

COUNCIL OF STATE DEBATES

FRIDAY, 27th NOVEMBER, 1931

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OFFICIAL REPORT



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Indian Finance (Supplementary and Extending) Bill—
Considered and passed.

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COUNCIL OF STATE

Friday, 27th November, 1931.

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

INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING) BILL— *contd.*

THE HONOURABLE THE PRESIDENT: The Council will proceed to the consideration clause by clause of the Indian Finance (Supplementary and Extending) Bill. Clause 2.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I beg to move:

“That clause 2 be omitted.”

My reason for moving that amendment, Sir, is that I do not want the present rate of taxation to continue after 31st March, 1932. The reasons which the Honourable the Finance Secretary gave yesterday were not at all convincing as to where was the necessity of continuing the increased taxation during the next year. Unless we know what the expenditure of the Government is going to be in the year following I do not think there is any justification for carrying this unbearable taxation over for more than the period that is necessary. As far as I can judge from the speeches of the Government Members in the other place, I find, Sir, that except those items which usually come before the Legislature for the vote, additional taxation which has been levied on all the other articles will stand. In case I am wrong in my interpretation of their speeches, I hope the Honourable the Finance Secretary will put me right. He told us yesterday that in case we do not vote the extra taxation for the next 18 months, the goods in bonded warehouses will not be taken delivery of and that trade will not move in the manner that it ought to normally. In the ordinary year also, Sir, whenever the budget time comes the commercial people are in a fix as to what measures the Government will adopt as far as fresh or increased taxation is concerned, and so, Sir, I do not think that this year they will think differently. The Honourable the Finance Member told us that since the sterling has been converted only into a paper currency owing to its having been thrown away from the gold standard there have been appreciable signs of improvement in trade. I agree with him there that there has been some improvement since then and in case he is so hopeful that that improvement will continue and that during the next six months he shall be getting far better revenues from customs than he anticipates, then at the end of these six months there may perhaps be a likelihood of our releasing the public from this additional monstrous taxation. For these reasons, Sir, I hope that this House will accept my proposal, a proposal which to me seems very modest and fair and which is in accordance with the established practice of this House and the other; perhaps this is the first time in the constitutional history of India that taxation is levied for a period more than for which the expenditure is put before the Legislature.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary): Sir, before I reply to the Honourable Member's amendment, I should like

[The Hon. Sir Arthur McWatters.]
to tell the House that the Honourable the Finance Member has asked me to express his regret at his inability to come here this morning as he is detained at a meeting of the Public Accounts Committee. As regards the amendment which has been moved, I am afraid I must oppose it. I regard it as really fundamental. Yesterday in my introductory speech I endeavoured to deal in advance with this point, but it appears that the Honourable Mover of this amendment has found my reasons unconvincing, and from some remarks which fell from the Honourable Mr. Hussain Imam I fear that he too has completely misunderstood what I intended to say. I never suggested that the customs duties are duties which are imposed for a limited period; they are obviously imposed until they are next amended. My point is quite different. My point was that if the temporary provisions of the Finance Bill are kept in force only until March next, it means there must be a second Finance Bill in the year. If you have a second Finance Bill in the year, you at once introduce uncertainty in the minds of everybody as to what taxation will be included in that Bill. Therefore members of the public and others will be anticipating some changes, probably in the customs rates also. That, Sir, was the point I intended to make.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Can you guarantee now that during the course of the next financial year you will not be coming before this House with a second Supplementary Finance Bill?

THE HONOURABLE SIR ARTHUR McWATTERS: I give no guarantee of any kind; but I hope it will not be necessary.

The Honourable Mover of this amendment raised one substantial point, which was that the expenditure for next year is not now known so fully as it would be in March. As to that the conditions this year are peculiar. We have had this retrenchment campaign and the recommendations of the various Retrenchment Committees have all been designed not only with reference to the expenditure in the current year but with reference to the expenditure in the next year. In fact the greater part of their recommendations deal with economies which could be made next year. Therefore it is possible on this occasion far more than usual to look ahead for 18 months as regards our expenditure. The fundamental point, however, which I wish to make in opposing this amendment is this, that the whole object of the scheme now before the House is to impart the greatest possible confidence to the outside public in the strength of our finances and the best way of doing that is to show that we are endeavouring to balance our Budget for a considerable period ahead. That, Sir, is why I regard this as fundamental and I must strongly oppose the amendment.

THE HONOURABLE THE PRESIDENT: I have to remind the House again that it is not the practice here to put from the Chair a motion that a clause be omitted. It is the practice established by the first President of this Council and I have never found any reason to alter it, though I am aware that a different practice is followed elsewhere. The vote on the question that a clause be omitted can equally well be given at the end of the debate on the question that the clause stand part of the Bill.

Does the Honourable Member (the Honourable Mr. Abu Abdullah Syed Hussain Imam) wish to move his amendment?

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM:
Yes, Sir.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move my amendment :

"That in clause 2 for the word and figures 'March, 1933' the word and figures 'March, 1932' be substituted."

I wish to say at the outset, Sir, that I am glad that the Honourable Sir Arthur McWatters has informed us that his idea in coming forward and saying that the Bill was required for 18 months was not based on any necessity from the financial point of view; but that it was to mitigate the uncertainty that might be in the minds of the outside world. As far as that is concerned, Sir, it remains to be seen whether the figures, submitted by the Finance Department, are of themselves convincing enough to face the ordeal of criticism or not. My contention, Sir, as I pointed out yesterday, was that the author of the financial statement himself has given the go-by to any certainty of its coming true. As regards the greatest source of income, which incidentally is utilised by my Honourable friend the Commander-in-Chief—I mean the customs duty—well that is a thing on which the Honourable the Finance Member was definite, that it cannot be definite. It is the most indefinite thing in the world, and experience shows that we have ever found the Finance Department more optimistic than pessimistic. The difference as I pointed out yesterday—when I was referred by the Finance Member to study his figures of 1st retrenchment beforehand and afterwards compare it with the English figure—well the difference between England and India is that whereas we are introducing every year customs duty increasingly and increasingly and ever the customs refuses to come up to our expectations, in England that is not the case. In England out of the whole deficit this year only 11 per cent. was met by taxation and out of that only one per cent. fell on the customs duty. Whereas here we have got 10 crores by the last Finance Bill and 4·8 crores by this year's Finance Bill. The expectation for the year 1930-31 was 53·6 crores and we came up to less than 46 crores. This year we were expecting 56 crores on the old basis; but the memo. of Mr. Denning says that we will be getting 46·46 crores and even after the addition of the new taxation it is not coming up to more than 51 crores. That estimate is further falsified by the October figure of customs income, which incidentally did not take into account the decreased orders which will be issued from India, and the increased deterioration of the rupee gold value, which also will deter persons from placing orders outside because, the income from customs for the month of October was less than that of October, 1930. In the face of all this, if you think that people will rely on your estimate and think that you have balanced the Budget you are deluding yourselves. No one can be convinced of the soundness of the financial proposition, in the face of these things which are convincing enough because they are actuals and yours is only an estimate.

Now, Sir, as regards the customs duty, I would say one thing only. The Treasury has estimated that 4·85 crores is the betterment from increased duty. I do not know, neither have the Assembly been enlightened, whether that takes into account any deterioration of the gold value or not. If it takes into account the deterioration of the gold value, then to what extent? Because at the time that the Bill was placed in our hands during the Simla Session the gold value had not declined to the extent that it has declined to-day. Now American exchange stands at 27·62 cents. per rupee, which is practically a 30 per cent. decline from the gold value of the rupee that existed before the 21st September. This enormous

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decrease in the gold value did not come up in one day; it has come up gradually and we are not informed whether full count has been taken of all this deterioration in the gold value.

I venture to suggest, Sir, that there is absolutely no effective remedy for the falling incomes, but reduction in expenditure. It may be stated, that retrenchment has been effected as far as it was possible, and the Honourable the Finance Member took pride in the fact that 4 crores had been reduced before the first Finance Bill, but he forgot to tell us that that included an item of one crore and 70 lakhs that was given up by His Excellency the Commander-in-Chief, not finally, Sir, but only temporarily, and which will be saddled on to us again, next year or at some future prosperous time. That does not mean that there has been any reduction. He also stated, Sir, that we cannot effect any economy in the Army Department except by reducing the strength of the Army. My contention, Sir, is that, that is not a fact. India has been crying herself hoarse and committees of retrenchment, including the Inchcape Committee, have all advocated a revision of the capitation charge. Yet it has proved of no avail. We have not had the time, even in seven years, to effect this reduction, which has been condemned by outsiders, by non-Indians as well. I will show some facts and figures to convince the House that we challenge the capitation charge not on any basis of policy but on sheer merit and on a basis of arithmetic. The English expenditure on the military budget was something like 28 million pounds before the war in 1913 and now it has come down to less than 36 million pounds by the new estimates that have been made for 1932-33; and before that it stood at less than 40 million pounds. Well, we were paying as capitation charge £11 and some shillings, up till 1919, even during the war period. After that it was increased for one year probably in 1920 to £28, but after some representation by the Government of India it was reduced and we are still paying at the rate of £25 13 shillings and 6 pence *per capita*. Now, that the expenses of England on the military has come down enormously since 1920 no corresponding reduction has been made in our capitation charge. We are proud enough not to crave mercy from anybody. What we demand is bare justice and nothing but justice. We wish, Sir, that as the English expenditure on the Army Department has come down, in the same proportion our capitation charges should be reduced. I estimate, Sir, that on the basis of the present English expenditure and the ratio that they bear to the 1913 figure, our capitation charge should be reduced by something like £10 *per capita*. This will be a saving of not less than 80 lakhs on one head, which will not in any way weaken our military power in India. Another item which has been attacked in the House as well as outside is the transportation charges. Transportation charges between two partners, England and India, should have been divided into equal parts. But we are paying the lion's share and England contributes only a small portion. We demand, Sir, as an act of bare justice, that one half should be paid by India and the other moiety by England. By this we can effect a saving of something like 40 lakhs.

There is a third point which has never been urged before. While we pay for all sorts of training of the Army in England, we never receive any payment from the War Office for the education that we impart to the armies in India. During their stay in India we spend a lot of money on their education. For instance, the Quetta Staff College is not closed to

the English section of the Army. It is not reserved for the Indian portion of it. We get absolutely no contribution from England. This head ought to pay something.

There is another item which has also not been urged before, and it is the military pension charges that we pay. It is strange that of all persons the Honourable the Finance Member should have come forward in the Assembly and taunted us with the fact that pensions are included in the ordinary defence budget. Who is responsible for that? It is a fact that in England the Ministry of Pensions is quite separate from Defence, but it is because they had to make such enormous effort on account of the War and they had to train up an army which was out of all proportion to their ordinary strength. It was a heavy charge and therefore they kept it apart and placed it as a special charge. The Finance Member charges us that our defence budget is augmented by that. May I ask, Sir, if the British Government in India has any authority from the Legislature to saddle India with this additional charge for pensions for those who were employed in the War? Not only were we saddled with the ordinary expenses of the army during the War, but we were asked to contribute £100,000,000 to England for war expenditure. In addition to that lump sum charge we are being charged every year for war pensions. I find from the figures that I have been able to collect that we were paying 1,09 lakhs in the year 1913 in India for pensions while we are paying 3,43 lakhs this year. In England we were paying £2.52 millions and now we pay, £3.73 millions on pensions. Our charge in India for military pensions has gone up by 215 per cent. while in England it has gone up by 50 per cent. We are charged extra for all this because we are not consulted on military matters. It is to perpetuate all these inequities, that the Federal Structure Committee is not going to transfer control of the Army to India, because they are afraid that these items will come up for review and they will not be able to exploit India for Imperial purposes.

My opposition is that this Bill should not be extended to 18 months. I aver that there is no justification for asking the House to impose taxation when the actual expenditure has not been before the House. It is a well-known canon of the English constitution that supplies are only granted when there is justification for giving them. According to the practice of the English Parliament, as is probably well known to Members of this House, civil estimates are placed before the House long before the statement of financial affairs is presented. Practically they are passed before the end of the year, and then the Statement usually comes up in the second half of April. When all the civil estimates and other charges have been voted by the House of Commons, then it is that the Finance Bill is brought forward. According to that precedent I claim that you have not taken the vote from us. We are not the persons to vote supplies, I know. But the Assembly ought to have been asked to pass the expenses and then you would have had the right to come forward and demand the voting of the supply. Otherwise, the occasion for it does not arise.

My next objection to this Bill is that you simply increase the salt tax, income-tax, postal charges and customs duties. Whether according to the written law or according to tradition, these items are voted each year. There is no intrinsic merit in voting every year these items. Probably you are following simply the English custom that these things should be voted each year. It might be said that I need not be so particular about keeping up those traditions. But then you deprive us of the right to revise these

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things. We are not given an opportunity to vote on the items. For instance, you do not ask us to fix up the schedule for the different incomes that will be taxed, the different limits, like 1,000 to 2,000, or 2,000 to 5,000, etc., and the incidence of super-tax. You are not coming forward with the whole of the income-tax proposals so that the House could vote on each and every item as it has a right to do. By this means you are depriving us of our constitutional right to revise the incidence of taxation each year. It is to say the least unconstitutional.

Now, Sir, it has been said that the balancing of the Budget is essential. We are all at one with you, but we suggest to you that there are other means of balancing your Budget. As I pointed out yesterday, there is no justification for having the Sinking Fund provision at the figure that you have got it this year. When you take away the liability of the Railways to pay to us, you should, as a business deal, at least transfer that amount of the Sinking Fund, which we are paying on account of the Railways, to the Railway account. What is the good of having a commercial department separately if it is not going to be run on commercial lines? The contribution that we were getting from the Railways was not so much a God-send to the general revenues, as it was a payment on account of the Sinking Fund, because three-fourths of our indebtedness is on account of the Railways. Our payment to this head of Reduction and Avoidance of Debt for this year is 6.90 lakhs. Out of that, I think not less than three-fourths is on account of the Railways. When the Railways are absolved from any contribution to the general revenues it only stands to reason that they should also take up this liability from us. As I pointed out, we are paying 2.13 lakhs for railway annuities. That is a charge that should properly be placed to the Railway head. When the Railways are not paying anything to us, why are we paying 27 lakhs for the Railway Sinking Fund, as is shown in the Memorandum? The reason for all this is because the commercial department cannot afford to pay us. When they had an enormous reserve fund of 25 crores they did not pay us anything extra. They were not even asked to absolve us from paying the interest on their Reserves. The Railways started deteriorating not this year alone, but since the last three years. They have been living upon their capital, and yet it is only this year that they are coming forward with economies. As long as they had the money, they squandered it and the Legislature had nothing to do with them. They thought that they were living on their own income and therefore none need bother about it. But now that their condition has gone so low, that they have eaten up all their reserve of 25 crores and are going to dip to the extent of 1.69 crores into the depreciation fund, you come forward and absolve them from paying any amount to us. I do not question the right of the Government to do that. They are perfectly justified in doing it. But my grievance is that we should not have been saddled with these two items which we are contributing for the Railways. According to the English precedent, where the sinking fund provision has been reduced to absolutely contractual liabilities, we should also have paid only 1.79 crores to meet the liability which falls on our shoulders on account of the 5 per cent. loan, for which we guaranteed to make a sinking fund provision. If we effect this change the result will be that our expenses will go down by 5.36 crores for 1932-33 and you effect a retrenchment of 10.47 crores in two years. The other items I have cited of reduction in military expenditure would also contribute a handsome sum to reduce your liability of 39 crores.

In addition to that, Sir, I have got to make a reference to another head which I am rather afraid of making. It may be thought that I am trying to inflate the currency. Contraction of currency has been effected to the extent of 126.5 crores between the 1st April, 1925, and the 20th September, 1931. This I take from the statement made by the Right Honourable the Secretary of State for India in Parliament. Such enormous contraction was effected to keep up our exchange value at the point at which it was unnaturally placed by the British Government of India. And the justification for the contraction was, that because we had to sustain the gold value we had to contract currency and we had to keep down the prices. Now both those justifications have gone, and we have neither to keep down prices nor have we got to maintain the falling exchange. Our exchange has already gone above the figure at which it was fixed. You had linked the rupee to 1s. 6d. sterling. Now it has gone up to 1s. 6-3/32d. So there is no justification for going on making contractions in the currency. Well, as our experience is, with the Government of India neither theoretical argument has much value, nor has practical suggestion any value. But what is of great value, what accounts for 80 per cent. of the marks, is whether the Government have accepted it or not. I am glad to find that the Government have already accepted it in practice, though they have not made any statement about it. Whereas we had 10.19 crores only of securities in our Paper Currency Reserve on the 31st March, 1931, from the last return I had on the 22nd of this month I find that the securities in the Paper Currency Reserve were 28.52 crores; a betterment of 18 crores has already been effected in the Paper Currency Reserve. That means that we are going to receive more money from the head Currency and Mint than last year to the tune of about a crore if it is worked for the whole year. This is what the Government has already done of its own initiative. If this policy is further pursued and even a partial relief is given to India by reducing the contraction even by one-third, we will have a betterment from the Currency Department of 2½ crores which will go a long way to reduce your deficit. The policy of salt credit does not come into the measures of taxation and we have absolutely no objection to that. As far as the postal rates are concerned, which you are imposing for 18 months, the report of the Postal Department Committee has not been given effect to this year, neither is it proposed to give full effect to it in the next year. The basic recommendation of theirs that it should be further looked into, how many of the post offices are useless and can be dispensed with, has not yet been evaluated and therefore we have not got the justification that our Post Office income will be so low as to justify this increase of postal rates. There is a genuine difference of opinion, Sir, on the thoroughness of the retrenchment effected by the Government department. If they get the conviction that they have got to make this retrenchment, they can do much better than we outsiders of the Retrenchment Committee can. I admit, Sir, that we are effecting retrenchment simply by bringing it home to the Department concerned that retrenchment is essential, and nothing more can we do. All our ideas and most of our measures come from the Departments themselves. But we find that as long as they have got the supplies, they sit tight, and do not bother about reducing expenditure. It is only when they find that they cannot manage, and it is absolutely essential somehow or other to balance the Budget, that they get busy and come forward with handsome proposals which really effect retrenchments. A good example of this has been given by the Finance Member himself by suggesting that 1.46 crores can be reduced in the expenditure of the Departments not

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surveyed by the General Purposes Retrenchment Committee. That suggestion of the Finance Department, about the expected retrenchment, came rather late in the day. Had it come up by the end of the last Delhi Session I am sure a good part of it could have been given effect to even this year. Our only trouble is that we cannot convince the members of the Government and the heads of Departments of the absolute necessity of effecting retrenchment. As soon as they are convinced, they can do much better than we, because after all we do not know the internal working of the departments as they do. Now, Sir, I have tried to show that the justification for extending this Bill to the next year is not proved, and therefore I hope the Finance Secretary will try to substantiate his statement that it is essential, because we know he cannot accept the amendment, but at least he can convert us.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, the effect of the amendment which has just been moved is exactly the same as the motion made by my Honourable friend Rai Bahadur Lala Ram Saran Das that clause 2 be omitted, and as I have already dealt, I hope convincingly, at any rate to some people, with that amendment, I do not propose to go over the argument again. The speech to which we have just listened is one to which if I were to attempt to give a full reply I should have to occupy the time of the House for quite as long as, if not longer than, the Honourable Member has. I should like very much to deal with his proposal for debiting the Railways with a certain proportion of the Sinking Fund. How exactly that is going to help us at this juncture or help to improve our Ways and Means position is a little difficult to see. Again in regard to the question of expanding the currency, it is all very well to adopt a policy of expansion of currency, but you must take all the circumstances of the time into consideration. As the Honourable Member has recognized, we have been expanding the currency; but to suggest that we can adopt that as a fixed policy and go on doing it until we have reduced the contraction by one-third irrespective of what the conditions of the time may be, is a suggestion which from the financial point of view might be a little rash. At any rate I myself should not care to base my estimates of expenditure and revenue next year upon estimates of that kind. The Honourable Member at the beginning of his speech said that I had not based my objection to this proposal on financial grounds. I assure him that all my objections are financial and that is the main reason why I oppose his amendment.

THE HONOURABLE THE PRESIDENT: The original question was:

“That clause 2 do stand part of the Bill.”

Since which an amendment has been moved.

“That in clause 2 for the word and figures ‘March, 1933’ the word and figures ‘March, 1932’ be substituted.”

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

I think the Noes have it.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM:
Ayes.

THE HONOURABLE THE PRESIDENT: Does the Honourable Member want a division?

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM:
Yes, Sir.

The Council divided:

AYES—9.

Aiyangar, The Honourable Mr. K. V. Rangaswamy.
Banerjee, The Honourable Mr. Jagdish Chandra.
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.
Hussain Imam, The Honourable Mr. Abu Abdullah Syed.

Jagdish Prasad, The Honourable Rai Bahadur Lala.
Naidu, The Honourable Mr. Y. Ranganayakalu.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.

NOES—25.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.
Basu, The Honourable Mr. Bijay Kumar.
Browne, The Honourable Mr. P. H. Charanjit Singh, The Honourable Sardar.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.
Chimman Lal, The Honourable Rai Bahadur Lala, Commander-in-Chief, His Excellency the.
Devadoss, The Honourable Mr. M. D. Drake, The Honourable Mr. J. C. B. Emerson, The Honourable Mr. H. W. Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.
Ghosal, The Honourable Mr. Jyotsnanath.

Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.
Jalan, The Honourable Rai Bahadur Radha Krishna.
Lloyd, The Honourable Mr. A. H. McWatters, The Honourable Sir Arthur.
Miller, The Honourable Mr. E. Mitter, The Honourable Sir Brojendra. Muhammad Din, The Honourable Khan Bahadur Chandri.
Natesan, The Honourable Mr. G. A. Noon, The Honourable Nawab Malik Mohammad Hayat Khaw.
Shillidy, The Honourable Mr. J. A. Thompson, The Honourable Sir John. Watson, The Honourable Sir Charles. Whitty, The Honourable Mr. J. T.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is:

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

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 3 do stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The amendments on the paper to clause 4 are consequential on amendments which have been proposed to Schedule I of the Bill and I think therefore it will be convenient if we now at this stage turn to Schedule I and deal with the amendments.

The question is:

"That Schedule I be a Schedule to the Bill."

I call upon the Honourable Member (Rai Bahadur Lala Ram Saran Das) to move together his amendments Nos. 18 and 21.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS; I beg to move, Sir:

"That Part I of Schedule I to the Bill amendment No. 1 be omitted."

THE HONOURABLE THE PRESIDENT: I asked the Honourable Member to move the two together, that amendments Nos. 1 and 6 in Part I of Schedule I be omitted. They are dependent on one another.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:

"Also that in Part I of Schedule I to the Bill amendment No. 6 be omitted."

Sir, I will take amendment No. 6 first, if you will allow me; and in that connection, Sir, I want to impress upon this House that the proposed tax on raw cotton is quite uncalled for and not in the interests of the industry of this province. As far as cotton is concerned I might for the information of this House state that I happen to be a zemindar as well as an industrialist. I was one of those who undertook the venture of growing long staple cotton in the Punjab as early as 1901 and 1902. In the first place, Sir, in my own estate I grew the Egyptian variety. The then Director of Agriculture, Mr. Renouf, very kindly gave me all the expert advice that he had and the Agricultural Department of those days supervised the crop. The result of the three years in which the Egyptian cotton was on trial was not very satisfactory. In the first year, we got more of the tree and leaves than the cotton. In the second year, and owing to experience gained, we got a good quality of cotton but it was not commercially or agriculturally a success, and the result was that in all these three years I had to compensate the cultivators and others who had incurred a loss. Thereafter, Sir, American varieties were tried and the variety which we might compare to 4f became a success. At that time, Sir, when it became a success the zemindars only looked to the yield per acre and not to the quality and some inducement to grow American cotton and to compensate them in the difference of yield was required. At that time, Sir, for some years I was giving a premium of one rupee per maund on kuppas and after a period of 5 or 6 years the growing of Punjab-American was taken up on a large scale and now you find, Sir, since 1926 we have been exporting some of the surplus we had after meeting the demands of the Indian mills. In his speech the Honourable the Finance Member said that we can still improve on the Americans that we are growing. As far as the Punjab is concerned, Sir, we are growing three varieties of improved stapled cotton and these three varieties are 4f, 285f and 289f. As far as 289 and 285 are concerned, the yield in the Punjab is very meagre. These varieties have not proved a success to every grower. To some growers they are a success and to others they are not. But the yield is so small at present that we are doubtful whether this variety will continue to be more and more popular. This is the variety, Sir, in which the length of the staple is about one inch and a sixteenth. But generally 4f is the quality which we grow, the staple of which varies from 7/8ths of an inch to an inch. For the information of the House, Sir, I might say that the experiments with superior cottons to the American, I mean the Egyptians, have proved a failure. They have proved a failure in Sind, they have proved a failure in the Punjab. Of course, efforts are being made to solve the problem of climate and other things but I think, Sir, even in case we make it a success by artificial efforts, it can never be a commercial success. For our fine counts we shall have to depend on foreign cotton and to deprive India of foreign cotton by imposing this duty is quite unjustifiable and quite a discouraging factor in the thriving of the cotton industry. In the Tariff Board Report, Sir, we find that they recommended that the condition of the Indian cotton industry will improve in case the Indian cotton mills begin spinning fine yarns with imported cotton. And it was on that recommendation that fine

spinning was started in Indian mills. I might at the outset say, Sir, that as far as my own spinning mills are concerned, I do not use imported cotton because I am not so well situated as to compete with other mills which are nearer to the ports, but I can say, Sir, that this theory that by importing better staple foreign cotton we injure the zemindar is a farce. This is an argument that cannot stand because we have not got the climate, we have not got the conditions, and we have not got the soil for it. For the information of this House, Sir, I might mention that the finest cotton that is grown in the world is the Sea Island cotton. The Sea Island cotton, Sir, is grown in the West Indies, and the staple of that cotton is up to $2\frac{1}{2}$ inches long. It spins as fine a count as 600's. Then after the Sea Island cotton, we get the Egyptian cotton, which is the next best. In the Egyptian cotton the best quality is Sakal, the staple of which is 1·4 to 1·7 long, and that can spin up to 250's. The upper Egyptians have a staple 1·1 to 1·3 and the count spun is from 120's to 140's. Then after that comes the Soudan cotton and as far as the area near Egypt is concerned the quality is as good as Sakal but in the lower area American cotton is sown and even that cotton spins as good counts as 80's. We then come, Sir, to the East African cotton which comprises the Uganda cotton, the Tanganyika cotton. . . .

THE HONOURABLE THE PRESIDENT: I can hardly believe that this lecture on the cotton of the world is necessary for the Honourable Member to elaborate his argument that his amendment should be accepted by the House. It may be very interesting but it is hardly relevant.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I simply beg to state as against the argument which has been put forward in imposing this extra taxation on imported cotton, I thought it my duty to inform the House how the staple and the quality of our cotton, the American and other superior cottons, which we are producing in India, stand. I am simply giving these figures.

THE HONOURABLE THE PRESIDENT: The Honourable Member is not giving the figures simply at all. He is giving them with a great elaboration of detail.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, 12 NOON. Sir, I will leave out greater elaboration and I will come to my point. It is that in India, taxation on raw materials is against the policy, so far established, of the Government of India. The Indian Fiscal Committee definitely laid down that it was not expedient to tax the raw material of an industry. The Taxation Enquiry Committee also recommended a lowering of the duties on the raw materials of an industry where such duties existed. The matter therefore requires fuller examination. In India we produce from 6,000,000 to 7,000,000 bales of cotton, out of which the superior cotton, the long staple cotton, is not more than 100,000 bales. The consumption of cotton by the mills in India, as far as the two seasons of 1929 and 1930 are concerned, was very low. It was the time when the Indian mills were not prospering. The Honourable Sir George Schuster in his remarks yesterday said that the cotton industry was the only industry which was now thriving. It was thriving because at the instance of the recommendations of the Tariff Board they adopted fine spinning. From the figures that we have before us we even now find that they have not regained the position which they enjoyed some time back. In the year 1929-30 the total consumption of cotton in the Indian mills was 26,73,000 bales. In 1924-25 this went down to 98,700 bales.

[Rai Bahadur Lala Ram Saran Das.]

But, Sir, the figure of the year 1929-30, in which the consumption of Indian cotton rose to 23,79,000 bales, has not yet been reached. That shows that the so-called thriving of the Indian mills, to which the Honourable the Finance Member was referring yesterday, is not, with due deference to him, in order. As far as the Bombay mills and the other Indian mills are concerned, in case they regain their former consumption of their good days, I think they ought to consume something like 25 lakhs of bales.

Now, Sir, the imports of Uganda cotton into India—I am referring to that particular cotton because after the recommendation of the Tariff Board, the use of that cotton has been rather popular. In 1928, 35 per cent. of Uganda cotton went to Great Britain, 9 per cent. to Japan and 56 per cent. to India. In 1929, 22 per cent. went to Great Britain, 18 per cent. to Japan and 60 per cent. to India. In 1930, 7 per cent. went to Great Britain, 5 per cent. to Japan and 88 per cent. to India. This shows that the demand for Uganda cotton in India has been steadily on the increase. As far as the demand for fine cotton is concerned, we have no other course than to import either American or Japan or Uganda cotton. Our own Punjab-Americans, which spin from 20's to 24's—we are producing such a quantity of them that we have a surplus for export. In the year ending August, 1926 we exported 11,188 bales; in 1927, 3,762 bales; in 1928, 13,085 bales; in 1929, 7,471 bales, and in 1930 we only exported 775 bales. This fall in surplus shows that American cotton, instead of getting better, is not doing well in the Punjab. The crops are subject to all sorts of agricultural difficulties. Sometimes the Boll worm comes in, sometimes there are adverse winds, and sometimes there is premature cold, and the result is that the finest qualities of the Punjab-American 285f and 289f are getting less and less. Then, as far as the mill industry is concerned, as I said yesterday, the Government ought not to be a party to give it a set-back. In case you put on this duty, it means that you discourage the import of long staple cotton into India, you throw so much labour out of employment in the Indian mills which of late have been employed, and last but not least, you are giving a preference of about 12 per cent., thus enabling Lancashire to compete in fine counts.

Sir, in no civilised country in the world,—take England itself for example—is any raw material, which is imported, and the import of which is necessary, taxed in this manner. For these reasons, I put my amendment before the House for acceptance.

Now, Sir, the second item that I move is regarding the duty on machinery. . . .

THE HONOURABLE THE PRESIDENT: Machinery? I am confining the Honourable Member to the amendments dealing with raw cotton—Nos. 18 and 21. It is quite sufficient if the Honourable Member will move No. 18 on the final list. It is merely consequential.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I move, Sir;

“That in Part I of Schedule I to the Bill amendment No. 1 be omitted.”

THE HONOURABLE THE PRESIDENT: Amendment moved:

“That in Part I of Schedule I, Item No. 1 and Item No. 6 be omitted.”

THE HONOURABLE SIR ARTHUR MCWATTERS: Sir, in opposing this amendment I should like to make it quite clear that I recognize fully the force of the argument used by the Honourable Mover that the policy of

admitting raw materials into India free is one which has been advocated by the Fiscal Commission and has hitherto been adopted as a policy by the Government of India. My answer is that there may be circumstances in which for the moment other considerations become more important, and such circumstances exist now. The imports of raw cotton last year have increased rapidly and our figures for the first six months of this year also show a progressive increase. It is clearly a source which in the present emergency could be made to yield an appreciable amount of revenue, and it is revenue, for which we are looking in this tax. Now, we have to ask ourselves whether the effect of this duty will be in the first place to impose an unbearable burden upon the Indian cotton industry. The Honourable Member spoke about labourers being thrown out of employment by this duty. I think that the House will agree that he was greatly exaggerating. From figures which have been put before the other House by the Honourable the Commerce Member, figures which have not been seriously challenged, it was shown that the effect of this duty on the cost of cloth made from imported cotton would be an increase of about 3 per cent., whereas the increase in the duty on imported cloth of the same class is 5 per cent. Therefore the makers even of this type of cloth are somewhat better off; at any rate they admit they are not worse off than if the duty were not imposed. Incidentally they are obtaining the benefit of the 5 per cent. increase on the whole of the rest of their production. Therefore, so far as the mills are concerned, even with this duty and the duty on machinery, they are better off—they would themselves admit that they are not worse off; I say they are better off, taking all this taxation together than if these various forms of taxation had not been imposed. Therefore, it is absurd to say that the measures taken as a whole are going to throw people out of employment in the Indian cotton industry.

In the second place, we have to ask ourselves whether our action will cause a serious set-back to the spinning of cloth of high counts which the Cotton Tariff Board said it was very desirable to develop. Well, Sir, I think it is exaggerating to use the language of the Honourable Member that we shall deprive India of foreign cotton. A light tax of this sort is not likely to deprive India of foreign cotton.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Is 12½ per cent. a light tax?

THE HONOURABLE SIR ARTHUR McWATTERS: Relatively a light tax. The extra cost on the cloth is 3 per cent. The worst it can do is to deprive the mills of the extra stimulus which they would have obtained from the import duty on goods of this class. It is a set-off against the import duty, but it does not deprive India of foreign cotton, and I refuse to believe that it is going to give a definite and terrible set-back to the spinning of higher counts. The Honourable Member is an expert on long staple cotton, and therefore I am not in a position to argue with him about how far India can develop long staple cotton, but I think, speaking purely as an amateur, that he seemed to me to take rather a pessimistic view of the situation. But I do not base any argument for this duty

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I have given you my practical experience.

THE HONOURABLE SIR ARTHUR McWATTERS: I admit the Honourable Member's experience. That is why I am not arguing with him. I am merely saying that I am not affected by his argument because I am

[Sir Arthur McWatters.]

not basing my claim to the duty on those grounds, but, taking it by and large, this duty is one which should be accepted. It is one of the duties which are less good than others. I admit that. The same argument will apply to the next one. But taking it all round, it does not impose an intolerable hardship on the industry. I refuse to believe that it is going to have any very serious effects on it. Therefore I oppose this amendment.

*THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab: Nominated Non-Official): I rise to speak against the proposed amendment. I speak as a hereditary zemindar and I confess that I am neither a millowner nor a large proprietor. I assure the House, Sir, that zemindars throughout my province, the Punjab, will be pleased with the proposed slight taxation of foreign cotton. It is true that our American cotton grown in the Punjab is not as superior in quality as elsewhere, but very serious efforts are being made to improve the quality. It is also true that in one or two seasons in the past there was some decrease in the quantity of American cotton grown, but that was due to the fact that the crop of American cotton was attacked by the Boll worm, while the country cotton proved immune. But this year, again, American cotton has been sown in large areas and is giving a good return while the country cotton on the other hand has failed. The House is aware the zemindars are in a very bad plight and are hit hard by low prices and it is only fair that anything likely to bring some relief to zemindars should be encouraged. This slight tax on foreign cotton will act as an impetus to the Punjab zemindars to try and produce an improved quality of cotton. It is the principle of supply and demand. If there is a demand for superior cotton in the Indian mills and the foreign cotton is not imported, it is natural that zemindars will try to meet that demand and will try to produce cotton of the quality required by the Indian mills. With these remarks, Sir, I oppose this amendment.

THE HONOURABLE THE PRESIDENT: The original question was:

"That Schedule I be a Schedule to the Bill."

Since which amendments have been moved:

"That in Part I of the Schedule amendment No. 1 and amendment No. 6 be omitted."

The question I have to put is that those amendments be made.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: That decision of the House carries with it the Honourable Member's amendment No. 6, which is that in the second proviso to clause 4, sub-clause (a) be omitted.

We now turn to machinery. The amendments relating to machinery are, No. 7, which is an amendment of clause 4, and amendments 19, 20, 22, 23 and 24, which are all amendments to the Schedule. Three amendments stand in the name of the Honourable Rai Bahadur Lala Ram Saran Das and two are in the name of the Honourable Rai Bahadur Lala Jagdish Prasad, who has overlooked the necessity of the consequential amendment

*Speech not corrected by the Honourable Member.

which appears as amendment No. 24 in the final list. Perhaps he would move that one as well if I call upon him to move amendments Nos. 19 and 22.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, I move:

"That in Part I of Schedule I to the Bill amendment No. 3 be omitted."

Is that all, Sir?

THE HONOURABLE THE PRESIDENT: Amendment No. 22 (relating to amendment No. 11 in Part I of Schedule I).

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: I also move:

"That in Part I of Schedule I to the Bill amendment No. 11 be omitted."

THE HONOURABLE THE PRESIDENT: And No. 24.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD:

"And that in Part II of Schedule I to the Bill the following be omitted:

(2) Machinery, comprised in Items Nos. 59A, 59B, 59C and 59D."

Sir, the object of my amendment is that machinery should not be subjected to customs duty. As you know, machinery is not at present subject to an import duty, but this Bill seeks to bring machinery on the list of those articles which are subject to customs duty. My object therefore is that machinery should continue to be exempt from import duty. You know, Sir, that India has to import machinery from abroad for her industries which are still in their infancy and also for agricultural development on scientific lines, and the outturn of machinery in India is very poor. We also know that India is principally an agricultural country and that the development of industries is India's desideratum. It therefore follows that if in future machinery is subjected to customs duty it will make the import of machinery from abroad very costly and, knowing as we do, that the purchasing power of the people has fallen so low, it follows that an import duty on machinery will retard our agricultural and industrial development to a considerable extent. So far as my information goes, in no other country is the import of machinery taxed. I therefore propose that, in the interests of our industries and the development of agriculture, machinery should continue to be free from import duty and should not be subjected to such duty for the future.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to support the amendment moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad. In supporting the amendment, Sir, I am afraid that the principle underlying this taxation is discouragement of industries. It is only by machinery that we can compete in various methods and avoid the imports from foreign countries. My impression about which I was doubtful whether I was right or wrong is now confirmed and from the silence of the Honourable the Finance Member yesterday I am now almost certain that discouragement of Indian industry is being dictated by the Secretary of State, and though the Government of India do not wish to do it their hands are being forced. It is a pity, Sir, that in these days of depression, in the days when unemployment is increasing, Government should move in a manner by which they add to the unemployment. On

[Rai Bahadur Lala Ram Saran Das:] the very principle that the Government of India want that the industries of India should thrive this action is to be regretted. Agriculture needs machinery; other industries need machinery and the taxes on machinery will retard our progress. On that ground and on the bigger ground that industries must be encouraged I support the amendment.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, generally speaking, I have very little occasion to differ in my opinions from my Honourable friend, Lala Ram Saran Das, but I am afraid that in this particular amendment regarding machinery, we seem to hold divergent views. I cannot really understand the objection that has been raised to imported machinery being taxed. After all, if we consider that the prices of machinery have fallen to nearly a third of what they were about a decade ago, this 10 per cent. duty should be considered absolutely trivial.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Question, question. The price of machinery has gone up. After the war prices have gone very high and the level of prices to-day has not come down to the pre-war level.

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member is making a speech. The Honourable Mr. Basu.

THE HONOURABLE MR. BIJAY KUMAR BASU: I was comparing the prices that rule to-day with the prices that were ruling a decade ago, and I am afraid that this proposal to have machinery tax free is the outcome, I am sorry to say, of canvassing by cotton mill industry people, and we are led to believe that the cotton mill industry and the cotton mill industry only is our only national industry.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Is it not so?

THE HONOURABLE MR. BIJAY KUMAR BASU: What about the engineering and machinery industry in India I ask. I am prepared here and now to give the Honourable Member a list of at least 40 well known engineering firms in and around Calcutta which have been compelled to compete with tax-free machinery, when their raw materials out of which they produce their machinery, their manufacture, are taxed.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: What are the raw materials, Sir, of the engineering firms?

THE HONOURABLE MR. BIJAY KUMAR BASU: The raw materials necessary are certain kinds of steel, copper, alloys, and I have got a list here which I will give to my Honourable friend; pig-iron, steel, non-ferrous metals, brass, copper, lead alloy and those things. I am not an expert in machinery, but this I know that the raw materials are taxed; and if you calculate the handicap on all these materials it practically constitutes a handicap of about 7 per cent. of their manufacture. The result is that they cannot possibly compete with tax-free machinery when they have got this handicap on. I do not want protection for these machinery firms; I only want that justice should be dealt out to them. This 10 per cent. duty on imported machinery would only put them on the same level. That is all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What are the machineries manufactured in India and what is their worth?

THE HONOURABLE MR. BIJAY KUMAR BASU: I am afraid I cannot give you the figures because I do not know them myself but I know this that lots of machinery are manufactured for jute mills, for cotton mills, and also for other concerns.

(The Honourable Rai Bahadur Lala Ram Saran Das again attempted to interrupt.)

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must understand that if every Member of this House interrupted every time he heard a statement made with which he disagreed there would never be any debate here at all. The Honourable Member is extremely fond of interrupting particularly on matters on which he feels strongly. I must ask him not to interrupt. He has made his speech and he has no right to another one.

THE HONOURABLE MR. BIJAY KUMAR BASU: I thank you very much, Sir, for having asked the Rai Bahadur not to interrupt and I think also that the Rai Bahadur has a right of reply as the mover of the amendment, so he will have another opportunity of speaking.

THE HONOURABLE THE PRESIDENT: No.

THE HONOURABLE MR. BIJAY KUMAR BASU: Then, Sir, another point which I want to make is that the admittedly biggest political organisation of our country, the Congress, has imposed a condition, I understand, on the cotton mills that they should use spare parts for their machinery as far as possible of Indian manufacture. I ask, do you encourage the manufacture of those spare parts in India if you do not tax imported machinery. You have to encourage more production to give effect to your own dictum. These machinery industries round about Calcutta—and I do not know about other provinces, Sir,—have not been able to put their case before the Assembly or before this House because I think they have not yet learned that art of agitation which alone pays with this Government. It is the principle of the crying child getting the milk and these people have not yet learned how to cry. If you just consider the balance sheets of these various companies for a period of years, you will find the dismal tale unfolded. Most of them have not been paying concerns at all. Some of them had to wind up their business and others are on the verge of closing down. I attach the greatest importance to the growth and expansion of machinery concerns in India and if India's dream of industrial autonomy is at all to materialise you must encourage technical training which is only afforded in machine shops and engineering factories much more than in jute mills or in cotton mills.

There is only one other point, Sir, which I am sure will appeal to my Honourable friend, Rai Bahadur Lala Ram Saran Das, and every nationalist in this House. The fact that the newspaper of my city which claims for itself the largest circulation in the land, which calls itself the "Statesman" in very big capitals and the "Friend of India" in very small letters declared that it is necessary in the interests of India that machinery should be imported tax-free. That alone ought to convince

[Mr. Bijay Kumar Basu.]

my friend the Rai Bahadur and the other gentlemen of nationalistic tendencies here that we will be quite right if we go contrary to its opinions.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadian): May I ask to which party my Honourable friend, Mr. Basu, belongs? A nationalist party?

THE HONOURABLE MR. BIJAY KUMAR BASU: I do not think I am called upon to answer that question and, if I may say so with the utmost possible respect to my Honourable friend, the question is considered to be impertinent.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Sir, I had no intention of speaking on the machinery amendment, but the remarks of my Honourable friend, Mr. Basu, have compelled me to come forward and speak a few words. If anyone says that Bengal wants to be trained in agitation, I think he forgets his history. It was Bengal that taught us all over India how to do the job, and if they have forgotten their own lesson it is high time they should be compelled to remember it again.

THE HONOURABLE MR. BIJAY KUMAR BASU: We have fallen on evil times.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Now, Sir, as regards the other point he urged that raw materials for machinery are taxed. I should like to remind him that we have the colossal firm of Tata's Iron and Steel Works which supplies the raw material and which has got surplus steel which it cannot dispose of fully, this can be utilised by the engineering firms. Tungsten is the material which is utilised for the manufacture of the highest form of machinery and most of it is exported out of India. That too can come up tax-free. Manganese could also be produced. Pig-iron is so much in abundance that it is exported every year from India. I should like to say a few words more about this point. These machineries were a thing that were a closed book as far as Government taxation was concerned. All our tariff reform policy is based on the Fiscal Commission Report, which always used to be sponsored by my Honourable friend, Sir Maneckji Dadabhoy. They laid down the principle that on no account, and for no possible reason, should the machinery be taxed, not even for revenue purposes. The reason being, that they regarded it as one of the basic principles; and they based their whole fiscal policy on it, but if you take out that foundation stone of the structure, you are really causing the whole thing to crumble. Machineries are not taxed in other countries as well, because they go to increase the productive power of the land. I should be excused for again referring to the English budgets but there the first criterion which is applied to each item of new taxation placed by the Government, is whether it will help the industry or mar it. It is because of this fact, that they have always kept themselves in the forefront, and have been able to manage their affairs so well, that their income-tax has not fallen in the same ratio as our income-tax has fallen within the last ten years of the Reforms. That is the one criterion which proves conclusively whether the country is in a prosperous condition or not. I am sorry, Sir, I have not been able to find—perhaps it is due to my ignorance—any returns published by the Government

which will show to me in the same clear terms as is shown in England the amount of income taxed each year and for each class. In America a statement on these lines is published. Perhaps there might be a publication of this sort by the Department of the Honourable Mr. Lloyd but I have not seen it and I plead my ignorance. If I had seen it I would have quoted those figures to show how far our income has fallen; and if the statement of mine that our income has fallen is incorrect I should like to be enlightened of the actual facts of the case. That is the best criterion to show whether your tax is producing wealth or marring the production of wealth. The primary function of the Government is to increase the production of wealth. Taxation simply means taking out the money from one pocket and putting it into another pocket—taking it from the pockets of my non-official friends on my right and putting it into the pockets of the official gentlemen on my left. That does not increase the total wealth of the country, and the best Governments are those which help to increase the wealth of the country. Looking at it from that point of view, this taxation will have a deterrent effect. Also, our machinery is mostly imported from America and Germany, and to a certain extent from England. Leaving aside England, and taking into account America and Germany, their prices have already gone up by nearly 30 per cent. on account of the devaluation of the rupee and now a further burden to the extent of 13 per cent. is being imposed. The rupee value has already increased by 30 per cent. and the tax on that is 13 per cent. so that 43 per cent. increase is not a minor factor. It cannot be brushed aside as an ignorable thing.

Then, Sir, it was pointed out that the cotton industry is not the main industry. I am afraid that with the exception of jute

THE HONOURABLE MR. BIJAY KUMAR BASU: I did not say that. I said it was not the only national industry.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: As far as the national industry is concerned, the only industries which employ labour to a very large extent are our cotton and jute mills. Jute is our monopoly production. There we have got the monopoly of the world. We can dictate our terms, but even there we find that the depression of the outside world has compelled us to reduce our prices to such an extent that the jute mills are now running at a loss. The only other industry which the Honourable the Finance Member said was in a prosperous condition is the cotton industry. Perhaps that prosperity did not very well please them and therefore they do not want that it should go on prospering. So, this duty has been imposed. There is no doubt that the cotton industry is in a prosperous condition and if these measures to bring it down to the dust had not been taken, it would have prospered better. You will remember that on the prosperity of the Bombay mill-owners depends your income from income-tax. If you deteriorate it with one hand, you will also cause the income-tax to fall below the level on which it would be if these taxes had not been imposed. You cannot decrease the profits of the industry and realise a higher amount of taxation. These points could be very well dealt with by my Honourable friends Mr. Miller and Mr. Browne, who are concerned in the industry. They could show how far taxation on the primary requisite will reduce the income of the manufacturing class. Government have tried to tax the last morsel out of our mouth and the last rag on our backs. That is all they have done.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I have to oppose this amendment, and my position is very much the same as it was in opposing the amendment regarding raw cotton. It has been in recent years the policy of the Government of India to admit machinery free of duty. In former days there was a duty on machinery, but that has been, as a matter of policy, removed. The Government of India have taken the view that there are special circumstances which may override even a matter of policy of that kind, at any rate for the time being, and one of the circumstances which makes it in this particular case more justifiable is the fact that the general rate of import duty, has been raised in very recent times from 15 per cent. to 25 per cent. They took the view that in these circumstances there was less objection to imposing a tax of 10 per cent. on machinery.

There are one or two remarks made in the course of the debate which I think require a certain amount of correction. I think that the Honourable Rai Bahadur Lala Ram Saran Das was inclined to exaggeration when he spoke about the "principle of destroying Indian industries". I do not think that anybody has approached this matter with the desire to destroy anything. We regret to have to do things, but we certainly do not do them with the desire of destruction. Then again we heard about the agricultural industry being injured and destroyed. I would like to point out that the greater part of agricultural machinery is still admitted free. If Honourable Members will look at Items 15 to 18 of the Import tariff, they will find that the most important types of agricultural machinery are still free. They are not covered by this amendment which imposes new duties. It is therefore important to look at this matter with more sense of proportion. Then again, the new duty, though it may be harmful in some cases, will have in practice some good effects as the Honourable Mr. Basu pointed out. It is not a point I wish to stress unduly because that is not the object with which this duty has been imposed, but certain classes of manufacturers in India will obtain some advantage from it. I am afraid I must oppose the amendment.

THE HONOURABLE THE PRESIDENT: The question is:

"That in Part I of Schedule I, amendments Nos. 3 and 11 be omitted, and in Part II of Schedule I, the words '(2) Machinery, comprised in Items Nos. 59A, 59B, 59C and 59D' be omitted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT: That disposes of amendments Nos. 19, 20, 22, 23 and 24 and also carries with it amendment No. 7 to clause 4.

The question then is:

"That Schedule I be a Schedule to the Bill."

The motion was adopted.

Schedule I was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 4 do stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 5 do stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I move:

"That in clause 5 the word 'salt' and the words and figures 'under the Indian Salt Act, 1882, or' be omitted."

Sir, the object of my amendment is that salt should not be subjected to a surcharge of 25 per cent. as is sought to be imposed on it by this clause. The reason why I want this commodity exempted from the proposed surcharge is that salt is a prime necessity of life which even the poorest man cannot do without. And India being the poorest country in the world, it follows that a tax on salt affects the poorest of the poor. My Honourable friend Nawab Sir Akbar Khan of Hoti opined yesterday that the rich and the poor should alike be taxed, but I emphatically disagree with him on this point. It may be that this difference of view between him and me is due to the fact that he is a nominated Member while I happen to be an elected one, but the difference is there. I fail to see how it can be advocated with a clear conscience that those also should be taxed who cannot afford even two meals a day.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Does the law make any difference? Is there one law for the rich and another for the poor?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: My Honourable friend suggests that the law should make no difference. But with due respect to him I beg to say that although in the eyes of the law the rich and the poor are alike, here the question is of taxation and not that of law. I think when you are imposing fresh taxation you must differentiate between the rich and the poor; you must see that those alone are taxed who are able to bear the burden of taxation easily.

Salt in India, Sir, is not already free from tax. As you know, it is subject to a duty of Rs. 1-4-0 a maund at present. I understand that in 1915 and 1916 the duty on salt was Re. 1 a maund. Then in 1921-22 it was increased to Rs. 1-4-0 a maund. In 1922 and 1923 there was a popular demand for the abolition of this duty and I understand that the Legislature then did not pass the duty. But by His Excellency the Viceroy's certification the tax of Rs. 1-4-0 was restored. But the agitation against the salt duty continued, and in 1929 this tax was reduced to Re. 1 a maund. In 1930, however, the duty was again raised to Rs. 1-4-0 a maund and was retained at that level in the current year. The history of this tax shows that it has always been opposed by the public. Only a short time ago the Congress launched on a *Satyagraha* campaign on account of the salt tax. There were, as you know, regular raids on salt depots. Thousands went to jail on this account and there were numerous *lathi* charges. The agitation was country-wide. But it is a pity that the Government have not profited by the experience of these disturbances and, what is worse, the salt duty is now going to be increased by 25 per cent., which will bring the tax to Rs. 1-9-0 a maund. Apart from the fact that the increased duty will, as I have already stated, affect the poorest of the poor, the Government by this action will be

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giving a fresh handle for further agitation. I do not think that considering the present circumstances of the country, it will be a wise step on the part of the Government.

From the point of view of public health too this duty is objectionable. For we know that when the duty on a commodity increases its consumption decreases and *vice versa*. This point is corroborated by the fact that in 1903 when this tax was reduced by 8 annas the result was that the consumption of salt rose by 20 per cent. Now when the duty is going to be increased it is likely to be followed by a decrease in consumption. This, Sir, will not I think be good from the point of view of public health.

Then, Sir, the apprehended decrease in the consumption of salt is sure to result in a loss to Government revenue. So from the revenue point of view also the proposed duty does not seem to be a sound proposition.

It may be argued on behalf of the Government that this increase in salt duty is only an emergency and therefore a temporary measure. But past experience shows that whatever the professions of the Government in this behalf may be, once a tax is imposed it is seldom remitted. On the contrary, it is augmented from time to time. So a profession of this nature on the part of Government can only be accepted with great caution.

Sir, I will conclude my speech by quoting a former Secretary of State for India who, addressing the then Viceroy on this subject, observed :

"I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population through the taxation of a necessity of life. But apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency is well aware, in the case of the salt duty in India, weighty reasons for keeping it at as low a rate as possible."

Sir, I hope that although non-official opinion may fail to influence the policy of Government, at least the opinion of a Secretary of State for India should carry weight with them.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I have no hesitation in opposing this amendment. I think that in a time like the present there is no commodity which lends itself more justly and conveniently to an increase of taxation than salt. Our experience has been for a long period of years that the consumption of salt is affected very little by the rate of the duty. There were exceptional circumstances in the year to which the Honourable Member referred, but going back for a long period, when the duty was as high as Rs. 2-8-0, there was in fact very little difference in the amount of salt used, which indicates that under our system there is not much ground for supposing that the ordinary man is getting less salt than he requires. Even when the salt tax is involved in a cloud of political prejudice, even then, when direct attacks are made upon the salt revenue, they have very very little direct effect. Indeed, from the revenue point of view the campaign directed against the salt tax was practically ineffective. Therefore, Sir, by this surcharge, with practically no increase in the cost of collection, we get something over a crore of rupees. And when we are introducing taxation which falls inevitably upon all sections of the community, then a tax which amounts to no more than 10 pies per head per annum is one which I do not think can be seriously cavilled at. It is a curious

thing that when the question of obtaining money for themselves comes into question the members of Local Governments and members of the public whom they consult are not so greatly impressed by the political difficulties of the salt tax. I should like to read to the House a passage from the report of the Punjab Sources of Revenue Committee which came into my

1 P.M. hands only the other day. They say :

"We have considered a proposal to levy a surcharge on salt. The majority of us, six to one, strongly favour the imposition of a surcharge of 50 per cent. on the present salt tax, which surcharge should be paid to provincial revenues. The majority are of the decided opinion that so far as the Punjab is concerned the present salt tax is not felt by any one as its incidence on the poorer classes does not amount to more than a few pies per person in a year. They understand that the present tax has not been increased by the Government of India for political reasons. They consider that these reasons do not apply to the Punjab and that a surcharge on salt, if imposed, would be widely hailed as a justifiable taxation which would cause no hardship even to the poorest classes."

With that, Sir, I will conclude my speech.

THE HONOURABLE THE PRESIDENT: The question is :

"That in clause 5 the word 'salt' and the words and figures 'under the Indian Salt Act, 1882, or' be omitted."

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I beg to move :

"That in clause 5 the words 'motor spirit' be omitted."

In these days, Sir, the use of motor spirit cannot be called a luxury. It may be a luxury for a few but not for many. The present financial stringency has led Government to stop any further investment on new construction of railways. Similarly the high surcharge has to a great extent prevented the import of motor buses, and the result is that by this increase of duty on petrol the development of the country and the convenience of the agricultural and commercial people in moving from one place to another will be affected. The total consumption of petrol in India, as far as my information goes, is about 60 million gallons. If I am wrong, the Honourable Mr. Miller will put me right. A heavy duty on this means that the services of buses which are now running between urban areas and between stations and the urban areas will be affected and there will be no development of further motor services in the various areas. On the other hand, Sir, petrol is now also being used for agricultural purposes, for pumping of water, for ploughing, for tractors and so on. I do not know how far this tax will also retard their use. Petrol pumps are quite common in the Punjab for small lifts. I therefore propose that in the interests of the poor and of the agriculturists this duty ought not to be increased.

THE HONOURABLE MR. A. H. LLOYD (Government of India : Nominated Official): Sir, I have to oppose this amendment primarily on financial grounds. The amount which we estimate will be obtained by us from the two anna surcharge on the excise duty which is now in question on motor spirit is about Rs. 29 lakhs in the current year and Rs. 58 lakhs in the year 1932-33—a total sum of Rs. 87 lakhs. That is an amount the surrender of which we cannot contemplate without seriously upsetting our scheme. But the matter does not stop there. This amendment is moved to clause 5 of the Bill and relates only to the excise duty on motor spirit.

[Mr. A. H. Lloyd.]

Clause 4 of the Bill has already been passed by this House and that imposes a surcharge of 2 annas per gallon on imported motor spirit. The result therefore of carrying the amendment that is now before the House would be to introduce a difference of 2 annas between the duty payable on motor spirit made in India and on imported motor spirit. Now, before 1925 there was a difference of $2\frac{1}{2}$ annas between the two rates, but at that time, it is correct to say, literally no motor spirit for use in internal combustion engines was imported into India and it seems probable, or at least there is a grave possibility, that if this amendment were carried not only should we lose what we expect to receive out of the surcharge upon the excise duty, but also the motor spirit made in India would displace those quantities of motor spirit that are at present being imported, quantities which have now reached fairly respectable dimensions. The result is that the total loss from the acceptance of this amendment would probably exceed Rs. 1 crore. It may, however, be pointed out that the organisation of the petroleum industry is such that the distribution of motor spirit is in a limited number of hands and possibly the ordinary competitive principles under which prices are fixed would not operate, with the result that we might not lose this sum which we expect to receive from the customs duty on imported motor spirit. I would like to remind the House if that were to take place it would mean that the price of motor spirit would be fixed with reference to the price of imported motor spirit, and therefore the combined effect of passing clause 4 and rejecting this part of clause 5 would be that no advantage would come to the consumer because the price would still remain raised by 2 annas and the whole of that profit would go to the concerns which are making motor spirit in India. That is the other side of the picture. Between the two possibilities Government stand to lose and the country, as a whole, does not stand to gain. For these reasons, Sir, I oppose the amendment.

THE HONOURABLE THE PRESIDENT: The question is:

"That in clause 5 the words 'motor spirit' be omitted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is:

"That clause 5 do stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

THE HONOURABLE THE PRESIDENT: Clause 6. The Honourable Mr. Ghosh Maulik.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal: Non-Muhammadan): Sir, my amendment runs thus:

"That in clause 6 the words 'and single postcards' and the words 'and the rate specified in respect of reply postcards shall be increased by half an anna' be omitted."

My amendment is a modest one and proposes reduction of a single pice on postcards and half anna in respect of reply postcards, and I am quite sure that Government would not lose much revenue in accepting my amendment; while, on the other hand, it will give a great amount of relief to the poor people. I know, Sir, that it is quite impossible to move an amendment in this House, constituted as it is; and he would

be either a wild optimist or an inmate of Bedlam who will flatter himself with the idea that we can carry an amendment in this august House, the replica of the House of Lords. But at the same time, Sir, I would be failing in my duty as an elected Member if I do not press for this amendment. I would, however, be quite satisfied if only the Government will give us an assurance that even if they get the power by this Act to increase the rate of inland postcards, they would suspend the executive orders necessary to raise the rate.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to support the amendment moved by my Honourable friend. Sir, when we increased the rate of postage in 1922 we found that the number of letters and the number of postcards which were posted fell very heavily and the income which the Government anticipated by the increase of rate did not come up to their anticipations. As far as postcards are concerned, Sir, they are used generally by the poor people and I think the increase of postal rates on the postcard will be very bitterly felt by the poor who in these days of abnormal and unprecedented depression are unable to meet even their cost of living. The result will be that their correspondence with their near and dear ones even will have to be heavily curtailed against their wishes. Sir, in the year 1919-20, 610 millions of postcards were used by the public, in 1920-21 the number rose to 630 millions. In 1921-22 this number still jumped up to 650 millions. In 1922, when the rates of postage were increased, we find that in the year 1922-23, owing to this increase the number of postcards used fell to 520 millions and since then up till now the number of 650 millions has not been reached leaving aside the average increase of ten millions yearly. From our past experience, Sir, we ought to learn and I am quite positive that now we have an unprecedented depression in everything, in 1922 we were much better off than we unfortunately now are, and I think that the revenue which the Government anticipates by the increase of rates in postcards is not likely to be achieved. I think, Sir, that wherever the poor are concerned the Government ought rather to be more lenient and considerate. The Post Office is already making retrenchments in reducing post offices. Many village post offices are being closed and various other economies are being made as far as curtailment of postings and deliveries and, Sir, this is a time when an increase in the postcard rates anyhow ought not to be taken in hand. With these few words, Sir, I commend this amendment to the House.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, instead of moving my own amendment for the deletion of this clause I will confine myself to supporting the amendment before the House. Sir, the question of postal rates has been exercising the public mind since the last increase in the rates was effected by the Government in 1922. Ever since the demand of the public has been—which its representatives have been repeatedly urging on the Government—that the rates should be brought down to the previous level. But it is an irony of fate that the Government are now meeting the demand for reduction by actually proposing an increase in the postal rates and for the matter of that in the rate of postcards. Responsiveness to public opinion cannot in my humble opinion go further! At a time when the purchasing power of the people has become so low the proposed increase will affect millions of people. Sir, the Government defends an increase in the postal rates on the ground that there is a deficit

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in the Post and Telegraph Department. As to this I will say that this deficit in the Post and Telegraph Department is due to the fact that there has been a rapid increase in expenditure in this Department which has been out of all proportion to the increase in revenue. If the expenditure in this Department is taken back to the level of 1925-26 there would in my opinion be a surplus instead of a deficit. And I do not see any insuperable difficulty in the way of doing so in view of the acute economic depression prevailing in the country. Apart from this question, when the Postal Department was started some 60 years ago, I understand that the object then laid down by the Government was that it should be considered as a public utility department and not as a commercial concern for revenue. To try now to run the Department on business lines cannot therefore be justified. Moreover, Sir, as my Honourable friend, Rai Ram Saran Das Bahadur, has just pointed out, the increase in the postal rates is not likely to result in an increased revenue for the Government. I therefore support the amendment before the House.

THE HONOURABLE MR. J. A. SHILLIDY (Industries and Labour Secretary): Sir, I must oppose this amendment and I do not think it will be necessary for me to speak at any length. The subject has been discussed year in and year out in this House and I do not know that there are any fresh arguments to bring forward. As far as I understand the argument, it is that it is no use putting on this extra rate because we will not get the revenue. That has not been our experience. It is perfectly true that when we have increased the rates there have been fewer letters and fewer postcards used but we have also gathered in a higher revenue and I see no reason why on this occasion also we should not get a higher revenue.

The other point which was put forward by the Honourable Member was that postcards were used chiefly by the poor. This, Sir, is not the fact. Postcards are used mainly for business purposes. But let me give a few figures. Last year 546 million postcards were used as far as can be calculated. If you were to allow that there had been a general uniform use of postcards amongst all adults it would amount to three postcards each per adult in the year. The result of this crushing burden that we are putting on the poor would then amount to three pice in the year. Suppose however that all adults did not use postcards but that only 50 million persons used them. Suppose again a uniform use of postcards by these persons, and the crushing burden on them, Sir, amounts to 10 pice a year each. I do not think Sir, that this hardy annual of the oppression of the poor can in this respect be really maintained. I said, I think, a few sessions ago on the strength of one who has had great experience of working with the poor that the poor man wrote perhaps about three or four postcards in the year. If that be true, then the addition of three or four pice a year is not going to stop that further correspondence with their nearest and dearest to which the Honourable Member referred. Sir, I must oppose the amendment.

THE HONOURABLE THE PRESIDENT: The original question was:

"That clause 6 do stand part of the Bill."

Since which an amendment has been moved:

"That in clause 6, the words 'and single postcards' and the words 'and the rate specified in respect of reply postcards shall be increased by half an anna' be omitted."

The Council divided :

AYES—9.

Aiyangar, The Honourable Mr. K. V. Rangaswamy.
Banerjee, The Honourable Mr. Jagdish Chandra.
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.
Jagdish Prasad, The Honourable Rai Bahadur Lala.
Mitha, The Honourable Sardar Saheb Suleman Cassum Haji.

Naidu, The Honourable Mr. Y. Ranganayaka'u.
Pandit, The Honourable Sardar Shri Jagannath Maharaj.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.

NOES—18.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.
Basu, The Honourable Mr. Bijay Kumar.
Charanjit Singh, The Honourable Sardar.
Chimman Lal, The Honourable Rai Bahadur Lala.
Devadoss, The Honourable Mr. M. D.
Drake, The Honourable Mr. J. C. B.
Emerson, The Honourable Mr. H. W.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.
Ghosal, The Honourable Mr. Jyotsnanath.

Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.
Jalan, The Honourable Rai Bahadur Radha Krishna.
Lloyd, The Honourable Mr. A. H.
McWatters, The Honourable Sir Arthur.
Mitter, The Honourable Sir Brojendra.
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Shillidy, The Honourable Mr. J. A.
Thompson, The Honourable Sir John.
Whitty, The Honourable Mr. J. T.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is :

“That clause 6 do stand part of the Bill.”

The motion was adopted.

Clause 6 was added to the Bill.

The Council then adjourned for Lunch till Twenty Minutes to Three of the Clock.

The Council re-assembled after Lunch at Twenty Minutes to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: The question is :

“That clause 7 do stand part of the Bill.”

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I beg to move the amendment

THE HONOURABLE THE PRESIDENT: The Honourable Member need not move. As I explained earlier in the day, I do not put the question from the Chair that the clause be omitted. The question however is that clause 7 stand part of the Bill. The Honourable Member may oppose it.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I oppose clause 7 forming part of the Bill. It is my firm conviction that the lowering of the limits of income liable to income-tax will operate very harshly on the

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poorer and middle classes. Normally, this would mean the taxing of an income of Rs. 84 a month, but in reality it will not stop there. It is a matter of common knowledge that Income-tax Officers in their zeal to bring in an increased income to the coffers of Government from income-tax do not always care, nor is it always easy for them, to find out whether an assessee has got the exact amount of income that is liable to income-tax, but at times bring in persons of much less income also on their assessment list, of which the result in this case is likely to be that persons having an income of, say, Rs. 60 or so might also be taxed, which is barely a living wage. Then, Sir, the Income-tax Act, is very unsatisfactory in that, unlike the English law, it does not provide for judicial appeals. Even assuming for the sake of argument that the officers concerned would act carefully, there would be, according to some calculations, about 300,000 families roped in by the new proposal. Now, let us compare the conditions in India with those obtaining in England. In levying income-tax in the United Kingdom allowance is made for married men and children. If a man is unmarried the exemption limit is lower than if he is married. If he has children the exemption limit is still higher, allowance being made for each child at a certain specified rate. Thus, for a bachelor the minimum taxable income in England is £250 and for a married man £350. But in India the income-tax is levied irrespective of the fact whether a man is single or married and of the number of children he has. Owing to the joint family system in India a man getting a salary of between Rs. 1,000 and Rs. 2,000 per annum may have to support not only his own wife and children but also a number of other relatives. The result is that here the tax bears more harshly on those who are married and have children than on those who lead a single life and have no family to maintain. This is opposed alike to reason and equity. Sir, in England the Government is very solicitous about the lowering of the standard of living, but in India the Government is apparently not much concerned what effect their taxation will have on the already extremely low standard of living of the people. The Honourable the Finance Member defended this proposal of lowering of the incidence of income-tax in the Legislative Assembly on the ground that the whole basis of the country's income on which the Government of India and the Provincial Governments had to rely for taxation was dependent on agricultural prices. He argued that in 1903 the sum of Rs. 1,000 was considered a fair limit, that the prices of agricultural produce had fallen to the 1903 level and that Government had therefore had recourse again to the standards of taxation applied in 1903. To this, Sir, I would say that the Rs. 1,000 limit was never accepted as fair by non-official opinion and that it was raised to the higher limit after a great deal of public agitation. It will now be very unfair to restore that low limit. Then my question is, does the principle of taxation the Honourable Sir George Schuster enunciated apply only to the lowering of the exemption limit of income-tax, or is he prepared to recommend that all the taxes should be brought down to the 1903 level? The middle class Indians to whom this proposal to tax incomes between Rs. 1,000 and Rs. 2,000 would apply have to pay considerably more than in 1903 for house rent, medical, educational and other bills, wages to domestic servants, postal and telegraphic communications, imported articles of necessity, etc. They have to feel the effect of very heavy indirect taxes imposed on the country since 1903. The validity of the Finance Member's argument can be admitted only if the

economic conditions of 1903 can be wholly or even substantially re-created, which is not immediately practicable. Sir, in my opinion the lowering of the income-tax limit will act very harshly on the lower middle classes and drive petty shopkeepers to bankruptcy. I am therefore obliged to oppose this clause.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: Sir, I oppose the last speaker on several grounds. In his salt duty speech, he said that he does not agree with me in the fixation of a universal rate of taxation at 2½ per cent. Well Sir, there is a difference of mentality. As he is a follower of Manu Smriti, while I am a believer in the Muhammadan law based on the Holy Qoran. There is a vast difference, the difference is as wide apart as the two poles are. He has been brought up in the light of Manu Smriti, which says that a Brahmin, if he commits a murder, is not liable to be brought before a legal court. They always observe the caste system; they have got the higher classes, the lower classes, and they might have at the same time classification of wealth, the richest man, the richer man, the rich man and the poor but I am a believer in the Islamic law which allows no such distinction at all. According to Islamic law, the law is the universal law and the rate of taxation must be a universal rate for everybody. It is the same for the rich or the poor or the wealthiest man. When he says that income-tax should not be lowered to Rs. 1,000, may I ask him, if a theft is committed in the house of a poor man and he reports to the police station, will not the police official start an inquiry into the case with the same zeal as would be done in the case of a rich man who was robbed of Rs. 1 lakh? I want to know where is the difference. Protection is given to a poor man exactly the same as it is given to a rich man. I do not know where the distinction comes in. If my friend thinks that distinction comes in because a rich man is sitting on his money he is very much mistaken. Nobody in this world can ever sit on his money; the money is always in circulation; he employs his money and several people are employed in his workshop or in his building operation or in other profitable enterprises that he undertakes. All the same the money is in circulation. I do not know why my friend poses himself as a special champion of the poor. I think the saying is that law is no respecter of wealth or poverty. I ask him in the first instance when a taxation Bill passes, what it becomes into? Does not it become a law? If it becomes a law, well, the law should not be a respecter of poverty or wealth. People might say whatever they like. The Finance Member might jeer at my suggestion; his Secretary, the Honourable Sir Arthur McWatters, might laugh at it, but, Sir, I do not care in the least about it. I am a convinced believer that what I say is the right course and I am determined to stick to it. If in future I remain a Member of this House, whenever the Budget is brought forward there will always be some indication in my speech to that effect. I want the rate of taxation to be a universal rate. There should be no distinction that the rich man must pay more and the small man must pay less. If my friend is a believer in Socialism and he wants to introduce a Socialistic Budget—these are the wrong Western ideas—he is quite welcome to back those; but I say that I am a convinced believer in the law of Islam and I say that law is no respecter of wealth or poverty. The law has got no such thing. There is equality in law. There might be a distinction with my friend that a Brahmin is not liable even for murder to be produced before the magistrate and that a Brahmin according to Manu Smriti is at liberty to decline to

[Sir Mahomed Akbar Khan.]

appear before a magistrate and he cannot be cross-examined by the magistrate or the counsels; it is a special privilege; because he is the highest of the highest, but in Islam, my friend, there is no such thing. Even the ruler of the world, if a case is instituted against him, will have to come and take his stand like the ordinary human being in the court of the Qazi. There is no such thing as rulership or anything else allowed by the democratic laws of Islam. I wanted to remove a misapprehension on that point. At the same time I want to inform the Honourable the Finance Member that he might laugh at my suggestion; he might do whatever he likes, but I am a convinced believer and every time I will advocate this course, because I believe that the universal rate is a thing by which at least the Islamic law ruled this India for 800 years and it ruled a vast portion of the world according to those laws for nearly over a thousand years; and to-day if a man scoffs at it, I will say I scoff at your Budget, and I call it a budget based on injustice. I will call it a Socialist Budget.

THE HONOURABLE THE PRESIDENT: The Honourable Member is repeating himself somewhat.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: I would say that I welcome the suggestion of lowering the income-tax to Rs. 1,000 and, Sir, I will not hesitate to give my full support if it is brought to the level of Rs. 40, i.e., if Rs. 40 is made a taxable income at the uniform rate of 2½ per cent. for those who can afford it, but not the present excessively graduated rate.

THE HONOURABLE MR. BIJAY KUMAR BASU: May I know from the Honourable speaker who just preceded me the difference between Islamic law as propounded by him and the communistic law?

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: When the opportunity to discuss different of castes and creeds arises this enigma will be fully explained to my Honourable friend.

THE HONOURABLE THE PRESIDENT: I think we had not better enter into any discussion of the sort.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I rise to move the amendment for omitting of the clause and I wish to bring to the notice of this House that every time any Enquiry Committee or Commission is appointed, shortly after the publication of its Report the Government begins to ignore its recommendations. Sir, the Taxation Enquiry Committee pointed out that it was necessary to reduce the limit of income-tax to Rs. 1,000; it would be equitable to allow abatement of Rs. 200 for a wife and Rs. 150 for each minor son or unmarried daughter, up to a maximum of Rs. 950 provided it was claimed. This is the recommendation which the Taxation Enquiry Committee made. After all what is this income of Rs. 1,000 a year which is to be taxed? Sir, this is practically the amount of the dole which an unemployed person receives in England under the present Government. It is a pity to find that the same class is being taxed repeatedly as if it had inexhaustible resources and could be fleeced and bled as often and to any extent. The time limit has now been reached, Sir, and we find that the capital or the surplus money that any person in India possessed has been very greatly reduced; and as far as the poor are concerned, they can with very great

difficulty make the two ends meet. The case has been very well explained by the Honourable the Mover and I need not dwell on it any further. I think this is a very reasonable amendment and ought to be carried by the House.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I must ask the House to vote for the inclusion of this clause in the Bill. Most Members are aware, I am sure, that the exemption limit under the Indian Income-tax law used to be very much lower than it is now, but probably every one is not aware that at one time it was as low as Rs. 200. The raising of the limit to Rs. 2,000 took place as recently as 1919 and we are proposing now in this national emergency merely to go back to the position before 1919. All we are proposing to do is to impose upon incomes between Rs. 1,000 and Rs. 2,000 a tax which amounts to 2 per cent. of the income. I think in view of the general scheme of taxation which we are imposing it is not at all an unreasonable proposal. One of the Honourable Members has referred to the difference between our system and the English system. That, Sir, is a very big question but there are some obvious

3 P. M. reasons—reasons dependent partly on the social system out here—which make it more difficult for us to introduce a system on the English lines. I would point out however that in England only a very short time ago the British Government has reduced the various allowances it makes under their income-tax law, so that in effect they also are now taxing lower incomes.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Why not the allowances here?

THE HONOURABLE SIR ARTHUR McWATTERS: That is part of the general question which I was discussing just now, the difference between the social systems here and in England which makes it difficult to adopt that system. I could speak at length on that but I do not think the House will desire it. I would point out that what we are doing is out of the total income-tax demand of 19 crores to impose about 70 lakhs on incomes between one thousand and two thousand and if you go back to 1916 you will find that as much as 59 lakhs was then taken from incomes below Rs. 2,000 out of a total demand of 244 lakhs. So that the actual percentage which we are taking from these people is not unreasonable having regard to the general level of taxation you are imposing on other classes. The Honourable Lala Ram Saran Das also said that we took no account of the recommendations of the various Committees on the incidence of taxation. I would call attention to the fact that the last Committee, or Commission, which has referred to this subject was the Indian Statutory Commission and there a proposal to reduce the taxation limit was made by Sir Walter Layton whose recommendation we are now following.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I wish to make a reply to that.

THE HONOURABLE THE PRESIDENT: The Honourable Member has no right of reply.

THE HONOURABLE THE PRESIDENT: The question is:

“That clause 7 do stand part of the Bill.”

The motion was adopted.

Clause 7 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 8 do stand part of the Bill."

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Are these amendments to clause 8 allowed, Sir?

THE HONOURABLE THE PRESIDENT: There is one amendment, No. 16, in order.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: I would like to discuss the general point. Sir, I rise to oppose the imposition of additional income-tax as a surtax for the current financial year. The reason why I oppose this is, that it was the primary duty of Government to endeavour to foster industry. That they have failed in doing this is apparent not only from what we have said, but from what the Government has itself admitted. There was a Bill in the last Assembly Session for taxing incomes from outside. That Bill showed that people out in India who used to invest their money in industries, found the place so hot for them that they started investing their money outside. And after that we heard the story of Sir Victor Sassoon closing up his business. The captains of industry and the entrepreneurs are leaving India because they find that the Government of India does not safeguard their interests, and if this policy of utter disregard of capitalism is to prevail, I think it was better that the Government of India should have come out in the open, and said that they are running the country on Socialistic lines akin to the Bolshevist Government, who have nationalised the whole of their industry. If you come out once for all with this dictum that capital and wealth is simply frozen labour, then we would have no quarrel with you. I am not stating that we should follow either the capitalist line or the socialist line, all I am saying is, that there are divergent ways and you must follow either the one or the other. If you go one step in one direction, and another step in another direction, the result is that no one is pleased with you. The Government wants to keep up the capitalist system and yet wish to take away the real inducement of the capitalist system—that is "interest." If a man cannot get a good return for his investment he is bound to close up the business; and if they close up the business the result is that in the present structure of society a lot of people who are engaged in industries as labourers and others are thrown out on the market. That intensifies the general distress, and in other ways makes our position more difficult.

The imposition of this surtax compares very unfavourably with the increase in income-tax introduced by the second Finance Bill in the House of Commons. There the general rate from 4s. 6d. has been increased to 5s.—a rise of 11 per cent. Here for this year we are going to increase it by 12½ per cent. and for next year by 25 per cent. Well, these are the differences in the way in which we are being treated. I do not say, Sir, that the Government is doing intentionally anything to harm us. But in their desperation they are not particular and they never stop at having a shy at any person who comes within their reach, and they do not look far ahead, whether their action will not like a boomerang return on themselves. Sir, if this Bill is passed, and we are assured that we will have this additional taxation, I am very doubtful whether we will be able to come up to your expectations. Most of the trade will be ruined and there will not be very many people left, to pay income-tax at the enhanced rate demanded by Government.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I move:

"That to sub-clause (1) of clause 8 the following be added:

'above Rs. 10,000.'

Sir, the burden of income-tax is, as has already been said, becoming very burdensome if not tyrannical. In 1913-14 the total revenue derived by the Government of India was about Rs. 87 crores and the yield from income-tax was about three crores of rupees. In 1931-32 (according to the revised Budget) the total revenue will be about 134 crores, and the yield from taxes on income about 18 crores. That is, out of a total increase of Rs. 47 crores in revenue taxes on income alone account for about 15 crores. In my opinion there can be no economic justification for the increase of income-tax by about five times since 1913-14. The post-war period, barring a short spell of boom, has generally been one of trade and industrial depression, and yet there has been a progressive increase in the rate of income-tax. In his speech yesterday the Honourable the Finance Member gave certain figures showing how the deficit in the budgets of some countries compared with the deficit in India and also figures showing the percentage of taxation with the total revenue in the case of certain countries as compared to India, but he did not care to make a comparison between the *per capita* income of India with the national income of other countries, and I was going to interrupt him on that point. Let us therefore examine how the national income in India compares with that in other countries. According to Mr. Findlay Shirras, Principal of Economics, Gujerat College, formerly Director of Statistics with the Government of India, while the *per capita* income in dollars of India is 40, that of Greece is 98, Australia 477, Canada 579, the Union of South Africa 112, Egypt 102, and Japan 66. All these are principally agricultural countries. As for Britain and the United States there is no comparison between their *per capita* incomes and the *per capita* income of India. The income per head in the United Kingdom is 403 dollars, and in the United States 749 dollars. Thus, India has the lowest income per head of all the countries given above, and yet she has to face growing burdens of taxation year after year. That being so, the proposed increase in the rate of income-tax and super-tax will in my opinion tell heavily upon the trade and industrial classes of the country, and what I suggest in this amendment is that the new increase in the rate of income-tax and surcharge should be imposed on incomes above Rs. 10,000 only and that incomes below this amount should be exempt from the operation of this clause. I think, Sir, it is a very moderate demand and will command the support of the House.

THE HONOURABLE MR. A. H. LLOYD: Sir, the Honourable Member who has just moved this amendment has put me in a somewhat difficult position because his speech has been directed not at the amendment, if I may say so, but at the clause itself. It is only in the last few sentences at the close that he referred to this particular amendment and asked whether it was proper for the Government to ask the Legislature to impose a surcharge of 25 per cent. on the income-tax paid by persons with incomes below Rs. 10,000. I do not propose to follow him into the general discussion which occupied most of his speech. I merely wish to say that I must oppose this amendment on the ground that the financial loss which its acceptance would cause is too great to be accepted by the Government.

[Mr. A. H. Lloyd.]

This particular clause relates only to the surcharges for the current year at half rates. But even in this year, we estimate roughly that if the amendment were accepted, the loss would be 35 lakhs. It is also fairly obvious, although perhaps in another place it was not seen quite so clearly, that if this amendment were accepted, it would be logical to accept a similar amendment with reference to the next clause in the Bill, and in that case, the loss at the full rate of 25 per cent. would be as much as 65 lakhs. The two sums together thus amount to a crore of rupees which the Government cannot afford to sacrifice. The Honourable Member in his general remarks referred to the programme of the Government as imposing tyrannical burdens upon the people. If I may refer particularly to the clauses to which this amendment would apply, I would point out that this again is a case where I might quote my Honourable colleague on my left and appeal for the exercise of some sense of proportion before words like "tyrannical" are used. In the case of incomes between Rs. 2,000 and Rs. 5,000 the extra burden will amount to less than 1 per cent. of the assessee's income, and in the case of incomes between Rs. 5,000 and Rs. 10,000 per annum the extra burden will amount to about 1½ per cent. of the assessee's income. To use words like "tyrannical burdens" is, I submit, a gross over-statement of the case. I oppose the amendment.

THE HONOURABLE BAI BAHADUR RADHA KRISHNA JALAN (Bihar and Orissa: Non-Muhammadan): Sir, the additional income-tax and super-tax for the current financial year will fall with a heavy weight upon the overburdened neck of the Indian tax-payer. The increase by 1/8th in the rate of income-tax and super-tax specified in Schedule IV in the Indian Finance Act, 1931, though excluding the rate imposed by section 7, will prove to be unbearable. The exclusion does not altogether improve the circumstances under which the income-tax and super-tax payers live to-day. On the other hand it will induce them to retrench their private expenses and forego or reduce their wines, cigars, motor cars, silks, stamps and other luxuries and requirements, etc., which will only reduce the Government's revenue derived from customs and other duties. As consumers they make a large contribution to the indirect taxation. By increasing the direct tax the revenue from indirect taxation to which these large consumers contribute will be much reduced. The Government may not be able to realise their estimates. It was stated by non-official spokesmen last year that the limit was reached alike in super-tax and income-tax. The fact that there are rich people in India and the principle that it is the duty of the rich to pay more will prove a fallacy if closely examined. Under the present joint family system and also owing to the structure of Indian society, a rich man has several poor dependents on him and innumerable unemployed relations to maintain. Thus the burdening of those who have already been paying the increased income-tax and super-tax with an added imposition will only increase the misery in the country. Government ought to meet the situation not by putting upon the people the iron yoke of increased taxation when the taxable capacity has long ago been reached, but by increased retrenchment and the cutting down of financial extravagance in administration. Our contention is the administration can be run on less expensive lines without detriment to efficiency. Had the Government revised their views on the financial aspect of administration and been guided by the necessary economy which is the outstanding feature, for instance,

of Japanese administration, there would have been no necessity for clause 8 in this Finance Bill. Sir, I oppose it with all the strength that I can command.

THE HONOURABLE THE PRESIDENT: The original question was :

“That clause 8 do stand part of the Bill.”

Since which an amendment has been moved :

“That to sub-clause (7) of clause 8 the words and figures ‘above Rs. 10,000’ be added.”

The question is that that amendment be made.

The Council divided :

AYES—9.

Aiyangar, The Honourable Mr. K. V. Rangaswamy.
Banerjee, The Honourable Mr. Jagdish Chandra.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.
Hussain Imam, The Honourable Mr. Abu Abdullah Syed.
Jagdish Prasad, The Honourable Rai Bahadur Lala.

Jalan, The Honourable Rai Bahadur Radha Krishna.
Mitha, The Honourable Sardar Sahib Suleman Cassum Haji.
Naidu, The Honourable Mr. Y. Ranganayaka n.
Ram Saran Das, The Honourable Rai Bahadur Lala.

NOES—23.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.
Basu, The Honourable Mr. Bijay Kumar.
Browne, The Honourable Mr. P. H. Charanjit Singh, The Honourable Sardar.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.
Chimman Lal, The Honourable Rai Bahadur Lala.
Devadoss, The Honourable Mr. M. D.
Drake, The Honourable Mr. J. C. B.
Emerson, The Honourable Mr. H. W.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.
Ghosal, The Honourable Mr. Jyotsnanath.

Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.
Lloyd, The Honourable Mr. A. H.
McWatters, The Honourable Sir Arthur.
Mitter, The Honourable Sir Brojendra.
Natesan, The Honourable Mr. G. A.
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Pandit, The Honourable Sardar Shri Jagannath Maharaj.
Shillidy, The Honourable Mr. J. A.
Sinha, The Honourable Kumar Nripendra Narayan.
Thompson, The Honourable Sir John.
Watson, The Honourable Sir Charles.
Whitty, The Honourable Mr. J. T.

The motion was negatived.

Clause 8 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is :

“That clause 9 do stand part of the Bill.”

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, in view of the fate met by the previous amendment I do not propose to move my amendment.*

*That to clause 9 the following be added :

“above Rs. 10,000.”

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 9 do stand part of the Bill."

The Council divided:

At the request of the Honourable the President, Honourable Members for and against the motion, respectively, stood in their places.

The motion was adopted by 23 votes against 11.

Clause 9 was added to the Bill.

Clause 10 was added to the Bill.

Schedule II was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I move that the Bill to supplement the Indian Finance Act, 1931, and to extend the operation of its temporary provisions, in the form recommended by the Governor General, be passed.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, as was expected, the Government have not thought it fit to accommodate non-official opinion in this House to any extent whatsoever but have ignored the wishes of the representatives of the public in the customary manner by opposing all amendments, one after the other, moved from this side of the House and turning them down by the sheer strength of their votes. After all, Sir, the elected Members of this House are here to voice public opinion and we will be failing in our duty and will not be worth our position if we cease to reflect such opinion. Of course I realise the heavy responsibility that has been cast on this House by the Viceroy and Governor General's certification of this Bill that its passage is essential for the interests of British India and by His Excellency's recommendation to the House that the Bill be passed in a certain form: I am fully conscious of that responsibility. But, Sir, we non-official Members have a certain responsibility to discharge by our constituents, and it is in consonance with this sense of responsibility that I feel that I must withhold my support from this measure. Sir, I know what the result of my adverse vote is going to be. I know that in this House, constituted as it is, it is extremely difficult, nay almost impossible, to carry any motion against the Government. Nor do I take delight in unnecessarily trying to out-vote the Government. I am a moderate and believe in helping the Government where I can. But at the same time I do not believe that the Government is infallible, that it can do no wrong. I therefore believe that true public service lies in helping the Government where one can and in opposing it where one must. It is with this view point that I have reluctantly decided not to lend my support to the passage of this Bill. I honestly believe that in piling taxation upon taxation while the administration of the country continues to be too heavy, the Government is committing a blunder of grave magnitude which in course of time it is sure to realise. If the Government really believe, as they no doubt seem to do, that their anticipations of increased revenue would come true by giving effect to these proposals of taxation and that at the same time the burden of fresh taxation to be

imposed by this Bill would sit lightly on the people, I have no quarrel with them: I wish them the best of luck and godspeed. If this happens I shall be the first to congratulate the Government on their achievement. But I for my part have my own misgivings about the soundness of this measure which compel me to take quite a different view. I maintain that the burden of taxation as compared with the national income is already very heavy in India and that a further increase in that burden will be the last straw on the camel's back. I therefore hold that the Bill will prove positively injurious to the interests of the country. With a full sense of public duty, therefore, I am obliged to oppose its passage into law.

Sir, before I resume my seat, I wish the Government spokesman in this House kindly to make one point clear to which reference was made yesterday by my Honourable friend Mr. Hussain Imam. He addressed a question to the Honourable the Law Member, but as the latter did not happen to be in his seat at that time (nor is he in his place at this moment), that question remained unanswered. I hope that in his absence some one of the spokesmen of Government present here will be kind enough to throw light on that question. The question is whether nominated non-official Members are obliged to vote with the Government on each and every occasion or, in view of the fact that these non-officials are nominated by Government to represent special interests in this House unlike Government officials, they are at liberty to vote according to their own individual judgment. As there is a doubt on this point and the nominated non-official Members seem to think that if they voted independently they were likely to be at once asked by the Government to resign, I hope some body on the Government Benches will be good enough to throw light on this important point before it comes to voting on this Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, being an elected Member of this House, I feel it my duty to oppose the passage of this Bill at this stage. I have a very high respect for His Excellency Lord Willingdon, the Viceroy and Governor General of India. I have great respect for the constitution. I am a lover of law and order. But, Sir, I feel that the Government of India as it is at present constituted is helpless in many respects. Yesterday I pointedly asked the Government to explain how far the rumour was correct that it was at the instance and dictation of the Secretary of State that many things which I mentioned yesterday were being done. From the silence on the Government Benches, however, I am now certain that it was not a rumour, but a fact. The Honourable Sir George Schuster, the Finance Member, for whom I have a great regard, persuaded the Government of India in the interest of India to issue an Ordinance as soon as England went off the gold standard. We are grateful to the Government of India for the very prompt action that they thus took to safeguard the interests of India. Very soon, within a few hours, the Secretary of State forced the hands of the Government of India and they were forced to withdraw that Ordinance. The flight of gold from India is going on and the way in which the present Bill has been certified has now proved the fact that the certification has been done and all amendments refused at the instance of the Secretary of State. Yesterday when the Honourable the Finance Member said "that we are a responsible Government" I felt sorry for him. The facts prove that the present Government is not responsible and with due deference to the Honourable the Finance Member I must say that in case Government would have been responsible they would not have

[Rai Bahadur Lala Ram Saran Das.]

been treated in the way in which they are being treated by the Secretary of State. I consider they are merely a tool, a subordinate Government under the thumb of an autocratic Secretary of State.

Sir, I might say that it is my sacred duty to warn the Government against their launching on this monstrous and unbearable taxation. This Bill has been talked about yesterday in this House in detail and every Member on the non-official side, elected or nominated, has expressed his strong resentment against the Bill. The Honourable Mr. Browne representing the Bengal Chamber of Commerce called it a poisonous Bill. The Honourable Mr. Miller also said that the Bill was not what it ought to be. But I do not know what will be his opinion to-day when this final stage has arrived.

THE HONOURABLE MR. P. H. BROWNE: Sir, I said I could not suggest a better one.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I have not gone into other details of his speech. I only referred, Sir, to what the Honourable Member termed this Bill as yesterday; he cannot refute that fact. However, Sir, this Bill has been condemned by the public as well and I warn the Government that at this juncture, when the times are very difficult, such enhanced taxation ought not to be adopted. I say so because I think that many of the people who are now taxed will not be able to pay their taxes and they will be put in a very awkward position. It will give a tool in the hands of the agitators to add to the unrest that exists in India.

With these words, Sir, I ask the Government to adopt the policy to live and let live.

THE HONOURABLE MR. G. A. NATESAN (Madras: Nominated Non-Official): Sir, I had not intended to take part in this debate but certain remarks that fell from my Honourable friend, Lala Jagdish Prasad, regarding the nominated Members I feel should be answered by myself whether Government Members will or will not answer them. I have the honour of being a nominated Member of this Council, Sir, I think ever since the introduction of the Montagu-Chelmsford Reforms with some slight breaks. I am very proud to say, as I hinted yesterday, that I have enjoyed the uninterrupted privilege of voting as I pleased and as I thought would best serve the interests of the country. I have spoken strongly against Government measures. I have denounced the Criminal Amendment Bill. I have spoken against the Bengal Ordinance and I have protested in this House as loudly as I could, with as much eloquence and vehemence as any elected Member, against the composition of the Simon Commission, and I can assure them that they are doing a wrong to their own countrymen in suggesting that any non-official Member has been threatened with being deprived of his seat. That has not been my experience although I have sometimes made individual Members of Government angry. I am very glad to say that I have been nominated thrice and I hope they will continue that policy. After all, we are here to give our views in the best interests of our country and as we think we should best serve the interests of Government, but with one exception, where I considered the matter was of vital importance to Government and my support should be given. With regard to this Bill

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM:
Against your convictions.

THE HONOURABLE MR. G. A. NATESAN: Sir, it is not against our convictions. We have given our criticisms freely, but as we consider the passing of the Finance Bill is one of the things that is imperative for the carrying on of the government of the country and the Council of State has been constituted as the Upper House, and having regard to the fact—my Honourable friend, Mr. Hussain Imam, must have some imagination—also that the whole question of constitutional reform is now being considered and our future depends a great deal upon the way in which this House acquits itself, I have no hesitation in saying publicly, Sir, even as a non-official Member, with the full freedom that I enjoy, that I propose to enjoy in the future, that I do consider it necessary to pass this Bill. I hope there will be no further criticisms and let me tell him that it is wrong and unfair of anyone to suggest that non-official Members are being asked to resign if they vote one way or the other. I do not know and have no experience of how others are being treated, but let me give him an assurance that in my own case I have not been asked to tender my resignation although I have spoken freely on Government measures.

Sir, with regard to the present Bill, now that it is a settled fact, I make an appeal to the Finance Member that should the situation prove favourable he will consider the desirability of reducing if possible the increased rates of postal charges. I would also remind the Finance Secretary of the promise which the Finance Member gave yesterday in regard to certain import duties, and I do earnestly hope and make an appeal that you will endeavour your best to reduce them at the earliest possible opportunity. I have nothing more to add, Sir.

THE HONOURABLE MR. K. V. RANGASWAMY AIYANGAR (Madras: Non-Muhammadan): Sir, the situation in the Council of State is one of unreality. I mean the discussions after the certification of the Bill, after the Honourable the Finance Secretary has told us that not a comma can be altered and no amendments would be accepted after the certification. Sir, the Council of State is always placed in a very awkward position. Long before the discussions have taken place in this Council, long before that, it is taken for granted that no amendments will be carried. Sir, I may say that some discourtesy was shown to this House even when the Press Bill was before this House. Even on the previous day, before the Press Bill was placed in this House, the Assembly was adjourned *sine die* and that meant that no amendments would be carried in this House, and it was only because of that certainty that the Assembly was adjourned and the Bill was placed in this House though that measure was found to be of the utmost necessity for carrying on the government. Now, Sir, in this Bill, opposition has come from unexpected quarters. I mean one or two of the Members on this side have joined in voicing their opposition to the measures adopted in this taxation Bill. Sir, I may say that the elected European Members from Calcutta and Bombay, almost all the nominated Members from Madras and other places, have all voiced their objection to every one of the measures included in this Bill. Sir, about the certification, we may not go as far as the *Statesman* has; it has even questioned the veracity of the certification. In the list of

[Mr. K. V. Rangaswamy Aiyangar.]

unexpected quarters I should include the *Statesman*. Sir, the *Statesman* has said:

"Lord Willingdon has certified the whole supplementary Finance Bill as essential for the interests of British India. The formula is one that he is compelled to use but the phrase is unfortunate, for several of the Budget proposals are antagonistic to the interests of India and we are confident that they will not produce the anticipated revenue and they are not in the interests of India."

When the certification goes on to say that it is in the interests of India that the Bill has to be certified, the *Statesman* points out that it is not in the interests of India, Sir, perhaps there is no provision in the Statute to certify a Bill even before it is introduced in the Assembly. Otherwise, it need not be certified when it comes before the Council of State after it has been rejected by the Assembly. The discussions on the certified Bill have given another occasion to discredit this Chamber. When we go out, people say that the Assembly has taken credit for rejecting the Bill and when it goes to the Council of State, not a comma can be altered, and they all stare at this Upper House and we have to subject ourselves to the public odium.

This Bill, when especially it has been found by the financial experts that it is very essential and not even a comma can be altered, could well have been passed in the Simla Session itself by sitting for a week or 10 days more. Even in the interests of the Government I say that this is not a very sound method on the part of the Government. When the commercial people, especially Japan and America and others, knew full well that this Bill was going to be passed, and when an interval of 1½ months had been given for the passing of the Bill, goods would have been dumped on India, and there is very little use now in passing this Bill for 18 months. I think that 18 months' goods have been already dumped into India. If not, I correct myself. An occasion has been given and the interval might have been used even if it has not been used.

The loss in railway earnings and in customs revenue is now sought to be made up by taxing the necessities of life of the poor people such as salt, cloth, and postage, and the remedy that is worse than the evil is the retrenchment of Government officials, the poor clerks. When the pockets of those who were taxed in March were found empty, other pockets are searched now. We have our own doubts, as many have doubted in this House and elsewhere, whether the required amount will be forthcoming to make up the deficit. Even now, I hope the groans and curses of those who cannot afford to cover themselves even with bare clothing, especially in the hill tracts and other cold climates, and who cannot purchase salt, will not go unheard by the Cabinet before we meet in February. We in Madras are more fortunate in enjoying a temperate climate, but people in Northern India and Garhwal and other places will be groaning in the frost and mist, and I hope the voices and the groans of the poor people will be heard by the Cabinet and they will, as the Honourable Mr. Natesan pointed out in the case of postage and stamps, alleviate the distress by lessening the burden on cloth, salt, etc. Sir, this is a retaliatory budget. We protested against the salt tax last year, and now they have come forward with a surcharge on the salt tax. This has been done with a vengeance. We are now in a vicious circle. When people could not find money to pay the Exchequer to the required amount, we are still more taxed, and this vicious circle will go merrily on. I do not know if the Government will find the taxes, and if the people's pockets will be

capacious enough to pay the further taxation. When they are not able to pay the original tax imposed in March last, I do not know how they are going to pay the extra taxes now. Sir, when we pointed out that the Lee concessions should be withdrawn, the Honourable the Finance Member said that they could not be withdrawn. I think it is quite possible even now to reconsider the position and ask the officials to forego some of the concessions at least. Sir, it has been pointed out that they are given four passages. Cannot that be reduced to at least two? The other Lee concession is that European members are allowed to go four districts away to consult about their health. Cannot they, at this time of crisis, consult their own District Medical Officer, their own I. M. S. officer? There are many people who are efficient and I think it is only the colour prejudice that has made the Lee Commission give this concession of allowing them to go even four districts away and consult the English I. M. S. about themselves and their families.

Now, Sir, with regard to the counter proposal suggested by some that an excise duty on cloth and kerosene should be imposed, I should say first, in the matter of cloth, that the Indian mills are already taxed, and as has been pointed out by the Secretary of State in the House of Commons, there are other duties to equalise the surcharge on the customs on cloth. And then they pay income-tax. So, in the matter of kerosene oil, though the popular opinion is that an excise duty should be imposed, I think that, when they pay income-tax and when they employ so many thousands of men in Rangoon and other places, it is not proper to put an excise on kerosene.

4 P.M.

Sir, I have pointed out before that retrenchment of staff is the worst remedy for our evils. I think the Honourable Mr. Chetti has pointed out that it is not by reduction in staff but by reduction in the scales of salaries that retrenchment should be effected. It is causing very great hardship amongst thousands of families and I think it is our duty to bring this before the Government so that they may alleviate the miseries of the unemployed. I think it was the Honourable Mr. Devadoss who pointed out that the swelling of the ranks of the unemployed will tend to create more disturbances in the country even than we had last year or have now. There is no more sense of security left in the services. Many people previously left private service to enter Government service only because they found security in the latter. Retrenchment should only be effected by not filling up posts of those who retire. When the present incumbents are retrenched out of hand their hardships are unbearable.

Sir, we have been protesting on various matters for years, but I see our protests are not regarded. It is only when it becomes a matter of supply and demand that the matter is looked into. For example, if there is a reduction in first or second class passengers, then the fares are reduced, but if we press for the reduction of third class fares that is not attended to. What I want to point out is that the salvation of the different interests in this country lies in their own hands and they need not expect much to be accomplished by our action in the Council. From the year 1917, Sir, when I was in the old Imperial Legislative Council,—I do not know if any one can bear me out—we protested that we should not bear the war debts to the extent of 165 million pounds. England was very prosperous then and they could themselves have borne the gift we made of 165 millions. Only a few of us protested against that at the time, but we were not heard. We can now say that we told you then

[Mr. K. V. Rangaswamy Aiyangar.]

that you would be in trouble in the future; you never heeded our representations and protests, and now this crisis has come. Again, Sir, if Indianization is pressed for it is only given effect to by superimposing over and above the present establishment and not by substituting Indians for others. We have seen the same thing when we pressed for the Indianization of the Army. Several units have been superimposed over and above the existing strength. Another example I may quote. When an Indian Member for the Railway Board

THE HONOURABLE THE PRESIDENT: The Honourable Member seems to be taking the opportunity to air a large number of grievances. I think, particularly on the subject he is now on, he is not in the least relevant to the Bill before the House.

THE HONOURABLE MR. K. V. RANGASWAMY AIYANGAR: Sir, I shall finish soon. When an Indian Member for the Railway Board was pressed for

THE HONOURABLE THE PRESIDENT: The Honourable Member must leave the Railway Board alone.

THE HONOURABLE MR. K. V. RANGASWAMY AIYANGAR: I will drop it. If the present crisis, Sir, has taught a lesson to the Government of India that their extravagance should be curtailed, even the present crisis would be a blessing in disguise. As for the Finance Bill, the amendments carried by the Lower House might have been accepted. Then in March, if another deficit was found to exist, it would have been because the popular wishes were respected and given effect to, and some further taxation might have been imposed. Then it would not have come into force by certification but with the willing consent of the elected representatives of the people of India. Let me once more voice forth from this Chamber that the people's salvation lies in their own hands and we can do little for them. With these remarks, Sir, I oppose this Bill.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Sir, my reason for opposing the passage of this Bill is based on two grounds. The first is that it is for 18 months, and the second that it does not really balance the Budget. As regards the 18 months' period, I think that point has been sufficiently well urged, and I need not waste the time of the House further on that. I have been able to get some papers from the Home Department to prove that the income from customs as expected by Mr. Denning is not correctly put. From the memorandum it seems that we were expecting an income of 51 crores from customs and our actual income from customs for the first six months of the year comes to 21.46 crores, while our income for the same period last year came to 23.46 crores. We are two crores short of the total of last year, while we are expecting to make 4.85 crores more than last year, so we must in fact add this worsening of 2 crores to 4.85 crores. We were expecting a betterment of 7 crores in six months. That was our expectation, with which we started with this Bill on the 28th September. Now, in the month of October, without other factors having intervened to the detriment of Indian trade, we find that instead of improving our position as compared with last year, the position was actually worse than in October 1930.

The customs income in October 1930 amounted to 3·85 crores, but in October 1931 the amount was 3·74 crores, whereas we expected to get about 5 crores a month—a worsening of a crore and a quarter in a month. For six months that would amount to 7½ crores. It might perhaps be a little better. You might even get a half of that but in no circumstances can you get a betterment up to your expectations. And had it been an imposition only for six months we would not have grudged it and we would have been assured that in March next we might get it changed. Now we find that this Finance Bill is imposed for 18 months and the great idea underlying the Finance Member's measure was that there should be uniformity, everyone should contribute an equal quota—it does not matter whether he happens to be in the class of Rs. 2,000 income or in the class of Rs. 2,00,000 income; they must all pay 12½ per cent. and 25 per cent. It is just the same in the matter of the customs duty, although I am very glad that at last the Honourable the Finance Member gave us the assurance that if he finds that the customs income is decreasing very much he would reduce it by means of executive action. That is a very great assurance, and I think that ought to palliate a little the cry that is going on in India against this imposition.

Sir, in this connection I should like to make an observation about the point that was raised in this House by me and the Honourable Lala Jagdish Prasad and to which Mr. Natesan replied. Mr. Natesan is a very old journalist and he knows how to twist his words. While he gave us the occasions on which he has opposed the Government he forgot to mention a single occasion when he had voted against the Government, and that was the point which I had raised.

THE HONOURABLE MR. G. A. NATESAN: On a point of personal explanation, surely my Honourable friend could not have been so obtuse as not to know that I mentioned three occasions on which I did vote against the Government. I thought I made myself clear on that. The complaint on the other hand is that I talk unduly loudly. The three occasions I cited were those on which I voted against the Government.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: To vote thrice against the Government in eleven years is a record. I and other friends of mine found it hard to reconcile the fact that while making speeches the Honourable Members who are nominated non-officials could go on condemning the actions of the Government but when it came to voting and to brass tacks we found that they turned round.

THE HONOURABLE MR. G. A. NATESAN: Elected non-officials do it very often under party whips, which I at least am free from; there have been several occasions like that. I have been too long in public life not to know very well that elected non-officials do under party whips vote against their own convictions.

THE HONOURABLE THE PRESIDENT: We might drop the question about the position of non-official nominated Members. We have had more than enough said already on the subject.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: As regards the merits of the Bill I need not dilate; it would be useless; the Government is adamant, and nothing but hard lessons of their

[Mr. Abu Abdullah Syed Hussain Imam.]

budgets being falsified will convince them of the justice of the Indian demand; and until that comes about, they will always claim infallibility for themselves. We know the result and the fate that is awaiting us.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, there are two or three remarks that have been made in this final debate which I think I should not pass over in silence. First of all the Honourable Mr. Aiyangar seemed, if I understood him right, to think that we have been losing customs duty for two months owing to imports still coming in at lower rates. I should like to assure him that that is not the case, but that under the operation of the Provisional Collection of Taxes Act we have been collecting duties at the new rates since the date the Bill was introduced. We have never lost any duty that way.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: We have extended to two months the period, during the Simla Session.

THE HONOURABLE SIR ARTHUR McWATTERS: The second point was one on which you said, Sir, that the House had heard enough already and I do not know whether I may be allowed just to give one item of information on the question of nominated non-official Members voting. The question was addressed to the Leader of the House, unfortunately he was not here; but the fact which I wish to bring to the attention of the House is that this question was actually examined in 1924. At the time of the Reforms Enquiry Committee some Honourable Member made a statement of a similar kind to what has been made to-day. Trouble was taken to ascertain actual facts about voting by nominated non-official Members in the Council of State and it was found that up to that time, 1924, the number of occasions on which they had voted against the Government was only slightly less than the number of occasions in which they had voted for the Government. That, Sir, I think is sufficient . . .

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: I really congratulate the Honourable Members on their daring.

THE HONOURABLE SIR ARTHUR McWATTERS: That is sufficient to show that nominated Members in this House do exercise their right of judgment. The other point which I wish to make—I should have preferred to have made it in the presence of the Honourable Lala Ram Saran Das, who unfortunately is not in his place, is that twice at least in the course of this debate he has stated or suggested first of all that certain taxation in this Bill was being imposed at the dictation of the Secretary of State. He obviously could have had no information on the point. It is purely what I call a fishing question. As he is not here I will tell not him, but the House, that there is absolutely no foundation whatever for that statement. He went on to say or suggest or hint that the action taken by the Governor General was again due to pressure from the Secretary of State. That is not only an absolutely baseless suggestion, a figment of his own imagination, but a very improper one for him to have made.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to supplement the Indian Finance Act, 1931, and to extend the operation of its temporary provisions, in the form recommended by the Governor General, be passed."

The Council divided:

AYES—24.

Akbar Khan, The Honourable Major
Nawab Sir Mahomed.
Basu, The Honourable Mr. Bijay
Kumar.
Browne, The Honourable Mr. P. H.
Charanjit Singh, The Honourable
Sardar.
Chetti, The Honourable Diwan
Bahadur G. Narayanaswami.
Chimman Lal, The Honourable Rai
Bahadur Lala.
Devadoss, The Honourable Mr. M. D.
Drake, The Honourable Mr. J. C. B.
Emerson, The Honourable Mr. H. W.
Fazl-i-Husain, The Honourable Khan
Bahadur Mian Sir.
Ghosal, The Honourable Mr.
Jyotsnanath.

Israr Hasan Khan, The Honourable
Khan Bahadur Sir Muhammad.
Jalan, The Honourable Rai Bahadur
Radha Krishna.
Lloyd, The Honourable Mr. A. H.
McWatters, The Honourable Sir
Arthur.
Miller, The Honourable Mr. E.
Mitter, The Honourable Sir Brojendra.
Natesan, The Honourable Mr. G. A.
Noon, The Honourable Nawab Malik
Mohammad Hayat Khan.
Pandit, The Honourable Sardar Shri
Jagannath Maharaj.
Shi'lidy, The Honourable Mr. J. A.
Thompson, The Honourable Sir John.
Watson, The Honourable Sir Charles.
Whitty, The Honourable Mr. J. T.

NOES—9.

Aiyangar, The Honourable Mr. K. V.
Rangaswamy.
Banerjee, The Honourable Mr.
Jagdish Chandra.
Ghosh Maulik, The Honourable Mr.
Satyendra Chandra.
Halim, The Honourable Khan
Bahadur Hafiz Muhammad.
Hussain Imam, The Honourable Mr.
Abu Abdullah Syed.

Jagdish Prasad, The Honourable Rai
Bahadur Lala.
Mitha, The Honourable Sardar Sahab
Suleman Cassum Haji.
Naidu, The Honourable Mr. Y.
Ranganayaka'u.
Sinha, The Honourable Kumar
Nripendra Narayan.

The motion was adopted.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House):
r, there is no further business before the House this Session.

The Council then adjourned *sine die*.