

Wednesday, 25th August, 1926

THE
COUNCIL OF STATE DEBATES

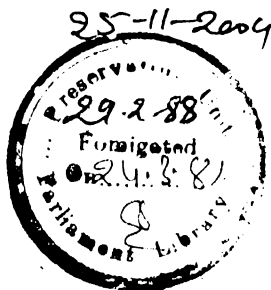
VOLUME VIII

(17th August 1926 to 31st August 1926)

SECOND SESSION

OF THE

SECOND COUNCIL OF STATE, 1926



**THE
COUNCIL OF STATE DEBATES**

(Official Report)

VOLUME VIII

SECOND SESSION

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SECOND COUNCIL OF STATE, 1926.



**SIMLA
GOVERNMENT OF INDIA PRESS
1926**

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COUNCIL OF STATE.

Wednesday, the 25th August, 1926.

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

RESOLUTION *re* REPORT OF THE TAXATION ENQUIRY COMMITTEE.

THE HONOURABLE MR. J. E. C. JUKES (Finance Secretary) : Sir, I beg to move the Resolution that stands in my name :

“ This Council recommends to the Governor General in Council that he be pleased to take into consideration the Report of the Indian Taxation Enquiry Committee.”

The Resolution is cast in somewhat unusual form and I should like to begin by explaining the reasons which have led Government to adopt this innovation in the matter of wording. The Government are most anxious to hear the opinions of Honourable Members of this House before coming to any definite conclusions upon the numerous important recommendations contained in the Committee's Report. The very number of those recommendations made it, however, impossible to word the Resolution in such a way as to commit this House to a definite line of action upon the Report as a whole. In order to secure a debate it was necessary to word the Resolution in non-committal terms. With the wording actually adopted, it will be possible for each Member of this House to discuss those portions of the Report in which he is particularly interested ; and in view of the number of succulent dishes on the menu one may hazard a guess that the task of selection may not always be an entirely easy one. Indeed, Sir, I notice that the fear of intellectual indigestion has apparently overcome one Honourable Member, who proposes to follow the example set elsewhere and to suggest to this House that it should entirely decline the invitation to the banquet. It would be interesting, Sir, to see whether the Honourable Member carries consistency sufficiently far to refuse to take part in the general budget debate in this House when it takes place next spring.

The task which the Taxation Enquiry Committee took upon itself was one of great complexity and of great difficulty. It set out to examine the whole range of taxation in India, its incidence, its equity and its distribution between local, provincial and central authorities. It engaged to seek for practical and theoretical defects in the existing system from each of these aspects, and to propose remedies for defects when discovered. It undertook finally to report upon the desirability of alternative sources of taxation. It was a comprehensive task and one involving no mean labour. In the result, the Committee frankly admitted itself baffled by the question of incidence ; the materials available were insufficient on which to formulate anything more than very general conclusions. For the rest, whatever views individual Honourable Members may take upon the individual recommendations of the Committee,

[Mr. J. E. C. Jukes.]

it cannot be denied that the Members of the Committee have left a monument of their labours which will be of inestimable value to India. The seven volumes of this Report constitute a priceless storehouse of information for every student of taxation in India, whether he be a budding graduate, a Member of the Legislature or even a mere Government official. He will find in these pages a very complete history of existing taxation, many useful comparisons with systems obtaining in other countries and valuable contributions to the theory of taxation generally.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-official) : But you have not supplied us with these seven volumes.

THE HONOURABLE MR. J. E. C. JUKES : They are available and can be purchased from the Government Press. In view of the uses to which the volumes will undoubtedly be put in the future, there can be no doubt that they will keep the memory of the Committee green for many years to come.

This, Sir, is what the Committee has done. I should now like to stress one thing which the Committee has not done and was not asked to do. It was no part of its duties to make any recommendations as to the amount of revenue which should be raised by taxation. I have seen criticisms which suggest that the principal object of Government in instituting the Committee was to secure suggestions for new taxes and thereby to enable the various Governments in India to impose greater burdens upon their tax-payers. I hope it is not necessary to assure this House that any criticism of this kind is entirely unjustified. It is quite true that the Committee has suggested the exploration of new fields of taxation. This was inevitable in view of the fact that it proposed the reduction of certain taxes and the entire abolition of others. If it had contented itself with mere demolition without any attempt at reconstruction, it would have left half its task unfulfilled. I would, however, invite the attention of the House to the way in which the Committee has formulated its final conclusions. It contented itself with scheduling its proposed reductions and new imposts in what it considered to be the proper order of precedence. It did not advise that we should increase or reduce taxation merely in order to increase or reduce our revenue. It did not even suggest that we should increase or reduce taxation without regard to the result upon our revenues. It said in effect that, if at any time we were in a position to reduce taxation, they recommended the reduction of such and such taxes; if we desired to make good a loss or to raise additional revenue, they recommended such and such new taxes. In a word, Sir, the Committee has stuck to its last and has made no recommendation at all as to the amount of revenue which should be raised. May I express the hope that this Council will follow the example of the Committee in that respect? Taxation is always unpleasant—to the tax-payer—but it is a necessary evil if the State is to continue to function. Its amount is decided not on any theoretical considerations but, with reference to the financial needs of the hour. Roughly speaking, the revenue raised in any given year must be sufficient to meet the expenditure of that year; and the amount of the expenditure is decided at the proper time and place by the authorities duly empowered in this behalf.

I must not be understood to suggest that no Government in India will ever utilise the suggestions of the Committee in order to raise new revenue by taxation. It is quite possible that increased expenditure may be necessary and that it may be essential to explore new fields of taxation. Any such proposals must, however, be embodied in legislation and must come up for consideration in the Legislature concerned before they can be introduced. It is for this reason that I suggest that we should not waste time to-day in discussing matters which can far more suitably be handled on another and more appropriate occasion.

It will, I think, be generally admitted that the comprehensive survey of the whole field of Indian taxation which has been undertaken by the Committee has come at a very opportune moment. As a result of the constitutional changes of 1919, India has taken the first steps along the road which leads to the institution of a federal form of Government. It is fashionable to deplore the shortness of those steps; though some of us would prefer to characterise them as very considerable strides. Whatever their length, the fact remains that they have been taken, and that it is possible to look forward in the future to steady progress along that road until the various Provincial Governments develop into a federation in the true sense of the word. In organizing a federation the question of finance is one of outstanding importance. It is essential to demarcate with the greatest possible exactitude not only the duties of the constituent States and their Central Government but also the resources which each will command. It is equally essential to insure that each of the Governments is provided with sufficient resources from which to finance the services for which it is responsible. If friction is to be avoided, it is desirable that the demarcation should be as exact as it is possible to make it. There should be no room for encroachment by one of the constituent States upon the fields of revenue reserved for another or for the Central Government. Of almost equal importance from the point of view of the constituent States is the demarcation of duties and resources as between these States and the various local authorities which they may establish within their territories. Here, too, very similar considerations apply. With the Report of the Indian Taxation Enquiry Committee in our hands, we are now for the first time in the position to make a complete examination of the existing constitution from the point of view of the demarcation of resources. Before advancing too far from the road of federalization, we can send spies in advance to see that the federation building is structurally sound and that it is in every way adapted to meet the needs of its future occupants. All the materials for such an examination are here. These volumes contain, as I have already said, a very complete history of existing taxes. They state the authorities by which each tax is levied. They criticise the practical sufficiency of the resources at the disposal of Local Governments, as well as the theoretical desirability of certain of our taxes. They draw, in many cases, useful lessons from the experience of other federations. They make valuable contributions to the theory of taxation generally. Whether or not we accept individual recommendations of the Committee, we cannot deny that the Committee has provided us with very full materials for the inquiry which we desire to make.

I do not think I shall be doing injustice to the Committee if I select the following as among the most important of the many important conclusions

[Mr. J. E. C. Jukes.]

which are embodied in the Report. The Committee holds that certain of our taxes may with advantage be replaced by others which are theoretically more desirable. It sees reasons to suppose that the resources actually employed by the Local Governments are not sufficiently elastic. It suggests that the existing system leaves openings for encroachments by one authority upon the fields of taxation reserved for another and, lastly, it suggests that there is considerable room for improvement in the methods of collection of local taxation. Without committing Government at this stage to any expression of opinion as to the correctness of these conclusions or the adequacy of the remedies proposed to meet alleged defects, I should like to offer one or two general comments on the very important problems involved in these conclusions.

In criticising the theoretical desirability of certain of our taxes, the Committee has opened up a very interesting question for discussion. Its criticisms extend to every field of taxation in India. Of central taxes, certain of our export duties and the weight of the import duties on such articles as sugar, among other items, have attracted the Committee's attention. The provincial capitation and Thathameda taxes in Burma have received emphatic condemnation. The octroi and terminal taxes, on which so many of our municipalities rely for the bulk of their revenues, have also come in for criticism. Government will welcome the assistance of Honourable Members of this House in arriving at conclusions upon the very difficult questions involved. I should, however, like to remind the House of two things. Firstly, that there is probably not a Government in the world whose taxes are not to some extent open to theoretical objection and, secondly, that, in order to remove an objection of this kind, it is necessary either to forgo the revenue concerned or to evolve some satisfactory substitute. The way to the evolution of a substitute may be beset with difficulties, practical or even political, which will operate to make the remedy worse than the disease which it is desired to cure. There is one other point in this connection to which I should like to invite the attention of the House, and that is the comments of the Committee on the extent to which municipal taxation operates as transit duties on inter-provincial trade. It is impossible to exaggerate, from the point of view of the future federation, the desirability of securing free movement of trade within British India.

The second of the Committee's conclusions to which I should like to refer is that which suggests that the revenues at the disposal of Local Governments are not sufficiently elastic. This also is a point of very great importance. The bulk of the burden of what are commonly known as the nation-building services is borne by the Local Governments. It is for them to develop education, sanitation and other similarly beneficent activities. In order to do so, they must be assured of revenues which may be expected to expand steadily over a series of years. They may indeed at times find it necessary to impose additional taxation. It was the Local Governments that I had primarily in mind when I suggested that the suggestions of the Committee might be utilised in order to raise increased revenue. So far as the Central Government is concerned, it seems unlikely, in the absence of some grave calamity, that any increase of taxation will be necessary in the near future.

The tendency has recently been all the other way. We have reduced the salt tax, abolished the cotton excise duty and lowered our railway tariffs, and all this simultaneously with no inconsiderable reduction in the provincial contributions. It is always dangerous to prophesy, but it is probably safe to say that there is no immediate prospect that the Central Government will require to raise additional revenue for its own purposes. The case of the Provinces is, as I have said, entirely different. If any Province deliberately decides to make a considerable expansion of its nation-building activities, it will naturally require more revenues. If, therefore, it can be established that the resources now at the disposal of the Provinces, including—and this is most important—those taxes within their field which they have hitherto refrained from levying, are insufficiently elastic, it will be necessary to take into serious consideration the question of providing them with greater possibilities of expansion.

There are certain passages in the Committee's Report which suggest that the existing system gives opportunities for encroachment by one authority upon the field of revenue reserved for another. One example is that of imported foreign liquor. The Committee suggests that the fees for possession, levied by certain Provincial Governments, operate to exhaust a margin of taxation which could, and should, be utilised by the Central Government in increasing the import duties. Again, it is stated that the tax on professions and trades, which is generally levied by municipalities in Madras, does not essentially differ from an income-tax. If this be true, this is another case of encroachment upon a central sphere of revenue. Yet another example is given by the Committee when it suggests that the existing law as regards octroi and terminal tax makes it possible for these taxes to be imposed upon articles which should be liable to central taxation only; and the Government of India recently received striking proof of this when a terminal tax on exported salt was proposed for levy by the District Local Board of a district which contained a very large and important Government salt mine. Another example of leakage, if not of encroachment, is afforded by the remarks of the Committee upon the tendency of revenue from stamp duties to accrue in Provinces other than those in which the taxed transactions arise. All these examples—and the list is not nearly exhaustive—point to the need of a very careful examination of the party-walls of our federation building before we move into complete occupation of it.

It remains to deal with the remarks of the Committee as regards the collection of local taxation. This is a question which should give serious food for thought to all those who are interested in the development of local self-government in India. I had occasion last year, in an official capacity, to peruse report after report submitted by the Local Fund examiners of the various Provinces. I am afraid, Sir, that they made sorry reading. It was the same story everywhere. There were honourable exceptions in every province; but the general story was that municipal collections were in a chronic state of serious arrear; and I am afraid it was too frequently added that the principal defaulters were the Municipal Councillors themselves. (Hear, hear.) It is a truism, Sir, that no community can hope to govern itself if it will not consent to tax itself. Some radical change in this respect is essential if India is to make any real progress along the path of local self-government. I do

[Mr. J. E. C. Jukes.]

not propose at this stage to commit Government to an opinion upon the heroic remedy suggested by the Committee itself. That is indeed a matter primarily for the consideration of Local Governments rather than of the Government of India. Some remedy is, however, essential if India is to develop upon the lines which we all desire.

I have made, Sir, a few general comments upon certain of the most important of the many important problems arising in connection with this question of taxation. My object in doing so was to point out that there are a number of matters in this connection in relation to which the wealth of wisdom and experience which is concentrated in this House can assist Government with constructive proposals. I realise, Sir, that I have done no more than touch the fringe of the subject, and that it would take the greater part of a week and a tongue far more eloquent than mine to do it anything approaching complete justice. I realise also that the time at our disposal is limited and that Honourable Members will be able to find a far better way of utilising it than by listening to what can be after all nothing more than introductory remarks. For I must emphasise the fact that I am not, and shall not be even at the conclusion of this debate, in a position to announce the definite conclusions of Government upon any of the important questions involved. A number of those questions are primarily for the consideration of Local Governments, and on practically all of them consultation with the Provinces will be necessary. A great deal of the preliminary spade work has already been done and we shall shortly be in a position to make the necessary references. I am confident, Sir, that, as a result of to-day's debate, if we are allowed to have a debate at all, the task of Government will be greatly simplified; and in that confidence I commend my Resolution to the careful consideration of this House. (Loud applause.)

THE HONOURABLE THE PRESIDENT: Resolution moved:

"This Council recommends to the Governor General in Council that he be pleased to take into consideration the Report of the Indian Taxation Enquiry Committee."

There is a motion of a dilatory nature of which notice has been given by the Honourable Dr. Rama Rau. It suggests the adjournment of this discussion and I think the House would like to dispose of that question before it enters upon a discussion of the merits of the Resolution. I therefore propose to call on the Honourable Dr. Rama Rau to move his motion, but I will ask him in the first place to omit from his motion all the words beginning with the words "since no discussion of any constructive nature". These words are mere argument and as I could not admit them as a part of a substantive Resolution, I do not think that they should stand as part of the motion. I would also ask him and those who follow him to remember that in the event of his amendment being lost, every one will have an opportunity of speaking again on the main Resolution. I would therefore suggest to Honourable Members who desire to speak on this motion that they should make their speeches as short as possible and confine themselves very strictly to the point at issue.

*THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (Madras: Non-Muhammadan): I have no objection to make the alteration which you have

*Speech not corrected by the Honourable Member.

suggested, and with your permission, Sir, I should like to substitute for the words “*sine die*” the words “till the next Session.”

THE HONOURABLE THE PRESIDENT: Does the Honourable Member wish to omit the words “*sine die*”?

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU: Yes, Sir, and to substitute therefor “till the next Session.”

THE HONOURABLE THE PRESIDENT: The Honourable Member may do so.

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU: My amendment will then run:

“That the discussion on the Report of the Indian Taxation Enquiry Committee be adjourned till the next Session of the Council.”

I must remind the House that the terms of reference of this Enquiry Committee were limited, and that also the appointment of the Committee was effected in spite of a good deal of protest. In the first place I for one, Sir, am against any fresh taxation until the people get full control of the finances. I do not say anything about the Committee's Report. It contains a mass of literature—literature intended for students who study taxation. It contains a very good dissertation on taxation. Unless and until the Government come out with definite proposals, the discussion will be nothing but academic and no useful purpose will be served by this discussion, and until Government bring forward any concrete proposals for raising money through any form of taxation, it will be improper, unwise and premature for this House to express any approval or disapproval of the Report. Unless we have definite proposals from the Government, any discussion will be no more than an academic one. There are many proposals in the Report which are ridiculous, such as the proposal to tax marriages and to leave bachelors free. At the same time I must admit that there are some proposals which are worth considering. At any rate, Sir, under the Statute this House has no responsibility for any constructive proposals of taxation, and as it rests entirely with the Executive Government, therefore let us wait for definite proposals from the Government. I have no mind to say anything about the merits or the demerits of the Report because it will take hours before we can do justice to the Report. Further, a debate or discussion on the Report would be absolutely barren as each Member would naturally support his own favourite theme with regard to taxation. So under the circumstances I recommend that my amendment be accepted by the House.

THE HONOURABLE THE PRESIDENT: Motion moved:

“That the discussion on the Report on the Indian Taxation Enquiry Committee be adjourned till the next Session of the Council.”

That for the time being is the sole question before the House.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): Sir, the Resolution moved by my Honourable friend, Mr. Jukes, appears to me to be perfectly harmless in its simplicity. Moreover, it commits this Honourable Council to nothing. It merely asks that this Council should recommend to the Governor General in Council that he

[Sir Arthur Froom.]

be pleased to take into consideration the Report of the Indian Taxation Enquiry Committee. I feel quite confident that the Honourable Members of this Council would not wish to decry the labours, the very considerate labours, of the six gentlemen who formed that Committee by throwing out the Resolution brought forward by the Honourable the Finance Secretary. With these few remarks, Sir, I turn to the amendment; and I must at once say that I do not understand it. It must of course, Sir, be technically correct because you have admitted it, but I cannot see its practical side at all. How does this amendment read?

“That the discussion on the Report of the Indian Taxation Enquiry Committee be adjourned till the next Session of the Council.”

Sir, we have not had a discussion. You cannot suggest that the Honourable Mr. Jukes has had a discussion all by himself: it takes two people to make a discussion. I could understand the Honourable Dr. Rama Rau introducing such an amendment, say, at the end of two hours when he might have been tired of the discussion. We have had no discussion at all; and I think it is entirely irregular, not technically irregular under your jurisdiction, but entirely irregular from the point of view of the Members of this Council that he should have brought forward this amendment at this stage. Sir, I oppose it wholeheartedly.

THE HONOURABLE MR. P. C. DESIKA CHARL (Buima : General): Sir, the reasons given by my friend, the Honourable Dr. Rama Rau, seem to my humble self very convincing. We are not a House which has got any right to initiate taxation. Honourable Members in this House have got in their hands a copy of the discussion in another place where, in the speech of Sir Sivaswamy Aiyer, the reasons for adjourning a discussion of this kind have been elaborately given. I do not propose to add much to the reasons which have already been given in that considered statement of Sir Sivaswamy Aiyer which ought to have been perused by every Honourable Member of this House; but I would suggest in the interests of the House that a discussion of this kind is not likely to bear any tangible result. I would at the outset point out, however, that the fact that we want to have the discussion postponed does not indicate any intention on our part to decry the labours of the Taxation Enquiry Committee. I find that through the labours of that laborious Committee a good deal of theoretical information has been collected, and, though there is not much of assimilation of the materials which have been brought together, I find that we can at any time take out a good deal of valuable matter from the reports to discuss the pros and cons of any reduction or increase of taxation. That is enough to dispose of the preliminary remarks made by my Honourable friend, Sir Arthur Froom, that any adjournment of the discussion would indicate our intention to decry the labours of this Committee. In the second place, my Honourable friend, Sir Arthur Froom, said that he did not understand the amendment and that it was irregular. I do not know what he meant when he said that this amendment was irregular. Rather than having a discussion to some extent and then bringing forward an amendment of this kind, to have the matter postponed, it is better that we understand where we are by having the matter threshed out whether it is desirable to continue the discussion or to

have the matter postponed. It is better to have the views of the House at the outset ; and my principal objection to having a discussion of the kind which is now proposed is that the discussion would not lead to any tangible results, as I said at the outset ; and I am much obliged to the Honourable the Finance Secretary that he made a reference in the course of his speech to the points that the task of Government will be greatly simplified and that no country shall govern itself unless it is ready to tax itself. I would like to have this theory reversed somewhat : I would like to have the principle embodied in this statement to be put in such a form as to show that no country shall be obliged to tax itself unless it is enabled to govern itself. That will be a proper statement and I do not wonder at the way in which my friend, who is charged with the duty of finding means to carry on the administration where responsibility is not shared by the representatives of the people, made that statement by putting the cart before the horse.

THE HONOURABLE MR. J. E. C. JUKES : I should like to make a personal explanation, Sir. My remark as regards taxation was not made with reference to a country but with reference to a community, and primarily with reference to the bodies which are engaged in what is called local self-government in India.

THE HONOURABLE MR. P. C. DESIKA CHARI : I am obliged for the correction ; but all the same, the principles contained in that statement apply with added force to the conditions which I have mentioned. I would remind the Members of the House of the welcome of the spider to the fly. " Pray, walk into my parlour " said the spider to the fly. The solicitude shown by the Finance Department to enter into a free and unrestricted discussion as regards the willingness of the representatives of the people to share the responsibility of burden without the Government being obliged to take the representatives into confidence.....

THE HONOURABLE THE PRESIDENT : I would ask the Honourable Member to come back to the motion before the House and to follow the excellent example set by the Mover of the motion and the Honourable Member who followed him.

THE HONOURABLE MR. P. C. DESIKA CHARI : It is not necessary for the present purpose to dilate at any great length on the motion for adjournment. I would suggest to Honourable Members that the proper time for discussions of this kind will be when tangible propositions are brought forward for discussion and this is not the proper time for discussion when tangible proposals are not forthcoming from the Finance Department.

THE HONOURABLE SIR C. SANKARAN NAIR (Madras : Non-Muhammadan) : Sir, I rise to oppose this motion for adjournment ; one strong reason for opposing it is found in the words in the motion which you have directed to be deleted. My friend states here that " no discussion of any constructive nature could be carried on without definite Government proposals." The fact is just the other way. When the Government make any proposal for taxation, you cannot make any constructive proposals, but you can make destructive criticism, and, as my friend said, there is no statutory obligation on the part of this Council to put forward any constructive proposals. That is the very reason why Government now come forward and ask the Council for any constructive suggestions that we may make. The alteration in the motion makes

[Sir C. Sankaran Nair.]

it nonsense. Instead of adjourning it *sine die*, my friend says adjourn it to the next Session. All these arguments against any discussion to-day would apply to the next Session. If you cannot make any criticism now of the proposals, if you have to wait for the Government to make the proposals, then how are you in a position at the next Session to go on with a discussion of this matter without waiting for Government proposals ?

Let me now come to the main question itself. My friend states as a reason for moving the adjournment that this is not the time for us to criticise or to make suggestions with reference to the proposals for taxation which have been made in the Report itself or which may be made by the Government. Now, it may be my friend's policy, but that is not my view. If I have to object to any proposal made by anybody which affects me, the moment the proposal comes, I would say "I object to it". The result would then be that, if we state our objections to the proposals for taxation now, they will be noted. You will see Sir, that the proposals, at page 503 of the Report, are very important. It is our duty to our constituents to come forward and say what we have to say with reference to those proposals. The result would then be that it will be for the Government to consider whether there is anything in those objections. If there is anything in those objections, they will think twice before putting forward proposals for taxation. What has been the experience of the Government of India all through ? Take the Rowlatt Bill, the Bengal Partition Bill, the Ilbert Bill. What was the course of events ? The Government did not know the strength of opposition and, on account of want of information, they put forward those proposals and afterwards they dared not, for other reasons, withdraw them ; the result was they had to go on. Do the Honourable Members want to place Government in that position ? Take, Sir, the proposals here which affect the landed interests vitally ? If no objections are brought forward now and if the Government are led to believe the proposals are unobjectionable, and they put forward their proposals, the result might be—I do not say would be—unfortunate. I say, therefore, it is the duty of the representatives of the interests affected to come forward at the earliest possible moment, and at every opportunity, and say what they have to say and raise the objections which they have to raise. It is then for the Government to make up their minds and then say "We have heard the objections ; in spite of that we propose to go on." They would then know what they have to expect. They would know then the strength of the opposition or the degree of opposition and the consequences that would result. So far then as to the proposals which might be brought forward. I do not want to be sarcastic, but I doubt whether those who propose the adjournment have read the Report, because in the Report there are proposals, various recommendations, for exempting various interests. They are embodied, if anybody likes to read them, in paragraphs 233 to 239. Look at those exemptions ; they are very important. There are many important interests which have been exempted. I do not agree with some of them. Will they be embodied in any proposal of the Government ? They cannot be. Such proposals would not come up for discussion before the Council, and here we are afforded an opportunity of discussing them : we are afforded the opportunity of telling Government that the Taxation Enquiry Committee are wrong in exempting certain interests. On the other hand, they should turn their

attention to these sources of revenue and give relief to person who want relief. There are many proposals here with reference to the relief to be granted to various classes of people. The Government Taxation Enquiry Committee said that no relief need be granted in various cases. There are many instances in which I do not agree with them. For instance, they say that no relief need be granted in the case of taxation on salt. Their recommendation is opposed to Resolutions after Resolutions of the various Assemblies. Now, the Government are not likely to bring forward any proposals about them. They will simply accept the Report of the Taxation Committee. Are we not to discuss that Report when we are given an opportunity by Government for that discussion?

Then, again, take the order of precedence of the various taxation proposals. That, too, would not arise on any proposals made by Government because they will simply take up one subject which appears to the Government to be the proper subject for taxation. All the recommendations contained in paragraph 361, therefore, will not come up for discussion if we wait for Government proposals. It will thus be observed that no opportunity will be afforded to the Council, if they are to wait for proposals from the Government, in order to discuss these questions. But if you do not discuss them what would be the result? Now, the Report is signed by the representatives of the land-owning classes like the Maharaja of Burdwan and experienced officials like Sir Charles Todhunter and others. This report, therefore, is bound to exercise great influence? Our criticism of the Report must therefore be before the country. We want, therefore, that the Report should be discussed in this Council. We do not want to accept these things as gospel truths because there are matters to which serious objection may be taken. We do not want the Government to accept it entirely as a gospel truth before hearing what we have to say. I strongly object, therefore, to the motion for adjournment.

THE HONOURABLE SIR MANECKJI BYRAMJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, I understand that you have ruled out of order all the words after the "next Session of the Council".

THE HONOURABLE THE PRESIDENT: If the Honourable Member had listened he would have known that those words were not moved.

THE HONOURABLE SIR MANECKJI BYRAMJI DADABHOY: Thank you, Sir. When I first came to this Council to-day, I had a determination to oppose this motion. My determination was based on the fact that the proposal originally put forward was of a nature which I could not possibly support. So far as Dr. Rama Rau's arguments are concerned in connection with the request asking Government to put forward constructive proposals, I quite agree with the views of Sir Sankaran Nair but not for the reasons that he has stated. My reasons for coming to that conclusion are entirely different. I sincerely recommend to the Government not to bring forward any definite proposals before this House in future for the simple reason that they will be misconstrued in the country and they will cause dislocation of the monetary markets both in Calcutta and Bombay. If Government bring forward any definite proposals before this Council for fresh taxation—though they may be brought forward for the purpose of pure academic discussion for finding out the wishes of the people

[Sir Maneckji Dadabhoy.]

—they might be misconstrued in the country as some sort of intention on the part of Government to levy such taxes and might cause a dislocation of financial equilibrium, would act as an incentive to people in Bombay and Calcutta to speculate and gamble and might also inflict a considerable amount of injury and damage to the trade generally and to the central revenues. Sir, the modified Resolution, as it stands, only asks for the adjournment of this discussion till the next Session. Many of my friends here told me this morning that they were not prepared at this short notice to express definite views on the subject. Some of the proposals require very serious consideration and are of a very far-reaching character. Many of my friends had no time to study this elaborate Report carefully and formulate their proposals. Many also are of opinion that they should discuss the question with their friends and their constituents before they express definite opinions. This seems to me to be a very reasonable request. The Honourable Mr. Jukes has told us this morning that it is not the intention of the Government of India to bring in any additional central taxation. On the other hand, he has indicated and our esteemed Finance Minister also has very rightly pointed out in the other House that the Government tendency would rather be towards reduction than an increase in taxation. I am sorry to state that I have not been able to follow the arguments of some of my Honourable friends. If my colleagues only want the adjournment of the discussion of this very important subject till the Next session and not *sine die*, I do not see any valid objection to such a reasonable request. I, therefore, support that request.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab: Nominated Non-Official): Sir, though my Honourable friend Dr. Rama Rau and I do not hold the same views and do not see eye to eye, to-day I am absolutely at one with him in his contention that this debate be adjourned. Government have very kindly done so in the other House having regard to the various arguments that were advanced there. What is sauce for the goose is sauce for the gander. If the Government do not accede to our request here, we will be led to believe that the preponderance of voters in the Assembly was a factor which made the Government decide that the further discussion be postponed. But we should not be considered as a helpless House, and a thing which has not been brought forward in another place should not be brought forward here also. There are various other things to be taken note of. My class, which is 80 per cent. of the population, is more or less backward. The Report of the Taxation Enquiry Committee, which is in English, has not been translated and has not been sufficiently commented upon by the newspapers. That class will be the last class to learn what this Report means and then formulate their opinions. It is for this reason that the bulk of the population would be very thankful if this debate were postponed. I had always been thinking why our Doctor is called a Doctor. (Laughter.) But to-day I have come to know that he has acted according to his medical science that since this is an ill-conceived and diseased report, if we cannot save it, it will be much better if we can prolong it as long as possible; his science is used for the right purpose and we ought to be thankful. We people who are going to suffer from it, being the patients, naturally like the Doctor's proposal. Sir, it is just like the case of a man who had a fall and everybody was suggesting remedies. One

man said : " Give him ghee and gur and other good things of that sort to eat." The man at once spoke and said : " Do not mind other medicines, but listen to what this man says." He wanted those nice things to eat and become strong. So, we all now see that we do believe in the prescription brought forward by our Doctor. Another consideration, which is more or less selfish, that I have in mind when I support this motion is to save myself from the strain of self-restraint. When speaking about the Report and its authors I may be forced to use language which some people may term unparliamentary. I do hope, Sir, that those who eat the wheat produced by the poor zamindars in this country would to-day be *namak Halals* and help this debate to be postponed and thus save the situation by preventing the officials from taking part in it.

THE HONOURABLE SARDAR SHIVDEV SINGH OBEROI : Sir, the Resolution moved by the Honourable Mr. Jukes is :

" That this Council recommends to the Governor General in Council that he be pleased to take into consideration the Report of the Indian Taxation Enquiry Committee."

I have tried to find out the real object of moving this motion in this House but I have failed to do so. If it means that this House endorses the recommendations made in this Report, that cannot be done unless sufficient opportunity is granted to the Honourable Members of this House to go through the Report fully and with full confidence they come to the House to discuss the recommendations made in the Report. If it is simply a formal Resolution recommending His Excellency the Governor General in Council to take it into consideration, I think it does not need any recommendation from this House at all to invite His Excellency the Governor General in Council to consider the Report. First of all, this Committee was appointed not by the express wish or Resolution of any Chamber of the Central Legislature. It was appointed by a Resolution of the Finance Department, No. 1412-F., dated the 26th May, 1924. After this Resolution about the appointment of the Committee, the members set to work and undoubtedly they have done this work with great labour, and it has cost the Government something like Rs. 4,50,000. Having taken the time of the members for more than a year to compile this volume and having spent about five lakhs on it, His Excellency the Governor General in Council is sure to consider this Report. Apart from that I think we have all heard the learned address of His Excellency the Governor General which he delivered on the 17th August. It runs thus :

" The Report of the Taxation Enquiry Committee is under the careful consideration of Government, and matters are in train for that consultation with the Local Governments which is essential before action can be taken on the Committee's recommendations."

This clearly indicates that the Report of the Taxation Enquiry Committee is already under the consideration of the Government. Not only is it under the consideration of His Excellency the Governor General in Council but matters are in train for consultation with Local Governments in connection with this Report. Of course His Excellency was gracious enough to say in the next sentence :

" In the meantime, in order both to fulfil the promise made to the Legislature and to assist Government in formulating their conclusions, resolutions will be moved this Session in both Chambers in such terms as to give Honourable Members an opportunity of expressing their views on any portion of the Report in which they may be interested."

[Sardar Shivdev Singh Oberoi.]

This is really very kind of him, but the question is whether this short space of time which has been at the disposal of Honourable Members of this House since notice of this motion has been on the agenda is sufficient to enable them to deliberate on this subject and to make their criticisms fully.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): We have had the Report since March.

THE HONOURABLE SARDAR SHIVDEV SINGH OBEROI: That is quite right, but we had not this Resolution on the paper that we would be called upon to recommend to the Governor General in Council that he should take this Report into consideration.

THE HONOURABLE SIR ARTHUR FROMM: You must always be prepared for a Resolution.

THE HONOURABLE SARDAR SHIVDEV SINGH OBEROI: The Members of the Committee have taken more than a year to compile these two volumes of big size. Are we expected to have studied it and to criticise it fully within the space of 10 or 15 days since this motion has been on the agenda? I agree with the Honourable Sir Sankaran Nair that we must take the opportunity of criticising this Report, offering our condemnation where we find that it deserves condemnation and offering our appreciation where we find that there is a proposal for reduction of taxation; but the point is that, in my opinion, sufficient time has not been given to the Honourable Members to go through the Report. At least I for one am prepared to confess before this House that I have not been able to go through it with as much care and caution and as completely as I would have desired in this short time at my disposal. So I agree with the amendment that time should be given for its consideration till the next Council. Of course I know that on the floor of the other House the consideration has been postponed *sine die*. I do not agree with that at all because I think that we must consider and discuss it. But my point is this, that the time at our disposal has not been sufficient enough for us to go through it.

THE HONOURABLE THE PRESIDENT: I must ask the Honourable Member not to repeat that argument again. I think he has mentioned six times that he has not had time to go through the Report.

THE HONOURABLE SARDAR SHIVDEV SINGH OBEROI: Well, Sir, I support the amendment that the consideration of this Report be adjourned till the next Session.

THE HONOURABLE MR. J. W. A. BELL (Bengal Chamber of Commerce): Sir, I must express considerable astonishment at the amendment proposed by my Honourable friend Dr. Rama Rau. I am also very much surprised at the amount of support which it has received from the House. I think my Honourable friend Mr. Jukes put the Government position in a perfectly simple way: He said that Government desired before taking any action on the Report or taking it into consideration to have some idea of the views of the Honourable Members of this House on the different proposals raised in it. I think that is quite reasonable. I think that it is a perfectly reasonable attitude on the part of Government that they should desire to hear

what the Honourable Members of this House think of the Report before taking any action. I think that rather emphasises the argument used by my Honourable friend Sir Sankaran Nair.

I am also rather surprised to hear arguments in favour of the amendment emanating from my Honourable friends Sir Maneckji Dadabhoy and Mr. Chari. My Honourable friend Sir Maneckji Dadabhoy said that he had not had time to consider the Report.

THE HONOURABLE SIR MANECKJI BYRAMJI DADABHOY: I beg your pardon. I have considered the Report very well.

THE HONOURABLE MR. J. W. A. BELL: I am glad to hear it. I now understand that my Honourable friend's anxiety was lest other Honourable Members of this House should not have had time to read the Report.

Well, the Honourable Members of this House have had the Report in their hands for about six months,—I think it was published last March,—and if I know anything about a number of them, they have had ample time to get the whole thing almost off by heart in that time. (Laughter.)

My Honourable friend, Mr. Desika Chari, used rather a peculiar argument. He said that this discussion was not likely to have any tangible results. How does he know that? How does he know that what Honourable Members of this House are going to say to my Honourable friend, the Finance Member, about the proposals in this Report is not going to have tangible results? I hope it will have tangible results; and, in any case, my Honourable friend is not in a position to use that argument because he does not know whether it will or will not.

As I said before, I think the attitude of Government is an entirely reasonable one; and I think that if we accept the amendment proposed by my Honourable friend, Dr. Rama Rau, we will not merely be failing to take advantage of a favourable opportunity of expressing our views, but the House will be almost guilty of discourtesy towards Government in refusing to take advantage of this opportunity which Government have been good enough to give the House to discuss the Report.

THE HONOURABLE MR. J. E. C. JUKES (Finance Secretary): Sir, I should like to make plain what is the position of Government in relation to this amendment. The position of Government is perfectly simple. They are, as I have already said, most anxious to secure from Honourable Members of this House constructive suggestions which will help them in handling the Report. It appears from what has been said that there are Honourable Members of this House who are very anxious to give Government such constructive suggestions. It also appears that a large number of other Honourable Members are not prepared to make any such suggestions. May I be excused, Sir, if I suggest that the attitude of the latter class of Members strikes me as a little selfish? "We do not wish to make any suggestions: therefore we will not allow anybody else to do so." Surely it would be possible for them, if that is their attitude, to allow the debates to go on and either to sit silent in their places, or, if they do not even take sufficient interest in the subject to do that, to leave the House altogether. But in any case, Sir, Government are prepared to leave it to the decision of the House whether the Resolution should be adjourned or

[Mr. J. E. C. Jukes.]

should not be adjourned. I want however to make one thing quite plain, and that is that, if the motion is adjourned, Government will not be prepared, any more than they were in another place, to give another day in a later Session for a full discussion of the complete Report. The Report has been published now for six months, and notice that this Resolution would be moved has been given for a month; and I think Government are justified in considering that, if Honourable Members desired to do so, they should be in a position to discuss the various suggestions of the Report. If, therefore, this Resolution is adjourned, Government will not give another day for the discussion of the whole subject. Government are, however, prepared to give the promise which they made in another place, that, if there be evidence that there is a considerable body of Honourable Members which desires to move and support a Resolution on any particular subject covered by the Report, they will be prepared to allow such a discussion.

THE HONOURABLE MR. MANMOHANDAS RAMJI (Bombay: Non-Muhammadan): Sir, I do not understand the object of the mover of the amendment. In the first place the amendment as tabled in his name was to postpone the consideration of the Report *sine die*. Then he comes and alters his amendment in a way suggesting that the House is willing to consider this question at a later date, and he has adduced no reasons why he proposes to make this alteration in his amendment. In the circumstances, it is quite clear that there is something behind the screen, otherwise this change would not have been brought about. Now, Sir, I fully endorse the views of my friend, the Honourable Member from Madras, who has advanced cogent arguments as to why we should now proceed to consider this Report. This Report is a really important document, and if we lose the opportunity of discussing it now, we will be charged at some future date that we did not avail ourselves of the opportunity that was offered and we may be blamed. There are important questions raised in this Taxation Enquiry Report. Take, for instance, the income-tax. There is a proposal to raise the income-tax revenue by nearly a crore of rupees. Now, may I know from the Honourable Members present here whether they are prepared to sanction this crore of rupees if Government bring in such a proposal? It is much better that at this stage we ought to express our opinions on certain suggestions and proposals so that the Government may take our views into consideration and then bring up specific proposals of their own, so that it will be easier for us to turn down any proposal of Government which is not useful or advantageous to certain interests. Then, again, Sir, if we throw away this opportunity to-day, we may later on be accused that we are not capable of making suggestions and that therefore we ask Government to bring up concrete proposals before us. I think we ought to take this opportunity and discuss this Report fully, go into it very carefully, and ventilate our views according to our own lights and responsibilities. Sir, I oppose the amendment.

THE HONOURABLE SAIYID RAZA ALI (United Provinces East: Muhammadan): Sir, on coming to the Council this morning I gave notice of an amendment which I believe is before you. May I know whether it will be in order for me to move that amendment at this stage so that the two amendments may be

before the House and Honourable Members may be in a position to give their votes in favour of one rather than the other. I may only explain that the real point of my amendment wherein it substantially differs from that of my Honourable friend's amendment as it stands now—not as it stood at 11 o'clock this morning—is that whereas he proposes that we should have the adjournment till the next Session of the Council, I desire that the Government should come forward with something like definite proposals at as early a date as may be convenient in order to indicate what are the directions in which they desire to take action on the Report of the Indian Taxation Enquiry Committee.

THE HONOURABLE THE PRESIDENT : I think it would be very difficult for the House to combine the discussion on the amendment to which the Honourable Saiyid Raza Ali has referred and which he handed to me this morning, with the discussion of the amendment which has been moved by the Honourable Dr. Rama Rau. Apart from that, it appears to me that the debate on the Honourable Dr. Rama Rau's amendment is at an end, and I therefore, if no Honourable Member wishes to speak, propose to put the question to the House.

The original question was that the following Resolution be adopted :

"This Council recommends to the Governor General in Council that he be pleased to take into consideration the Report of the Indian Taxation Enquiry Committee."

Since which a motion has been moved :

"That the discussion on the Report of the Indian Taxation Enquiry Committee be adjourned till the next Session of the Council."

The question I have to put is :

"That the discussion on the Report of the Indian Taxation Enquiry Committee be adjourned till the next Session of the Council."

The Council divided :

AYES—24.

Abdul Karim, Khan Bahadur Maulvi.
Charanjit Singh, Sardar.
Dadabhoy, Sir Maneckji Byramji.
Desika Chari, Mr. P. C.
Mahendra Prasad, Mr.
Mehr Shah, Nawab Sahibzada Sayad
Mohammad.
Morarji, Mr. R. D.
Muhammad Hussain, Mian Ali Baksh.
Mukherji, Srijut Lokenath.
Nawab Ali Khan, Raja.
Oberoi, Sardar Shivdev Singh.
Ram Saran Das, Rai Bahadur Lala.

Rama Rau, Rao Sahib Dr. U.
Ramadas Pantulu, Mr. V.
Raza Ali, Saiyid.
Roy Choudhuri, Mr. K. S.
Sett, Rai Bahadur Nalininath.
Singh, Maharajadhiraja Sir Rameshwara,
of Darbhanga.
Singh, Raja Sir Harnam.
Singh, Raja Sir Rampal.
Sinha, Mr. Anugraha Narayan.
Umar Hayat Khan, Colonel Nawab Sir.
Wacha, Sir Dinshaw Edulji.
Zubair, Shah Muhammad.

NOES—9.

Bell, Mr. J. W. A.
Emerson, Mr. T.
Froom, Sir Arthur.
Gray, Mr. W. A.

Langley, Mr. A.
Manmohandas Ramji, Mr.
Sankaran Nair, Sir Chettur.
Smyth, Mr. J. W.

Suhrawardy, Mr. M.

THE HONOURABLE THE PRESIDENT : The motion is therefore carried and the discussion is adjourned.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR MUHAMMAD HABIBULLAH (Education, Health and Lands Member): Sir, on Saturday, the 28th, motions will be made for the consideration and passing of the Bills which were laid on the table yesterday, and it is hoped that all the Bills outstanding in another place which Government desire to pass into law this Session will be laid on the table on that day. Should this expectation be realised, the Bills in question would be proceeded with on Tuesday, the 31st instant. This, Sir, so far as can be foreseen at present, will conclude the business of the Session.

The Council then adjourned till Eleven of the Clock on Saturday, the 28th August, 1926.