditure and allow a margin for ordinary growth of expenditure and also that where the Finance Committee have gone into a question and allowed extra provision under a particular head, you should give credit to such amounts, you ought also to take care that the Budget does not include amounts too much unnecessarily put into it and bring the Budget to as safe a limit as possible. It is with that end that I have brought forward this motion. It could easily be shown that much more than 3.50 lakhs may be cut, up to 6 or 7 lakhs without any prejudice to the work undertaken by the Department, but I do not want to do it. I want to leave a fair margin over and above the ordinary growth for leaving it to the Honourable Members of the Government to adjust the current expenditure as it may arise. Briefly I will explain the position. Pages 6 and 7 of the Explanatory Memorandum by the Financial Secretary, that small book that has been placed with the Budget, will show the difference in the expenditure. At page 7 you will find the expenditure was 22 lakhs in 1921-22 for an income of 22 crores which you see in page 6 for the year. The expenditure rose to 44 lakhs in 1922-23 for an income of 18 crores which you see in page 6.

**Mr. T. C. Goswami** (Calcutta Suburbs: Non-Muhammadian Urban): On a point of order, Sir, is there a quorum in the House?

**Mr. Deputy President:** Yes.

**Mr. K. Rama Aiyangar:** The actuals of 1923-24 show an expenditure of 62 lakhs for an income of 18 crores; you will see that income in page 6. But it must be borne in mind that of the 62 lakhs that is provided in 1923-24, you will find by examination of the details of the Budget appearing in pages 11 to 17 . . .

**Mr. O. S. Ranga Iyer** (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): On a point of order, is there a quorum in the House?

**Mr. Deputy President:** Yes, I see the quorum in the lobby.

**Mr. K. Rama Aiyangar:** Pages up to 17, if examined, will show that out of the 62 lakhs provided for expenditure in 1923-24 about 20 lakhs have been provided for to be paid to the Provincial Governments for part of work that had been done by them in the previous years. You will see this amount under Madras, Bombay, Bengal and other provinces. The provision under Madras was for 10 lakhs in 1923-24 and similarly provision has been made in other provinces which comes to about 20 lakhs. This amount has to be taken out of 62 lakhs and the normal expenditure would thus be only about 42 lakhs in the year. In the Budget of 1924-25 it was provided to spend about 60 lakhs.

**Mr. O. S. Ranga Iyer:** On a point of order, Sir. Is it reasonable to continue the proceedings of the House when there is no quorum? It does not matter whether the quorum is in the lobby or not. With due respect to you, Sir, is it proper or is it legal to continue the proceedings of the House when there is no quorum?

(The bell rang in order to obtain the necessary quorum after which Mr. K. Rama Aiyangar resumed his speech.)

**Mr. K. Rama Aiyangar:** As I said, Sir, the budget estimate of 65 lakhs for 1924-25 included about 13 lakhs as monies so payable leaving it at about 52 lakhs as net expenditure that was expected to be expended this year, over and above the payments payable to several Provincial Governments. But the actuals or rather the revised estimates indicate that they expect an expenditure of about 60 lakhs only, though the provision was for 65 lakhs in the Budget. It will be found that of this 60 lakhs about 10 lakhs is the kind of expenditure to which I have already referred. This amount of 10 lakhs appears under several provinces. So that the actual figure showing the expenditure over and above such estimates comes to only about 50 lakhs in the revised estimate of the present year. But the expenditure for the next year is put at 66 lakhs. On an examination of all the heads of the provisions for payments to Provincial Governments for the staff they employed for collecting this revenue, it will come to only 4.52 lakhs for that year. So that it will be seen that 62 lakhs is provided over and above the payments to be made to Provincial Governments in the year 1925-26. The corresponding amount that is expected to be spent, even according to the revised estimate this year, is only 50.51 lakhs. So that it is found that a budget provision of about 10 lakhs extra is made for the new year. If we understand that position, I can easily explain how this extra 10 lakhs is provided under the various heads in these pages that I have referred to.

Under each head, say Madras, the North West Frontier Province, Bengal, Bombay, I will show you the figures, which show how this extra budget has been made out. You will find at page 12, under the head Travelling Allowance, House-rent and other allowances an extra Rs. 7,000 is budgeted for; under the head Pay of Officers, an extra Rs. 41,000 is budgeted for; under the head Clerical Staff, and under Leave Salary about Rs. 50,000 extra is provided, and under the head Miscellaneous Contingent Charges about Rs. 30,000 is provided. This is all in Madras. In Bombay it will be seen from page 13, under the head Contingent Expenditure Rs. 50,000 is provided, under the head Income-tax Officer, etc., an extra Rs. 50,000 is provided, and for Staff Servants, Inspectors, etc., an extra Rs. 24,000 is provided; and in all the extra provided is about two lakhs in Bombay. Similarly in Bengal, under the head of Collection of Income-tax, Commissioner, etc., there is a provision made of Rs. 1·60 lakhs over and above the provision for the revised estimate of this year. But it will be seen that about Rs. 25,200 has been sanctioned as a special case in the case of several Income-tax officers by the Standing Finance Committee. Leaving that aside, you will find an extra provision of Rs. 1·20 lakhs which is not accounted for except probably that it will be taken into account under the provision which will be made to increase the last. As I have pointed out, the comparison of the various years' figures show that this excess will be on an average scale of two or three lakhs. Similarly, on page 14 in the total for Bengal there is an extra provision which is about Rs. 25,000 more than that of the previous year, and in the United Provinces about Rs. 80,000 extra, and in the Punjab Rs. 40,000 extra, and Burma in all about Rs. 30,000 under the head Temporary Income-tax Officers, etc., and Rs. 30,000 under the head Leave Salary, House-rent and other allowances, and Rs. 80,000 in all. Similarly, you will find an extra provision for Bihar and Orissa, and in the Central Provinces about Rs. 20,000 each. So that making a calculation on that I find an extra provision in all of Rs. 6,50,000 over and above what is the normal increase on staff has been provided. Wherever I find, by a comparison of the revised estimate of 1924-25 and the Budget of 1925-26 the sum under Officers' Pay is likely to be more on account of the usual incremental scale, I do not take that into consideration. I leave that as a natural increase that must follow, but where there is extra staff, or where there is no extra contingent provision made which is more than enough, which has been our experience previously, I only want, as I said out of Rs. 6,50,000 which is extra provided over and above the ordinary increase, only Rs. 3·50 to be cut, leaving the other three lakhs to the Department to meet and sanction the contingent needs that may arise. As I have pointed out, I have taken care to see that where the Standing Finance Committee has been approached for sanction to any increment for the purposes that have been explained to them, and where it has been put in asterisks in the notes of the Budget, as you will see from an examination of that, I have allowed all that to stand. I have allowed as a second matter the amount that has been provided for the natural, ordinary increase in pay of officers and staff, and I have allowed also an extra about Rs. 3 lakhs and odd with the department for purposes of their own. I am only asking for a Rs. 3·5 lakhs cut.

My object in doing so is, as I said at the commencement, to avoid over-budgeting so that the total under all Demands at the disposal of the Assembly may be more as it ought to be without the chance of the amount budgeted standing as surplus at the end of the year without the Assembly's control. It is proper to budget within reasonable limits which would allow

[Mr. K. Rama Aiyangar.]

of fair use, under all anticipations, of money that is provided in the Budget. It is with that view that I press this motion.

As regards my Honourable friend Mr. Rangaswami Iyengar's motion, he has given only a cut of 1 lakh. Apparently he wanted to confine his motion to one item only of extra reduced provision that might be made. I have gone more deeply into the matter and I have laid by much more than is necessary for the growing ordinary expenditure and this is the way in which I have been examining the thing. I am satisfied that as they have shown 4 lakhs less expenditure this year they are going to show less expenditure next year also. Not that the money will be lost, but the opportunity this Assembly has of exercising its mind to devoting the surplus that might remain is lost by such small things being added and the total they make being lost to the Assembly. I therefore press this motion.

**Mr. A. Rangaswami Iyengar** (Tanjore *cum* Trichinopoly: Non-Muhamadan Rural): Sir, I should prefer to support the motion moved by my Honourable friend for a cut of  $3\frac{1}{2}$  lakhs in preference to my cut of one lakh, because, if it is carried, it may not be necessary for me to move this cut and because the matter I desire to take up in my motion is also to some extent covered by the motion which he has placed before the House. If, however, the motion of Mr. Rama Aiyangar is not carried, I will then have the opportunity of formerly moving my motion.

The point I wish to emphasise is that so far as this kind of expenditure is concerned, the Finance Member in his very lucid speech on the Budget referred in paragraph 55 to the practice of all Departments of overestimating expenditure. It is a practice that has been inveighed against times out of number on the floor of this House by the non-official representatives of the people who had neither authority nor power to give effect to their wishes in overestimates of this kind. It is a belated recognition on the part of the Finance Member of the evil he has now found out and provided for by what he called a lump deduction. Under each department he has made a deduction of 1 lakh to provide against the dangers of this overestimating. My proposition therefore, Sir, is that this lump deduction need not necessarily be confined to one lakh, but might be at least 2 lakhs under each of the heads under which he has made the deduction. The evil of overestimating expenditure is primarily one which imposes a great burden on the tax-payer. It encourages the Government to extravagance and it adds to the burdens of the tax-payer, and particularly, in the Income-tax Department, as my Honourable friend Mr. Rama Aiyangar has pointed out, this practice of loose budgeting has been carried to an extreme point. It may be, Sir, that that Department is undergoing reorganisation, but surely there must be some principle upon which an expenditure, which only amounted to 60 lakhs last year, should be put down at 66 lakhs this year and notwithstanding the fact that the revenue of this year does not seem to show any considerable advance upon the figures of last year. Nor can it be said that these six lakhs are needed to bring in additional revenue because the prospects of this additional revenue are entirely dependent upon conditions other than those of the establishments employed by the Department.

But apart from the unjust burden on the tax-payer which this overestimating has imposed and to which the Finance Member has properly referred, there is another evil to which the tax-payer is subjected by this

overestimating, and that is that by this process of overestimating, the Government is enabled by the method of reappropriations of grants to take over further use what we may call the excesses created by these speculative figures, and if it is found that certain savings are possible under heads on which probably the scrutiny of the Assembly may not be cast, the savings under that head might be appropriated to excesses under other heads, as to which they place no present proposals before the Assembly. We have known many instances in which new proposals on the part of the Government have been brought into existence after the Budget period and for which funds have been found in very large quantities by reappropriations. That again, is an injustice not only to the tax-payer; it is also an infringement of the powers and privileges of this House. The Finance Member has recognised this and he says:

“ Departmental officers frame their budgets and they naturally provide for the full sanctioned strength; but small savings invariably occur under individual heads of expenditure due mainly to accidental causes, such as a temporary shortage of staff, smaller expenditure on leave salaries and the like.”

These things were till now taken away by reappropriations for fresh expenditure. This lump deduction, therefore, in the Finance Member's opinion seems to impose upon the departments concerned a certain amount of inconvenience; but though it is a convenience to them to have a free hand with the monies of the tax-payer, it is certainly an injustice to this House and to the tax-payer that such large reappropriations should be allowed; and as he very properly says the only inconvenience would be that of compelling them to come to this House with supplementary estimates. If that is an inconvenience, Sir, it is an inconvenience that is inevitable under any scheme of Parliamentary control of the finances of this country; and if the departments want to get rid of that control, it is too late in the day for them to think of it. I, therefore, say that if instead of this lump deduction of one lakh we put down two lakhs, it would also mean exactly what the Finance Member says; the result of it will be that whenever there is an excess of expenditure, they would have necessarily to come up to this House with supplementary demands and the House will be in a better position to scrutinise these demands for extra expenditure whenever the estimates have been found short thereby. Therefore, it is all the more necessary that these lump deductions should be put down at as high a figure as will compel these people not to make reappropriations of this kind, but always to come to this House for every new expenditure of any considerable amount which they have to incur and to obtain the sanction of this House for expenditure for which they have till now been obtaining merely departmental sanctions and in which they have had it all their own way so far. That is my reason for supporting Mr. Rama Aiyangar's amendment.

**The Honourable Sif Basil Blackett:** Sir, Mr. Rāgaswami Iyengar has quite rightly drawn attention to the problem of over-budgeting. It is a little hard—but I am getting accustomed to it—that whenever I mention a means of improving the control of this House and introduce it in the Budget, it is immediately turned against me and I am attacked because it was not done before or on the ground that it is not being done enough. The difficulty of over budgetting is one which will always arise, but I have no reason whatever to suppose that it arises in the present case. It arose last year on the Demand for Taxes on Income, and it is partly on that account and because Mr. Rama Aiyangar has been busy with his usual ingenuity comparing like with unlike that he produces these rather fantastic.

[Sir Basil Blackett.]

results. If you compare the budget estimate of last year with the budget estimate of this year there is a difference of less than a lakh. There was a considerable saving on the budget estimate last year, and it was due simply to the fact that the additional staff that was already sanctioned, particularly in the Bombay Presidency for taking over the work from the Bombay officials, was not fully trained and fully available during the whole of the year and considerable savings were therefore effected as the result of the staff not being employed as early in the year as was expected at the time the Budget was framed. If Honourable Members will look carefully at the pages in this volume which deals with Demand No. 17, they will find certain items printed prominently in black lettering, those items represent the only items in this Budget which are not simply recurrent provision for items that appeared in previous years. These are all

3 P.M. new items in one form or another. Every one of them has been before the Standing Finance Committee and has been dealt with by that Committee, and the reasons for the necessity of these new items have been given to that Committee, and after a very careful examination by that Committee those items have been recommended by the Standing Finance Committee. I should like to take this opportunity of expressing my own thanks to the Members of the Standing Finance Committee for the very hard work which they have put in. It is sometimes a very laborious job, and I can assure those Members who are not so fortunate or otherwise as to be members of the Standing Finance Committee, that it is really an onerous and exacting task, and a task which is performed with great zeal by the members of that Committee. These items are the only new items in the Budget. All the other items represent a continuance this year of the provision made last year. The reason why there is a considerable increase as compared with the revised estimate of last year is simply that the staff sanctioned last year was not in fact all employed in the early part of the year. We have examined these estimates with great care this year, and there is no reason to expect any recurrence of that form of saving, because the new staff in Bombay has been brought fully into effect before the end of this year, and therefore we shall require the whole provision for that staff next year. I would venture to draw the attention of this House to the fact that during the course of the morning, we were subjected from various quarters to considerable criticism on the ground that our staff was insufficient in various directions, particularly in Bombay. I think the explanation partly lies in the fact that the staff was only gradually being brought into being during the current financial year, and that may perhaps have given rise to the complaints which were being voiced; but as I say, the full sanctioned staff will be fully engaged in the course of the current year.

Mr. Rangaswami Iyengar suggests that we should make the cut that is proposed, 3½ lakhs I think, by way of a special cut on the ground of possible over-budgeting and that we should come back to the Assembly if there is a supplementary estimate. I do not know with what specific purpose he would make this cut.

**Mr. A. Rangaswami Iyengar:** Same as one lakh.

**The Honourable Sir Basil Blackett:** But I assure him that that is not the way to frame a budget. The budget estimate of any country that is presented to the Parliament must necessarily be the estimate of the

amount that is likely to be expended in the course of the year. If Honourable Members in the course of their discussions on Demands for Grants make cuts of a few lakhs here and a few lakhs there and ask us to come back for supplementary estimates, if necessary, I must include the expenditure which has been cut out as part of my probable expenditure for the year even if it is not included in the Demand for Grant actually passed. I cannot take the Demand for Grant as representing the probable amount of our expenditure during the year if I have every reason to believe that it will be necessary to come back to the House for a supplementary demand, and if the House has told me in advance that I should come back if I find I need it. We must frame the Budget on some basis, the basis of our probable expenditure. So the only effect of making a cut of this sort here will be that I shall almost certainly have to come back for a supplementary estimate and no change whatever would be possible in the figures of our estimate.

**Mr. A. Rangaswami Iyengar:** May I know, Sir, what was the principle by which a 5 per cent. cut all round was made in the Budget two years ago, or why a lump deduction against over-estimating was made this year?

**The Honourable Sir Basil Blackett:** A 5 per cent. cut was not made two years ago but was made three years ago. A 5 per cent. cut was made when the Retrenchment Committee was about to be appointed. If I may venture to say this, I may say that it is a very dangerous principle because the House is really not exercising its full control if it makes an all-round cut and tells the Government to come back again if they want more. I am not putting this point argumentatively, but I think it is a point the House has got to be careful about, because if they do want to appropriate, their direction should be to the Government to appropriate money for the purposes mentioned in the Demands for Grants. If they make an all-round cut and tell the Government they have got a free hand to come back, the House does not exercise its control properly. Now, Mr. Iyengar went on to say that the practice of over-budgetting enabled the departments to resort largely to reappropriations without any control at all. (*Mr. A. Rangaswami Iyengar:* "By this House".) I assure you it is quite incorrect. Any kind of new expenditure has to go first of all to the Standing Finance Committee and has to be approved by the Standing Finance Committee. If it is a transfer within some vote and the total of the vote is not exceeded, it is perfectly true that in that case a supplementary estimate has not to be asked for, but it has to run the gauntlet of the full scrutiny of the Finance Department, which is naturally always anxious to save any money that it can, and after that it has to run the gauntlet of the Standing Finance Committee. And I think that gives the House a very strong control over the practice of reappropriation. Also, there are other rules which are very carefully observed, for example, that the beginning of a completely new scheme cannot be made out of reappropriation in this way. Such reappropriation can only be for casual excesses and not for the starting of new schemes. So that the Honourable Member is, I think, very much overstating his case when he suggests that the sort of reappropriation that results from over-budgetting can be resorted to without full control both from the Finance Department and the Standing Finance Committee, and ultimately of the Assembly itself. If the Standing Finance Committee made a practice of agreeing to things of that sort to which the House did not agree, the remedy is very easily in the hands of

[Sir Basil Blackett.]

the House. And I am sure they will not fail to exercise it. (Mr. A. Rangaswami Iyengar: "The ultimate remedy always exists".) I have explained that there is nothing in this estimate for new expenditure beyond these items printed in bold type which represent new items which are regarded as necessary and have been passed by the Standing Finance Committee. There is no reason that I can see for making a cut in order to prevent over-estimating in this case. Those estimates have already been very carefully considered. I know that, as a matter of fact in this particular case, we have already made quite a considerable pruning. It does not appear in the form of a direct cut, but if Honourable Members will look at page 13 they will see that the provision for the amount payable to Provincial Governments for work done by the provincial staffs is entered as only a lakh and a half, whereas the provision last year was three lakhs. The actual expenditure last year was put down as one lakh and 25 thousand, based I suppose on a percentage of the income received. But I have reason to believe that the figure of a lakh and a half is probably a considerable under-estimate of what is required in the province. I would ask the House therefore not to proceed to make a cut in this estimate. We could not make the cut effective except by reducing staff and so reducing our activities. The result of any such reduction of activities would be a much larger reduction in the income that we should collect. You cannot base the amount of staff required from year to year on the amount that you actually collect. As pointed out rightly by one Member who has spoken before the amount that is actually collected depends very largely on the state of trade. If your staff is to be in a position to take advantage of that good trade, which I hope is coming shortly, and collect revenue with success in the year following that good trade, an attempt to cut it now would, I believe, be most unremunerative. I ask the House, after this explanation, to consent to withdraw this motion.

**Mr. Deputy President:** The question is:

"That the Demand under the head 'Taxes on Income' be reduced by 3.5 lakhs."

The Assembly divided:

AYES—41.

Abhyankar, Mr. M. V.  
Acharya, Mr. M. K.  
Aiyangar, Mr. C. Duraiswami.  
Aiyangar, Mr. K. Rama.  
Belvi, Mr. D. V.  
Chaman Lal, Mr.  
Chanda, Mr. Kamini Kumar.  
Das, Pandit Nilakantha.  
Dani Chand, Lala.  
Dutt, Mr. Amar Nath.  
Goswami, Mr. T. C.  
Govind Das, Seth.  
Hans Raj, Lala.  
Hari Prasad Lal, Rai.  
Iyengar, Mr. A. Rangaswami.  
Joelani, Haji S. A. K.  
Kazim Ali, Shaikh-e-Chatgam Maulvi  
Muhammad.  
Kelkar, Mr. N. C.  
Kidwai, Shaikh Mushir Hosain.  
Lohokare, Dr. K. G.  
Malaviya, Pandit Madan Mohan.

Mehta, Mr. Jamnadas M.  
Misra, Pandit Shambhu Dayal.  
Murluza Sahib Bahadur, Maulvi  
Sayad.  
Narain Dass, Mr.  
Nehru, Dr. Kishenlal.  
Nehru, Pandit Motilal.  
Nehru, Pandit Shamlal.  
Patel, Mr. V. J.  
Phookun, Mr. Tarun Ram.  
Ranga Iyer, Mr. C. S.  
Ray, Mr. Kumar Sankar.  
Roy, Mr. Bhabendra Chandra.  
Samiullah Khan, Mr. M.  
Shafee, Maulvi Mohammad.  
Sinha, Mr. Ambika Prasad.  
Sinha, Mr. Devaki Prasad.  
Sinha, Kumar Ganganand.  
Syamacharan, Mr.  
Tok Kyi, Maung.  
Venkatapatiraju, Mr. B.



## NOES—66.

Abdul Mumin, Khan Bahadur  
Muhammad.

Abdul Qaiyum, Nawab Sir Sahibzada.

Abdul Kasem, Maulvi.

Ahmed, Mr. K.

Aiyer, Sir P. S. Sivaswamy.

Ajab Khan, Captain.

Akram Hussain, Prince A. M. M.

Alimuzzaman Chowdhry, Mr.

Ashworth, Mr. E. H.

Badi-uz-Zaman, Maulvi.

Bhore, Mr. J. W.

Blackett, The Honourable Sir Basil.

Bray, Mr. Denys.

Burdon, Mr. E.

Calvert, Mr. H.

Chetty, Mr. R. K. Shanmukham.

Cosgrave, Mr. W. A.

Crawford, Colonel J. D.

Dalal, Sardar B. A.

Das, Mr. B.

Fleming, Mr. E. G.

Fraser, Sir Gordon.

Ghose, Mr. S. C.

Ghulam Abbas, Sayyad.

Graham, Mr. L.

Hira Singh Brar, Sardar Bahadur  
Captain.

Hudson, Mr. W. F.

Hussanally, Khan Bahadur W. M.

Hyder, Dr. L. K.

Innes, The Honourable Sir Charles

Joshi, Mr. N. M.

Kasturbhai Lalbhai, Mr.

Lindsay, Mr. Darcy.

Lloyd, Mr. A. H.

Makan, Mr. M. E.

Marr, Mr. A.

McCallum, Mr. J. L.

Mitra, The Honourable Sir Bhupendra  
Nath.

Moir, Mr. T. E.

Muddiman, The Honourable Sir  
Alexander.

Muhammad Ismail, Khan Bahadur  
Saiyid.

Mutalik, Sardar V. N.

Naidu, Mr. M. C.

Neogy, Mr. K. C.

Pal, Mr. Bipin Chandra.

Purshotamdas Thakurdas, Sir.

Rajan Bakhsh Shah, Khan Bahadur  
Makhdum Syed.

Raj Narain, Rai Bahadur.

Ramachandra Rao, Diwan Bahadur  
M.

Rau, Mr. P. R.

Reddi, Mr. K. Venkataramana.

Rhodes, Sir Campbell.

Rushbrook-Williams, Prof. L. F.

Sadiq Hasan, Mr. S.

Sarda, Rai Sahib M. Harbilas.

Sastri, Diwan Bahadur C. V.  
Visvanatha.

Setalvad, Sir Chimanlal.

Singh, Mr. Gaya Prasad.

Singh, Rai Bahadur S. N.

Slanyon, Colonel Sir Henry.

Sykes, Mr. E. F.

Tonkinson, Mr. H.

Webb, Mr. M.

Willson, Mr. W. S. J.

Wilson, Mr. R. A.

Yakub, Maulvi Muhammad.

The motion was negatived.

**Mr. A. Rangaswami Iyengar:** Sir, I desire to say that, in view of the vote of this House on the previous motion, I fear that I am bound to press my motion for a cut of one lakh. The principle of it I have already explained. Perhaps it was technical, but I can put it from the common sense point of view clearly. Here is the Government coming and saying that "we fear that there has been over-estimating and over-budgeting in this instance. We have guarded against it by a provision of one lakh." We, who represent the tax-payers, fear that your estimating is excessive, but that the amount to be allowed for it may not be one lakh, but just two lakhs. So, we tell the Government fairly that you had better make this cut into two lakhs, and if you are not able to make that retrenchment, I have made the offer quite fairly to the Finance Member, that he can then come down to the House and ask for a supplementary demand. That is the fairest offer that can ever be made to a Government that wants to look after the tax-payer's interests properly. I therefore feel, Sir, that I am bound to move my proposition.

**Mr. V. J. Patel:** Why do you move it? They will accept it.

**The Honourable Sir Basil Blackett** (Finance Member): Sir, I have really nothing to add to what I have already said, except that I may quote a Latin proverb. I am afraid of a Swarajist even when he brings gifts, especially when it is a gift of taking away one lakh. The fair proposition that is put before me is that I should alter this estimate in a way in which I do not think that I should be justified in altering it, because after a very careful examination I am satisfied that it is not safe to estimate that we shall require less than we have put in here.

**Mr. Deputy President:** The question is:

"That the Demand under the head 'Taxes on Income' be reduced by Rs. 1 lakh."

The Assembly divided:

AYES—48.

Abhyankar, Mr. M. V.  
Acharya, Mr. M. K.  
Aiyangar, Mr. C. Duraiswami.  
Aiyangar, Mr. K. Rama.  
Belvi, Mr. D. V.  
Chaman Lall, Mr.  
Chanda, Mr. Kamini Kumar.  
Chetty, Mr. R. K. Shaumukham.  
Das, Pandit Nilakantha.  
**Datta, Dr. S. K.**  
Duni Chand, Lala.  
Dutt, Mr. Amar Nath.  
Goswami, Mr. T. C.  
Govind Das, Seth.  
Hans Raj, Lala.  
Hari Prasad Lal, Rai.  
Iyengar, Mr. A. Rangaswami.  
Jeelani, Haji S. A. K.  
Kasturbhai Lalbhai, Mr.  
Kazim Ali, Shaikh-e-Chatgam Maulvi  
Muhammad.  
Kelkar, Mr. N. C.  
Kidwai, Shaikh Mushir Hosain.  
Lohokare, Dr. K. G.  
Malaviya, Pandit Madan Mohan.

Mehta, Mr. Jamnadas M.  
Misra, Pandit. Sambhu Dayal.  
Misra, Pandit Harkaran Nath.  
Murtuza Sahib Bahadur, Maulvi  
Sayad.  
Narayandas, Mr.  
Nehru, Dr. Kishenlal.  
Nehru, Pandit Motilal.  
Nehru, Pandit Shamlal.  
Neogy, Mr. K. C.  
Patel, Mr. V. J.  
Phookun, Mr. Tarun Ram.  
Piyare Lal, Lala.  
Ranga Iyer, Mr. C. S.  
Ray, Mr. Kumar Sankar.  
Roy, Mr. Bhabendra Chandra.  
Sadiq Hasan, Mr. S.  
Samuillan Khan, Mr. M.  
Shafee, Maulvi Mohammad.  
Sinha, Mr. Ambika Prasad.  
Sinha, Mr. Devaki Prasad.  
Sinha, Kumar Ganganand.  
Syamacharan, Mr.  
Tok Kyi, Maung.  
Venkatapatiraju, Mr. B.

NOES—60.

Abdul Mumin, Khan Bahadur  
Muhammad.  
Abdul Qaiyum, Nawab Sir Sahibzada.  
Abul Kasem, Maulvi.  
Ahmad Ali Khan, Mr.  
Ahmed, Mr. K.  
Aiyer, Sir P. S. Sivaswamy.  
Ajab Khan, Captain.  
Akram Hussain, Prince A. M. M.  
Alimuzzaman Chowdhry, Mr.  
Ashworth, Mr. E. H.  
Badi-uz-Zuman, Maulvi.  
Bhore, Mr. J. W.  
Blackett, The Honourable Sir Basil.  
Bray, Mr. Denys.  
Burdon, Mr. E.  
Calvert, Mr. H.  
Cocke, Mr. H. G.  
Cosgrave, Mr. W. A.  
Crawford, Colonel J. D.  
Dalal, Sardar B. A.  
Fleming, Mr. E. G.  
Fraser, Sir Gordon.  
Ghose, Mr. S. C.  
Ghulam Abbas, Sayyad.  
Graham, Mr. L.  
Hira Singh Brar, Sardar Bahadur  
Captain.  
Hudson, Mr. W. F.  
Hussanally, Khan Bahadur W. M.  
Hyder, Dr. L. K.  
Innes, The Honourable Sir Charles.  
Joshi, Mr. N. M.  
Lindsay, Mr. Darcy.

Lloyd, Mr. A. H.  
Makan, Mr. M. E.  
Marr, Mr. A.  
McCallum, Mr. J. L.  
Mittra, The Honourable Sir Bhupendra  
Nath.  
Moir, Mr. T. E.  
Muddiman, The Honourable Sir  
Alexander.  
Muhammad Ismail, Khan Bahadur  
Saiyid.  
Mutalik, Sardar V. N.  
Naidu, Mr. M. C.  
Pal, Mr. Bipin Chandra.  
Purshotamdas Thakurdas, Sir.  
Rajan Bakhsh Shah, Khan Bahadur  
Makhdum Syed.  
Raj Narain, Rai Bahadur.  
Ramachandra Rao, Diwan Bahadur  
M.  
Rau, Mr. P. R.  
Reddi, Mr. K. Venkaramana.  
Rhodes, Sir Campbell.  
Rushbrook-Williams, Prof. L. F.  
Sastri, Diwan Bahadur C. V.  
Visvanatha.  
Setalvad, Sir, Chimanlal.  
Singh, Rai Bahadur S. N.  
Stanyon, Colonel Sir Henry.  
Sykes, Mr. E. P.  
Tonkinson, Mr. H.  
Webb, Mr. M.  
Willson, Mr. W. S. J.  
Wilson, Mr. R. A.

The motion was negatived.

**Mr. Devaki Prasad Sinha:** I rise, Sir, to say one word. This morning when Mr. Neogy's motion for a reduction of Rs. 100 was pressed to a division, we, Members coming from Bihar and Orissa, supported it, but our vote seems to have been misunderstood in certain quarters, and I am authorised by my friends and colleagues from Bihar and Orissa to state that our vote meant this and nothing more, that we disapproved of the year 1921-22 being adopted as the standard year. That was the year of booms and if that is adopted as the basic year for income-tax under Rule 15 of the Devolution Rules, it brings injustice to all the provinces. That and that only was the reason for our having supported Mr. Neogy. We dissociate ourselves entirely from any suggestion put forward by Sir Chimanlal Setalvad regarding the burden imposed by the obligation to pay provincial contributions.

**Mr. Deputy President:** The question is :

"That a sum not exceeding Rs. 62,56,900 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1926, in respect of 'Taxes on Income'."

The motion was adopted.

#### DEMAND NO. 18—SALT.

**Mr. Deputy President:** The question is :

"That a sum not exceeding Rs. 1,11,26,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1926, in respect of 'Salt'."

#### EXTENSION AND IMPROVEMENT OF THE MANUFACTURE OF SALT IN INDIA.

**\*Mr. B. Venkatapatiraju** (Ganjam cum Vizagapatnam : Non-Muhammadan Rural): Sir, my motion is that the Demand under the head 'Salt' be reduced by Rs. 100 in order to raise discussion on the policy of manufacture of more salt in India. I do not know, Sir, whether the Government of India have any definite policy at all regarding the salt industry in India. It is not like other industries; it is a State monopoly. Now, when it is a State monopoly, it is a prime necessity for the people of India to know the policy which the Government of India adopt even hereafter, because we are quite dissatisfied with the past policy of the Government in this respect. I may say that, so far as this industry is concerned, it was in a far better condition in one respect, at any rate, under the East India Company, in that they prohibited the import of foreign salt by imposing a duty which was two or three times higher than the duty levied on the indigenous manufacture of salt. It was stated at that time that, in order to protect the indigenous industry of salt, it was necessary to have a very much higher duty on imported salt, so much so that when Bombay was paying a duty of 12 annas per maund on indigenous salt, it was something between Rs. 5 and Rs. 6 on imported salt. Gradually, the duty on imported salt was reduced and the duty on indigenous salt was increased so as to make it equal at one stage in order, as the House of Commons then put it, not to have any preference for one or the other, but to treat them equally. Our trustees, the Parliament, are very kind enough to state that they do not want to treat imported salt and the locally manufactured salt on a different footing in order to help the indigenous industry of India. The necessary consequence of levying the same duty both on the imported

\*Speech not corrected by the Honourable Member.

[Mr. B. Venkatapatiraju.]

salt and the indigenous salt was that there was a gradual restriction in the manufacture of salt in India and a greater quantity of salt came from abroad. It is not a mere statement of mine. I can quote my authority from official sources to show that this was the effect and that this is the effect even now, and I can convince this House that by the action of the Government in not putting a prohibitive duty on salt imported into India when we have unlimited resources to manufacture salt either by evaporation or by rock mining or by excavation from lakes, our indigenous salt industry has received a setback. I do not see why our manufacture should be restricted just enough to give sufficient room for imported salt to come in. Perhaps some of you have noticed that during the period of the war when we did not get enough imported salt, much of the salt that was required in India was manufactured in India and supplied, and I am quite certain, whatever quantity is wanted for the increasing population of India, we have enough of resources if the Government make up their mind to manufacture, to excavate or mine a sufficient quantity of salt, and supply it to the people at a reasonable cost. It is not at all a difficult thing. But the truth of the matter is, Government do not want to put an embargo on imported salt. That is the crux of the situation. I may mention, just as we notice in some of the motions on this Demand, there was a time when salt was manufactured in Orissa, and if you refer to the old records, you will find salt was manufactured to a very great extent in Orissa. Now we do not find anything produced in Orissa because Bengal is practically taking imported salt. That was one instance where the whole province was deprived of the manufacture of salt, and that is the reason why two of my friends have given notice specifically that the manufacture of salt in Orissa should be revived, condemning the policy of abolishing it at one time. Just to corroborate the statement made by me, I may quote from the Salt Committee's Report of the year 1904. I will also quote those of later dates. They have given the previous history:

"In the north of India a serious problem for consideration is how the enormous quantity of salt is to be provided which Upper India annually requires."

And the writer of the report says:

"I have shown in my historical note in the Northern India Salt Manual how time and the policy of the British Government have resulted in the extinction of all the less important salt sources in Upper India."

And the Report goes on to say:

"We have enormously increased salt in certain places and abolished it in certain places."

That was in the year 1904. Coming to the year 1922-23, in the Madras Presidency we find a note in the Administration Report of the Salt Department, Madras Presidency, for 1922-23 to the following effect:

"Manufacture was carried on in 45 centres. The monopoly pans at Ganjam, Surla, Karasa, Penuguduru, Kanuparti, Karambalam and Vedaranniyam factories were not worked as there was no necessity to accumulate Government stocks in these factories."

They say there is no necessity to accumulate salt in these factories: Why? Because there was not sufficient demand, and why is there not sufficient demand? Because there is foreign salt. Now, Sir, we are arguing in a circle. You do not want to store larger quantities because there is no demand, and there will be no demand unless you put an embargo on

imported salt. You do not want to put it on and you suffer the consequences of not producing what you are capable of producing in the country. And later on they say:

"Owing to the resumption of the import of foreign salt on a large scale into Calcutta and the low level of prices obtaining there, the hopes that have been entertained of securing an outlet for the Ganjam district factories in the Bengal markets were doomed to disappointment."

And further in this report it is stated:

"The Chemical Industries Limited, Calcutta, wound up their enterprise at Sumadi Mr. P. S. Venkateswaralu Nayudu did not work his extensions at Suria as he could not find a market for his salt at Calcutta. Even the Tinnevely merchants who with great difficulty managed to secure a market in Calcutta for about six lakhs of maunds in 1921-22 found it profitable to send only about four lakhs of maunds during 1922-23."

That was the complaint made in the Administration Report of the Madras Presidency for 1922-23. If you refer to the Bombay Report for 1923-24 you will find the same state of things described there. It says the large decrease is attributable to competition from foreign countries, especially Germany which imports the stuff in ballast. Perhaps out of delicacy this Administration Report does not mention other countries, but, as a matter of fact, if we refer to the actual imports from Germany, we find that they were 8 lakhs and have been reduced to 8 lakhs and 7 lakhs; while from the United Kingdom, from Liverpool and other places, you have got a larger quantity than would appear from what is said.

**Mr. A. H. Lloyd:** Might I explain for the information of the Honourable Member that the reason why the United Kingdom is not mentioned is probably that salt from the United Kingdom does not usually come in the form of ballast but comes in the holds of ordinary cargo liners.

**Mr. B. Venkatapathiraju:** I do not understand what Mr. Lloyd wants to correct me for. Perhaps he wants to say that it is only from Germany that it comes as stuff in ballast while from other countries it comes in other ways. In whatever way it comes, however, we find that the United Kingdom sent in 1922, 79,000 tons; in 1923, 110,000 tons; in 1924, 104,000 tons. From Germany we got for the same periods 49,000 tons, 35,000 tons and 26,000 tons; from Spain 55,000 tons, 45,000 tons and 12,000 tons; from Aden and Dependencies, 165,000 tons, 165,000 tons and 216,000 tons; from Italian East Africa 51,000 tons, 75,000 tons and 63,000 tons; and from other countries it increased from 25 tons to 18,242 tons. We are getting it from almost all places. Now, I do not complain whether it comes from one country or another country. My complaint is that there is ample scope in this country to manufacture whatever salt is wanted. You can have refined salt to suit the taste of every person, however, refined he may be. We have seen how in Madras and other Presidencies they were not able to compete and had to close down. So long as the Government do not adopt the policy of encouraging the local industry which is their own monopoly and which will not permit any impetus being given to private enterprise it is absolutely necessary that pressure should be brought to bear upon the Government. I may mention at one time as suggested in the Administration Report of Madras they even went so far as to suggest that it was more economic to close down small factories. They said:

"The Board as at present constituted is of opinion that the present arrangement of having a large number of factories some of them quite small, scattered over the coast line is uneconomic and financially unsound from the point of view both of the Government and of the salt manufacturers."

[Mr. B. Venkatapatiraju.]

I might say here that you have not only to consider how far it is economic to have a central depot, or a central manufacturing centre, but you have to see how much the people have to pay for taking it from one centre to distant places in the villages. It may be more convenient for the inspecting officials to say we can go and inspect it when it is in a place where our motors run or our trains stop. But when you have got factories for a number of years enabling a large number of persons to be employed there, and helping the villagers to take salt at a lesser cost than would be the case if it was placed in a distant centre, I think in my humble opinion that it is a short-sighted policy on the part of Government if they can economically close down all their small factories in order to found a big centre at some place.

Lastly, Sir, I want the Government to state whether it is not possible to raise the necessary quantity of salt in India. I understand from Mr. Lloyd that it is quite possible. If that is the case, then I think the Government have absolutely no case. Long before imported salt came into India, India enjoyed her own indigenous salt and even now if people have cultivated their taste to such an extent that they are not satisfied with indigenous salt however much it may be refined in this country, they can have the pleasure of purchasing it at a higher cost if necessary. You can improve and increase the production of salt in India by putting an extra duty on imported salt and if necessary reducing the duty on salt that is locally manufactured. If you put it at one rupee on local salt and two rupees on imported salt, you will get a larger income and larger quantities produced in India and you would be helping more people here, though it may be more costly to a very small section. Therefore, I suggest that we must know what the policy of Government is, whether they want India to depend for ever on other countries for such a prime necessity as salt for its use.

**Sir P. S. Sivaswamy Aiyer** (Madras: Nominated Non-official): Sir, I have given notice of a similar motion with the object of drawing the attention of the Finance Department to certain defects in the administration of the department and with the object of extending and improving the manufacture of salt in this country. Sir, the separation of central finance from provincial finances has been followed by the substitution of a central machinery for the various provincial organisations which were previously working; but unfortunately in this case, though it is now over four years since the separation of the salt revenue took place, the necessary machinery for the centralisation of this source of revenue has not, I believe, been fully carried out. That, I believe, is the reason why there has been no report of the working of the Salt Department as a whole in India; I have made inquiries and I have been informed that such reports are only to be had piecemeal for some provinces but not for the whole of India. Now, Sir, what has happened till now has been that the Central Government were interested in the manufacture of salt and they had various agents in the various Provincial Governments. The various Provincial Governments were very often working from motives of competition and inter-provincial jealousy. For instance, I know that in Madras one of our objects was to oust Bombay salt from the markets in Madras and one of our objects also was to capture the Bengal market for Madras salt. Those were the objects which we in Madras had in view under the old system of administration. Now, when the whole of this

source of revenue belongs to the Central Government, this competition which is meaningless from the point of view of central finance, though not from that of private traders, is bound to disappear. The old system was attended by other defects as well. For instance, the fish-curing yards on the Malabar Coast, instead of being served by salt from Bombay, which is perhaps nearer, were served from Madras, the cost of transport being in this case much higher than it would be if Malabar were supplied with salt from Bombay. As this source of revenue is intended to be administered by the Central Government, these defects and evils ought to disappear and a better system ought to be introduced. Now, Sir, whatever may be the system of manufacture of salt, whether it is the monopoly system or the excise system or the modified excise system, whatever it may be, it is an industry which is controlled by the Government, and it is an industry from which the State derives an enormous amount of revenue. Under these conditions one may expect, and legitimately expect, certain advantages, namely, the production of an adequate quantity of salt to meet the demands of the people, a certain level of purity, a fair amount of uniformity in prices and the avoidance of any large variations in retail prices. On the other hand, what are the facts? They are altogether of a disappointing character. We find that in spite of the extensive sea board of India, large imports of salt have taken place. In the latest year, for which figures are available, the imports amount to one crore and 51 lakhs. In some of the previous years it was a great deal more. One would *prima facie* think there was no justification for the importation of such a large quantity of salt. I do not wish to gloss over the difficulties or imagine that the indigenous manufacture of the requisite quantity and quality of salt could be accomplished merely by the imposition of a protective duty. There are various difficulties in the way, and I wish to refer to some of them. For instance, the process of manufacture even as carried on by the Government is defective. There have been numerous experiments carried on in the different factories with the object of producing the requisite quality of pure salt to satisfy the tastes and the wants of customers, but the Government have not altogether succeeded in doing so. Different factories have followed different methods. For instance, we in Madras made experiments to introduce the Italian method of manufacture of salt; in Bombay they have got their own methods, but none of the methods followed by the Government in their factories have succeeded in producing salt equal in purity to the English salt. There are many who prefer the English salt, and I do not see why they should be deprived of the chance of getting it. The remedy is in improving the manufacture so as to produce the right quality of salt. Then again there are other difficulties which at first sight may not perhaps be appreciated in their full bearing, and one of them is the question of weights and measures. What happens is the Government sell the salt by weight but the sale in some parts as in Madras is by measure. In Upper India it is sold by weight. Now the bearing this has on the quality of the salt is that there are certain qualities of salt which do not give as many measures for the same weight as other sorts. This is the reason why the Bombay salt has been able to displace the Madras salt in the Madras markets themselves. The fact that we are not able to produce pure salt is another reason why we could not succeed in capturing the markets in Bengal. Some regulation ought to be made whereby it will not be possible for the retail dealer to deal with salt in measures instead of weight. Then again, there is another difficulty with regard to these private factories. There

[Sir P. S. Sivaswami Aiyer.]

is an excessive sub-division of holdings which interferes with economical production and with improved methods of production, and one of the results of these methods of wasteful production is that in several provinces large quantities of salt are destroyed year by year. For instance, in Madras last year about a hundred thousand maunds of salt were destroyed. On the one hand you do not produce enough salt to meet the demands of India, and on the other hand you go on destroying your salt. If more economic methods could be devised, if larger holdings could be secured, if a fragmentation of holdings could be prevented, and if improved methods of manufacture could be introduced by the Government, it would be feasible to produce an adequate quantity of salt of sufficient purity. Nor are these the only difficulties. There is the question of transport and moving the salt as near the customers as possible. There are immense variations in the retail prices. For instance, in Madras the cost of manufacture of salt is about 3 to 4 annas a maund. The cost of carriage may be taken as 2 annas per maund. But the retail dealer charges 9 to 13 annas over the duty charged by the Government which works out to 100 or 200 per cent. over the cost price. One object of the Government which control this important industry ought to be to eliminate such immense variations in the retail prices, to eliminate the profits of the middlemen, to bring salt to the doors of the people by devising cheap methods of transportation as well as improved methods of manufacture and removing all the impediments which now stand in the way of the successful administration of this department. I believe, Sir, that these benefits can only come about as the result of a proper inquiry. I think that the Finance Department would be well advised in appointing a committee to go into the whole question of the manufacture of salt, the transportation of salt, and all the connected questions. There is also the further question of the vested interests of the owners of small private factories. How these vested interests should be dealt with will also have to be considered. We have to reconcile these vested interests with the interests of the public at large. The public interests may require that the vested interests of small factories should be squeezed out by compensation. One main object of the department should be to substitute salt manufactured in India itself for the imported salt and to make India completely self-contained.

4 P.M. I believe in the Punjab last year the retail prices charged were enormously in excess of what they ought to have been and I believe my friend Sir Ganga Ram drew the attention of the Finance Minister to it. Complaints have been heard elsewhere too upon these points and I think the Department ought to lose no time in starting this committee so that its labours may be complete and ready for utilisation by the time your machinery for collection and administration comes into being.

#### REVIVAL OF THE SALT INDUSTRY ON THE ORISSA COAST.

**Pandit Nilakantha Das** (Orissa Division: Non-Muhammadan): Sir, after my Honourable friend Sir Sivaswami Aiyer has so ably stated the case it is rather needless for me to say anything on the general aspect of the question. I stand here only to press one point, and that is the revival of the salt industry on the Orissa coasts. A Resolution to this effect was once tabled but unfortunately it did not come up for discussion. Commercially speaking it may be argued that the revival of the salt industry on the Orissa coasts will mean some loss, i.e., loss profit to the Government, and therefore it cannot be taken up. In 1918, in the Bihar and Orissa Council,



this question was raised and it was perhaps very successfully shown by the mover that even commercially speaking it will not mean a loss and the Bihar Government then held out something like a promise for the revival of the industry. But whether it may mean a little less profit now or not, the question should be viewed from another and a special point of view. India is an agricultural country and specially in the coasts delta lands are liable to floods and droughts. The Orissa coasts are perhaps very often liable to such floods and droughts and people in ancient times have had only that single industry in those coast lands, namely, the industry of salt manufacture. They were living upon that industry and it was not owing to their fault that the industry was abolished.

When Orissa was taken by the British, Orissa was under the Bengal Government. Then the salt industry was organised by the Bengal Government and during the first half of the 19th century and even longer the salt duty in Bengal was much more than the salt duty in Madras. Naturally Orissa salt lands being contiguous to Madras lands, the industry could not be profitable and there was smuggling, which must be inevitable in such a case. Then it was given over during the seventies of the last century to the Madras Government. The Madras Government for certain things had moreover to take the sanction of the Bengal Government. Besides from Madras the distance was great and in those days there was no railway communication, so the Orissa salt industry was practically uncared for. Hence, Madras wanted to be rid of that area and it was during the nineties that it was again handed over to the Bengal Government. And this time it was almost immediately declared that the industry was impossible and it was not profitable at all. Thus the Orissa salt industry, which in the early part of the 19th century had been declared by Stirling to give the best salt ever produced in India and which yielded in those days about 18 lakhs to the Company,—that industry was abolished.

So it has been abolished for the last 25 years and the effect has been that during these 25 years there have been practically five famines in that area and the people are migrating in large numbers for want of occupation. If the Government always look to profit and loss, that is another question. But Government should also consider it their duty to see that people live happily and find some occupation for their living. I think if the salt industry be not revived on the Orissa coasts very soon the land will be in danger of being depopulated in about a generation. (Mr. K. Ahmed: "You will get more salt there.") Yes, if our legislators be of that view, then this is, of course, a swifter way of doing things.

Now we are spending some money only for guarding the activities of those people who may secretly manufacture salt. If in this Budget, in this grant, any money is included for the Orissa salt industry, it is for preventive measures. And if that money which is spent for these preventive measures,—if it were added to the cost of manufacture and if by calculation there is found any small loss, that loss will be made up by the money which is being at present spent on preventive measures. It is a fact that in 1919 after the Bihar Government expressed its sympathy with the revival of the manufacture, a famine was imminent, and the then Lieutenant-Governor of the province issued a secret circular to the effect that people on the coast may manufacture salt for their home consumption, and this was done as far as I know as a remedy against the imminent famine in that area. Though perhaps on this occasion I may not be allowed as much time as I may require to convince the House that the revival

[Pandit Nilakantha Das.]

of the industry is a necessity in Orissa and that the immediate revival will save the people from starvation and emigration, I may impress this upon the House that apart from the fact that there may be a loss or less profit if the industry is started, it is not good that for the sake of a little loss of that kind the people should be given over to famine.

This will also create administrative difficulties and disadvantages by taxing a people made unable to pay. Otherwise the Provincial Government will have to spend their famine insurance money on those people who have been given over to famine by the Central Government on account of the manner of administration of their Salt Department. Well, the Department may be a commercial Department, and therefore more manufacture of Indian salt may not be taken in hand very readily, but I press upon the attention of the Finance Member the question of the revival of the Orissa salt industry; and I hope very urgent measures, immediate measures, will be taken to revive that industry on the Orissa coast. With these words, Sir, I support this amendment.

**Dr. L. K. Hyder** (Agra Division: Muhammadan Rural): Sir, I think it is right and proper that attention has been drawn to this very important subject of salt, and I think it is right and proper that some analysis should be made of the factors which govern the import of salt into that particular province, that is, Bengal. As the House knows, there are different sources of supply of salt in India. There are the rock mines in the Punjab and in the North-West Frontier Province. There is the manufacture of salt in Bombay. There is the manufacture of salt in Madras, and there is the manufacture of salt in the Sambhar Lake. Well, it is very interesting to see that these different sources of supply command different areas; that is, the rock salt of the Punjab supplies the Punjab and goes into some parts of the United Provinces, but does not travel beyond. The Bombay salt supplies the Bombay Presidency and comes into competition with the Sambhar salt in the Central Provinces. But it does not reach the Calcutta market, which imports about 14 million maunds of salt annually—a quantity which is about equal to the quantity manufactured in each of the two Presidencies. The Madras salt does not reach the Calcutta market; and I may explain briefly why it is that the Madras salt does not reach the Calcutta market. In the case of these inland sources, we have to take into account the fact that the cost of putting this salt into Calcutta—I am now referring to the Khewra salt—is a very heavy item. That salt is excluded from the Bengal market, and for the same reason the heavy item of transport puts the Bombay salt out of the Calcutta market, so that the only source that can supply the Calcutta market and put an end to this question of import from foreign sources lies in Madras. Now if we examine why it is that Madras does not send more salt to the Calcutta market, the reason has been partly explained by the gentleman who made these quotations from these official publications; that is there are too many factories scattered about, they are not large enough and are thus run uneconomically; sometimes these factories, these basins, are so constructed that a great deal of labour has to be used in putting the salt, scrapping it, dumping it, putting it for storage, then bagging it and then putting it on to the ship, and all this forms such an important item that it adds considerably to the cost of manufactured salt. The other factor that puts the Madras salt out of the reach of the market in Bengal is connected with this question of freight. Well, (Mr.

K. Ahmed: "Want of superior quality?") I will come to that. The foreign salt which comes into the Bengal market comes, I think, from the Italian possessions, from Africa and from Port Said, partly from Germany and partly from Liverpool. Steamers which bring coal and discharge it at Port Said pick up salt in order to earn freight; otherwise they would have to come to India or any other port without any load. So, the masters of these vessels think that it is better to carry something than nothing. So, they bring salt. The freight from Aden and Port Said, therefore, is much less than from the best place of manufacture in the Madras Presidency, which is Tuticorin. On account of this question of freight, on account of this uneconomical methods of manufacture of salt, the Calcutta market is not within the reach of the salt that comes from Madras. Another factor, I think, is that the people of Bengal prefer salt which is not so impure, which does not contain such an amount of magnesium, which the people of Madras love. They love a bite in the salt on account of the magnesium and I suppose it is good for them also to take a little magnesium in addition to the salt. On account of these differences of taste, the Bengali shows no liking for the salt produced in Madras. On account of the heavy cost due to this extra labour and also—a very important reason—on account of the processes of manufacture, Madras salt is thus excluded from the Bengal market. For salt manufacture you require a dry climate. The factory working at Aden with no rain, no moisture, with dry air, operates all the year round and can beat with low freights and through this natural advantage any other factory working for a limited number of months in the year. The length of the season, I think, in Madras is about 5 months; in Ellore it is about 6 months and at Tuticorin 9 months. If you compare this with the factories operating in Aden and in Africa, they can go on manufacturing the whole year round and send salt and allow Madras salt to gain no footing whatever in the Bengal market. There are, however, one or two questions in which I think the Government can help the Madras salt industry. I think if they allowed Madras salt to be exported to Calcutta and admitted it into the store houses, these *golas*, and charged no duty, the salt manufacturer would be in a better position. If they charged the duty only when the salt was issued from the *gola*, then it would be an extra help to the man who manufactures salt in Madras. If the manufacturers, that is, the people who produce salt, adopted the improved methods of production and if they diminished the number of times they have to handle this quantity of salt, that is to say, by putting it from one place to another and then bagging it into the ship.—if they did away with this system and despatched salt in bulk loads to the Calcutta market,—perhaps this country would be in a position to manufacture all the quantity of salt that it requires without the aid of a protective duty which would amount to an increase in the salt duty.

**Mr. W. S. J. Willson** (Associated Chambers of Commerce: Nominated Non-official): Sir, Dr. Hyder has shown considerable study and knowledge of the salt industry of India. The question before the House, the encouragement of the manufacture of salt in India, is a case of exploiting Bengal for the benefit of other provinces. The importations of salt into India for the 9 months from the 1st April to 31st December this year are only 488,000 tons. Of that Bengal took no less than 415,000 tons and Burma took 68,000 tons. Those two provinces between them took salt amounting to 483,000 tons, practically the whole of the quantity. Therefore, if Madras wants to develop its own salt industries, it would perhaps

[Mr. W. S. J. Willson.]

be fair to invite them to spend upon them the provincial contributions which we propose to allot them under this year's Budget. I think it would be hardly fair to ask the Imperial Government to sacrifice the interests of Bengal to the interests of Madras or any other provinces. (Mr. A. Rangaswami Iyengar: "To whom is it to be paid?") My friend Dr. Hyder is not quite correct in saying that Bombay salt does not go into Bengal. It does go there in small quantities, and the reason is this that a salt eater is like any other consumer of anything else. If I have a fancy for Lipton's tea, you cannot make me drink Brook Bond's or anybody else's. And so it happens that in some districts, principally round about Murshidabad, in Bengal they have a liking for Bombay salt and they take the trouble to import it.

Practically the key to the present situation is, as Dr. Hyder rightly observed, in the question of freight and transport. In Orissa, which is one of the provinces concerned, the conditions are bad for the manufacture of salt. In my opinion it is not a case for Government assistance, because there has been within the last two or three years a very bold effort made by a large and influential firm in Calcutta to develop and make salt at Contai. This is a firm which is unlimited in its resources and unlimited in its successes in either directions. But they have only been able to write failure for their effort to manufacture salt at Contai.

The present system of a number of small concerns is and must always be uneconomical. Now, in places like Aden and Port Said with the advantages of climate to which Dr. Hyder alluded, the salt is made in enormous quantities. It is loaded by mechanical gear. The ships go almost alongside and they bring it straight to Calcutta. With Liverpool for example the barge is practically next to the machine as the salt drops practically out of the boiler into the barge. It drops first on to the floor and then into the barge, having been hoisted by mechanical gear.

The Madras coast, I hope Sir Gordon Fraser and others will excuse me for saying so, is hardly a port at all. It is mostly an open roadstead where the loading is very laborious and slow, and is costly.

Mr. Venkatapatiraju talked very lightly about a difference between a duty of Re. 1 and Rs. 2. I seem to remember, Sir, his having a very different story to tell when it was a question of increasing the duty from Rs. 1/4 to Rs. 2/8. I think he was one of those very loud in his shout about the enormous iniquity of raising the duty by 100 per cent. To-day he seems to take quite a different point of view when he wants to exploit his own province at the cost of Bengal. There is also the question of quality which can hardly be appreciated in a speech. You really require to see the samples. Now Madras salt is a discoloured salt, it is not an appetising salt at all. There are many people who prefer a pure article, and the purest salt of course is a boiled salt. That is imported from Liverpool, where the exports have gone down by degrees every year for some years. Hamburg went out altogether during the war and is only coming back in fairly small quantities now. The governing and dominating factor in the price of salt in India is at the present time, and I think will continue to be for all time, the cost of the manufacture of salt in Aden. In Aden there are two large factories. One is owned by an Italian firm and the other is owned by a Bombay firm, and they in my opinion have the ultimate say as to what is to be the price of salt in India, because they have the benefit of the cheapest freight it is possible to get. Dr. Hyder well made the point of freight and

it is of importance. If it were not for this very low freights, you would be getting no English or German salt here at all, but as you well know, it is impossible for ships to leave India full and come out empty. They must bring whatever they can get, however small its contribution may be towards the cost of running the voyage.

Attempts have been made to make salt in Bengal itself, but they are doomed to failure because of the deltas. You cannot make salt where you have a number of rivers emptying themselves into your bay. Inferior quality cannot hope to live against superior quality at a low price, because there are a sufficient number of intelligent people to know a good thing when they meet it. Tuticorin salt is unable to find a market in Bengal, but does, on the other hand, go to the Straits. It is shipped to Malay. Burma, on the other hand, will not take salt from Madras, as far as I know, but it will take it from abroad. Liverpool salt, which gets into Bengal, only penetrates as far as Patna, which is practically the dividing line where, as Dr. Hyder says, the Punjab rock salt holds full sway. I believe a very good Indian solar salt is now being made at Karachi and that negotiations are in progress to send some of it round to test the Bengal market with it; but it is too soon yet to express an opinion as to what the result will be. The import of salt presents a system which I take it is very attractive to Government, a very easy way of collecting the duty from shiploads. Salt is in India in abundance and therefore in war time can be produced although its cost is at that time more expensive as it is bound to be; but I submit that it is better to pay a higher price, as you must upon occasions like that, than deliberately to raise the price against yourselves through peace years which certainly predominate. The Salt Report of Bengal referred to the efforts which have been repeatedly made at Chittagong resulting again in failure. Another thing you have to bear in mind is that even after the salt is made, some salts are better for use in this country than others. The better quality salts do not turn so rapidly into water as local salts. I do not want to go into figures but the figures for wastage at the various *golas* show that to a very marked extent.

There is only one other source of supply which I think Dr. Hyder forgot to mention, and that is Spain. We also get a lot of salt from Spain and it is a very good salt too. We are told that in India the Government should undertake the distribution of salt in order to keep it down to a low price for our friend the poor man. I have taken a hand myself in the distribution of Government salt in order to keep the price down. That was during the War and I think we may say that at that time we did a certain amount of good work in keeping the price down because then as salt was so scarce there was a very large amount of profiteering in it. But having been interested in salt for a number of years in Bengal and having visited every centre where it is distributed and most of the centres where it is made, I have no hesitation in saying that salt is of all things the thing in India upon which the least profit is made and where the costs of distribution are reduced almost to vanishing point. Apart from that it is customary in the villages in Bengal for a little dollop of salt to be actually given with a man's shopping and a great deal of salt changes hands without money changing at all. I therefore think that there is nothing to commend itself in the proposal before the House moved by my Honourable friend Mr. Venkatapatiraju.

**Mr. F. G. Fleming (Burma: European):** In rising to support this motion I would like to remark first of all that my Honourable friend Mr. Willson has evidently spoken as an importer (Mr. W. S. J. Willson: "I

[Mr. F. G. Fleming.]

am not an importer of salt.") Well, you used to be. Dr. Hyder in his very interesting remarks on the manufacture of salt in India did not refer to Burma; Burma was a considerable producer at one time. Previous to the War I think I am right in saying there was a lot of salt coming in from Germany and the actual manufacture only amounted to 12,000 tons a year. Supplies of salt became short during the War and the Government put out very strong efforts to encourage the manufacture of salt locally which, I think I am right in saying, was brought up to between 40 and 50 thousand tons in 1917. It increased still further until about 1919, just after the Armistice, the encouragement previously given to salt manufacture in Burma was withdrawn, and the reason why it was withdrawn was because the revenue obtained from salt went to the Central Government and the Local Government could not encourage the industry which entailed on them a considerable sum of money in collecting the excise duty. Mr. Willson and others, I believe, referred to the matter of the taste of salt. Salt is put to other uses in several provinces besides eating. It is used for curing hides and salting fish, and considerable quantities of Burma salt were used for the latter purpose. Since the industry has died, the import of foreign salt is evidently considerable. Seeing that in the Explanatory Memorandum the note against the 34 lakhs revenue budgetted for, for the coming year from Burma says, "Chiefly duty on imported salt". The salt is there in Burma and the industry wants encouragement; it will afford employment and a means of livelihood to a lot of people who are at the moment earning rather a precarious livelihood. One point which is supposed to be against the Burma salt industry is that the revenue from salt goes to the Central Government. I think, Sir, if you refer to the Report of the Burma Reforms Committee of which you had the honour of being the Chairman, under the chapter on Division of Finance, Central and Provincial, there is the following paragraph:

"The question of the transfer of salt to the provincial list was not raised by the Local Government but was pressed on us by some officers. We consider that both for the encouragement of the local industry in salt as well as on other grounds this subject might well be given over to the Local Government."

The salt experimental factory is at the moment, I believe, being transferred to Kyaukpau Amherst which will then give it a sea-board more easily accessible for larger steamers; and if sufficient support is given to the industry, there is no reason why it should not become a large export district for other parts of India; and in the hope that this motion may encourage some investigation, Sir, I support it.

**Mr. W. S. J. Willson:** May I ask my Honourable friend whether he will have to import his labour to make his salt with?

**Mr. T. E. Moir (Madras: Nominated Official):** Sir, on one or two days during our recent proceedings and again to-day this House has rather reminded me of a scene which took place on the North Inch of Perth, in the 15th century I think, when two wild Highland hosts engaged in deadly combat, while the government of the country looked on with unconcealed delight. Here too province has engaged province in deadly combat this afternoon while the Government of the country looks on and enjoys a much needed and well-deserved rest. But, Sir, on this occasion I hope to act as a peace-maker because I wish entirely to disassociate myself from the proposal put forward by my Honourable friend Mr. Venkatapatiraju. His proposal for increasing the production of salt in Madras or in India—he

naturally referred largely to my own province and I admit it is a question in which my province is very much concerned—was to impose a double duty, if necessary, on all imported salt in order that Madras salt might take its place. Naturally we had a protest from Bengal and I entirely sympathise with Bengal and have no intention of supporting that proposal, because as long as we do control the manufacture of salt in this country, as long as we regulate its production and to a large degree determine its price, I think we are bound to pay every attention to variations of taste and that we should as little as possible attempt to disturb the existing habits and customs of the country. I would not therefore propose that the use of Madras or any other indigenous salt should be enforced in this way at the expense of Bengal. But that does not entirely dispose of the question. It is true that the manufacture of salt has now to all intents and purposes been taken away from the hands of the Local Governments. I think there are advantages in that. For one thing, the interprovincial rivalry and competition which existed in the old days must, I think, tend to disappear, and in that matter, I think all that one province or source can claim against another is that in those matters which are directly under the control of the Central Government, such as rates and charges and rules and so on, they shall be framed on a basis which shall be absolutely fair and equitable as between different sources or province and province. But I do wish to support the much sounder suggestion which was advocated by my Honourable friend Sir Sivaswamy Aiyer. He referred to the fact that in Madras we had from time to time carried out experiments with a view to seeing whether we could bring our salt up to a standard which would enable it to compete with the imported article, and that seems to me entirely the right and proper line of advance to take. I am not at all so optimistic as Mr. Venkatapatiraju as to our capacity for providing such salt. It is not the case that in the Madras Presidency the littoral on which you can produce salt is absolutely unlimited, the area is strictly limited. You could attempt to produce salt all along the coast line, but you could not do so in a large part of that area with any prospect of working on economical lines. But I hope that though the control of salt has passed from the Local Government to the Central Government, it will not be taken by the Central Government as a reason for ceasing to experiment, to investigate as far as possible as to whether there is nothing that can be done. I quite admit that our past experiments to capture markets have proved a failure, but that is possibly because we were not working on right lines or were handicapped or had not expert knowledge and skill at our disposal. The Central Government is in a much better position than a local Government to investigate such points or to secure the necessary skill and scientific advice, and I do hope that this is an issue which the Central Government will not overlook, and that we in Madras may hope that even though we no longer control salt in our presidency, that inquiry and experiment will receive full consideration and, where possible, support and monetary aid from the Central Government.

There is one other small point that I should like to refer to. It also affects the Madras Presidency, though I have no doubt that it is a matter which affects other provinces which are engaged in the manufacture of salt. Latterly it has been the policy to run all those big industries which are now under the control of the Government of India on commercial lines. And I do not object to that as a general principle. But I hope that the Central Government will remember in the case of Madras that we have had for many years a large number of small factories which, if you attempted to



[Mr. T. E. Moir.]

place them as part of a large scheme on a costing basis, would at once be ruled out, but are not necessarily uneconomical on that account because they all have a small hinterland which they are capable of supplying. It is perfectly true that beyond certain limits they cannot go, and to attempt to extend them on such lines as exist at present would be an entirely uneconomical proposition, but after all in the villages where these factories do exist there is a rather poor agricultural population to which the annual gain which they make from the demand for labour which those small factories create is a very important matter. It arises in the fair season, when there is no work in the fields and when it is very difficult for them to supplement their earnings from agriculture. It is therefore very important for them that for a few months in the year they should be able to get employment in these salt factories, and I hope that, when commercial considerations come up, the Department which is now responsible for the working of the salt factories in the Madras Presidency will not be entirely forgetful of a poor and entirely unrepresented class of agriculturists.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): Sir, it was a surprise to me when I heard my friend Mr. Willson in his new garb as spokesman for Bengal. In the last May session during the discussion on steel protection I found my Honourable friend Mr. Willson as wing captain of the socialist group engineered by my friends Mr. Chaman Lall, Mr. Joshi and others and advocating free trade for India. Just now we find him advocating the cause of Bengal and speaking on behalf of Bengal. It may be that another day we might find him speaking on behalf of Swaraj Bengal and ousting Mr. C. R. Das from his position. Mr. Willson said that Calcutta imports 400 lacs of maunds of salt. Did he mean that the whole amount of this salt was meant for Bengal? (Interruption from Sir Basil Blackett on amount of salt). The amount does not matter. Sir, what I mean is that my friend Sir Charles Innes has denied the province of Bihar and Orissa a port. Had we our own port, nearly half of this salt would come to that port. Whatever amount of salt is consumed in Bihar and Orissa, or even in the United Provinces and partly in the Punjab, is imported through Calcutta. How can it be that all the salt that is imported through Calcutta port will be consumed by the Bengalis? Mr. Willson must have been in Calcutta in 1904—12 when the people of Calcutta started that big movement—the Swadeshi movement, when they gave up the use of foreign cloth and the use of foreign salt. He must surely recollect that in those days Bengal mainly used rock salt. (Mr. K. Ahmed: "You can put on anything but you cannot eat dirty salt.") The Honourable Member cannot deny that in those days he consumed rock salt; because he is a Bengali he must have used rock salt in his own house and in the houses of his friends in spite of the dirt and muck in it. Mr. Willson, Sir, kindly alluded to the salt industry in my sub-province of Orissa. What the people of Orissa want is not manufacture of salt on large factory basis. They want it as a cottage industry so that thousands can earn their livelihood by the same and not a small few as will earn a living in a salt factory. Thousands of people live on the barren sea coast of Orissa and these used to manufacture salt and earned their living. At that time the Government of India or the Government of Bengal used to have an income of Rs. 20 lakhs from the salt industry and thousands of people used to earn their livelihood. To-day, those thousands of people are homeless. They have no source of livelihood. What we want Government to do is not to



establish big factories and obtain big revenues for the Government, but to introduce such systems of cottage industry whereby thousands and thousands will earn their livelihood and at the same time Government also will get an adequate share of the produce. If Orissa were giving Rs. 20 lakhs to this Government then let this Government spend Rs. 20 lakhs to develop the salt industry on the Orissa coasts.

The salt industry of Orissa was thrown like a shuttlecock from the Government of Bengal to the Government of Madras and each Government, situated 500 miles away to the north or the south, tried a different method. The Government of Bengal tried the method of manufacturing salt by heating by artificial fuel—the *punga* system while the Government of Madras tried the solar system of evaporation the *kar kach* system and being situated far away from Orissa, each one neglected the Orissa salt industry and so the Orissa salt industry died a natural death. What we expect the Government of India to do is this. The Government of India are there not merely to collect taxes against spending. They are there to see to the prosperity of the people. How are they going to do it? They are to do it by introducing such methods that people get a chance to earn a meagre living, at the same time giving this Government their due share to spend in any way they like.

When I saw Dr. Hyder, a professor, an economist and a member of the Taxation Committee, rise to speak, I thought I would hear from him some good principle, some great principle of economic weight, some good points by which the wealth of this country could be increased. But Dr. Hyder spoke in an imperial tone. Probably his education in a foreign country had given him big ideas of big manufacturing industries. I expected to hear from him how India can be made self-supporting in its consumption of salt. Dr. Hyder complained of the freight from Madras to Bengal. He said that salt is transported cheaper from Aden to Calcutta or Bombay. I know these salt factories at Aden are owned by some of my Bombay friends, Sir, all Indians and the profit of the manufacture of salt at Aden comes to India. Dr. Hyder complained that the freight was too high from Madras and Bombay to Bengal. Whose fault is it? I ask whose fault it is. There is the report of the Indian Mercantile Marine Committee which wants to develop your coastal traffic, or develop your own Indian Mercantile Marine. If you develop that, then the salt of Madras will be carried in cheap bottoms and there will not be such heavy freights. But unfortunately Calcutta and Bombay shipowners have a monopoly of this coastal navigation. They can charge anything they like and naturally an economic industry like salt failed. I do not wish to take up any more of the time of this House, but what I suggest to Government is that they should see to the prosperity of the people and they should consider these demands of the people of Orissa. Let them not try to earn a big income out of them. Let them develop the salt industry on the Orissa coast as a cottage industry and see to it that many thousands of people are not wiped off the Orissa sea coasts.

Sir, my motion on the Orissa salt industry comes after the motion of my friend Mr. Raju. I have no desire to move my motion and I heartily support Mr. Raju's motion.

— **Sir Gordon Fraser** (Madras: European): I had not intended to intervene in this debate but there are one or two points I would like to reply to. I only agree up to a point with my Honourable friend Mr. Moir; I agree with

[Sir Gordon Fraser.]

him that the past experiments in the manufacture of fine white salt for the Bengal and Burma markets were failures. But why? Simply because the Government most deliberately and definitely smashed the business, as I shall explain later on. Dr. Hyder I think made the remark that the sea freights from Aden were less than the sea freights from Tuticorin,—I think I am quoting him correctly. But why should we compare the sea freight from Tuticorin? Tuticorin is not the port that would supply Calcutta. Supplies for Calcutta of salt from Madras would be drawn from the districts bordering on the east coast. And again, why refer to sea freights at all? Surely the proper way to take salt up to Bengal from the north of the Madras Presidency would be by rail. Almost the entire rail traffic between the two places is from the north to the south, from Bengal to Madras. There are thousands and thousands of wagons going back empty from our Presidency to Bengal, to the coalfields; and it seems to me that it would be a very easy matter indeed to grant a very low rate of freight for salt in transit from our Presidency to Bengal. I think Mr. Willson said that Madras never had made and never could make fine white salt suitable to the palate of the Bengalees, or words to that effect. I can assure Mr. Willson that I know from personal and from bitter experience that Madras can make fine white salt because we were interested in the venture and eventually our losses ran into several lakhs. We tried to make and did make salt that both Bengal and Burma took in large quantities and were ready to take as much as we could give them. But why did the venture fail? Simply because the Government with their perfectly absurd rules at that time in connection with the salt industry squeezed the business out of existence. One rule in particular laid down that the salt made in our factories had to pay duty as it left the factory. Now the wastage in transit on salt is very heavy, especially in this case where the salt was made at a factory near Madras and was sent by sea. The wastage was very heavy. We had to pay the duty, which is practically 90 per cent. of the value of the salt we obtained, at the factory. Now imported salt from Aden and other foreign ports goes straight into a godown—I think you call it a *gola* in Calcutta—in bond, and duty is paid on the salt as it is taken out. Now, if that concession had been given to us we could have competed favourably with the imported salt, but in spite of protests Government flatly refused to grant this. Eventually they did make some absurd concession which was of no use to us. It was to the effect that provided we shipped full cargoes from Madras we could ship in bond. But our factory was not on a scale big enough for that and practically it was no use to us. Now, Sir, Mr. Willson referred to the dearth of ports in the Madras Presidency. But he overlooked or is not aware of that up-to-date harbour we have in Madras where my firm put 3,000 tons of cargo on a steamer and did it in 36 hours—that is quite good enough for any port. (Mr. W. S. J. Willson: "Salt?") 3,000 tons of ground-nuts. That is a very good record, and I might mention that in the case of coal we can discharge 1,000 tons daily as a regular outturn. I contend that it is possible to make this fine salt, suitable for Bengal and Burma, in Madras. But if Government insist on the payment of duty at the factory, then I say it is not possible, because there is an extremely heavy loss in wastage, and that wastage having paid the duty, if you work it out on the consignment you will see how much per maund it will amount to; it will come to a figure that would prohibit export. If Government will allow the salt to be shipped in bond and will allow the duty to be

5 P.M.

paid when it leaves the godowns in Calcutta, and provided the railways will, as they ought to do in cases where thousands of wagons are going back to Calcutta, give us a concessional low rate, then I say we can do it. What we want is helpful assistance from Government; we do not want protective duties nor do we want bounties, but we do want helpful assistance and no absurd restrictions imposed as was the case 25 or 30 years ago.

**Mr. A. H. Lloyd** (Member, Central Board of Revenue): Sir, we have had a debate ranging over a fairly wide field by now and I think perhaps the House, in view of the late hour, will forgive me if I do not deal at great length with the speech of the Honourable Member who moved the motion now before it, because so much of the answer to his speech has already been given by Dr. Hyder and Mr. Willson. With your permission, I will pass on to the speech of Sir Sivaswamy Aiyer. Sir Sivaswamy Aiyer inquired regarding the progress of the centralization of the administration of the Salt Department in India. The answer to that inquiry is that we are now prepared to undertake centralization as soon as we are able to put through the necessary legislation to transfer the control of the Department in the Bombay and Madras Presidencies from the Local Governments to the Government of India and the Central Board of Revenue. That legislation unfortunately was not ready in time for introduction in the present session because we had somewhat protracted correspondence on the subject with one of the Local Governments concerned, and it was clearly not desirable to rush legislation through without having the complete agreement of the other parties concerned. Sir Sivaswamy Aiyer referred to inter-provincial rivalry and competition. This is a point that undoubtedly will receive careful attention from the Central Board of Revenue, but it is a point upon which I think that too much stress can be laid. I am disposed, if I may be permitted to say so, to think that the speaker was not quite correct when he said that the Madras Salt Department did not allow Malabar to obtain its salt from Bombay. It certainly took measures, as I believe, to assist and encourage the producers of salt in Madras to compete with Bombay salt for the Malabar market; the expression "did not allow" seems to imply that it actually imposed restrictions, and I think I am correct in saying that it was not consistent with the law to impose any such restrictions. So far as the policy of the Central administration is concerned, it may be taken provisionally that the attitude of the department is that any market shall be free to get its salt from any source that suits its pleasure, with possible occasional restrictions which may be necessary in connection with problems of wagon supply. That qualification, I think, the House will understand and I need not dilate upon it. When I use the word "restrictions", I do not mean any prohibitory action, but the withholding from one particular source of supply of facilities which another source of supply has for obtaining wagons, a measure the absence of which would have the result of complicating unduly the wagon problem in India. Fortunately that problem is one that has become less acute in recent years and, one may hope, will continue to become less acute. That, however, hardly affects Malabar which is largely served by sea. Sir Sivaswamy Aiyer then went on to speak of the necessity of avoiding variations in prices. I was not quite able to follow him on that point. I suppose he did not mean to suggest that it was the duty of Government to take measures to prevent the price of salt in one place being very widely different from the price of salt in another, that is to say, that it was the duty of Government to make arrangements to see that salt

[Mr. A. H. Lloyd.]

should be sold at the same price at a place hundreds of miles from a source of supply as that at which it was sold at a place next door to the source of supply. If any suggestion of that sort was implied in his remark, I can only answer that it could only be realised by Government's taking over all the product of the excise and modified excise factories and all imported salt and thereby securing a complete monopoly of salt, and then, simultaneously, with a reduction of price in places which have to pay a relatively high price now because of their distance from the source of supply, increasing the price of salt to people who live near the source of supply. I ask my Honourable friend from Madras whether he is very anxious to see a measure with that implication put into force so as to deprive people living close to a source of supply of the natural advantage which they enjoy by reason of their proximity to that source. He referred in the same connection to the elimination of undue profits. I feel disposed to leave this with Mr. Willson's remark that the salt trade is not one in ordinary circumstances in which undue profits are made. There is no doubt that in the period of scarcity which came towards the end of the war and after the end of the war profiteering did take place and profiteering on a still greater scale was attempted and was only controlled by extraordinary measures of Government; but we are out of that difficulty now. Even in the one district in the Punjab where a high price did linger unduly after the reduction of the salt duty, the price now,—owing to the ordinary play of economic circumstances, as I suppose,—is reasonable; and throughout India I think it can fairly be claimed that this is not a trade which displays so much profiteering as to call for extraordinary action on the part of Government, that is to say, as to require Government to take measures which would interfere with the ordinary machinery of distribution through merchants and retailers. Sir Sivaswamy Aiyer and Sir Gordon Fraser do not agree upon the capacity of the Madras Presidency to produce salt of a quality good enough for Bengal. The provisional view of the Central Board of Revenue, which took up this subject very early in the days of its constitution, is that in all probability it is possible to produce in Madras, on a large scale, salt good enough for Bengal. We also claim that some of the salt which we are producing in our own monopoly sources in northern India is as good. The point which cannot be too emphatically stated is this, that the difficulties which stand in the way of the marketing of Madras salt in Bengal are not primarily difficulties of that sort. The difficulties lie in two factors, namely, climate and freights. Dr. Hyder's choice of Tuticorin in his remarks about freight was inspired by the fact which he had himself mentioned that Tuticorin is in that part of the Madras Presidency which is best fitted to compete with Aden and Port Said because it is the part where work can be carried on for the largest number of months in the year. The figure which Dr. Hyder gave, namely, 9 months, is, I think, correct, whereas in the northern part of the Madras Presidency to which one Honourable Member referred (I think it was Sir Gordon Fraser), the manufacturing season cannot be said to be more than five months in the year. Therefore any enterprise set up in that part of the Presidency is at a great initial disadvantage and it can only make up that disadvantage in one of two ways. The first is to have the cost of transport from that area to Calcutta or any other similar market appreciably less than the cost of transport from a place like Aden; the second is, as Mr. Raju desired, to introduce a protective difference of duty.

• Sir Gordon Fraser: May I know how long salt is stored in Calcutta?

**Mr. A. H. Lloyd:** The period for which salt is stored in Calcutta varies according to the demand of the market and the quantity in stock. I have known salt stored in Calcutta for as long a period as two years or even longer. But, Sir, I found at a particular time when I had occasion to examine the matter that it was kept for six months on the average.

Sir Sivaswamy Aiyer also referred to several other matters which have some bearing upon this problem of the competition of different qualities of salt in the various provinces. At certain places salt is sold by measure instead of by weight. He also referred to the fragmentation of holdings and to the fact that excess stocks of salt have from time to time to be destroyed. This last fact is not unconnected with the first point about sale by measure, because it is the light salt which does not last long, whereas heavier salt is said to improve by being stored. These are points all of which have already been brought to the notice of the Central Board of Revenue and have received the Board's most careful consideration, but it is impossible at this moment to make any definite pronouncement that the solution of any of them is visible.

**Diwan Bahadur T. Rangachariar:** Will you undertake an inquiry?

**Mr. A. H. Lloyd:** I was just coming to that. Sir Sivaswamy Aiyer proposed that a committee of inquiry should be formed. The last thing that this department would wish to do would be to burke any sort of inquiry, but the Board is aware that the Taxation Inquiry Committee, which is now sitting, is going into this matter of the production of salt, and the time for instituting a special inquiry into this matter will be when we receive the report of the Taxation Inquiry Committee.

**Diwan Bahadur M. Ramachandra Rao:** May I ask if that Committee is dealing with the question of the extended manufacture of salt in this country or the question of its quality?

**Mr. A. H. Lloyd:** Judging from the questionnaire, I should say they were dealing with the subject on very broad lines indeed.

Then with regard to the general question (I do not wish to tax the patience of the House too much) I would only just like to refer to Mr. Moir's remark that we should not, in putting the salt department on a commercial basis, do it too strictly so as to imperil such ramifications of the industry as are defensible, although perhaps not economically entirely sound. That is a doctrine to which we attach full weight. We are fully prepared to recognise that the concentration, for example, of work in a very limited number of factories is a policy which should only be adopted with the greatest circumspection because we appreciate the point that a small factory may be able to serve a particular hinterland favourably, and also we appreciate the importance of seasonal work to a number of agriculturists whose services would not be available for work in a factory run on large lines. Therefore I would assure the Honourable Member that we are not contemplating immediately any drastic departure from the present organisation of the country's salt department in the direction of concentration, and any measures that are taken will be taken (one or two instances have already occurred) when there is a really unfair burden upon the Government finances (or rather, I should say, as I said this morning, upon the other tax-payers), because the licensee is unable to make any payment at all towards the reasonable charge made for the cost.

[Mr. A. H. Lloyd.]

of supervision of the factory. We certainly have no intention of being too strict in this matter.

May I say something also as to Sir Gordon Fraser's speech in which he spoke of certain experiments which were failures and attributed that failure to Government action? As he himself has said that he was intimately concerned with the venture, I find some hesitation in controverting what he said; but it does seem to me, on all the facts before us so far, that it is doubtful whether a large scale venture producing the sort of salt which that enterprise attempted to produce on a smaller scale could have worked to a cost of production that would have left them a profit, unless there had been a difference in the duty.

Sir Gordon Fraser complained of the unfair treatment Madras salt received in the matter of payment of duty at the factory, the maker therefore being deprived of the advantage which the importer enjoys of keeping his salt in bond,—involving also, of course, the important question of wastage. The reference to wastage raises a point which must be carefully considered by Government in making its regulations, and that is this: if a steamer has arrived from Aden in the port of Calcutta we can be quite sure that all the salt not on board has been wasted; but we have to be very careful in making our regulations that a vessel bringing only a small quantity of salt among other things from a local factory, and possibly calling at other places, is in quite as safe a position; and, however that may be, the point is still more serious when we are considering railway transport. It seems to me doubtful whether we should be able to devise really safe measures for protection against fraud in the case of transport by rail.

As regards the matter of bonding in the Calcutta *golas*, a certain amount of Madras salt which is imported by sea does go into the *golas* in bond and does not pay duty until it is cleared. But that is because the salt comes from factories which have been able to meet the difficulty, which Sir Gordon Fraser found insuperable, of taking a whole cargo. The Central Board of Revenue will consider most sympathetically any measures that may be reasonable for relaxing or removing this difficulty. But I have felt obliged to sound this one note of warning; it is not possible offhand to say that complete equality in this matter can be established. However, as I have said before, I take leave to retain the impression, subject to correction, that this particular matter is not the governing factor, but that the governing factor is a combination of the climatic question and the question of freights.

So much for the general question. I must consider now the particular question of Orissa. I am very sorry there is so little time left for me to deal with this matter, which we had hoped it would be possible to have the chance of explaining at greater length in answer to a Resolution. I think perhaps I ought to refer first to Pandit Nilakantha Das's remark that it was not the fault of the poor producers that the industry was abolished. He gave a brief historical sketch from which apparently we were left to draw the conclusion that it was the fault of the Government. It was not, if I may say so, the fault of the Government either. It may have been the result of the Government's action in one way, in that the

Government allowed a railway to be built between Calcutta and Madras. If Government had prohibited this facilitation of general communications it would no doubt have been perfectly possible for the salt producers of Orissa to retain a market for their product in Orissa, which would have been compelled, owing to difficulties of transport, to pay the price that would make the production of Orissa salt possible. I hope I have made myself clear. Orissa salt was the cheapest salt in Orissa so long as no other salt could get in there except at great expense. When Madras salt and Calcutta imported salt could get in by railway, Orissa salt became an unprofitable speculation.

The whole matter has been receiving the most careful consideration from the Government of Bihar and Orissa, who are our agents for salt work in Orissa. Mr. Nilakantha Das referred to a Resolution which was moved in the Bihar and Orissa Legislative Council; and, as Mr. Willson has mentioned, serious efforts have been made by very powerful companies to develop the industry on a large scale in Orissa. This was considered possible at the end of the war when prices were high. It is the fall in prices alone that has caused it to appear unprofitable, so that those who were willing to make an attempt have now withdrawn. The Government of Bihar and Orissa did, however,

**Pandit Nilakantha Das:** If it was once very profitable, will Government undertake to try again? If Government declare it to be unprofitable, how could other people come forward?

**Mr. A. H. Lloyd:** If Government declare the venture unprofitable it is because Government believe honestly that it is unprofitable; and if thereby other people are prevented from coming forward and losing over it, I think they ought to be grateful for the warning.

**Pandit Nilakantha Das:** As to opinions on commercial questions of profit and loss, Government are readily taken to be the authority by enterprising men and firms which are thus discouraged. Therefore to save the people the Government should take to the industry on a small scale and practically convince the people that it is utterly unprofitable.

**Mr. A. H. Lloyd:** The Government of India, Sir, are not prepared to undertake a venture, which they are satisfied would be unprofitable, solely in the interests of a limited number of producers. The development of an industry which has natural disadvantages is not the primary function of a tax-collecting department. It is the function of the Local Government to develop industries. We have no objection to the Government of Bihar and Orissa, if it so chooses, paying a bounty which will suffice to make up the difference between a profitable and unprofitable enterprise in Orissa; we are not asking the bounty to be paid to us but to the producers. If that will enable the producer to sell his salt at a fair competing price in the local market and at the same time enable him to meet our reasonable requirements in the matter of the cost of supervision

**Sir Gordon Fraser:** May I ask definitely if Government will consider the question of the transit of salt in bond and at low rates of freight? That is the question I put and I want an answer to it; if Government will not consider it, then I shall support the motion.



**Mr. A. H. Lloyd:** If I may return to Orissa, Sir, it seems to me that that is a proposal which would be rather against Orissa . . . .

**Sir Gordon Fraser:** Will Government consider and promise to look into the question?

**Mr. A. H. Lloyd:** I am asking for permission to postpone my answer to that till I have finished with Orissa. If salt is carried in bond to Orissa from Madras or Calcutta it will be still cheaper in Orissa and the chances of the Orissa industry reviving will be still more remote. That is why I wanted to postpone my answer to that point till I had finished with Orissa.

There is a great deal I should like to say about Orissa; but the only . . . .

**Pandit Nilakantha Das:** May I ask . . . .

**Mr. A. H. Lloyd:** May I finish my sentence, Sir? The only point which I think there is time for me to make is this; if private enterprise is forthcoming and if any one comes forward with reasonable proposals for opening a salt factory or factories in Orissa the Government are prepared to afford every facility, provided the promoters are prepared to pay the amount by which the cost of supervision exceeds 5 per cent. of the duty on the salt produced and provided also that the method of manufacture contemplated is not such as to render it impossible to control illicit practices. I am afraid these last words contain the answer that I must give to Mr. Das. *Panga* salt was given up in Orissa about the year 1870, because it was found that its production was not profitable except as a cover for smuggling. However, Sir, if an industry can be developed which will give us reasonable opportunities for effective supervision without loss to the central exchequer, we are fully prepared to consider the proposal and give it a chance. Gentlemen who wished to enter into such a venture have already been given the opportunity but have withdrawn after due inquiries. If others interested in the industry come forward, they will not receive any discouragement from us. But active encouragement would in our view have to take the form of the payment of cash or its equivalent and that, I venture to suggest, is for the Local Government to offer, because the encouragement and development of industries in the provinces is the function of the Local Governments and not the function of the Central Government.

Now, Sir, with regard to the inquiry made by Sir Gordon Fraser, I think I am at liberty to say that Government will consider very carefully the question whether it is possible to arrange for the transport of salt in bond at low rates of freight by rail—I presume he must be meaning transport by rail as Government have no control over sea freights. Undoubtedly in considering that question we would have to couple with it the question of the re-arrangement of the salt warehouses in Calcutta which at present are so designed that it would be difficult to bring in bonded salt by rail as well as by sea. That is also a point which will have to be considered. While remembering that possible difficulty I believe I am entitled to say that Government will consider the question very carefully; but with regard to railway freights, I think the Honourable Member in charge of Commerce will have a great deal more to say than the Finance Department.



**Mr. President:** The original question was:

"That a sum not exceeding Rs. 1,11,26,000 be granted to the Governor General in Council to defray the charge which will come in course of payment during the year ending the 31st day of March, 1926, in respect of 'Salt'."

Since which an amendment has been moved:

"That the Demand under the head 'Salt' be reduced by Rs. 100."

The question I have to put is that that reduction be made.

The Assembly divided:

AYES—56.

Abhyankar, Mr. M. V.  
Abul Kasem, Maulvi.  
Acharya, Mr. M. K.  
Ahmad Ali Khan, Mr.  
Ajangar, Mr. K. Rama.  
Aiyer, Sir P. S. Sivaswamy.  
Chaman Lall, Mr.  
Chanda, Mr. Kamini Kumar.  
Chetty, Mr. R. K. Shanmukham.  
Dalal, Sardar B. A.  
Das, Mr. B.  
Das, Pandit Nilakantha.  
Datta, Dr. S. K.  
Duni Chand, Lala.  
Dutt, Mr. Amar Nath.  
Fleming, Mr. E. G.  
Goswami, Mr. T. C.  
Govind Das, Seth.  
Hans Raj, Lala.  
Iyengar, Mr. A. Rangaswami.  
Joshi, Mr. N. M.  
Kasturbhai Lalbhai, Mr.  
Kazim Ali, Shaikh-e-Chatgam Maulvi  
Muhammad.  
Kelkar, Mr. N. C.  
Lohokare, Dr. K. G.  
Makan, Mr. M. E.  
Malaviya, Pandit Madan Mohan.  
Mehta, Mr. Jamnadas M.

Misra, Pandit Harkaran Nath.  
Naidu, Mr. M. C.  
Narain Dass, Mr.  
Nehru, Pandit Motilal.  
Nehru, Pandit Shamlal.  
Neogy, Mr. K. C.  
Pal, Mr. Bipin Chandra.  
Patel, Mr. V. J.  
Phookun, Mr. Tarun Ram.  
Purshotamdas Thakurdas, Sir.  
Ramachandra Rao, Diwan Bahadur  
M.  
Rangachariar, Diwan Bahadur T.  
Ranga Iyer, Mr. C. S.  
Ray, Mr. Kumar Sankar.  
Roy, Mr. Bhabendra Chandra.  
Sadiq Hasan, Mr. S.  
Samiullah Khan, Mr. M.  
Sarda, Rai Sahib M. Harbilas.  
Setalvad, Sir Chimanlal.  
Shafee, Maulvi Mohammad.  
Singh, Mr. Gaya Prasad.  
Sinha, Mr. Ambika Prasad.  
Sinha, Mr. Devaki Prasad.  
Sinha, Kumar Ganganand.  
Syamacharan, M.  
Tok Kyi, Maung.  
Venkatapatiraju, Mr. B.  
Yakub, Maulvi Muhammad

NOES—36.

Abdul Mumin, Khan Bahadur  
Muhammad.  
Abdul Qaiyum, Nawab Sir Sahibzada  
Ahmed, Mr. K.  
Ajab Khan, Captain.  
Akram Hussain, Prince A. M. M.  
Ashworth, Mr. E. H.  
Bhore, Mr. J. W.  
Blackett, The Honourable Sir  
Basil.  
Bray, Mr. Denys.  
Burdon, Mr. E.  
Calvert, Mr. H.  
Clarke, Sir Geoffrey.  
Cocke, Mr. H. G.  
Cosgrave, Mr. W. A.  
Crawford, Colonel J. D.  
Fraser, Sir Gordon.  
Graham, Mr. L.  
Hira Singh Brar, Sardar Bahadur  
Captain.  
Hudson, Mr. W. F.  
Hyder, Dr. L. K.

Innes, The Honourable Sir Charles.  
Lindsay, Mr. Darcy.  
Lloyd, Mr. A. H.  
Marr, Mr. A.  
McCallum, Mr. J. L.  
Mitra, The Honourable Sir  
Bhupendra Nath.  
Moir, Mr. T. E.  
Muddiman, The Honourable Sir  
Alexander.  
Muhammad Ismail, Khan Bahadur  
Saiyid.  
Rau, Mr. P. R.  
Rhodes, Sir Campbell.  
Rushbrook-Williams, Prof. L. F.  
Sastri, Diwan Bahadur C. V.  
Visvanatha.  
Singh, Rai Bahadur S. N.  
Stanyon, Colonel Sir Henry.  
Tonkinson, Mr. H.  
Webb, Mr. M.  
Willson, Mr. W. S. J.  
Wilson, Mr. R. A.

The motion was adopted.

**Mr. President;** Before I adjourn the House, I point out to Honourable Members that though by a vote of the House the Customs vote has been adjourned to Thursday, the first thing to be taken up on that day will be the continuation of the discussion on Salt, as I see there are some large reductions still to be disposed of. I propose to adjourn now and to take up Mr. Jamnadas Mehta's or Mr. Duraiswami Aiyangar's motion—I think Mr. Jamnadas Mehta's—as the first thing on Thursday morning.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 12th March, 1925.

# APPENDIX A.

*Share of Income-tax paid to the Provincial Governments during—*

(In thousands of rupees.)

	1921-22.	1922-23.	1923-24.	1924-25 (Revised).	1925-26 (Budget).
Madras .	4.08	...	10.82	2.00	2.00
Bombay .	14.72	3.00	...	...	...
Bengal .	95	...	...	...	...
United Provinces .	3.20	83	...	...	...
Punjab .	30	5.69	4.24	4.51	4.94
Burma .	8.85	...	38	4.29	8.28
Bihar and Orissa .	58	2.87	2.55	4.35	4.88
Central Provinces .	90	1.49	3.42	82	...
Assam .	2	1.15	4.16	5.29	5.40
<b>TOTAL</b>	<b>28.60*</b>	<b>14.53</b>	<b>25.57</b>	<b>21.26</b>	<b>25.50</b>

\* See footnote on page 6 of the Explanatory Memorandum of the Finance Secretary on the Budget for 1925-26.