

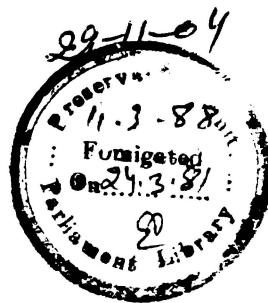
THE  
COUNCIL OF STATE DEBATES

VOLUME I, 1931

*(10th February to 2nd April, 1931)*

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FIRST SESSION  
OF THE  
THIRD COUNCIL OF STATE, 1931



CALCUTTA : GOVERNMENT OF INDIA  
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# COUNCIL OF STATE.

*Monday, 30th March, 1931.*

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

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## MEMBER SWORN :

The Honourable Mr. Harry Graham Haig, C.S.I., C.I.E. (Home Department : Nominated Official).

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

SECRETARY OF THE COUNCIL : Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of a Bill further to amend the Indian Factories Act, 1911, for a certain purpose, which was passed by the Legislative Assembly at its meeting held on the 28th March, 1931.

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## INDIAN FINANCE BILL.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I beg to move that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration.

Sir, the Finance Bill of this year as originally introduced contained all the usual features of the annual Finance Bill which I need not specify in detail but it also contained exceptional provisions imposing large increases of taxation under Customs and corresponding excises and under Income-tax calculated to yield under Customs 932 lakhs and 5 crores under Income-tax. As the Bill reaches this House to-day there is one substantial alteration in the Income-tax Schedules. It will be observed that the rates under the first three classes have been reduced by 3 pies in the first grade and 2 pies in each of the other grades, the result of which is to reduce the expected revenue by approximately 105 lakhs. Every Member of this House is no doubt aware of the circumstances in which this Bill has reached this House as a Bill recommended by the Governor General and certified as essential. If I may in a few words repeat the history, the other House passed an amendment reducing income-tax rates

[Sir Arthur McWatters.]

by an amount approximately of 235 lakhs. His Excellency recommended to that House an amendment which would cost 105 lakhs—the amendment which is now in the Bill—but on a second vote the other House rejected that amendment by 4 votes. This House therefore receives the Bill with the recommendation and the certification of His Excellency the Governor General.

I think that I can do no better than to call the attention of the House to the Message which His Excellency the Governor General gave to the other House when the recommended amendment was first presented to them. In that Message His Excellency fully recognised that the exceptionally heavy taxation which Government is asking the Legislature to agree to this year could be justified only under exceptional circumstances, and that the present circumstances are exceptional I am certain that every Member of this House will agree. We are in a time of great financial difficulty—the whole world is in a time of great financial difficulty—and in India we have been, and still are, faced with the peculiar uncertainties which surround the constitutional discussions and the doubts which some feel as to how matters will develop. At any rate, I think every one will recognise that in India it is a time for caution. His Excellency went on to say that he recognised fully the strength of the opinion in the other House, which has been shown also by Members in this House, for the utmost economy on the part of Government; and therefore the only question at issue really was what economies could be effected immediately so as to have effect in the Budget of the present year. After considering most carefully all the items again His Excellency came to the opinion that a reduction somewhere in the neighbourhood of one crore could be made. This has been made possible by postponement of programmes of army equipment costing about 60 lakhs—a postponement which the military authorities themselves certainly did not recommend and indeed opposed. But in the special circumstances it has been thought reasonable that there should be postponement of 60 lakhs of military expenditure for one year. In the next place, we hope to be able to make small economies on the civil side of about 15 lakhs. Even here it means cutting out one or two items which we should very much desire to retain in the Budget, such as the improvement of our economic statistics. And finally it means reducing our estimated surplus down to practically nothing; that is to say, using 30 lakhs out of 31 lakhs which we expected to have as surplus. That being the position and it being impossible to foresee any real further immediate economies which could be made in expenditure, it was considered by His Excellency and by the Government that it would be most unsound finance to make further reductions in revenue which would, in effect, leave an uncovered Budget. In making his recommendation His Excellency pointed out that he had taken into account the great desire for economy on the part of the other House, and that he had taken into account, in the form of the amendment, the great desire which had been expressed to lessen the burden of taxation on the poorer classes of income-tax payers. He therefore had endeavoured to meet the views of the other House as far as could be done, taking into account at the same time the essential interests of the Government service.

That, Sir, is a summary of the Message which His Excellency gave. On this I find it impossible to improve. I merely wish to-day to emphasise one aspect of the matter, which indeed is the fundamental issue, namely, the essential necessity of presenting a balanced Budget at the present time. It has been said that the amount at issue is not extraordinarily large—a matter of 130 lakhs. It is not a very small figure. But the point which I wish to make is that this is a matter of principle, and further that the mere presentation



of an unbalanced Budget, even by the sum of 130 lakhs, is likely—in fact, I feel it is certain—to injure the credit of the country, and therefore the amount that you will lose through the deterioration of your credit will be a very much larger sum. If you do that, not only people in this country but people outside will think that you are starting on the slippery slope by which you leave your Budget unbalanced, and they will conclude that you are following the example of numerous other countries which have begun in the same way and which have continued the process and ended by destroying their monetary standard. I feel certain that the outside world, and the world in India too, will think that this is the first step. It will not be a matter of 130 lakhs. Your losses will be very much larger through the deterioration of your credit, and that, Sir, is why the Government attach such importance to covering the Budget truly and soundly at the present time. I would like to lay great emphasis upon the ways and means position and on its connection with the revenue position. It is not merely a question of a small revenue deficit. As the House knows, we have at the present time a ways and means position with a much larger volume of floating debt than is desirable. We have to face the possibility next year that if agricultural conditions do not improve, still more if they deteriorate, there will be a large demand upon our ways and means for giving further relief in the provinces, because the House will remember that we in the Government of India are the bankers of the provinces. We are the bankers also of the Railways and the Post and Telegraph Department and there are uncertain liabilities which may fall upon our ways and means; and therefore, the point which I wish to make most strongly to this House is that there is no room for manœuvring in the present position and there is no justification for taking great risks. I feel certain that the House is with me on this point, namely, the necessity of presenting a soundly balanced Budget, and I am counting on the unanimous vote of the House in this matter, because I feel certain that if this Bill is passed to-day by the unanimous vote of this House, it will do a great deal to improve the credit of the country and it will help us enormously. Before I sit down, I should like to say that I think that we in the Government of India owe the House an apology. As so often happens, the Finance Bill reaches this House with only a day or two—in this case only a day—for its discussion before the Bill must be passed unless we are to lose the revenue which we have collected during March, and the moral which I draw from this is that the Provisional Collection of Taxes Act requires to be amended. That Act allows 30 days from the date of the introduction of the Bill. When that Act was first passed there was only one House. There are now two Houses, the Legislative Assembly and the Council of State, and therefore it would be quite reasonable that a further period should be added in the Provisional Collection of Taxes Act to allow for the longer procedure which must now inevitably occur before the Bill reaches its final stages in both the Houses. It is a matter which, I think, wants examination. The fact that this House has always been rushed for the last two or three years is, I think, proof that the Provisional Collection of Taxes Act requires re-examination. That, Sir, is by the way. I hope, as I said before, that I shall have the unanimous support of this House in passing this Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, before I proceed to make my remarks on the Finance Bill may I ask for the indulgence of the House to bear with me if I confine my review to a standpoint which may well appear to be a tiresome and wearisome monotony. My Honourable friends will remember that I approached the Railway Budget from the standpoint of the ways and means position of

[Mr. Bijay Kumar Basu.]

the Central Government. They will also recollect that I discussed the General Budget also from the ways and means position, and I propose to-day to deal with the Finance Bill in reference also to ways and means. I will readily concede that however unusual that standpoint has been in the deliberations and discussions on the Budget in this House, I at any rate have made it stale and, if I may say so, hackneyed.

I would, however, like to urge that there have been certain significant developments of a far-reaching character in the past few weeks which, if I may say so, lend point and emphasis to the remarks that I have to make on the Finance Bill from the standpoint of the ways and means position. Speaking, Sir, in the first week of March, I drew the pointed attention of the Honourable the Finance Member to the serious conundrums which he has to solve in reference to the ways and means adjustments. These were the words I used :

"If my analysis of the ways and means problem with which Government are now faced is correct—and I believe it is so—this is a situation which requires immediate tackling and for which drastic remedies are needed and against a recurrence of which every possible measures should be taken."

The Finance Member is to be congratulated that within this short interval the situation has been tackled and the remedy has been found. But, Sir, if the current features in the financial world are carefully analysed and properly understood, I should add that while the Finance Member deserves our congratulations, it is Lord Irwin and Mr. Gandhi who deserve our thanks. When I say this, I mean—and every one of us will agree—that, but for the instantaneous and gratifying effects which the Irwin-Gandhi settlement has had on certain aspects of the financial situation, the crisis in the ways and means position, which I had apprehended early in the month, might have at this time reached an extremely acute phase. At the time when I appeared in the role of a Jeremiah in this House the position was this: The cash balance of the Government with the Imperial Bank was very low. The prospects of replenishment of the Treasury through revenue realisations were nil; as for the prospects of securing the needed funds by sale of Treasury Bills, the most outstanding fact was that for a good many weeks prior thereto renewals of bills were fetching smaller and smaller amounts. On the other hand, the maturities that have to be met in respect of the floating debt were heavy and were also such that should have to be met at all costs. I also pointed out at the time that the cash position of the Imperial Bank itself was by no means satisfactory, that the ways open to it to augment its cash were restricted and that therefore the capacity of the Bank to come to the rescue of the Government was extremely limited. In so precarious a position relief should have come by one and only one means, namely, more copious receipts from sales of fresh bills until the monsoon months when Government should have floated a substantial rupee loan and funded a portion of the short-term debt. The offering of higher and higher rates of interest for three months' accommodation could not perform the trick of decoying more funds into the coffers of the Treasury. As a matter of fact this experiment of making the interest-yield more and more attractive was in the nature of a disaster. It may be said that the very increase in the rates was responsible for the reserve with which bankers were renewing their short-term investments. It was not the material inducement of a higher interest-yield but the psychological influence of greater confidence that alone could bring about a transformation in the attitude of bankers towards Treasury Bills. I maintain, Sir, that the conclusion of the

settlement between Lord Irwin and Mr. Gandhi had exactly this psychological influence. Almost from the very moment this settlement was concluded London investors began to re-enter the Indian market for rupee Treasury Bills. So persistent and so keen has been the interest of the London operators in this respect that between the conclusion of the settlement and now the Government have been able to secure no less than about 16 or 17 crores, an amount which is so big and which has improved the cash position of the Government so suddenly and so satisfactorily that the Finance Member should now have no difficulty in meeting the heavy maturities of this month. If the same luck attends the Finance Member in April also, he should be able to meet comfortably the 20 crores and odd that becomes payable in April. This, Sir, is so gratifying a transformation in the ways and means position—a transformation that has been as hydra-headed as it has been unexpected that the Finance Member who had had a 12 month of considerable stress and strain and who was, so to say, nerving himself to even greater stress and strain for the coming 12 months, should now feel considerably relieved. I offer my heartiest felicitations on so favourable a turn in his tide of affairs. This reminds me of the famous lines of Julius Caesar and of the implicit warning they convey: "There is a tide in the affairs of men, which taken at the flood leads on to fortune." The Finance Member has got such a tide, but he cannot hope to be led to fortune. . . .

(At this stage an Honourable Member sitting near the speaker left his seat and returned to it almost immediately.)

**THE HONOURABLE THE PRESIDENT:** I wish to invite the attention of the Honourable Member who has just left the House and immediately returned that it is very inconsiderate to an Honourable Member who is speaking when Members who are sitting next to him or quite close to him leave their seat and return again. It is more than a mere question of passing between an Honourable Member who is on his feet and the Chair. All Honourable Members know that that is out of order, but in this Session it has frequently happened that when one Honourable Member is speaking the Honourable Member sitting next to him gets up and leaves the House and then possibly very shortly comes back to his seat again.

The Honourable Mr. Basu.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** Sir, as I was saying, the Finance Member has got such a tide now, but he cannot hope to be led to fortune unless he actively and opportunely takes it at the flood. Casting off the figure of speech, I may state the issue thus. What are the measures which Sir George Schuster should now take to consolidate and reap the fullest benefits of the great gains which have been won in the financial world as a result of the Irwin-Gandhi settlement? It is true that the situation has been tackled. It is true that some kind of remedy has been found. But what are the measures now to be taken against the recurrence of a crisis of this character? This is the issue which should engage the immediate, earnest and complete attention of the Finance Member. As I said in my speech on the General Budget, there can be no enduring solution to the ways and means difficulties of the Central Government until and unless the short-term debt is brought to more manageable proportions, and until and unless Government's credit is rehabilitated to an extent that will allow of their securing both their short-term and long-term requirements on easy and comfortable terms. In a sense these two conditions are inter-linked. The present floating debt of the Government is about 52 to 53 crores. I would suggest that at least half of this

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should be funded. A careful perusal of those portions of the Budget which appertain to the Government's borrowings will make it clear that the Finance Member himself had had some such idea in his mind. He assumed that the amount of the Treasury Bills outstanding at the end of the year will be the same as at the beginning of the year, namely, 45 crores. But he adds :

"I hope however that conditions will be sufficiently favourable to enable Government to fund a portion of this floating debt, and as far as I can see at present, there should be no difficulty in accomplishing this without disturbing the market for Government securities."

I suggest, Sir, that with these favourable developments in the financial situation it should no longer be a question of hope. The Finance Member should resolve now and here that he shall take all measures necessary for the successful issue of a long-term rupee loan, big enough to meet his capital requirements as well as to yield him about 25 crores towards the short-term debt. If the Finance Member is to achieve this, and he himself admits that he should achieve this without disturbing the market for Government securities, he should certainly give serious and favourable consideration to the proposal that was made in the other House by the Honourable the Deputy President for the utilisation of the debt redemption fund for an active policy of substantial open market purchases of Government securities as and when the gilt-edge prices sag. The immediate problem of the Finance Member is therefore to address himself to such measures as would maintain and improve the new vitality that has come into the market for Government securities, and if he takes proper, adequate and scientific measures to this end he should have no difficulty in floating a rupee loan of, say, 40 to 50 crores in June, and thereby end once and for all the teasing conundrums in regard to the ways and means position. These conundrums have not only teased the Finance Member, the Finance Member, in his turn, has teased the market with them. I would therefore appeal to him both in his own interest and in the interests of the Indian financial world that he should tackle the situation with expert skill and constructive statesmanship, qualities which, I am sure everyone will agree, Sir George Schuster possesses in an eminent degree.

Before I conclude, Sir, I cannot but refer to another matter of a more general interest, namely, the unfortunate circumstances which led to the certification of this Bill. If only the advisers of the Governor General had given him such advice as was expected of them, namely, to have had the conference with the Leaders of Parties in the Central Legislature before making his recommendation, I have reasons to believe, that the catastrophe—and I advisedly use that expression—could have been averted. I am sure no Indian Member of either of these Houses would have stood in the way of an easy settlement if not for anything else but to meet Lord Irwin's wishes for whom they have not only the highest respect and esteem but love and affection in an extraordinary degree. I am sorry, Sir, that on the eve of his departure Lord Irwin was so badly advised in such a serious matter.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, though I propose to support this Bill, I must point out that I would be failing in my duty both to Government, whose nominee I am in this Council, and also to the country at large, if I did not speak out my mind fully and unreservedly to-day. This Finance Bill, as all Honourable Members are aware, is unprecedented in its character so far as it imposes a colossal volume of taxation. During my 20 years' presence in the

Supreme Council, the late Imperial Council and in the Reformed Council, I must confess I never came across a Finance Bill in which in one year taxation to the tune of 15 crores was sought to be imposed. Further, I do not even believe since the time when the transfer was made from the East India Company direct to the Crown that there ever has been levied taxation to such a large extent in any single year. It has been my misfortune for the third time to support a certificated Bill like the present one. I do not blame the Governor General for having certified the Bill as my friend the Honourable Mr. Basu has done and bringing it forward before this House under such circumstances. On the other hand, I do not blame the Legislative Assembly which insisted on a reduction of Rs. 240 lakhs in the matter of Taxes on Income. The Legislative Assembly accepted huge taxation to the extent of nearly Rs. 10 crores under the head Customs, but refused to vote for the amount of taxation required in the matter of Incomes and insisted on a cut being made to the extent of Rs. 240 lakhs. It was ultimately agreed by Government that Rs. 1 crore should be given away; but I do think the Assembly to a certain extent was perfectly justified in insisting that Rs. 240 lakhs should be reduced in order to exercise pressure on Government and to insist on their entering immediately on a broad policy of drastic retrenchment. Even this Assembly has been a body of co-operators and even Lord Irwin in the Message which he sent to that House admitted this and realised that the Assembly had readily accepted taxation to the extent of Rs. 12½ crores. It is just our position in this House, Sir. I wish to point out to this Council that this policy of taxation has gone on too vigorously and indiscriminately during the last few years. I do not propose to take this Council into the financial history too many years previous to this. I can only point out what has happened during the term of office of Sir George Schuster, but I should not be misunderstood. I do not for a moment blame Sir George Schuster for this heavy taxation. He has become a victim of circumstances, rather to the policy of the Government of India as a whole in the past. Since the Reforms came into existence in 1921 in ten years the Government had imposed Rs. 40 crores of new taxation and when Sir Basil Blackett gave up the charge of his exalted office, he pointed out to this Council that he had then succeeded in balancing the Budget and bringing about an equilibrium and a happy adjustment of the receipts and expenditure of the Government of India and then finally he led us to hope that in the next year and the years to follow the tax-payers might look forward to a remission of taxation and that there would be no further necessity for taxing the country. I cannot do better than draw the attention of this Council to the Budget statement made by Sir Basil Blackett in 1928-29. In taking his farewell he stated :

“From 1929-30 onwards, it will be the privilege of this House and of my friend and successor Sir George Schuster, whose acceptance of the post is a matter of great personal satisfaction to me, to find no outside claimant to the recurring surpluses which I hope it will be their good fortune to enjoy in the coming years, and they will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement, and on the other hand to the readjustment of the burden of taxation and to those reductions of taxation so welcome to tax-gatherer and tax-payer alike.”

Unfortunately, Sir, the prophecy of Sir Basil Blackett has not been fulfilled. In the first year of the office of Sir George Schuster there was a deficit Budget. He found a deficit to the extent of 104 lakhs and he balanced the Budget in 1929-30 by swallowing up our revenue reserves which had amounted to 104 lakhs. That was a deficit Budget and, had it not been for the assistance which he had derived from the revenue reserves we would have been involved in

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some measure of taxation. He then sounded a note of warning that next year he would go in for taxation if circumstances required. The following year, Sir, that is, when Sir George Schuster presented his Budget in 1930-31, he showed a deficit of Rs. 410 lakhs which he sought to make up by various taxation proposals under the head Customs as well as by an increase in Taxes on Incomes to the extent of 1 pie. I shall not say or refer to the reception which that measure then received. And this year in 1931-32 there has been a deficit of 18 crores, part of which, about 270 lakhs is to be made up by small cuts in the Military Budget and a little cut of 98 lakhs in the Civil Budget and the country has been asked to vote for a maximum measure of taxation to the extent of 15 crores. I submit that it would be apparent to this Council that in the last three years the Government have imposed taxation to the extent of 20 crores on this poor country. There is always a limit to man's forbearance, man's toleration; there is a limit, Sir, to any form of taxation. India cannot possibly stand this colossal taxation with equanimity, it cannot possibly stand without ruination of her own indigenous industries, without ruining her trade, her commerce and her dealing between man and man. The tremendous increase of taxation imposed upon the higher ranges of income is a serious drawback, for large incomes are the reserves of capital. While there is one redeeming feature of English taxation that though it is oppressive it allows for refunds and rebates for families and children, India does not make any such allowances nor does it permit, as in other civilised countries, to carry forward losses to previous years. It is in this way that this taxation is very irksome and is of a very excessive and irritating character. Any measure which discourages enterprising men to accumulate savings must in the long run diminish the total wealth of the nation. Sir, the gap of 15 crores has been attempted to be bridged in two ways—under Customs and Taxes on Income. Under Customs, taxation to the tune of 10 crores has been raised under this Bill. It is a very excessive taxation. Customs duties have been enlarged. One redeeming feature of this Budget is that instead of raising permanently these taxes, these increases have been sought by a system of surcharges. There is some hope, there is some implication in that that the Government will see their way to reduce or wholly dispense with these surcharges at an early date. What happens in the matter of these increases under Customs? It affects one class of people more than anybody else. It affects English people who have to live on imported articles, it affects Indians in India living in English style as they have to pay increased rates for their food, for their clothes and other imported articles. In view of these circumstances it is necessary that this measure of taxation should be substantially reduced at an early date. I do not propose to go into an elaborate discussion of the various taxes which have been proposed under this Bill. I would only refer to two—the duty on piece-goods and on silver. My personal opinion is that the duty on silver could have been safely raised from 4 annas to 8 annas and not 6 annas, and I do not understand why there has been compunction on the part of Government to have done this. It would not have affected the consumption of silver in this country at all. Sir George Schuster has himself pointed out that in the last six years over 650 million ounces of silver have come to this country. Every year this country absorbs 100 or 110 million ounces of silver. Silver is a sort of saving of the people; peoples' money is put in silver as savings. Mexico and other places have been raising promiscuously large quantities of silver which are imported into this country. Even if the tax had been raised to 8 annas, instead of raising the super-tax, I think, the Government would have got what it practically wanted, without causing any disturbance in trade or in

the monetary policy of Government or in the currency policy of the country. However, I am very pleased to find that the duty has been increased on silver, and I quite agree with Sir George Schuster that the question of silver cannot be dealt with in isolation and the request made by the representatives of silver interests in America is one which could not possibly be acceded to. Sir George Schuster was perfectly correct in ignoring this request, and unless an international conference takes place, where the silver question could be fully and completely discussed and in the interests of India decided, I think Government is right in gradually selling its existing stocks.

As regards piece-goods I am glad that Government have at least seen their way to put a further surcharge of 5 per cent. despite the opposition of Lancashire and people at home. In fact, we had brought to the attention of Government last year, when they raised the duty from 11 to 15 per cent. on piece-goods, that the duty ought to have been raised by another 5 per cent. at least. The Government, despite the 15 per cent. duty and 5 per cent. protective charge, have not been able to stop the Japanese extensively importing cloth into India and competing with the Indian mills. This aspect of the case is certainly worthy of commendation.

Sir, I support this Bill for several special reasons. Though it causes a heavy burden on the tax-payer, I support this Bill because I feel that unless we unanimously pass this Bill to-day the credit of the country will be impaired. I am anxious to see that the credit of this country at this most critical moment, at this most historical juncture, should in no way suffer by any obstinacy on the part of this Council to meet the full demand of Government. Because I feel that our financial position demands a balancing of the Budget I support this Bill. India at present occupies a favoured and privileged position in the monetary markets of the world and especially in England. Her sterling loans, as Honourable Members are aware, have been over-subscribed in England during the last three years. Despite the Congress agitation to enquire into the national debt of this country and to repudiate a part of that debt, India has not failed to meet the demand of Government when they have come out in the open market for money. The palpable and the apparent reason for this is India's great credit, and that credit mainly depends on the balancing of its Budget and the financial position it presents to the country. Again, in view of the impending grave constitutional changes, we must set our house in perfect order. And, finally, I support the Bill on the strength of the assurance that when the emergency ceases these new burdens would be promptly lifted. While, therefore, I support this Bill, I would ask the Government to assure this Council as to the steps it proposes to take before next year for the retrenchment of expenditure. I quite agree with Sir Arthur McWatters that it would be absolutely unreasonable to ask Government this year to make any substantial cuts in the expenditure. I know such hasty action would break up the gear of the machinery; it is impossible for Government to do this immediately. But I do think that the time has come when a policy of wholesale retrenchment on the part of Government is necessary. This Council will not face any other measure of taxation next year; neither the Assembly nor this Council will give support to any such measure unless Government shows its genuine earnestness in having made desirable and necessary general curtailment in its expenditure. The retrenchments which have up to now been suggested are of a twofold character. In the present Bill the military expenditure has been reduced by 170 lakhs. If Sir Arthur McWatters forgives me, I will tell him that postponing of the expenditure required for re-equipment of the military establishments for another year or two is no retrenchment at

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all. I may also tell him that the temporary stopping of the expenditure of money required for the Engineering Services in the Military Department is no retrenchment at all. What will happen is that in the years to come hereafter you will have to undertake this expenditure in addition to the normal expenditure which may then become necessary. I want the military expenditure to be seriously considered. I do not for a moment suggest or urge, as many of my Honourable colleagues in this Council have done, that the total number of European soldiers should be reduced. I do not for one moment agree to that proposition at all. Even to-day, having seen what has happened at Benares and Cawnpore, I think it is absolutely necessary for the safety of India that the 60,000 British troops should be maintained in this country. But I do think that our military expenditure requires revision in another sense. The military expenditure which India incurs is not only simply and purely in the interests of this country. Part of this money is spent in Imperial interests. I therefore think that His Majesty's Government in England should be asked to bear a share of the military expenditure of this country. That is necessary. That is obligatory. India is a sort of gateway to many of her Dominions and the safety of India involves the safety of the Dominions and other places. Another important matter is the cost of protecting the North-West Frontier which in all fairness and justice must be regarded as an Imperial burden. It is also an opportune time to make an impartial enquiry into capitation charges. Therefore it is essentially necessary that His Majesty's Government should bear part of that obligation. I also think, Sir, that the loss on the strategic railways, which is a large sum year after year, should also be borne partly by His Majesty's Government and partly by the Indian States. We are protecting the frontier not only for British India but also for the Indian Princes and Chiefs, and it is obligatory, in my opinion, that they should cheerfully contribute at least to the losses on the strategic railways. It would not be altogether inopportune, Sir, in my opinion, if they are also asked to share a part of the military expenditure of this country. I do hope that at any rate when the Federal Constitution comes into operation, the Indian States will certainly have to bear a good share of the military expenditure which British India has to bear now. I also urge that aviation expenditure should be strictly controlled and kept within reasonable bounds.

As regards civil expenditure, I am of opinion that an immediate inquiry should be made. Since the Lee Commission Report was published and its recommendations were carried out, India has been progressing very rapidly in the extravagance of its civil expenditure. The recommendations of the Lee Commission were passed in a boom time, which was entirely different from the time with which we are now confronted. Those recommendations must be revised in the light of the present state of circumstances. I do not say that any hasty action should be taken. A small committee should be appointed by Government to consider and revise and reconsider those recommendations. The conditions of all services should be thoroughly overhauled and salaries of the new entrants should be fixed on the scales prevailing in other countries. In all departments of Government service men who have attained pensionable age should be pensioned off and economy effected by obtaining younger men on reduced salaries.

Sir, there is one other point to which I should like to refer, and I shall then conclude. I must draw the attention of the Council to the fact that all this heavy expenditure is due not only to the Civil and Military expenditure but also to other causes. Our national debt has been rapidly increasing.



The total debt has risen from Rs. 510 crores in 1914 to Rs. 1,138 crores in 1930, or it has more than doubled in a period of 16 years. Both the rupee and the sterling debts have shown an increase, but the increase has been larger in the case of the rupee debt than in the case of our sterling borrowings. The financing of the capital programme of the Government of India from year to year has in the past been a great strain on the resources of the country. The capital programme must now stop for some time, or I would advise Government to revert to the former practice of allowing railways to be constructed by private enterprise. Personally, when the question was debated a few years ago, I was always for company management and I had fought from my place in the Council on several occasions for company management as against State management which is always more expensive. The State management during the last few years, since the innovation was made, has involved the country in a very heavy capital expenditure which could have been safely left to private enterprise and public spirit both in England and in India. The interest charges, the sinking fund, and the provision we have to make for avoidance of debt are all heavy charges on our Exchequer, and unless something is done in that direction, there is no likelihood of an improvement. Finally, I will appeal to my Honourable friends, especially Rai Bahadur Lala Ram Saran Das and others, who have submitted notices of amendments, not to press them. I will implore them, I will request them to withdraw those amendments, and in these exceptional circumstances, as His Excellency the Viceroy has pointed out, to give the Government by the unanimous consent of this Council what they demand and let us leave it to their honour and to their sense of justice to do what is right for India in the near future.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, being an elected Member, it behoves me to give expression to the feelings of the electorate whom I have the honour to represent here. We have got the greatest respect, esteem, affection and love for His Excellency the Viceroy, Lord Irwin, but we resent the introduction of the certificated Bill and I agree with my Honourable friend Mr. Basu that His Excellency has not been rightly advised (with due deference to those concerned) in certifying this Bill.

(At this stage, the Honourable the President vacated the Chair which was taken by the Honourable Sir Maneckji Dadabhoy.)

The condition of the country is very peculiar in these days as the country is getting poorer every year. This colossal taxation cannot be borne by the people. My Honourable friend Sir Maneckji Dadabhoy has very lucidly put the case against the introduction of this Bill, but his conclusion has not been a logical one. From the arguments he put forward—and the arguments were very strong—the result at which he arrived was rather surprising. Some years ago there was a very heavy deficit in our Budget and the then Finance Member somehow or other succeeded in balancing it without recourse to extra taxation. Now what I find is that the Government insists on not remitting a paltry sum of less than a crore of rupees, which could be easily done by reducing the top-heavy military expenditure and by making retrenchments in the civil expenditure. His Excellency the Commander-in-Chief was pleased to tell us the other day that the saving to the Military Department because of the cheap prices of food-stuffs alone was about 75 lakhs. The offer which the Government now makes of remitting taxation not even to the extent is not a reasonable one. Sir,

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[Rai Bahadur Lala Ram Saran Das.]

in the present condition of the country, when unemployment is growing more and more every day and when the Government itself by retrenchment is throwing thousands and thousands out of employment, it ought not, by extortionate taxation, to add to the present unrest in the country. I want the Government to be popular, and as far as it can it should not be the cause of any further unrest. As the proposed increased taxation cannot be borne by the people I oppose this Bill, and I think that if the Government does not accede to the public demand it will (by forcing up the rate of interest) be discouraging industries which offer the only other means of finding employment for the people and will thereby be adding to the unrest in the country.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to speak on the Finance Bill. I have no objection to the Bill itself but I have great objection to the procedure that has been followed. Sir, the glorious gift of the English constitution of redress before supply has been denied to us. The subterfuge of certification has taken away what has been conceded by one hand. We are at one with the Government and with the rest of India in our respect and regard for Lord Irwin, and to drag his name into this controversy has not, I should say, been fair. The necessity for certification should have been justified. I find a strange spirit of haggling in a *bunya* fashion in the dealings of the Finance Department. First of all the Honourable the Finance Minister comes forward on the 28th of February with a scheme of additional taxation to the tune of 15 crores. Well, that continues in the field for some time, but on the 26th of this month, when the matter is being considered by the Assembly, seeing the atmosphere, he comes forward and says that he will be content with only 14 crores of additional taxation and will forego one crore of taxation from income-tax. Even then he did not lay all his cards on the table. That is one of our complaints. He still kept 50 lakhs up his sleeve, which was produced at the conference of Assembly leaders and certain selected representatives of this House, with the Finance Member, who then came forward and said he was ready to reduce taxation by a further 50 lakhs. Well, had the Finance Member taken his courage in both hands and consulted the leaders of the opposition and made the point clear to them that the Government were ready to reduce income-tax to the tune of 155 lakhs, there is reason to believe that the Assembly would have consented. From Lobby talks I came to the conclusion that the Independents were ready to compromise with the Government on 175 lakhs ; so that there was only a difference of 20 lakhs which required to be bridged to avoid the existing *impasse*. But some notion of false prestige came in the way and the sense of security which irresponsibility gives was the main barrier which prevented the Government from acceding to the request of the Legislative Assembly. There is another aspect of that matter. While the Government were prepared to reduce by 50 lakhs more, in the form in which the Bill has been recommended to us that 50 lakhs reduction is not included. Only the original 105 lakhs reduction is included which was admitted by the Finance Member in the Assembly. That is one of our objections to the procedure which has been followed. If it was necessary for the Government to impose this amount of taxation, then why did the Government go out of its way to promise a further reduction of 50 lakhs more ? We have only seen the communiqué specifying the amount of 50 lakhs and do not know the details of which it is composed. But the fact now remains that Government is taxing us to the tune of an additional 50 lakhs which according to their own admission was not necessary.

I should now like to draw the attention of the House to the inopportune-ness of the moment for resorting to the procedure of certification. We are in the midst of constitutional evolution. The Round Table Conference is going to sit. There is a great deal of distrust about safeguards and emergency powers, and this is not the time to use a power which was given for use in extreme necessity, for the purpose of bridging a difference in taxation of barely 80 lakhs. The Honourable Sir Arthur McWatters said that it is not the sum which should be looked into, but the policy. We are quite in agreement with that, but the question remains whether a sum of 80 lakhs, which is the only bone of contention, could not have been made up in some other way. I am not going to follow the usual procedure in the discussion of the Finance Bill by speaking on grievances and asking for their removal. The situation in which we find ourselves is a race against time. Therefore I am going simply to suggest one or two ways in which this deficit and even a bigger deficit could have been met.

According to the last report, the currency position is that we have got 57·68 crores of Treasury Bills outstanding, out of which 10·20 crores is in the Paper Currency Reserve. During the year 1925-26 we had 49 crores of Treasury Bills in the Paper Currency Reserve, and had an income of 4·29 crores gross income. The reply will be that we are going to contract the currency to stop the flight of capital abroad. But it is apparent to those who know anything about finance that it is not actual currency that is exported. It is the credit. By contraction of currency the only object gained is that you have kept exchange in your favour and you have kept down the prices of agricultural produce on which more than 80 per cent. of India's population depends. Contraction of currency has been good to this extent that it has kept down our prices ; it has increased the interest on the Government loans ; it has brought about a sort of nervousness in the money markets, because of the fact that there is no available currency and no available money. The rate of interest has risen for the Government as well as for trade. Contraction has been so great that our metallic reserve is 93·51 per cent. I have got figures for Germany. The metallic reserve of the German Reichstag Bank is 53·5 per cent., of the Bank of France 53 per cent. and of the Bank of England 49·8 per cent. This is the metallic reserve of the three countries which are leaders of finance ; and we have got 93·51 per cent. of metallic reserve. It will be said that our metallic reserve is mostly in silver, bullion and silver coins. But we have got a Gold Standard Reserve which is not taken into account in our currency notes issue. Such a big country as India is being carried on with only 157 crores of currency notes in circulation—a country of 350 millions having a currency of 157 crores only. Is that possible in any country except one which has got no responsible administration ? Further, this policy of contraction has gone so far that whereas in 1925-26 our income was more than 4 crores, it is now only 60 lakhs. India used to be condemned in season and out of season by economists for the hoarding habit. Now, I find that that habit of India's is adopted even by the Government Benches. They are also for hoarding up all the money they could in the Paper Currency Reserve. We have got 143 crores of rupees and silver and gold bullion in our Paper Currency Reserve. While we are starving and we have no credit in our banks, the paper currency chest is full of money and nobody can touch it.

There is another line in which certain reductions could have been made. I refer to the Army Department. The Army Department has always been condemned by Indians as the Department which spends most money. How far this is justified or unjustified is not debatable here. I simply wish to point out the way in which we could have saved a small amount of money. I refer

[Mr. Abu Abdullah Sayid Hussain Imam.]

to the capitation charges. The history of capitation charges is that as long as we pay the demands of the War Office, the War Office never heeds us. But when the Government of India have taken direct action, it has been acceded to. Now that the Government of India is partially responsible to India, they think that everything rests with Indians to do; but when they were irresponsible, they used to do things better. In the years 1870-78 the War Office demanded something like £650,000 for capitation charges and the Government of India for eight years have continuously paid only £400,000, with the result that the British Parliament passed an Act to validate this action of the Government of India. The Inchcape Committee Report in their examination of the Army expenses made a specific recommendation about capitation charges :

“We recommend that the conclusion of a fresh regular settlement should be expedited.”

And further on they state :

“Subject to due allowance for the potential value to the British Government of returned men available for the Reserve.”

It was in 1923-24 that this Report was made. For the last six years no step has been taken. It has not yet come to a regular settlement. We are still following the policy of Lord Asquith of “Wait and see” and we are always paying the demands of the War Office. I should like to draw the attention of the Finance Department to the procedure in the previous years and impress upon them to reduce the demand; then the War Office will consider it better to come to a settlement rather than leave it at what the Government of India is willing to pay. It may be stated, Sir, that the demand that they are paying now is fair. We are paying practically £25 per capita. If the Government want to pay that, I think they should have the courage to state that the present rate is fair; whereas we find that they have not got courage to say that it is a fair rate. They only say that they have come to a provisional settlement, and nothing is said about its fairness. Either they should say that it is a fair settlement and should stick to it, or they should try to reduce it, not merely by saying it, but by reduction in actual payment. Then, Sir, I refer to the transport charges which are leviable mostly on India, barring a sum of £130,000, which is the contribution of the War Office towards the transport charges. That too has been condemned by Indians. On the one hand, when the soldiers are going to India it is necessary that the charges should be borne by India; but they are not sent for our requirements. They go to England for England's requirements; we would be prepared to keep them instead for 5 years for 10 or 15 years. Therefore it is quite reasonable that the other moiety should be paid by the English Exchequer. Sir, had there been a will, there would have been a way. But the Government have disregarded our views. For a paltry sum of Rs. 80 lakhs a procedure, an obsolete procedure, a procedure that has brought to the British Government in India a great deal of unpopularity, is adopted by the Finance Department. Especially at the present moment, when every action of the Government of India is being looked upon with suspicion, and when everything should have been done with greater regard for the future than for the present, it was really bad advice that the Finance Member gave to His Excellency the Viceroy to certify the Bill. The certification procedure is at the very best a procedure to be followed in extreme emergency and to certify for the sake of 80 lakhs in a Government

of India Budget for more than 100 crores is really going too far. I have got nothing to say whether the Assembly were correct in their procedure or they were not.

THE CHAIRMAN (THE HONOURABLE SIR MANECKJI DADABHOY) : I would request the Honourable Member not to repeat his remarks on the certification.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM : The procedure of bringing this Bill in a certified form is such that we cannot move any amendment. Any amendment in the Bill automatically takes it away from our House. Therefore we have to abstain from bringing any amendment, but it should not be taken to mean that we are agreeable to this Bill. That is all I have got to say.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, it is a matter of extreme regret to find that during the last decade with the exception of two years, we have always had to face deficit Budgets and that in consequence of it the Government of India have always been put to the painful necessity of balancing them by a considerable increase in taxation every year. This increase in taxation on different occasions has reached its climax in the Budget for the next year, and in view of the general depression all over the country, I am afraid the proposed taxation cannot be agreed to without considerable hesitation on the part of those concerned. For instance, the proposed tax on kerosene oil will surely hit hard the poorer classes and especially the agriculturists who are faced with a gloomy situation owing to a general and sudden fall in prices of their products. It will be adding more to their miseries by an additional tax on kerosene oil which is an article of their daily consumption and to a certain extent it is impossible for them to manage without it. Similarly the tax on silver will debar the poor people from buying small articles of this metal which is comparatively cheaper nowadays. Imposition of the proposed tax will certainly cause it to become dearer.

Enhancement of income-tax and super-tax has already considerably affected those coming under its jurisdiction. As Honourable Members are fully aware, this tax was brought into force in the year 1886. Up to 1918 it was assessed by a Tahsildar or the Deputy Commissioner and in that case it was a benevolent assessment, for there was no question of close scrutiny or looking into the accounts of an assessee for this purpose. During the War the yield from this source was not found to be sufficient and it was therefore proposed to have it levied by means of a special department. The super-tax was added as a War measure. Now, Sir, if we pause for a moment to examine into the actual yields of this tax annually, it will be seen that in the year 1911-12 it amounted to something like 2.40 crores. In 1913-14 it was about 3 crores and again in 1915-16 it was also about the same amount. The year 1918-19 brought it to rise to 11 crores on account of the addition to it of super-tax, which was represented by Sir Malcolm Hailey, the then Finance Member, to be exclusively a temporary War measure. In 1919-20 it rose to nearly 22 crores but since the abnormal increase of, say, 17 or 18 crores was understood to be a temporary increase with the sole purpose of meeting the exigencies of War, it was put up with by the tax-paying people in a fair spirit. In 1920-21 it was reduced to 15 crores and later on there were small and gradual increases in it until the year 1929-30 when the income under this heading was placed at 16.70 crores. In 1930-31 it was estimated at a reduced sum of

[Major Nawab Sir Mahomed Akbar Khan.]

15·79 crores and in the Finance Bill under discussion it has again been increased to about 18·50 crores. Honourable Members can therefore see for themselves how the yields from this source have gradually worked up during the last 20 years from 2 crores to 18 crores. To make the matter short, it is undoubtedly a serious inroad on the income of private individuals.

In spite of all this the system to determine the income of an Indian assessee for the purpose of income-tax assessment is greatly at variance with that provided in the English law. For instance, the English law provides for the allowance of family, wife, children and dependents, while there is nothing of the sort in the Indian Income-tax Act. There the married man is allowed a certain allowance for his wife. He is also allowed a reasonable sum for his children of school-going age, while there is no provision to this effect in the Indian Income-tax law. In England there are also provisions of relief for persons without wives and they are given allowances for housekeepers to look after their children and also for dependent mothers or somebody else enjoying their support. All these concessions have been absolutely disallowed here. At the same time it is a peculiar thing to see that in England, which is a country of opulence and wealth, abounding in riches and affluence, the people have only to pay income-tax and no land revenue, whereas in India, where poverty and indigence stares everybody in the face, both the land revenue and income-tax are being enforced at one and the same time. Land revenue which does not exist in England is collected from the agriculturists in India, while income-tax is levied on the business class of people. Now, Sir, nearly half of the produce of the agriculturist is taken from him by way of land revenue and similarly the business man with an income of a lakh of rupees annually has to part with nearly one-fourth of his income in the shape of income-tax. So long as either of these two classes of people run their profession independent of each other, they have to pay either the land revenue or the income-tax, but if an agriculturist, in addition to his cultivation of lands, invests a portion of his capital in a business concern he has to pay both the land revenue as well as the income-tax at one and the same time. Is it not then a pity that an Indian tax-payer should be made to pay both the land revenue and income-tax, while the millionaire in England should be exempted from any demand of land revenue in respect of his culturable lands? He is simply asked to pay his quota of income-tax and nothing else, while the poor Indian is doomed to pay both the land revenue and income-tax. I fail to understand the reason for this differentiation in respect of the tax-payers of England and this country. Justice demands that in accordance with the law prevailing in England the Indian agriculturist should also be exempted from either of these taxes, i.e., he should be asked to pay either his quota of land revenue in respect of his lands, or the income-tax in respect of his business concern. In other words, there should be either the land revenue and no income-tax, or the income-tax without land revenue which the tax-payer should have to pay on all his income irrespective of the question whether it arises from the agricultural produce or the business concern, or from both.

Now, Sir, when the income-tax in India is going to be assessed at such increased rates as are proposed in the Finance Bill under discussion, I think it will be quite in the fitness of things if I ask the Honourable the Finance Secretary to consider the question of these very concessions in respect of the Indian tax-payer. I would also like to submit that the enforcement of the enhanced rates should be given effect to on the clear understanding that the proposed increase in rates is simply a temporary measure and that it will not

be extended for any length of time after expiry of its term of one year as laid down in the Finance Bill. With this assurance on the part of Government I can persuade myself to support the enhanced rates for the purpose of balancing the Budget for the next year. But if these are intended to continue after the expiry of their term of one year in the same manner as the existing rates of income-tax and super-tax are in force in spite of Sir Malcolm Hailey's assurance to abolish the same after the exigencies of the War were made good, I am sorry that I cannot see my way to support the proposed enhancement. Compliance with such an excessive demand can be managed only once for emergency's sake but never for all occasions. Sir, I do not want to take up the time of the Council for long. As regards defence, I support Sir Maneckji Dadabhoi's plea that the defence of India is not only for British India but also for the States and that the States should bear a portion of the expenditure. And not only by the States but also by the people who are permanently settled, because the permanent settlement was made not in this century but long ago, and not only the 40 or 30 years settled provinces but also the permanently settled areas get some advantage out of the defence and I wish that this question should be taken up and they should be made to pay properly for the maintenance of the Army or the strategic railways. Where there are losses, the losses should be distributed in ratio proportion to the settled areas.

THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI (Punjab : Sikh) : Sir, my Honourable friend Sir Arthur McWatters has appealed to the House to pass the Finance Bill with a unanimous vote. I may say his word carries great weight with us and we should have been too glad to give our unanimous vote. But, though we owe our duty to the Honourable Members representing the Government who appeal to us to give our vote in their favour, I think we, who are elected representatives of the people, also owe our duty to our electorates to give free expression to our opinions as regards the Finance Bill. I fully realise the circumstances which have compelled the Government to recommend an increase of taxation of more than 15 crores, but I would certainly repeat with all the emphasis that I can command that the burden of taxation upon Indians is already very heavy and I would say that there is no room even for a straw on the back of the camel. Even a little increase in the taxation will certainly be felt very keenly by the people in whatever sphere it is made. But there are taxes which touch the pockets of the people indirectly and taxes which touch the pockets of the people directly. The increase in the customs rates are of course side taxes which do not touch the pockets of the people directly. The increase in the motor duties and petrol, oil and other accessories, and the increase on wines and other articles of luxury touch the pockets indirectly, and I think a man can very well manage to reduce the consumption of petrol by not using his motor car or by postponing the purchase of a new motor car for another year in view of the special circumstances. Now the question centres round the increase in the income-tax, and the question is between the figure of 130 lakhs as has been stated by our friend Sir Arthur McWatters and about 80 lakhs which has been worked out by another friend, the Honourable Mr. Hussain Imam. Whilst we do not wish that at this last moment we should throw out the Finance Bill and put the Finance Department, the Finance Secretary and the Finance Member to serious embarrassment, we still think that if an earnest attempt is made—I do not say that it has not been made—there is room for retrenchment for balancing the Budget. I fully endorse the view that an unbalanced Budget takes away the credit of the country to a great extent.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Where there is a will there is a way.

**THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI :** I quite endorse this remark of my Honourable friend "where there is a will is a way". I was just saying, Sir, that I endorse the view that a balanced Budget has great effect on the credit of a country and serious attempts ought to be made by those who are responsible for presenting the Budget to see that the Budget is balanced so as not to impair the credit of the country whose salt they eat. I would like to draw the attention of Honourable Members to a few items which I could hurriedly find out from the Budget statement in support of the contention that there is still room for some retrenchment in expenses. Of course the existence of a heavy military expenditure has provided the target for the attack in this House as well as in the other House for many years. I do not think that it would be possible to retrench the Army at this moment, within the short span of six months since the Government came to know of the fall in the income on Customs. I dare say the Honourable the Finance Member is quite cognizant of the fact that during the last six months, Customs had begun to fall. They say that this is on account of the political agitation, but opinions differ. Some say it is on account of the fact that the purchasing power of the Indians is very much reduced. That is why they do not find themselves in a position to go in for costly things. It may be due to both causes. Now, as regards retrenchment in the expenses of the Army, I would certainly endorse the view which has been expressed by my Honourable friend, who is now occupying the Presidential Chair, and by my Honourable friend Major Nawab Sir Mahomed Akbar Khan that the defence of India is not only the defence of India but also of the British Empire as a whole, and that it is not inequitable for Indians to press upon His Majesty's Government in England to share the cost of the defence of India, because, as I have said, the defence of India means the defence of the Empire and the colossal expenditure incurred for the maintenance of this Army can be reduced if the British Government agrees to contribute to the expenditure of the Army maintained in India. There are a few other items which I hurriedly found out, to which I would like to draw the attention of the House and of the Honourable the Finance Secretary. Of course, it is a longstanding complaint of the Members of this House that they are called upon to discuss the Finance Bill with a notice of one day only. It is not fair to the Members of this House. This year and in two or three previous years only one day's notice has been given to this House to come and discuss the Finance Bill. It has also been said by the Honourable the Finance Secretary that if this Bill is not passed to-day, Government would lose the revenue which they have collected in the month of March. This is a consideration which also weighs in our minds. The first item I would refer to is Taxes on Income. That is expected to produce Rs. 18,49,54,000 for the ensuing year, an increase of Rs. 2,69,71,000. But on the expenditure side there is an increase of Rs. 1,75,000 also, and I have not been able to find out why, when there is an increase in the income-tax only because of an increase in the rates, there should be an increase in the cost of collection. Apart from that, this Department in recovering 18 crores spends 77 lakhs in collection, and it appears on the face of it to be an expensive Department. I think there should certainly be room for cutting down collection charges in this Department to some reasonable extent, and I am not able to find the reason for the increase of Rs. 1,75,000 in the collection charges. Similarly, for Customs collection charges, page 11 of the Budget statement, there is an increase of Rs. 1,75,000. It may be that the increments due on account of the graded pay of the establishment is responsible for this



increase, but it ought to be a matter of serious consideration for the Finance Department as to whether they should not withhold such increments during years of extraordinary deficiency. Then as regards Land Revenue, I find that the income to Government from this head is Rs. 37,81,000 whilst the expenses amount to Rs. 9,89,000 which in my humble opinion is a very high ratio of expenditure. Then comes Excise. The income of the Excise Department expected for next year is Rs. 48,04,000, which is less by Rs. 26,000 than last year, but the increase in expenditure for collecting this income is Rs. 2,26,000. The provision in the Budget for 1931-32 is Rs. 19,10,000. This passes my comprehension altogether. Then there is another Department, the Forest Department, which is working at a loss of about 3 lakhs. These are a few items which I would seriously bring to the notice of the Honourable Finance Secretary, to see whether we can make some compromise as regards the amount of 130 lakhs which he says must be raised to make the Budget balance by cutting down the expenses. These things make one quite sure that there is room for retrenchment still. I know that retrenchment cannot be made immediately to meet the Budget needs, but I think that for the last six months the Finance Department must have been in possession of the facts as to the fall in our income and they ought to have given serious thought, not to increasing taxation, but to reducing the expenses of the administration in every branch as far as they could. As regards the Taxes on Income, about which the whole debate centres now, I should certainly say that the recommended Bill, which increases the tax on incomes between Rs. 5,000 and Rs. 10,000 by 3 pies, tells very hardly on the middle class man. It is not necessary for me to tell the Treasury Benches that there is already very great economic distress in the country. Agriculturists have been very hard hit during the last year. Trade and industry is at its lowest ebb, and this increase of tax on that class by 3 pies will tell very hardly upon them. It will not be out of place to mention how people are living nowadays. I went round yesterday in connection with the Educational Conference of the Sikhs to ask for contributions. Every man I spoke to said he would pay his contribution but on the 1st of next month when he got his pay; that being the 29th of the month he had no money to pay. It clearly shows that people of the middle classes are living from hand to mouth and an increase in the tax will cause very great disaffection amongst those people. Every one desires that the atmosphere of peace and calm produced by the noble efforts of Lord Irwin should be maintained, but there is no gainsaying the fact that there will be real heart-burning on account of this increased taxation, and I would respectfully appeal to the Honourable the Finance Secretary to find this 130 lakhs by some means or other, by cutting down expenses and not by increasing the rate of taxation on this class from 6 to 9 pies.

(At this stage the Honourable Sir Maneckji Dadabhoy vacated, the Chair which was resumed by the Honourable the President.)

The increase from 5 to 6 pies in the lowest category has been generally accepted and everybody will perhaps be able to pay that, but the increase from 6 to 9 pies is one which will certainly tell upon middle class people. As regards super-tax, my Honourable friend Rai Bahadur Lala Ram Saran Das and other gentlemen here have amendments in their names and I will deal with that at the time they are under consideration. I will at this stage close my remarks with a forceful appeal to the Finance Department that they should try to meet the deficit of 80 lakhs or 130 lakhs by cutting down expenses rather than by increasing the rates of income-tax.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : I have listened with some amount of attention to the arguments put forward by the Honourable the Finance Secretary when introducing the Finance Bill, but I fail to find my way to see eye to eye with him and to lend my support to the Bill before us. The circumstances this year are a bit out of the ordinary and the actions taken to meet those circumstances are also unusual. As one not much accustomed to the Parliamentary procedure in cases like this, I feel a bit hazy about my course of action. But, Sir, I shall be failing in my duty if I do not speak out what is passing in my mind. Whatever may be our attitude towards this Bill, and however much we might cry ourselves hoarse, it will fail to have the desired effect, and whether we like it or not it will get a place in the Statute-book for all that. The administration has to be carried on, the sun-burnt bureaucrats and the steel frame have to function. I might here make my position quite clear, that whatever remarks I might be tempted to make in this connection, I do not in any way want to show any disrespect to His Excellency Lord Irwin for whom we, Indians, have the highest regard and esteem. But, Sir, at the same time I feel that he has been ill-advised to take this extreme course. True, Sir, we are faced with a deficit Budget ; the actuals are far short of the expectations and what for the general trade depression throughout the world and what for circumstances for which Government as well as people outside are partly responsible, there has been a deficit Budget. To meet this huge deficit, some way has to be found out. Of course it might be possible to raise this sum by an increase of taxation and by the imposition of fresh taxes. There is another way of meeting this. We might turn our attention and reduce the deficit by some amount of retrenchment and meet the balance by fresh taxation. To my mind that would have been the proper course under the present circumstances. Retrenchment is the acid test of a Government's *bona fides*. How far this test can be applied in the present case remains to be seen. No doubt a few items here and there in the budgetary proposals have been found where minor economy has been effected. No doubt, Sir, the Honourable the Finance Member has agreed to a Retrenchment Committee, but at the same time he has expressed the opinion that even then there is very little room for retrenchment. May I, however, point out, Sir, that on the admission of the Honourable the Finance Member himself during the last few days, that statement does not hold water. In the other House he has on his own initiative voluntarily agreed to further reduce the expenses of the Government by about a crore if the amended Income-tax Bill was passed. But, Sir, this statement also did not create the desired effect on the Members opposite and the Government could not carry that amended Bill. The Government in their communiqué of the 27th evening said that they were further willing to reduce expenses to the tune of 50 lakhs if the Assembly agreed to the amended proposals of income-tax. All these point out, clearly that there is still room for retrenchment. If you go about it earnestly and if you are sincere about it, I feel quite sure that ways will be found for retrenchment. In every Department of Government there is a multiplicity of officers. The Secretaries, Deputy Secretaries, Under-Secretaries, Joint Secretaries and Assistant Secretaries may be counted in legions, and the less said about special officers the better. I might quote one or two instances in which jobs had to be found out for special officers. I mean the special officer in connection with the Round Table Conference, whose contribution was nothing but a fifth wheel to the coach and the special officer for whom a job has to be found in the Finance Department.

Now, Sir, let me turn my attention to the Army side which is the special preserve of the Government of India in which no idea of retrenchment may

gain entrance for fear of loss of efficiency and discipline. We have heard something about the mechanisation of the Army and have noted also that with the mechanisation there will be a substantial decrease in the personnel, but in actual practice it is not yet manifest to the extent that we hoped. The cost of living index and the wholesale price index have really reached the pre-war level and still we are spending the same amount of money for the Stores and Supply Department of the Army. The cost of upkeep and maintenance should be less than it was a few years ago when the Inchcape Committee sat. The Army in India consists of the British Army as well as the Indian Army. The Indian Exchequer has to find money for the expenses of the British Army stationed in India. Certain groups of regiments are detailed for service overseas and battalions from these groups are provided for service in India. The amount spent on the recruitment in all these groups is entirely to be met from Indian revenues. Now, Sir, turning my attention to the question of pay of British officers in either of these two services, I shall point out that there is a great deal of discrepancy there. British officers of the British Army get much less pay than the British officers of the Indian Army holding the same rank. If it is found possible to have officers of the British Army on less pay, why should we pay the British officer in the Indian Army much more than the pay of the British officer of the British Army? What is sauce for the gander is also the sauce for the goose.

Now, Sir, may I point out one or two salient facts about the taxation proposals. May I inquire from the Honourable the Finance Secretary if by the increased duty on silver he wants to get some revenue for the public exchequer or if he wants to benefit the importers? The reason for my asking this question is, that the amount of silver bars required in India monthly is about 3,000 bars, and from the information which we have received there is a stock in India of 17,000 bars. So it seems that there will be no import for the next six months or so. This increase in duty will only serve to raise the price of silver without necessarily bringing in any substantial revenue. To the poor people silver is a treasure for hoarding and they will be penalised for the benefit of the speculators. As regards other proposals of taxation, I leave them to the consideration of worthier men, and I do feel, Sir, that it is not quite good for the Government to press for a Bill like this without first submitting themselves to the acid test of retrenchment.

With these few words, I beg to oppose the Bill.

THE HONOURABLE MR. G. A. NATESAN (Madras: Nominated Non-Official): Sir, I did not take part in the discussion on the Budget, nor do I propose to take part in the discussion that will ensue hereafter on the Finance Bill, but having regard to the circumstances in which the Finance Bill has been brought forward, I feel called upon to make a few observations. Not long ago a very distinguished writer, Hilare Belloc—and I dare say his name is familiar to most of you—wrote in the *Fortnightly Review* a very trenchant article in the course of which he observed that taxes always grow up but never come down. Budgets of late have become very heavy burdens and really one knows not what is in store for us in the future. Since the introduction of the Montagu-Chelmsford Reforms, we have had, as has been pointed out more than once here and elsewhere, additional taxation of about 40 crores and within the last three years as much as 20 crores. There could certainly be a great deal of criticism about the condition of the finances of a country in which there has been a necessity for mounting up taxation like this. With most of the criticism I agree; but I have to stress and emphasise the fact, which one is apt to forget and about which stress had been laid on other platforms and

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elsewhere in India and in England, that the whole thing is the result of a system which is unnatural. Sir, I think the Honourable Sir Maneckji Dadabhoy very rightly observed that the Finance Member is the victim of a system—of a very vicious system and a very unfortunate system. I think there is something radically wrong about the position of a Finance Member who is asked to tackle the problem of budgeting when he is given absolutely no discretion to touch upon the most important aspect of an administration, such as the military, which consumes a very large amount. It is worse still that even under the Montagu-Chelmsford Reforms there are items which are classed as votable and non-votable. With regard to military expenditure, everybody knows that the Finance Member can only beg the Commander-in-Chief to reduce the expenditure; he could not do anything more. Those of you who had any opportunity to read the reminiscences or memoirs of Lord Rawlinson will find support for that statement, will get an idea of the great difficulties which the Finance Member then had in inducing Lord Rawlinson to a reduction of military expenditure and it is on record that after having agreed to a reduction in the Viceroy's Council he went home and he was counselled by one of his Secretaries to tender his resignation. But all honour to Lord Rawlinson. His conduct was very creditable. He thought that it was not fair when the Government of India were struggling to put their house in order and political conditions were troublesome that he should tender his resignation, but that on the other hand he should accept the reduction and do what was necessary to see that the administration was carried on. I am only mentioning this to show how helpless even the ablest and the most conscientious Finance Member will be under a system in which he finds himself tied up. Sir, I am very glad that the Honourable Sir Maneckji Dadabhoy for the last two or three years has been criticising the Budget in a manner in which one of his long experience is expected to criticise it.

I think it is well-known that the military expenditure here is very much more than what the requirements of the country actually demand. India is being compelled to pay for many things which out of fairness and sheer justice she should not be called upon to pay. No less a veteran than the Honourable Sir Dinshaw Wacha pointed out the other day that India is being made to pay very largely towards the military expenditure on account of the system of army amalgamation scheme which was denounced by the Government at the time more than anybody else. It has also been on record, as was pointed out by those who gave evidence before the Defence Committee of the Round Table Conference, that even though at the time of Lord Reading a committee sat which came to the conclusion, with the approval of the Commander-in-Chief, Lord Rawlinson, that they could increase the pace of Indianization of the Army which would satisfy not only the legitimate demands of the Indian people for a proper share in the military service of the country but would also reduce the military expenditure a great deal, the proposal that went up with the authority of the Commander-in-Chief and with the authority of such a statesman as Lord Reading, was turned down without any ceremony at all, if I may say so. Well, this is the system under which we are suffering.

Again, it has been pointed out that after the Montagu-Chelmsford Reforms were inaugurated, our expenditure has gone up; there has been the necessity for taxing to the tune of 40 crores. This again is due to the system under which the Indian administration is being carried on, and it seems to me that though we may be able to effect a reduction of expenditure of 1 crore, 2 crores

or even 3 crores, you cannot possibly put a stop to this annual cry in the Assembly, and even here perhaps, sometimes in a mild form and some times in a strong form, unless the whole system of Government is altered. The only solution of this problem will be for Honourable Members opposite—for the Honourable the Finance Minister and his able Secretary—to say to His Excellency: "Let us change the present system of Government and devise a new system".

Having made these observations, Sir, I desire to point out that I also agree with the remarks of my Honourable friend Mr. Basu. It is a thousand pities that it did not strike the advisers of His Excellency to advise him to call the conference of Leaders before and not after the Finance Bill was recommended in the form in which it was put before the Assembly. I am one of those who think that having regard to the particular circumstances under which the country is passing, having regard to our claims for a larger share in the administration—perhaps I should say our claims for putting us on an equality with the other Dominions—we in this House should not throw out the Finance Bill. My Honourable friend Lala Ram Saran Das said that Sir Maneckji Dadabhoy spoke one way but came to an illogical conclusion. To state facts and, while keeping the political considerations of the country in view, to realise the needs of the State and act accordingly, is not, I submit, behaving in an illogical fashion. I, therefore, support this Finance Bill.

The bulk of the criticism, Sir, has turned upon income-tax. Any one who knows something about the history of England will be aware of the attitude taken by the people of England in the matter of income-tax. It is condemned everywhere. Students of English finance know very well that the late Mr. Gladstone tried his best to abolish this tax. He succeeded no doubt in reducing it, but he could not altogether eliminate it. As my Honourable friend Diwan Bahadur Narayanaswami Chetti observed the other day, when you go on increasing income-tax you are more or less adding to the troubles of the people who possess other property; and even owners of houses who have to pay a municipal tax are called upon to pay increased income-tax, and the rents which they derive are also included as sources of income. This is a state of things which makes this burden sometimes intolerable. I may say at once that I am also a victim of this increase and have to bear the burden like others. But having regard to the peculiar difficulties with which the Finance Member is struggling this year, I should say that I am quite willing to yield to this increase though reluctantly. At the same time I wish to draw attention to the remarks made by the Honourable Nawab Sir Akbar Khan that we hope that this increase will be a temporary one and not become a permanent addition. It is a matter for satisfaction that the recommended Bill with regard to income-tax gives relief to people below Rs. 15,000. I think it would have been better if the rates had been decreased still, but I must say that if revenue is to be found those who get Rs. 20,000 and upwards should be prepared to meet the demands of the State. I know this view will be contested, and it was contested very eloquently and very vehemently by my Honourable friend Sir Maneckji Dadabhoy some years ago. I am one of those, Sir, who believe that a surcharge is a proper tax, and I will be failing in my duty if I did not say that if taxation was inevitable, if money had to be found, and if the alternative was to tax the poor class or the rich class, I certainly would prefer the latter, because otherwise the burden on the poor would be great and political discontent would increase to an enormous degree. I do not think there is much necessity to go on talking in this strain. I only hope that the Honourable the Finance Member who said in this House that

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there was no room for retrenchment and who has by some consideration or other been forced to agree to a reduction of nearly a crore on his own estimate will find other possible avenues to see that during next year considerable retrenchment is effected ; and mark here the words of the Honourable Sir Maneckji Dadabhoy himself. One who eloquently supported in this very House—I think it was in the Simla Session—the Lee Commission concessions, has to-day pointed out to you that there is a necessity to reduce these. He is not an unfriendly critic of the Civil Services, nor is he one who will do anything for the sake of popularity. Words and criticisms coming from one like him ought, I think, to carry great weight, and I do hope that earnest and strenuous efforts will be made to effect retrenchment in the coming year. I somehow or other believe, Sir, that on the whole it is better to live in hope, to live sometimes hoping against hope. I do think that the present state of things cannot continue for long. I think that with the success that has already attended the session of the Round Table Conference in England, with the avowed desire of co-operation at the next Round Table Conference by the Congress and the smooth manner in which the decision of Mr. Gandhi to co-operate in the Round Table Conference has been arrived at at the Karachi Congress, we can very reasonably hope for a better state of things in the country. I am sure, Sir, that when peace is restored other things, especially trade, are bound to flourish. I do hope that in the next year the Finance Minister will be in a better position to say here : “ I have been able to reduce many of the taxes, and we will carry on the administration more smoothly than before ”.

With these remarks, Sir, I appeal to the Members of this House for their co-operation in passing the Finance Bill.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, in view of the limited time at our disposal I do not propose to take up much time of this House in discussing details of the Bill before us, or to oppose it. In fact, I think at this stage it is our duty to support it. But in doing so I should like to lodge a strong protest, on behalf of the non-official European group, at the very heavy call upon the mercantile and, in particular, the European mercantile community by the severe taxes imposed. The importer is very heavily penalised by the many surcharges introduced and we are not satisfied that other sources might not have been explored, which would have produced some of the necessary revenue and that further economies might not have been effected that would have reduced the total Budget demand.

There is one section that I would particularly like to refer to and that is the one connected with transport, which has not been given much publicity. A further two annas has been put on petrol duty and excise, and the previous duty on motors has been re-instated, both of which go to general revenue.

This means a serious check to transport development which is so necessary if we are to develop agriculture, and the future of this country is surely very largely dependent on this. Interior markets cannot be properly developed without roads to feed the railways and His Excellency the Viceroy referred to the importance of road development in his recent speech at the opening of the session of the Chamber of Princes. The Honourable Sir George Schuster is well aware that for the past four years I and many others have been urging that such taxes should be earmarked for road development in the interests of the country and that they should not be absorbed into general revenues. While I realise that we cannot expect much to be done in this direction at the present time, I do feel that it is most unfortunate in the interests of the country

that transport should have been again further taxed for general revenue purposes. It is a retrograde step which is to be deplored. I therefore wish to take this opportunity of drawing the attention of the Government and Honourable Members of this House to this important matter and would urge that some relief should be given in this direction at the earliest possible opportunity.

In conclusion, I have only to say that we shall not forget that the Honourable the Finance Member assured us in this House only a few days ago that he did not look upon many of these fresh taxes as a permanent feature in the Government armoury of taxation and unless they are withdrawn and other methods are devised of raising revenue and further economies are effected during the coming year, he and the Government will have to face a very much stronger opposition when presenting their Budget proposals twelve months hence.

With these remarks, Sir, I support the passing of the Finance Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan): Sir, I shall not take up much of the time of the Council. Though we are fully alive to the difficulties of the Government, we feel that the Government were not able to exempt the taxation on the poorer classes, that is, for persons getting Rs. 2,000 to Rs. 5,000. Probably the Finance Member feels that there are difficulties in the matter. About kerosene oil, I hope that Government will give up that taxation. I do not know how much the Government hope to get from that. I would have been far happier to see that these poor people are not in any way taxed, but unfortunately the Government of India have not seen their way to do away with this tax. As my Honourable friend Mr. Natesan has suggested, this conference with Members of both the Houses should have been held a little earlier. I can say that if only it had been held earlier, probably there would have been a better adjustment than it is to-day. The Bill has been thrown out in the other House. Personally I feel that in this time of political crisis, taking into account the difficult position, though I may differ on one or two matters, I propose to support the passing of the Finance Bill to-day.

There is one other matter to which I wish to refer, and that is, taxation of foreign salt. That is a question which has been engaging the attention of the public for a very long number of years. I understand the Indian Chamber of Commerce have recently welcomed this duty on imported salt. Sir, we have a number of salt pans in India, but unfortunately, nobody seems to be taking any interest in these unfortunate men. During the time of the War they were able to make some money. Afterwards they practically lost all they gained during the War. The result is that they are poverty-stricken and they are not able to manufacture salt from their pans. Therefore, even if you tax salt, I should very much like that these salt manufacturers should be helped by being given advances. With that they will be able to improve their present lot and to compete with the salt that we get from Liverpool. Unless the Government take a genuine interest in the lot of these poor manufacturers I fear nothing will happen. I do not know what will be the fate of the Salt Import Duty Bill if it is thrown out in the Assembly. I hope the Bill will be certified and brought up again. Sir, I heartily congratulate the Government in this matter, because I am one of those who has been feeling for a number of years that you ought to discourage foreign salt being brought into India. Bengal may not be happy over it, but I think they will in the long run agree that the taxation is not after all bad for them. It will also enable the Bengal salt pan owners to improve their salt pans. I am sure.

[Diwan Bahadur G. Narayanaswami Chetti.]

that with the help of the Government, within four or five years they will be able to compete with Liverpool salt, if only the Government really and sincerely helps in introducing an improved system of salt manufacture here. He must be given some expert help in this country apart from advances to improve the present position of the pans.

Sir, with these words, in view of the peculiar circumstances, I wish to support the Government. At the same time I must tell the Government that they ought to do their best to retrench expenditure. There is no use of our being told at the end that they are not able to do it. I hope that the Finance Member will do his best to see that at least retrenchment is effected in various Departments. With these words, I have great pleasure in supporting the Bill.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, I feel that the Council of State should help the Government of India by voting for all taxation proposals, as I do, but we cannot let this occasion pass without intimating to them the fact that there has been no bold policy of retrenchment in the only sphere that matters, and therefore the budgetary situation has reached a crisis in which there is a recommendation by the sincere, well-meaning and outgoing Governor General to the popular House of the Central Legislature. Sir, I may be permitted to point out that in future years at least the Government of India and the Assembly will so manage to handle the Finance Bill that there would be some reasonable time given to this Council for a proper consideration of the taxation proposals instead of being hustled as we are to-day.

With these words, Sir, I support the Finance Bill.

THE HONOURABLE MR. A. HAMID (Burma : General) : Sir I too feel : that I am placed in the curious position of Inspector Pott of Dickens' fame, as "I have a duty to perform". I am an elected Member and although I know it is hardly right on my part to be the only man in this House to oppose the Finance Bill in the face of the recommendation of the Governor General, yet I feel that I should, as the Honourable Mr. Miller has done, lodge my protest against the increased taxation. In the other House the Honourable the Finance Member, putting it mildly, has been called inconsiderate and unsympathetic towards the poor people. I believe his answer has been that he might be anything, but he is certainly not inconsiderate or unsympathetic. His answer puts me in mind of the story of a man who begged his wife to tell him of his besetting sin "in order", said he, "that I may conquer it and so please you in all respects". With much reluctance, and only after many exhortations to be honest, the lady replied that she feared he was selfish. "I am not perfect", said the gentleman, "and perhaps I am a sinful creature, but if there is a fault, which, I thank God, I do not possess, it is selfishness. Anything but that." And as he spoke he passed her the apples—they were at luncheon—and set himself to work on the only peach.

Well, whether the Finance Member has been considerate, or not, he has been indeed very optimistic, because, at the present moment, due to world depression and due to the damage caused by the civil disobedience movement to the country, he could hardly have expected 14 crores out of the people without protest and demonstrations made in rejecting the Bill in the other House.

It cannot however be denied that money has to be found, and I think it is the duty of every good citizen to try to help the Finance Member as much as he can, and in that spirit I support the Bill.



The cry from all directions so far has been in regard to military expenditure, and I think those who have complained about the military expenditure are fully justified, and if and when we see military expenditure reduced, without of course in any way curtailing efficiency, I think people would be satisfied and would be in a better frame of mind to help the Government at any time when Government may require further funds. Sir Maneckji Dadabhoy, I am glad to say, has explained the position of the tax-payers very lucidly, and I am glad also that my friend Nawab Major Sir Mohamed Akbar Khan has expounded the position both of the people of the North-West Frontier Province and of the whole of India, especially of the agriculturists, and if the suggestions and advice of these two Honourable gentlemen are taken seriously I think that the Finance Member in future will have less trouble in seeing his proposals through.

Now, in regard to my province, I do not wish to enlarge upon our grievances unnecessarily, but I think this is the only opportunity when a Member can get up and speak on any matter, whether relevant or irrelevant to the proposition, before the House. I take it that the Honourable Members will excuse me if I mention that for the past 20 years during which I have been in Burma we have never been satisfied with the treatment which has been meted out to the people of my province. On and off the Government of Burma have asked for concessions, and very recently a very necessary proposal was put before the Government of India in regard to the annulment of the rice cess, and I regret that even that very reasonable and necessary demand of the Government of Burma was not acceded to. Similarly, there have been other occasions when we have had real grievances which we very respectfully put before the Government of India and which have not been redressed. In all cases in which we asked for remedies or redress we have been politely told to keep quiet, and in the circumstances the people of Burma have taken this increase of taxation rather seriously. Within the last few days I have had quite a number of telegrams from various bodies and various individuals asking me not to permit the passing of the Bill, as if I was the only man concerned, forgetting that I was only a part of the machine here. I do however feel that in their interest I should at least express myself emphatically that the taxation is not popular. It is unsound financially and, more than that, it will have a brutish effect on the people who will be called upon to meet it. As an instance let me put to you, Mr. President, the position of a business man—it makes no difference whether he transacts his business in millions, in thousands or in hundreds. At the end of his financial year he makes up his account. I feel justified in saying that there are very few business people who can always produce the amount of profit they show in their books in their banks or in their safes. In a good many cases at the end of the year they have overdrafts which they have to meet and to meet quickly. Now, before the end of March the poor business man who happens to have made a profit on paper of perhaps hundreds or even thousands has not got enough to pay his motor car driver. Yet he has to meet a demand for Rs. 4 to Rs. 5,000 from the Income-Tax Officer. If he does not pay the amount due within the time allowed, the Income-tax Officer doubles or trebles the amount on his own discretion for no other reason but that it has not been paid in time; and if the assessee endeavours to get his grievance redressed there is nobody to listen to his tale of woe. The way in which the Income-Tax Department of the Government of India works is inconsiderate to a degree. It is unsympathetic. I am almost certain that I am voicing the feelings of all Honourable Members, private and official, when I say that if this proposal for increased taxation had been put before them at a private conference they would have all voted against it. That is the sentiment with which this

[Mr. A. Hamid.]

taxation is regarded. About two years ago a suggestion was made by a very famous man—I will mention his name, namely, Mr. Gandhi—that the Government of India should seriously consider the question of the reduction of salaries of officials. Well, people laughed at him then, but I am certain there are very few who will laugh to-day. Provincial Governments are already thinking of reducing a certain percentage of the salaries of Government officials, and, incidentally, the other day in the Burma Council the official Members *en bloc* agreed that if the Government of India gives them a lead they would be quite prepared to have their salaries reduced. The matter has come to that pitch that, unless and until there is a cut, a suitable and proportionate cut all round, whether it is in salaries or in other ways, the people of the country will consider that they have been indifferently treated.

Sir, in deference to the recommendation of His Excellency the Governor General, I, on behalf of the people of Burma, support the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I do not propose to say more than a few words in reply because, although a large number of interesting matters have been discussed and some very useful suggestions made in many of the speeches, I think there is no general attitude of dissent to my general proposition that the Bill be taken into consideration, which is the motion now before the House. I think it was not unnatural that the proposals for taxation included in this Bill should come in for fairly severe criticism. They have been criticised from different points of view, criticised from the point of view of Mr. Miller as being an extra burden on European trade and particularly on transport, criticised from the point of view of those who object to the income-tax, criticised from the point of view of those who object to the burden on the poor man of the kerosene duties, and so on. Well, I can only say that Government appreciate all these objections and the mere fact that the proposals do hit people of all kinds and grades only shows how wide we have had to throw our net in order to obtain this very large amount of money this year. It is regrettable, but we feel that it is inevitable and essential in the interests of the country that we should ask the country to undergo these sacrifices. I should like to say quite definitely in answer to all this criticism—it has been, I recognise, a very friendly criticism—that Government do intend most seriously this year to pursue proposals for retrenchment in all possible directions that they can. There are some aspects of retrenchment in connection with the Army, the question of an Imperial contribution to Defence and capitation charges, which will have to be pursued in a different manner from the others, but we do not propose to relax in the least the intention which we expressed the other day to pursue retrenchment in the best way possible, whether by the appointment of special committees or otherwise. We shall take the matter up at once, immediately this Session is over. That is one point on which I wish to give an assurance. I have been asked for a second assurance by the Honourable Nawab Major Sir Mahomed Akbar Khan, Mr. Natesan and others, that we should give an assurance that the increased income-tax and super-tax will be removed as early as possible. Well, Sir, our position was made quite clear in the Budget debate and I wish to repeat it. We do regard these income-tax and super-tax increases as definitely items which we have had to impose to meet a temporary emergency. We intend, if we possibly can, to remove these increases at the earliest possible date; one cannot say exactly how much next year; but we have definitely imposed them as emergency taxes and we regard them as such.

I think, Sir, that is all I wish to say. I regret as much as any other Member that it has been found necessary that the Bill should reach this House in this form, but I still count on the unanimous support of this House for this Bill.

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

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be taken into consideration."

The motion was adopted.

Clauses 2, 3, 4, 5 and 6 were added to the Bill.

**THE HONOURABLE THE PRESIDENT :** Clause 7.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I want to move the amendment to this clause which stands in my name.

**THE HONOURABLE THE PRESIDENT :** If the Honourable Member's intention is to move the amendments\* standing in his name, I think I may point out at once that those amendments are not in order. Clause 7 of the Bill by reference to the Schedule merely imposes rates of income-tax and super-tax. It has nothing whatever to do with the procedure for collection or payment of income-tax. Those are matters dealt with in the Indian Income-tax Act itself, and if the Honourable Member wishes to alter the procedure in regard to income-tax in the manner shown in his amendments on the paper, the proper course for him is to take some opportunity of amending the Income-tax Act. These amendments are not in order on this particular clause of the Bill.

Clause 7 was added to the Bill.

**THE HONOURABLE THE PRESIDENT :** Clause 8.

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

"That clause 8 be omitted."

The Government of India have from time to time been advocating the cause of the poor and have been declaring that they would help the poor as far as

\*That at the end of clause 7 the following be added :

"(4) For the purposes of section 45 of the Indian Income-tax Act, 1922, the assessee shall be entitled to pay the amount of the income-tax assessed on him in instalments within the end of the financial year."

(If this amendment fails.)

That at the end of clause 7 the following be added :

"(4) For the purposes of section 45 of the Indian Income-tax Act, 1922, the assessee shall be entitled to pay the amount of income-tax assessed on him in monthly instalments of such amounts as will enable him to pay the full amount within the end of the financial year."

[Rai Bahadur Lala Ram Saran Das.]

possible. As that policy has not been translated into practice by raising the duty on kerosene, I propose, Sir, that this clause be omitted and that thereby relief be given to the poor. An increase of the tax on the poor ought to be avoided in pursuance of the policy which Government have been always declaring.

THE HONOURABLE THE PRESIDENT: Though this amendment has been moved, I cannot put it to the House. The Honourable Member's amendment as made is one which proposes a negative. The question before the House is that clause 8 stand part of the Bill. It is not open to any Member to propose as an amendment to that that clause 8 shall not stand part of the Bill. The Honourable Member may be taken to have opposed the motion.

THE HONOURABLE SIR ARTHUR MCWATTERS: Although it is not an amendment, I think I should make an answer to the definite proposition that this clause should be omitted. The result of the Honourable Member's proposition, which, I take it, must be coupled with his similar proposal to reduce the rate of import duty on kerosene, for I cannot imagine he wants to reduce the excise duty leaving the import duty alone, would be a very serious reduction in the revenue which the Government expect to get under this Bill. We expect to get from the import duty Rs. 43 lakhs and from the excise duty Rs. 52 lakhs, which is a total of Rs. 95 lakhs. Last year we made certain changes, we raised the excise by 6 pies and lowered the import duty by 3 pies on kerosene and as a result in the course of the year the prices of kerosene were reduced by 6 pies a gallon. The increases now proposed of 9 pies both on excise and on import duty have been at once reflected in prices and the net result of our action is that after two years there is an increase of 3 pies per gallon on kerosene. Sir, the actual amount of revenue which we got last year was Rs. 62 lakhs; we are proposing to get Rs. 95 lakhs this year—Rs. 157 lakhs, at a cost of 3 pies per gallon, which if spread over India is not in itself a very large amount per head. It is one of the additional taxes which I say we regret, but taking it in its place as a part of the general scheme of taxation, we think that, considering the amount of revenue which we realise thereby, it is justified. Therefore I am opposed to the Honourable Member's proposal.

Clause 8 was added to the Bill.

Clauses 9 and 10 were added to the Bill.

Schedule I was added to the Bill.

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

"That in Schedule II to the Bill the following Item be omitted:

'40. Kerosene: Also any other mineral oil included in 9 pies per Imperial  
Item No. 40. gallon'."

Sir, the object of this amendment is to equalise the duty on kerosene and for that reason, Sir, I want to propose that 9 pies per gallon duty be not imposed this year. The Indian Tariff Board did recommend that the Burma Oil Company does not need any further protection for kerosene. So it is equitable and just that the duty on imported oil as well as excise on Indian kerosene ought not to be increased and thus relief be given to the poor.

Sir, I move.

**THE HONOURABLE SIR ARTHUR MCWATTERS :** Sir, I oppose this amendment. In making these proposals for taxation we have not attempted to disturb the present arrangements as regards excise and import duties on kerosene. We have looked at these surcharges purely as measures for increasing revenue, and we have not taken up the more general question of principle as to whether we should or should not make any alteration in the present differential between these two duties. I think, Sir, that the House should look upon these proposals for surcharges purely as revenue proposals, and, as I said, the general question of principle has not been discussed. If necessary, I could say a good deal about the position of the particular companies which are concerned in oil, their importance to the country, the money they have spent on development of the industry and their contribution to our revenue, but I think it is unnecessary to discuss all these points now. We are not proposing to alter the general principle of the differential in our present taxation proposals, and therefore I hope that the House will reject this amendment.

The motion was negatived.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I rise to move the following amendment :

“ That in Schedule II to the Bill the following Item be omitted :

‘ 40A. Motor spirit .

. 2 annas per Imperial gallon ’.”

In spite of the depression in trade and the paucity of funds that the Government have, I should like to see the development of the country proceed. As motor lorries are now contributing to the development of the country, I hold that Government ought not to discourage the growth of the motor lorry traffic and thereby retard the development of the country. The price of petrol, owing to the Burma Oil Company having practically the monopoly, is very high, as petrol in India is now selling at a rate which is higher than what it is in the British Isles. So, Sir, in the interest of the development of the country, this duty ought not to be increased. I have already suggested many means wherefrom funds can be found, and I need not repeat them again.

**THE HONOURABLE SIR ARTHUR MCWATTERS :** Sir, I am rather surprised that the Honourable Member who has moved this amendment did not propose to take any action with regard to clause 6 of the Bill which deals with the excise duty on motor spirit, because the result of this amendment will be, if it is carried, that the import duty will be reduced by two annas while the excise duty under clause 6 which has been agreed to will remain at eight annas. I think that can hardly be his intention.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** That was not my intention. I forgot to move an amendment to clause 6 of the Bill as well.

**THE HONOURABLE SIR ARTHUR MCWATTERS :** In any case the position of Government must be that the two rates must be the same, and as we cannot sacrifice 83 lakhs which is the result of the excise duty, we cannot reduce the import duty. I am afraid that for this reason I must oppose this amendment.

The motion was negatived.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I rise to move the following amendment :

“ That to Item 42-A in Schedule II to the Bill the following proviso be added :

‘ that all motor lorries or trucks and cars up to the value of Rs. 4,000 are exempted ’.”

My object, Sir, is the development of the country by the use of motor lorries and cars. These are no longer a luxury now but they are a necessity. In order to achieve that object, I move that the cheap cars and lorries be exempted from the increased taxation.

**THE HONOURABLE SIR ARTHUR MCWATTERS :** Sir, I oppose this amendment. I think, in the first place, there has again been a little misunderstanding, because motor lorries and trucks do not come under Item 42-A at all. Motor lorries and trucks come under Item 87 and are subject to 15 per cent. duty *ad valorem*, and they will be subject to 5 per cent. extra duty ; but they are not included in 42-A Motor Cars. That is my first point. If the Honourable Member's object is to remove the surcharges on these articles, he would have had to move his amendment in a slightly different form. That is an objection more of form than of principle. I do not want to say much on this point except to point out that they are not exposed to the higher rate of duty ; they will come under the 20 per cent. rate.

My second point is this : The Honourable Member wishes to exempt “ motor lorries or trucks and cars up to the value of Rs. 4,000 ”. The Honourable Member no doubt is thinking of the retail price at which cars are sold, perhaps in up-country markets. But we have to consider the imported value of the car before it pays duty, and taking the statistics—I have gone through the statistics for the last year—I find that the average value of motor lorries and trucks is well under Rs. 2,000 and the average value of cars is only slightly over Rs. 2,000. So his amendment practically would be to remove the whole of the surcharge on all these articles—motor trucks, lorries and cars. That amounts to a very considerable sum ; it is something like 37 lakhs. I do not think that we could accept this amendment. I oppose it.

The motion was negatived.

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

“ That Schedule II be a Schedule to the Bill.”

The motion was adopted.

Schedule II was added to the Bill.

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

“ That Schedule III be a Schedule to the Bill.”

The motion was adopted.

Schedule III was added to the Bill.

**THE HONOURABLE THE PRESIDENT :** Schedule IV.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the amendment\* which stands in my name. I want to save the time of the House and therefore I think, Sir, you will excuse me from reading the amendment.

Owing to the poorer condition of the people, owing to the depression in trade, commerce and agriculture, the country cannot bear the increased taxation, and so my object in moving this amendment is to let the taxes remain on the level at which they are at present. I may mention that in India taxation is being brought to a much higher level than even in England. (*The Honourable Major Nawab Sir Akbar Khan* : "It has been increased by cent. per cent.") I will give some instances, Sir.

\* "That for Schedule IV to the Bill the following be substituted :

**'SCHEDULE IV.**

(See section 7.)

**PART I.**

*Rates of Income-tax.*

A. In the case of every individual, Hindu undivided family unregistered firm and other association of individuals not being a registered firm or a company—

- |   |                                       |
|---|---------------------------------------|
| (1) When the total income is less than Rs. 2,000                                | Nil.                                  |
| (2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000   | Five pies in the rupee.               |
| (3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000   | Six pies in the rupee.                |
| (4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000 | Nine pies in the rupee.               |
| (5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000 | Ten pies in the rupee.                |
| (6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 | One anna and one pie in the rupee.    |
| (7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 | One anna and four pies in the rupee.  |
| (8) When the total income is Rs. 40,000 or upwards                              | One anna and seven pies in the rupee. |

B. In the case of every company and registered firm, whatever its total income . . . . . One anna and seven pies in the rupee.

**PART II.**

*Rates of Super-tax.*

In respect of the excess over fifty thousand rupees of total income—

Rate.

- |   |                                    |
|---|------------------------------------|
| (1) in the case of every company . . . . .  | One anna in the rupee.             |
| (2) (a) in the case of every Hindu undivided family—                                  |                                    |
| (i) in respect of the first twenty-five thousand rupees of the excess . . . . .       | Nil.                               |
| (ii) for every rupee of the next twenty-five thousand rupees of such excess . . . . . | One anna and one pie in the rupee. |

[Rai Bahadur Lala Ram Saran Das.]

In England the income-tax is now 4 shillings in the pound, and while assessing it family allowances and other deductions are allowed. On earned income one-sixth of the amount of income is given as allowance. The first £135 of assessable income is exempted to an unmarried person or a widower. £225 is exempted to a married tax-payer whose wife is living with him. Moreover in respect of children £60 are allowed for the first child and £50 for every other child. Then there are allowances for the house-keeper as well as for dependent relatives. These reliefs are not given in India which shows that India is being taxed at a higher level than the British Isles. So, Sir, in the present circumstances of the country the increases in income-tax and super-tax are extortionate.

I move my amendment.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I imagine that the Honourable Member, in moving this amendment, did not expect us seriously to pass it but rather sought a chance of voicing some of his grievances about income-tax which I always listen to with great interest and profit. The effect of his amendment is to remove the whole of the extra revenue which we expect to get from income-tax and super-tax this year, because his amendment restores the original rates of income-tax and super-tax which were

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|--|--|
| (b) In the case of every individual unregistered firm and other association of individuals not being a registered firm or a company, for every rupee of the first fifty thousand rupees of such excess . . . . . | One anna and one pie in the rupee.       |
| (c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—  |  |
| (i) for every rupee of the second fifty thousand rupees of such excess . . . . .   | One anna and seven pies in the rupee.    |
| (ii) for every rupee of the next fifty thousand rupees of such excess . . . . .  | Two annas and one pie in the rupee.      |
| (iii) for every rupee of the next fifty thousand rupees of such excess . . . . .   | Two annas and seven pies in the rupee.   |
| (iv) for every rupee of the next fifty thousand rupees of such excess . . . . .  | Three annas and one pie in the rupee.    |
| (v) for every rupee of the next fifty thousand rupees of such excess . . . . .   | Three annas and seven pies in the rupee. |
| (vi) for every rupee of the next fifty thousand rupees of such excess . . . . .  | Four annas and one pie in the rupee.     |
| (vii) for every rupee of the next fifty thousand rupees of such excess . . . . .   | Four annas and seven pies in the rupee.  |
| (viii) for every rupee of the next fifty thousand rupees of such excess . . . . .  | Five annas and one pie in the rupee.     |
| (ix) for every rupee of the next fifty thousand rupees of such excess . . . . .  | Five annas and seven pies in the rupee.  |
| (x) for every rupee of the next fifty thousand rupees of such excess . . . . .   | Six annas and one pie in the rupee.      |



in force before this Bill was introduced. That means, Sir, 5 crores. However much I should like to meet my Honourable friend, I am afraid I cannot agree to his amendment.

The motion was negatived.

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

"That for Part I A and B of Schedule IV to the Bill the following be substituted, namely .....

THE HONOURABLE THE PRESIDENT: I do not think the Honourable Member need read the whole of his amendment. He may follow the good example set by the preceding Mover. The House has the amendment on the paper. Perhaps the Honourable Member is making some alterations ?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Yes, Sir, I wish to make some alterations.

THE HONOURABLE THE PRESIDENT: Then perhaps the Honourable Member had better read.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

#### " PART I.

##### *Rates of Income-tax.*

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—

	Rate.
1. When the total income is less than Rs. 2,000 . . . . .	Nil.
2. When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 . . . . .	5 pies in the rupee.
3. When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000 . . . . .	8 pies in the rupee.
4. When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000 . . . . .	11 pies in the rupee.
5. When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000 . . . . .	1 anna and 1 pie in the rupee.
6. When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 . . . . .	1 anna and 5 pies in the rupee.
7. When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 . . . . .	1 anna and 9 pies in the rupee.
8. When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000 . . . . .	1 anna and 11 pies in the rupee.
9. When the total income is Rs. 1,00,000 or upwards . . . . .	2 annas in the rupee.
B. In the case of every company and registered firm whatever its total income . . . . .	2 annas in the rupee."

[Rai Bahadur Laa Jagdish Prasad.]

Sir, my object in moving this amendment is to ask this House to accept the same incidence of income-tax as was adopted by the other House on the motion of Sir Cowasji Jehangir. It is a pity that the Government did not see their way to accept such a reasonable proposal when it was made in the Legislative Assembly the other day. May I hope for it a better fate here? Sir, I acknowledge with gratefulness that the Government have shown some condescension in making an alternative amendment which is embodied in the recommendation of His Excellency the Viceroy and Governor General which is now before the House in the form of this certified Bill. It does seek to give some relief in the case of lower incomes and none in the case of higher ones, but I submit that it does not go far enough. The existing burden of income-tax on the trades and professions—especially the poorer of them—already sits so heavily that they find it difficult to bear it. The Indian tax-payer, taking in view his capacity to pay, is already bearing the heaviest burden of taxation. Now, another burden of more than 9 crores of rupees, besides the income-tax, is being added as if his shoulders have become broader enough to bear this heavier burden when he is actually groaning under the effects of an unprecedented economic depression. Yet the representatives of the public in the other House as well as here have by voting additional taxation given proof of an accommodating spirit and a sense of responsibility in sharing with the Government their anxiety to balance a deficit Budget. But we only object when we think that a limit has practically been reached and when it is high time that we should cry halt. Agreeing to Sir Cowasji Jehangir's amendment the lower House has still agreed to impose an additional burden of more than 2½ crores of rupees on the tax-payer in the form of additional income-tax. This and the other forms of the proposed indirect taxes increase the burden of taxation to the tune of over 12 crores per annum. It is only a sum of 2·35 lakhs that we are asking the Government to forego by agreeing to the verdict of the Assembly on which this amendment of mine is based. If we look at the original proposals in the Finance Bill we find that the increase in the rate of income-tax proposed therein works out to about 80 per cent. for incomes less than Rs. 10,000 per annum, while it falls to about 45 per cent. for incomes over Rs. 20,000, though the position has since been made better under the recommended Bill. This amendment of mine is more reasonable in that it reduces the burden all along the line though reduction in the case of lower incomes—and rightly—is more marked than in the case of the higher ones. So the result of the amendment if carried would be that there will be no increase in the rate of income-tax on incomes of less than Rs. 5,000. The existing rate of 5 pies in the rupee on incomes of Rs. 2,000 or upwards but less than Rs. 5,000 is heavy enough and should be considered sufficient and therefore left undisturbed. It should be remembered that persons earning less than Rs. 5,000 per annum will, besides the existing rate of income-tax of 5 pies in the rupee, have to bear their share of burden in the form of the increased indirect taxes, and to expect persons of such small incomes to bear a heavier burden than that is not at all reasonable or justified. Persons having higher incomes than Rs. 5,000 may be asked to make some greater sacrifice as they may be considered more able to bear it. Is it too much to hope that by agreeing to the reduced rates of income-tax as proposed in this amendment, backed as they are by a majority of the other House, the Government would forego a sum of a little over 2 crores only out of about 136 crores of their total estimated income which means, in other words, a pice in the rupee roughly speaking?

Sir, I know I will be confronted by the Treasury Benches with the question as to how to meet the proportionate deficit in the Budget. To that, Sir,

my reply is : have recourse to economy and retrenchment. At the time of the general discussion of the Budget I gave an instance how a way was found when there was a will. And now also I believe that the Government can do it if they will. Let them seriously ponder over the situation to which they are driving India's finances. The burden on the shoulders of the tax-payer has not only bent his back but is breaking it. By accepting my amendment the Government would be giving some relief to the trader and investor and thereby would be giving evidence of a change of heart which would in its turn go a long way in smoothing the troubled waters of the sea of Indian constitutional politics on the eve of the impending constitutional changes of which so much is being made, and the House would be doing something which may result to some extent in increasing the well-being of the country in general.

THE HONOURABLE SIR ARTHUR McWATTERS : I regret not to be able to accept this amendment. As the Mover explained, it is the amendment which was carried in the other House, and in reply to which His Excellency the Governor General proposed his recommended alternative amendment. This amendment would take away 235 lakhs of the revenue which we originally proposed to obtain from income-tax, and the amendment recommended by the Governor General would give up 105 lakhs. The difference is 130 lakhs, which was referred to earlier in this debate. This amendment really raises the crucial issue which is before the House this morning, whether we are to accept the recommendation of His Excellency the Governor General or not. I have already in my speech moving for the consideration of this Bill given all my reasons, and as strongly as I could, why in the interests of the credit of the country I think this House should accept the recommended Bill. It is not a question, as I said, of 130 lakhs. In my opinion it is a question of much more than that—and how much I hesitate to say, because it is a question of credit—and I think it is most important and will be to us most helpful if this House supports us in this matter. Therefore, I regret that I am unable to accept this amendment.

THE HONOURABLE THE PRESIDENT : The original question was :

“ That Schedule IV be a Schedule to the Bill.”

Since which an amendment has been moved—

“ That for Part I A and B of Schedule IV to the Bill the following be substituted, namely :

#### PART I.

##### *Rates of Income-tax.*

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—

##### Rate.

1. When the total income is less than Rs. 2,000 . Nil.
2. When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000 . . . . . 5 pies in the rupee.
3. When the total income is Rs. 5,000 and upwards, but is less than Rs. 10,000 . . . . . 8 pies in the rupee.

	Rate.
4. When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000 . . . . .	11 pies in the rupee.
5. When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000 . . . . .	1 anna and 1 pie in the rupee.
6. When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000 . . . . .	1 anna and 5 pies in the rupee.
7. When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000 . . . . .	1 anna and 9 pies in the rupee.
8. When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000 . . . . .	1 anna and 11 pies in the rupee.
9. When the total income is Rs. 1,00,000 or upwards . . . . .	2 annas in the rupee.
B. In the case of every company and registered firm whatever its total income . . . . .	2 annas in the rupee."

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

The Council divided :

#### AYES—6.

Ghosh Maulik, The Honourable Mr. Satyendra Chandra.  
Hussain Imam, The Honourable Mr. Abu Abdullah Saiyid.  
Jagdish Prasad, The Honourable Rai Bahadur Lala.

Moti Chand, The Honourable Raja Sir Ram Saran Das, The Honourable Rai Bahadur Lala.  
Sinha, The Honourable Kumar Nripendra Narayan.

#### NOES—32.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.  
Banerjee, The Honourable Babu Jagadish Chandra.  
Basu, The Honourable Mr. Bijay Kumar.  
Bhore, The Honourable Sir Joseph.  
Browne, The Honourable Mr. P. H.  
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.  
Dadabhoy, The Honourable Sir Maneckji.  
Dudhoria, The Honourable Raja Bijoy Sing.  
Dutta, The Honourable Rai Bahadur Promode Chandra.  
Ghosal, The Honourable Mr. Jyotsnanath.  
Hafeez, The Honourable Mr. Syed Abdul.  
Haig, The Honourable Mr. H. G.  
Halim, The Honourable Khan Bahadur Hafiz Muhammad.  
Hamid, The Honourable Mr. A.  
Irving, The Honourable Mr. Miles.  
Khaparde, The Honourable Mr. G. S.  
McWatters, The Honourable Sir Arthur.

Megaw, The Honourable Major-General J. W. D.  
Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.  
Miller, The Honourable Mr. E.  
Mitter, The Honourable Sir Brojendra.  
Muhammad Din, The Honourable Khan Bahadur Chaudri.  
Muhammad Hussain, The Honourable Mian Ali Baksh.  
Natesan, The Honourable Mr. G. A.  
Noyce, The Honourable Sir Frank.  
Pandit, The Honourable Sardar Shri Jagannath Maharaj.  
Suhrawardy, The Honourable Mr. Mahmood.  
Thompson, The Honourable Sir John.  
Uberoi, The Honourable Sardar Bahadur Shivdev Singh.  
Whitty, The Honourable Mr. J. T.  
Woodhead, The Honourable Mr. J. A.  
Zakaullah Khan, The Honourable Mr. Abu Abdullah Muhammad.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question then is :

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

The motion was adopted.

Schedule IV 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 in the form recommended by the Governor General be passed.

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

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form recommended by the Governor General, be passed."

The motion was adopted.

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#### ELECTION OF TWO MEMBERS TO THE STANDING COMMITTEE OF THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

**THE HONOURABLE THE PRESIDENT :** For the Standing Committee of the Department of Education, Health and Lands, two nominations have been received, those of the Honourable Khan Bahadur Chaudhri Muhammad Din and the Honourable Mr. M. D. Devadoss. I declare those two Honourable Members duly elected.

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#### STATEMENT OF BUSINESS.

**THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) :** I have to inform you, Sir, that there are two Bills now before the other House to the passing of which during this Session Government attach the utmost importance. I would therefore request you, Sir, to adjourn the House till Wednesday, 1st April, by which time I hope that it may be possible to lay on the table of this House one or both of the Bills now pending in the Assembly.

The Council then adjourned till Eleven of the Clock on Wednesday, the 1st April, 1931.