

THE  
COUNCIL OF STATE DEBATES

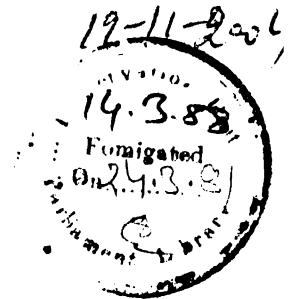
VOLUME I, 1933

*(16th February to 15th April, 1933)*

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933



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# COUNCIL OF STATE.

*Wedne<sup>sd</sup>ay, 29th March, 1933.*

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

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## MEMBER SWORN.

The Honourable Mr. Sidheshwari Prasad Varma (Government of India Nominated Official).

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

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of 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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, which Bill was passed by the Legislative Assembly at its meeting held on the 28th March, 1933.

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## SALT ADDITIONAL IMPORT DUTY (EXTENDING) BILL.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary): Sir, I rise to move :

“ That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.”

Sir, the Salt (Additional Import Duty) Act which was originally passed in 1931 for a period of 12 months is now becoming a hardy annual in the Legislature with which members of this House will be more familiar than I am. The reasons for it were explained by the Honourable Sir Arthur McWatters when he introduced the original Bill in 1931 and again by the Honourable Mr. Brayne last year when he moved for its further extension for a period of 12 months, so that I need only briefly recapitulate them here. The measure was introduced as a result of a strong and long-standing movement on the part of the representatives of the people of India that India should be rendered self-sufficing in the matter of salt. The question was referred to the Tariff Board. The Tariff Board's recommendations were two-fold. In the first place, they proposed an import duty, but in order to protect the consumer they also recommended that a marketing board should be created by Government to regulate wholesale and consequently retail prices.

[ Mr. J. B. Taylor. ]

Their reason for doing so was that they thought that the best form of protection to the Indian manufacturer of salt would be afforded not by a mere measure of protection but by stability of prices. In the previous few years the price of salt had varied in Calcutta from about Rs. 120 per 100 maunds down to about Rs. 40, and as the retail purchaser generally gets the worst of both worlds (for if the wholesale price rises the retail dealer raises his price but he does not correspondingly reduce it when the wholesale price falls) they said that if a reasonably stable price was assured the requisite protection could be afforded to the Indian salt industry without undue detriment to the consumer. The Government of India agreed with the principle, but were unable to accept the form of machinery proposed and they considered that the stability of price which was desiderated by the Tariff Board could be secured by embodying a provision in the Bill that if the price of salt, protected salt, in Calcutta rose above a certain level, the producer would be required to tender it to Government at that price. The price was fixed having regard to various calculations made by the Tariff Board at Rs. 63-11-0 per 100 maunds in Calcutta. The original Bill therefore contained two provisions: first, an import duty of Re. 0-4-6 a maund, and secondly, a fair buying price, at which the producer would have to tender in Calcutta, of Rs. 63-11-0. It was also decided that the measure should be temporary only and that in order to keep the Legislature in close touch with the development of the Act, a Committee of the Legislative Assembly should be appointed which would review periodically the reports of the Central Board of Revenue showing how the Act was working out in practice. The Committee has met from time to time. It met last summer and it met two or three weeks ago, and its report has been printed and sent to members of the Legislature. They were confronted with two facts. In the first place, since the Bill was originally introduced there has been a catastrophic collapse in all commodity prices from which the world price of salt has not been immune. There was also a growing feeling of opposition in the eastern provinces of India, particularly Bengal, Bihar and Orissa and Assam, that the protection was imposing an unduly onerous burden on the consumer. The Committee carefully considered these facts and after taking into consideration the two conflicting interests they arrived at a compromise which is embodied in the present Bill. That compromise takes two forms. In the first place, the import duty is being reduced from Re. 0-4-6 to Re. 0-2-6, a reduction of 2 annas or Rs. 12-8-0 per 100 maunds, that is to say, the anticipated reduction in the market price of salt in Calcutta should be from about Rs. 55 to about Rs. 43. They also recommended a reduction in the fair buying price at which the Government of India would have the power to purchase salt. Obviously in many respects the factors on which the Tariff Board had based their calculation of a fair buying price must have altered materially in the course of the last two years and one definite factor which has altered is that of freights. The Collector of Customs, Calcutta, examined the question and decided that a sum of about Rs. 9-4-0 could be reduced on this account. The Committee therefore recommended and the Government of India have accepted and embodied in the Bill a proposal that the buying price should now be Rs. 54-12-0 delivery Calcutta with corresponding adjustments for freight charges according as delivery may be made in other ports. The net position therefore is that the import duty is being reduced from 4 annas 6 pies and the buying price from Rs. 63-11-0 to Rs. 54-12-0. I have no doubt that in the course of the debate I will hear the views of the various conflicting interests and I have no desire to anticipate arguments or to answer them in advance. I would merely say that Government in this matter have endeavoured to give

effect to the wishes of the Legislature as expressed in a Resolution originally moved in the Assembly, carried through with the Tariff Board, and embodied in legislation in the last three years. It is a compromise and like all compromises it cannot satisfy those who hold extreme views on either side but as a compromise I recommend it to the consideration of the House.

Sir, I move.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, in the interests of the salt consumers of Bengal I rise to oppose this Bill under discussion. It would be better if at this stage I try to recount to the House the circumstances which led to the passing of the additional import duty on salt in 1931 on the recommendation of the Tariff Board. It is now for the House to decide how far subsequent events have justified the extension of the import duty on salt. I would recapitulate the conclusions arrived at by the Tariff Board. The Tariff Board, after full inquiry, came to the conclusion—

- (1) that fine white crushed salt of the quality requisite to enable foreign salt to be entirely replaced in the Bengal market could be produced in sufficient quantities at a reasonable price in India ;
- (2) that Aden is included in India ;
- (3) that to develop Indian production so as to produce 500,000 tons of fine white crushed salt, the main necessity was stabilisation of prices at a fair level in relation to the cost of production ;
- (4) that Rs. 66 per 100 maunds at Calcutta was a fair level and would not represent a real burden on the consumers, having regard to the average level of prices in the past ;
- (5) that the greatest public advantage to be derived from making India self-supporting would be the development of the Northern India, and particularly the inland sources of supply.

This really is the idea underlying the recommendation of the Tariff Board. There was thus no case for protection of the sea-borne sources at Aden. The other sources of sea-borne salt were not of sufficient importance, actual or potential, to deserve protection whether from the economic point of view, or from the point of view of national safety.

Sir, at a time when the price of every other commodity has gone down, the price of salt—one of the prime necessities of life—has considerably increased and if we take into consideration the fall in the cost of freight, as found by the Salt Industries Committee in their second report, which is Rs. 10 per 100 maunds, the consumers in Bengal, Bihar and Assam have to pay about Rs. 25 to Rs. 30 per 100 maunds more than they would otherwise pay. The answer that we generally get for this sort of arrangement is that the additional import duty on foreign salt safeguards the interests of consumers by stabilising prices and that they hope that the average, over a long period of years, with the duty on, will be less than what might be accepted as the average price, if the trade were left entirely free. But, Sir, I confess I cannot accept this view as correct, nor can I share in this sort of optimism. The additional duty has the inevitable effect of increasing the price of all sea-borne salt, whether Indian or foreign, and any stabilisation of prices that may occur must come about at the higher rate.

Sir, if Aden were to secure a virtual monopoly of the entire market, to the exclusion, not only of the maritime sources in India, but also of the sources

[ Mr. Satyendra Chandra Ghosh Maulik. ]

in Northern India, that would frustrate the very policy recommended by the Tariff Board, and so I can say without hesitation that that is a result which the Government of India should not accept.

Then again, Sir, I say also without fear of contradiction that no Indian source of supply, except Aden, has, as a result of the additional import duty, been able to supply Bengal with the quality requisite, and even that has not been sufficient. The House will remember that representations have been made by the Indian Salt Association, the Karachi Salt Association and the Tuticorin Salt Merchants' Syndicate to the effect that foreign (African) salt was being dumped into the Bengal market at prices which were below the fair selling rate fixed by the Tariff Board and with which the Indian salt was unable to compete. In their representations the Associations asked for increase of the additional duty by one anna per maund on non-Indian imported salt under section 4 of the Salt Additional Import Duty Act. The facts of the contentions raised in those representations were made the subject of a close investigation by Mr. Ward, Collector of Customs, Calcutta, under the orders of the Government of India. The results of that inquiry brought out most clearly :

- (1) that importers of Aden and other Indian salts had been trying to maintain the price of their salts at the fair selling price fixed by the Tariff Board, in spite of the fact that the fall in freights should have been followed by a corresponding fall in their selling price ;
- (2) that the failure of Indian and Aden salt importers to reduce their prices consequent on the fall in freights gave an opportunity to importers of foreign salt to obtain a market for their salt in Calcutta at a price which was remunerative to them ;
- (3) that Aden and Karachi salts are able to compete with such foreign salt, but Okha salt being of an inferior quality will not be absorbed by the market, unless it is offered at a price at least Rs. 4 per one hundred maunds less than the price at which foreign salt is available.

The reduction in prices in Calcutta consequent on the competition with foreign salts has been clearly reflected in local prices everywhere.

The conclusions then to be drawn from the Collector of Customs' report, considered with the retail prices of salt, are irresistible. First, that Aden and other Indian salts, taking advantage of the lack of competition consequent on the imposition of the additional import duty tax, have attempted to maintain their sales at a price which is unfair to consumers ; secondly, that as a result of this action normal competition has not been restored and consumers, though still forced to pay Re. 0-4-6 a maund extra for their salt, have, to a certain extent, been saved from the monopolists.

It is, therefore, evident that the attempt of the Indian Salt Association to obtain additional protection is clearly an attempt to destroy this newly roused competition and to stabilise the price of salt at a rate unfair to consumers.

Again, it will be seen that stabilisation of prices was only a means towards the end of stimulating Indian production and not the end in itself. Stabilisation not on a fair level in relation to the cost of production in India is not an economic proposition from the consumers' point of view. Stabilisation has not been secured except as regards the maximum price. The findings of the Centre.

Board of Revenue and of the Tariff Board have definitely established that there is no case for the protection of the indigenous manufacturers of salt.

Although the Tariff Board recommended the development of the inland sources of supply yet nothing has been done towards that direction. No more inland salt is coming into Bengal than it did before and no more is likely to come, for it is sure to be undersold by Aden, the inland salt manufacturers' price being Rs. 84 per 100 maunds. Further, the inland source of supply even when developed up to the full capacity of 200,000 tons will only supply two-fifths of the needs of Bengal leaving that province yet dependent on Aden and other foreign countries for the balance.

It is then obvious that unless Northern India salt can be placed on the Bengal market at a price approximating the world price, the whole proposal, which was a temporary measure, is utterly unsound and should be dropped at once. The figures that are available to us show that Northern India cannot meet the demand of Bengal at a price approaching the world price and therefore the Act should be taken away altogether. There is absolutely no justification for the hope that is entertained, that the average standard price over a long period of years with the duty on, will be less than what might be accepted as average price if the trade were left free. There is yet no guarantee that the measure will remain in force for a long period of years.

It is obvious that as a result of the additional duty Aden is rapidly securing a monopoly and the Salt manufacturers of Aden and Western India are getting all the benefit. So unless the market for crushed Khewra salt can be developed, which, as it appears, cannot be done at present economically, they will remain the only people to derive the benefit in the future also. But I am really at a loss to understand how the interests of a few manufacturers can be considered as against the interests of the whole nation. I shall say, therefore, that there is no justification for the continuance of the tax which victimises the consuming populations of the three eastern provinces, Bengal, Bihar and Assam. I own that the duty is proposed to be reduced by 2 annas but nothing can prevent Aden securing a virtual monopoly so long as this Act remains. It is for these reasons that the duty should go altogether and should not be extended for another year.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT** (Assam & Non-Muhammadan): Sir, I rise once again to protest against this iniquitous levy on salt. I protested against it at the time when for the first time it was imposed in 1931; to every clause of the Bill as it was put I said "No". In the course of my short remarks on the budget a few days ago I raised my protest again. Assam consumes the same kind of salt as Bengal and obtains its supply from the Bengal market. What therefore affects Bengal affects Assam to the same extent. Bihar, I find, is virtually in the same predicament. All these three provinces—people and the Governments—have protested against this measure but to no effect. It seems to me that somehow the Honourable Sir George Schuster has persuaded himself that the salvation of India lies in robbing these provinces and paying Aden and Northern India. We know, Sir, that once he makes up his mind, there is no resisting him. It is therefore absolutely useless to argue the question on the merits. We must, however, formally record our protest against a measure which we consider to be totally unjust. The Honourable Mr. Taylor has told us that this measure is being enacted in response to Indian public opinion. Sir, if it is Indian opinion that wants this measure, then it is India that should bear the expenses; the whole

[Raj Bahadur Promode Chandra Dutt.]

of the expenses should not be thrown on the shoulders of Bengal. Again, Sir, the Government of Bihar has said that the salt supplied to Bihar is inferior to Liverpool salt. My Honourable friend Mr. Ghosh Maulik has said that the salt he gets is also inferior. If that is so, are Bengal, Assam and Bihar being mulcted for the privilege of eating inferior salt? I submit that from all points of view this is a most unjust measure, and ought not to be allowed to be passed.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I rise to support this measure for one reason that all foreign salt ought to be taxed. India must be self-contained and would be able to supply fine crushed salt to the consumer, provided Government lent a helping hand to the salt manufacturer. Madras did try to compete in the supply of table salt to the consumers of Bengal and other provinces, but owing to financial and other difficulties they were not able to do it. But I find from the report of the Salt Committee that Tuticorin was able to export some salt to Calcutta last year. India must be self-contained and India must be made to supply its own salt. The Government of India ought to take a much more liberal view in this matter of helping all the provinces where they are able to supply nice crushed salt like the Liverpool salt. We will not be able to dispose the salt manufactured in India unless foreign salt is taxed. I do not know the present difficulties of Bengal. My Honourable friend Mr. Ghosh Maulik has not yet convinced me why Bengal should oppose this salt duty. For these reasons, Sir, I support not only the extension of this duty for one year, but I would like to see if it cannot be extended for a few years more.

A Salt Committee of the Legislative Assembly has been formed. I do not see why the Council of State should not be asked to send one or two members to serve on that Committee. As a matter of fact, this House is very badly treated in the matter of these committees. I would strongly appeal to the President to see if something could not be done to ensure that one or two members are co-opted from this Council. I am sure this Council will be able to send one or two men who know something of salt.

: For these reasons, Sir, I have great pleasure in supporting this motion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, I rise to support the Bill which has been presented to the House. I regret that it has been opposed by two Honourable Members of this House on local grounds. If I give my support to the Bill it is due to the larger interests of the Indian industry and am not guided by provincial bias. When we find that the Bill will help in the development of the industry in such a way as to make India self-supporting, we must leave other considerations aside and give our support to the measure. My Honourable friend Mr. Ghosh Maulik has referred to the origin of this Bill. I would, therefore, with your permission, Sir, and the indulgence of the House, give the history of this Bill and show that the Bill was not originated from the Government benches but was due to constant pressure by the public. In the 1927-28 session Mr. Kelkar moved a cut of Rs. 100 under the head "Salt," by which he brought to the notice of the Assembly and pressed on the Government that this industry should be given protection. The Government for two years did nothing and as the cut had

been passed in the Assembly they referred the matter to the Tariff Board. The Tariff Board after making inquiries submitted its report. They pressed in it that the industry should be given protection and the prices at Calcutta should be stabilised. For this they wanted to establish a marketing board, but as it was not easy to do so all at once, they recommended that as a temporary measure some duty should be levied on salt imported into India. Even then, Sir, the Government did not take action all at once. They referred the report to a special committee called the Salt Committee. The Committee went into the matter very minutely and they also recommended that if the price was stabilised for ten years the industry would become self-supporting and India would not require to import foreign salt. The report of the Tariff Board as well as of the Salt Committee was referred to a Committee of the Assembly. It also went into all the matters very carefully and made the following three recommendations. Firstly, an additional duty of 4 annas and 6 pies per maund on all salt, Indian or foreign, imported by sea should be immediately levied. Secondly, they suggested that the executive should be empowered in certain circumstances to increase the amount of that duty. Thirdly, a rebate equal to the additional duty should be granted on imported Indian salt, including Aden salt, on the producers undertaking to deliver a stipulated quantity of salt to Government at any time at the fair selling price fixed by the Tariff Board. As a result of this a Bill was brought before the Assembly in 1931 and it was adopted by both the Houses. In the Bill now before us, which has been passed by the Assembly, the duty has been reduced from 4 annas 6 pies to 2 annas 6 pies per maund, on the report of the same Committee, which met on the 16th February, 1933, and reported that they had

"seriously considered the complete abandonment of the policy originally undertaken and the discontinuance of the additional import duty."

They say,

"For various reasons, however, our final conclusion is that the time has not yet come for such a complete reversal of the original policy. What we propose therefore is the continuance of the duty but at a substantially reduced rate, namely, 2 annas 6 pies per maund, instead of 4 annas 6 pies per maund."

This was the recommendation of this Committee and on that recommendation the present Bill was introduced and being passed in the Assembly has now been placed before us.

THE HONOURABLE MR. BIJAY KUMAR BASU : What are the various reasons ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I do not wish to take up the time of the House. I think the report has been circulated to all members and the Honourable Member can find time to read it. It is only six pages. Sir, the duty of 4 annas 6 pies per maund levied under the original Bill brought in an income of about Rs. 11½ lakhs. The reduced duty under the present Bill will yield about Rs. 6½ lakhs. But the whole of this tax was not appropriated to the revenues of the Government of India. I think about one-eighth only was taken by the Government of India and the rest was returned to the manufacturers of salt in the way of bounty. Further, the money was also spent in purchasing machinery for the Khewra salt works, and I hope the resulting improvements



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

both in quality and quantity will be enough to satisfy the needs of my friends from Bengal and Bihar and Orissa. What is required is that they should press the Government to decrease the railway freight from Khewra to these provinces. If the freight is reduced they will get cheaper salt than at present. (*An Honourable Member* : What about the quality ?) My friend wants a better quality. He has perhaps developed a taste for Liverpool salt. Our tastes differ. I would request him to develop a taste for Indian salt. We are all using Indian salt in this part of the country and we have not found any defect. I hope my Honourable friend will also develop his taste for Indian salt and learn to rely on it more than on Liverpool salt. Sir, I am of the opinion that the abolition of the duty at this stage will kill the development of the Indian industry. I therefore beg my friends to put provincial bias aside and in the larger interests of India support the Bill which has been presented by my Honourable friend Mr. Taylor.

THE HONOURABLE MR. J. B. TAYLOR : Sir, it is a very pleasant and unusual situation for me to be able to sit comfortably in my tent while the battle rages overhead and the shells are falling in the opposing trenches. However, I am from time to time reminded that I am still Finance Secretary and the target of this House when one or two premature shell bursts come down upon me. We are told we are robbing the provinces, and particularly Bengal. The Honourable Mr. Mehrotra gave at least a partial answer to that. The revenue which we are getting from this tax does not go to central revenues. It only goes to central revenues to the extent of one-eighth, and that also is being used to develop our Khewra salt works. The remaining seven-eighths goes to the provinces. In the current year I find from the memorandum which I prepared for the budget that the estimated share in the receipts in the budget were Rs. 13 lakhs and the final revised estimate for 1932-33 is Rs. 21 lakhs, which will go to the provinces concerned. That is a very pleasant form of robbery. (*An Honourable Member* : What about the consumer ?) That is another matter—for the people who defend protection to answer. I was merely answering the particular criticism that we were robbing Bengal and I pointed out that this money was going back to the provinces from which the taxes were levied. As regards delay in development, I can only refer Honourable Members to the report of the Central Board of Revenue which has been published and circulated among members of the Legislature. We have shown that unfortunately there have been delays in developing the Khewra industry. These are partially due to the unexampled economic crisis through which we are passing, and that is why we have definitely asked merely for extension for a further year until we can see how the situation develops. We claim that it is premature to close down entirely when things are in an abnormal condition but he should allow the experiment a fair trial. I do not think that there is anything more for me to add, Sir. The various combatants on either side have largely answered each other and as I said before this is a compromise in which we have endeavoured to give effect to the sense of the Legislature in the matter and as such I recommend the Bill to this House.

THE HONOURABLE THE PRESIDENT : The question is :

“ That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.”

The Council divided :

AYES—24.

Bartley, The Honourable Mr. J.  
Buta Singh, The Honourable Sardar.  
Charanjit Singh, The Honourable Raja.  
Chetti, The Honourable Diwan Bahadur  
G. Narayanaswami.  
Choksy, The Honourable Khan Bahadur  
Dr. Sir Nasarvanji.  
Cotterell, The Honourable Mr. C. B.  
Devadoss, The Honourable Sir David.  
Fazl-i-Husain, The Honourable Khan  
Bahadur Mian Sir.  
Ghosal, The Honourable Mr. Jyotnanath.  
Jagdish Prasad, The Honourable Rai  
Bahadur Lala.  
Johnson, The Honourable Mr. J. N. G.  
Khaparde, The Honourable Mr. G. S.  
Mehrotra, The Honourable Rai Bahadur  
Lala Mathura Prasad.

Miller, The Honourable Mr. F.  
Murphy, The Honourable Mr. P. W.  
Naidu, The Honourable Mr. Y.  
Ranganayakulu.  
Natesan, The Honourable Mr. G. A.  
Noon, The Honourable Nawab Malik  
Mohammad Hayat Khan.  
Pandit, The Honourable Sardar Shri  
Jagannath Maharej.  
Russell, The Honourable Sir Guthrie.  
Shillidy, The Honourable Mr. J. A.  
Stewart, The Honourable Mr. T. A.  
Taylor, The Honourable Mr. J. B.  
Varma, The Honourable Mr. Sidheshwari  
Prasad.

NOES—7.

Basu, The Honourable Mr. Bijay Kumar.  
Benthall, The Honourable Sir Edward.  
Dutt, The Honourable Rai Bahadur  
Promode Chandra.  
Ghosh Maulik, The Honourable Mr.  
Satyendra Chandra.

Hossain Imam, The Honourable Mr.  
Kidwai, The Honourable Shaikh Mushir  
Hosain.  
Padshah Sahib Bahadur, The Honourable  
Saiyed Mohamed.

The motion was adopted.

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

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I move :

“That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be passed.”

The motion was adopted.

## STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : It is desirable, Sir, that the Finance Bill which has been laid on the table today should be passed by the 1st April, that is to say, not later than Saturday next. Since therefore the debate on the Bill may occupy more than one day, I would suggest that the Bill might be put down for Friday next with one day's curtailment of the normal period of notice. Should this suggestion be accepted, Government would not, of course, attempt to insist on the full two days' notice of any amendments which Honourable Members may desire to move. I would however ask Honourable Members to be good enough to give notice of amendments as soon as possible in case they desire to do so.

THE HONOURABLE THE PRESIDENT: I am prepared to accept the suggestion of the Honourable the Leader of the House as it is most expedient that we should deal with the Bill as early as possible. Further I would like to ascertain the sense of Honourable Members if they would like me to suspend the rule. I would like to know their decision.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-  
madan): Sir, we have no objection to the notice period being shortened  
but could the Government not give us time till Monday ?

THE HONOURABLE THE PRESIDENT: It is not possible because the  
Bill must be passed before midnight on the 31st March.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR  
(Madras : Muhammadan): I agree on behalf of my Party.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce):  
We have no objection.

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The Council then adjourned till Eleven of the Clock on Friday, the 31st  
March, 1933.

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# COUNCIL OF STATE.

*Friday, 31st March, 1933.*

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

## INDIAN FINANCE BILL, 1933.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary): Sir, I 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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, as passed by the Legislative Assembly, be taken into consideration."

Sir, I know that this House is anxious to get to business ; so I will not delay it with a lengthy speech at this stage. I have already given a general picture of the position when the budget was first introduced a month ago and there is such an exhaustive list of amendments that I shall have sufficient opportunity later of indicating my views on points of detail. There is, however, one point which I should like this House to bear in mind throughout the discussion. The importance of a balanced budget has never been more apparent in the world than today. The budget which we originally presented provided for a surplus of Rs. 42 lakhs. That, in all conscience, is small enough when one remembers the unexampled vicissitudes to which commodity prices and Government revenue are liable at a time like this and when one remembers that our total budget is Rs. 125 crores. That surplus of Rs. 42 lakhs has been further reduced by Rs. 17 lakhs by action taken in another place in respect of income-tax on the lower ranges. That reduces the surplus to Rs. 25 lakhs, which I think everybody will recognise as the very lowest possible which we can call even a moderate margin of safety. The importance of a balanced budget has been recognised by the investors throughout the country. The price of Government paper at the time when we introduced the Budget was about 83 per cent. It was quoted yesterday at 87½. Our 1960-70 Loan, which closed simultaneously with the introduction of the budget, has risen from about 93 up to practically par. Business was done yesterday in Calcutta at Rs. 99-12-0. That shows the value which the investing classes attach to a balanced budget and sound finance and I have every confidence that this House will take the same view.

Sir, I move.

THE HONOURABLE THE PRESIDENT : Motion made :

"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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, as passed by the Legislative Assembly, be taken into consideration."

[ Mr. President. ]

To this consideration stage, notice of two amendments have been given by the Honourable Mr. Hossain Imam. They are Nos. 1 and 2 on the list of amendments. With reference to the first amendment standing in the name of the Honourable Member, I may remind the House that a number of rulings by my predecessors have established the position that it is within the discretion of the Chair to allow or to refuse to allow the moving of dilatory amendments for which no provision is made in the Rules or Standing Orders. On the present occasion, the Honourable Member's amendment is on all fours with the amendment which he sought to move on the 6th October, 1931, to the motion for consideration of the Indian Press Emergency Powers Bill ; that is to say, the amendment seeks to nullify the direction given for good reason by the Chair that the consideration motion should be placed on the paper for today, and if only for this reason I must decline to allow the Honourable Member to move this amendment.

As regards the Honourable Member's second amendment, it is in order in so far as it proposes reference to a Select Committee, but is in conflict with sub-order (2) of Standing Order 39 in so far as it proposes the election of the Select Committee by the single transferable vote, a procedure which under the Standing Orders is available only in the special case of a Select Committee on draft amendments to the Standing Orders. If the Honourable Member still desires to move an amendment for reference to Select Committee, he should move simply that the Bill be referred to a Select Committee. The Honourable Member is now entitled, if he so desires, to move his amendment No. 2.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move :

" That the Finance Bill be referred to a Select Committee of this House. "

I bow to the ruling of the Chair, and I do not propose to delay the House long over this motion. The idea underlying my motion for reference to Select Committee is to ventilate our grievances that Bills are not referred to a Select Committee in this House, and as this is the first Bill which has come to us which has not been referred to a Select Committee by the Assembly, I thought that we might take this Bill to a Committee. We are debarred from referring to a Select Committee any Bill which is referred to a Select Committee by the Assembly. There are a number of other reasons for referring this Bill to a Select Committee. In the first place, the Indian Salt Act which it seeks to amend says in section 7 that the Governor General in Council may from time to time by rule consistent with this Act impose a duty not exceeding Rs. 3 per maund of 82 lbs. on salt manufactured in, or imported by land, into any part of British India. This was a power given to the Governor General in Council, but is now included in the annual Finance Bill. In this Bill, Sir, the specific duty of Rs. 1-4-0 per maund is fixed, but the surcharge which was imposed by the Indian Finance (Supplementary and Extending) Act, 1931, is not reimposed by this Finance Bill, because it is thought that section 5 of that Act gives ample scope for the imposition of the excise duty. This may be consistent with the letter, but it is not consistent with the spirit of the amendment that was made in order to make the salt duty an annual affair. By taking it away from this Bill, we have been debarred from moving any

amendment reducing the surcharge. It is specifically provided in the Constitutions that the Legislature has the right to refuse supplies, where they are votable, and if we are debarred from doing so, it is because a ruling has been given in the other place that sections which are not incorporated in this Bill, although they might affect, cannot be amended. Therefore, Sir, I wish that though section 5 at the moment may allow the Government to impose the surcharge, its non-inclusion has debarred us from moving amendments. I propose, therefore, that this Bill be referred to a Select Committee.

THE HONOURABLE MR. J. BARTLEY (Government of India : Nominated Official) : Sir, on the point which the Honourable Member has just made with reference to the incidence of the surcharge on the tax imposed by section 2 of this Bill I cannot see that he will find very much support for his motion for a reference to Select Committee. Suppose that in clause 2 of this Bill a tax had been imposed of such amount as to include in it the additional amount now imposed on the tax here specified by reason of the Finance Acts to which he has referred, then those Acts would still apply and would have the effect of still further enhancing the duty imposed by this section. The Legislature and the Members of the Legislature must I think be given credit for understanding the implications of this clause as it stands, and for understanding that this tax of Rs. 1-4-0 per maund is subject to the surcharge. The amount of tax here imposed is calculated with reference to the surcharge which will afterwards fall upon it by virtue of the Finance Act. Therefore, if that is the only reason which the Honourable Member can advance in support of his dilatory motion to refer this Bill to a Select Committee, I think he is standing upon very unstable ground.

Sir, I oppose the motion.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan) : Sir, I confess that I have been rather disappointed by the way in which the Honourable Member has moved his amendment. I thought, Sir, the amendment had reference to the fact which is admitted that taxation is heavier than the country can be expected normally to bear. I am quoting the exact words of Sir George Schuster, and I thought the Honourable Member would ask that an opportunity should be given to this House to scrutinise the proposals contained in the Finance Bill. But that is not what he is intending, and as such, Sir, I find it difficult to support his motion.

THE HONOURABLE THE PRESIDENT : Amendment moved :

"That the Finance Bill be referred to a Select Committee of this House."

The question is :

"That that amendment be made."

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The discussion will now proceed on the consideration stage of this Bill.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, the Finance Bill is an occasion for the ventilation of our grievances, and for that reason, Sir, I also do not wish to confine myself to the specific measures recommended by the Finance Bill but to make a general criticism of the financial policy of Government.

**THE HONOURABLE THE PRESIDENT :** I must point out at this stage that I propose to strictly confine Honourable Members to the Finance Bill now before the Council. I have given the Council Members very adequate and full opportunity to speak on the general financial policy of the Government of India during the budget discussion, and I think it is the usual practice in the case of the Finance Bill to limit the criticism to points involved in the Bill. I will therefore request Honourable Members to confine themselves to the provisions of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM :** With due respect, Sir, to your ruling, I would like to remind you that under the English constitution the ventilation of grievances on this occasion is permitted. However, I will confine myself only to the specific points raised in this Bill.

Sir, the first point I will deal with is the imposition of the 25 per cent. surcharge on income-tax. The justification of this surcharge was an emergency which it was thought would be of short duration, of one and a half years. But that short duration has been extended by another year. The cut in salaries has however been halved and we have made demands on Government to reduce the surcharge in the same ratio. The Government's reply that it would involve too great a reduction in their income is not substantiated, because they have ample resources at their command which could be utilized to balance the budget even if the surcharge was reduced by half. In this connection I would like to remind the House that there is a specific provision of Rs. 78 lakhs for payment towards the English war loan, which we are not called upon to pay this year. The English Government has not demanded it. Besides this there is a provision of Rs. 84 lakhs for the payment of interest on the War Loan which is still lying with the Government because the English Government has given them to understand that until there is a settlement with America they are not going to ask their debtors to pay. These two items themselves make up a goodly sum. Besides these there is ample opportunity for reducing expenditure through the reduction of interest charges which we are now paying. That is a factor which was not taken into account in full when the budget was presented to us, and how great that amount is no one can say until the complete scheme for the conversion and reduction of debt has come into effect. The provision for reduction and avoidance of debt too is rather heavy, inasmuch as the Government, when we fixed it up eight years ago, contemplated receiving a good sum of money from the Railways, almost about equal to the disbursement on account of reduction and avoidance of debt. That income has stopped on account of the difficulties of the Railways who cannot make their contribution. As it is well known, Sir, that nearly 75 per cent. of our debts are represented by tangible assets like Railways, it is necessary to make provision only for that portion of the debt which is non-productive and a deadweight on the country. And that deadweight, according to the figures of the Finance Member is Rs. 206·69 crores. On those lines the necessary provision could be met with an expenditure of Rs. 2½ crores instead of the Rs. 6·84 crores which we are making provision for now. It will no doubt be contended that it is a sort of insurance, but my complaint, Sir, is that this provision has not been utilised for the purpose for which it was meant, and I will give specific figures to substantiate my claim. Sir, on the 31st March, 1930, our debts not covered by any assets amounted to Rs. 177·40 crores according to the Memorandum of the Finance Member at the last page and on 31st March, 1933, we expect that it will be Rs. 206·69 crores, so that there is an excess in the debt of Rs. 29·29 crores in the period of three years. Within this period of three

years, we had two years of deficits and one year of surplus. The deficit in 1930-31 was Rs. 11·58 crores and in 1931-32 it was Rs. 11·75, making a total of Rs. 23·23 crores. Subtracting from this sum the surplus of 1932-33 which amounts to Rs. 2·17 crores, we had an excess of Rs. 21·16 crores in the expenditure side. But in these three years we have made provision for reduction and avoidance of debt which come to a total sum of Rs. 19·87 crores. So the deficit is counterbalanced by a contribution for reduction and avoidance of debt and the real deficit in these three years is only Rs. 1·29 crores. But we find that the excess of deadweight of debts is Rs. 29·29 crores, which means that Rs. 28 crores are unaccounted for. How they have increased I for one have not been able to understand. I should be very much obliged to Mr. Taylor if he will explain these figures. I have taken into account all the assets and cash balances and after that from his own statement I find that Rs. 28 crores remains unaccounted for. This is not only a deadweight added to our head, but for each year we have got to pay something more than a crore in interest charges for this amount. Sir, for the reduction of the expenditure there is a very suitable—although perhaps Government will not agree to this—way of counteracting this by making controlled inflation of currency. I have been advocating this for the last two years and I am very glad to find that the Government has done a little towards this, but my own position is that we wish that the 1928 position should be re-established. All the contractions in currency effected since 1928 should be counterbalanced now by expansion to bring it up to the 1928 level. If controlled inflation of currency is made we would have an additional income from the Currency and Mint Department. Here, Sir, I should like to refer to a part of the speech of Mr. Taylor made on the 28th February, 1933. There he said in defending the policy of the Government that our external securities ought to have been Rs. 63 crores, whereas we have only Rs. 35 crores. Therefore we have got a leeway of Rs. 28 crores. His language was clear and I cannot find any fault, but I can say this much—

**THE HONOURABLE MR. J. B. TAYLOR :** On a point of order, Sir. Is the Honourable Member talking to the Bill ?

**THE HONOURABLE THE PRESIDENT :** What I meant by my ruling was that I will not permit Honourable Members to go into a hundred and one subjects which indirectly may reflect on the Bill, but the observations which the Honourable Member is just making are quite appropriate in order to explain the real financial policy of the Government.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, the Reserve Bank Bill of 1928 made specific mention of what they meant by external securities. The wording is "gold bullion, gold coins or gold securities" and it was never contemplated that sterling after being divorced from gold would be included in the category of securities which the Reserve Bank requires. There was specific provision in that Bill that American Federal Reserve Bank securities and dollar securities may be taken in the category of gold securities. The provision was specifically made in section 25 that gradually the amount of gold would be increased and the amount of securities decreased. It was only because it was thought impossible to have all the gold because it was not sufficiently paying to have gold only in our reserve that a provision was made for gold securities. The specific provision which allowed sterling securities to be included in this category was probably made because of the fact that England was then on a gold basis and there is a specific provision that only those securities ought to be bought which are repayable in gold coins.



[Mr. Hossain Imam.]

Therefore, Sir, I think all this defence about our requirement of external securities and not going in for gold has not the backing of the Reserve Bank Bill. In this connection I should like to remind the House of the practice of the Bank of England. The Bank of England is buying gold although England is off the gold standard. There is no harm if India also embarks on a similar policy. There is this to be said about it, that the gold which we will buy we will buy at a higher rate but then the value that we will show in our books will be the standard rate. That difficulty is being encountered in England too. There they have got the exchange equalization fund. Here we could make up by *ad hoc* securities. I should like to remind the House that there is a consensus of opinion on the imposition of a small export duty on gold, so that we may be able to purchase gold without having keen competition with the other markets and in this connection, Sir, there was unanimity of opinion between Europeans and Indians at least on this and I am really surprised that the Government does not admire the unity in this connection of all the non-official Members.

Sir, there is one thing on which we feel very strongly. It is about the disregard which the Government of India at present shows to the needs and requirements of the eastern provinces. Since they have left Calcutta and have come to Delhi, they have become strangely irresponsive to the appeals coming from the eastern provinces. Sir, it is an obvious fact that the commodity prices have fallen very low, that Indian agriculturists are in great difficulties, that the purchasing power of the world is reduced. With all these admitted facts, I ask what steps the Government has taken to alleviate the condition of our eastern provinces? The rice export duty stands where it was. The jute export duty which was a small proportion of the price then prevailing now consumes about 24 per cent. of the price of jute given to the agriculturist. This tax, Sir, does not fall on those who import our goods. It falls on the producer because of the fact that rice is not a monopoly production. There is keen competition, with the result that it reduces further the already reduced prices prevailing in the countryside. Jute also, though a monopoly product, is replaceable by other things. The result is that there too Bengal is suffering a terrible loss on account of the fall in prices. In a democratic country it is not only a balanced budget which is a criterion by which to judge of good government. It is the well-being of the country too. And on that basis this Finance Bill will show that there is no stability and no prosperity and no contentment in the country.

Sir, I have only one word more to say and then I have done. I find, Sir, that when we try to increase the Government's income Government comes down upon us and is not willing to take the extra money we offer. A motion will be moved later on about sugar candy which will give Government a great deal of money, and as we are prepared, Sir, to pay them ten times the amount of money we wish them to spend, I think they will not think we are making a proposal which will entail any deficit to the Government. I refer, Sir, to the small amount of Rs. 71,300 which has been reduced from the University grants. The four Universities of Calcutta, Benares, Aligarh and Delhi have had their grants cut by 10 per cent. by the Finance Bill in spite of their opposition and appeals to Government to be more generous. This small sum of money, Sir, will not go a long way to make up the deficit of Government. It will simply show that the Government was really sympathetic and wanted to do something for the people of India. As a contrast I will cite only one example which occurs on page 244 of the Demands for Grants. In the provision

for Bombay lighthouses we find that the actual expenditure for 1931—1933 was Rs. 33,332 while the budget figure this year is Rs. 46,700, an increase of 40 per cent. is made in one place but in the Education Department the Government must reduce the expenditure by 10 per cent. to show that they are really anxious to reduce their expenditure. My point is that Government has not given effect to all that we have suggested. For instance, they have not amended the leave rules. There is an ample amount of money going to be saved when the leave rules are amended. There is ample money to be saved if other measures which have not been accepted by Government are accepted.

For these reasons, Sir, we do not see our way to support the Finance Bill.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT:** Sir, I regret I have not been able to realise the full implications of your ruling. Your ruling is that we must confine ourselves to the Finance Bill. Does it mean that we must confine our discussion to the proposals contained in the Finance Bill in regard to taxation or is it open to us to travel beyond that and say for instance that no Finance Bill would have been necessary if the Government had followed a rigid policy of retrenchment?

**THE HONOURABLE THE PRESIDENT:** I think I have made myself sufficiently clear on the point. This House had abundant opportunities of discussing the various policies of the Government of India in matters of Railway and General finance. It is expedient, when the Finance Bill comes up for discussion, that Honourable Members should confine themselves as far as possible to matters affecting the questions involved in the Bill. All I said was that there are a thousand and one questions which may be brought forward to be discussed under the cloak of the Finance Bill and which I will not permit, but a reasonable latitude will be allowed to Honourable Members with reference to certain provisions of the Bill if they have to make some stray remarks in connection with or in explanation of what they wish to say.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, I rise to associate myself with some of the remarks made by my Honourable friend, Mr. Hossain Imam. The Members of the House know that this Finance Bill was introduced in 1931 in extraordinary circumstances, and the duration of this Bill was also made extraordinary, that is, 18 months. The grounds generally proposed for the introduction of this Bill by the Honourable Finance Member in the Lower House were three. Firstly, he wanted that the responsible Minister of the reformed Government should get a balanced budget when he may take charge. Secondly, he laid great stress on the fact that the credit of India should be high. It should not go down in the estimate of other countries, and thirdly, so far as these proposals for taxation were concerned, he said that taxation should be levied on all classes; equally without any distinction. Those were the three fundamental points on which he based his whole policy in introducing the Finance Bill in 1931. We were under the impression that the extraordinary emergency would be over after 18 months but what we find, Sir, is that the same taxation proposals have again been introduced in the House for giving a further lease of life for a year more. Sir, when Government first introduces any taxation measure, they always say that it is temporary but by and by it becomes a permanent feature and hence very difficult to get rid of it whenever it is desired.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Now, Sir, I will take the points one by one that I have just mentioned and on which great stress was laid by the Honourable Finance Member in introducing the budget. The first point that I mentioned was that the responsible Minister should get a balanced budget. I will just ask the Honourable Members of this House whether the Minister will be responsible at all or will be as irresponsible as the present Members of the Government. We have received since then the proposals of His Majesty's Government and further a debate has also taken place in the House of Commons which has confirmed the ideals of the responsible government that the British Government wants to give to this country. Sir, coming events cast their shadows beforehand and we were right in criticising the White Paper on the ground that we would not get even the shadow of responsibility, not to speak of the substance. I will not go into the details of this question, in deference to your ruling, Sir, but it is quite easy to prove that it was not a right conjecture of the Honourable Finance Member that the Finance portfolio would be handed over under the reformed constitution to a responsible Minister.

The second point was that the credit of India should be high in the eyes of other nations and be not affected. Sir, conditions have improved during these 18 months. If Honourable Members apply one or two tests, they will find a ready answer. Government have just floated a conversion loan of 4 per cent. and they were successful in getting more than Rs. 33 crores at 4 per cent. Besides, Government securities are daily going up. These two points alone show that the credit of India is quite high and that there is no doubt about it.

The third point was that taxation should be equal on all classes. This has been infringed greatly by the policy of the Government. The 25 per cent. surcharge, as mentioned by my Honourable friend, was levied along with the 10 per cent. cut on the salaries of Government officials. The cut has been reduced by half without consulting the Legislatures and before the budget was placed before both the Houses, while the 25 per cent. surcharge is still included in the Bill. It was but fair and equitable that Government ought to have also reduced this surcharge by a half with the restoration of half the cut in salaries.

Sir, with the introduction of the Montagu-Chelmsford reforms, the expenditure of the Government went very high, so much so that in 1920-21 it went up to Rs. 89·83 crores, and this was due not only to the rise in the civil administration charges but also greatly to the army expenses. It was quite reasonable at the time of the Great War to increase the expenditure both on the civil and military side, but after that, the policy of the Government ought to have been to make reductions and to bring the expenditure substantially, if not equal, to the pre-war level. This has not been done. The financial crisis on account of the war, the economic crisis in the whole world and the agricultural crisis compelled the Government in 1931 to make some reductions, and even in that year the expenses were only reduced to the extent of Rs. 64·89 crores. Sir, I admit that a reduction of Rs. 5½ crores was made in the Army Department, but that reduction did not satisfy a large section of my countrymen. What they think is that there should be another reduction of at least Rs. 15 to 20 crores in that Department, and unless it is done, there cannot be any relief to the taxpayers. The Finance Bill that is being introduced in this House will become a recurring feature of the Government every year, and the burden of taxation, high as it is, will go up year after year. Sir, the strength of the army that is being maintained here is not needed for India. It is, I am

sorry to say, being maintained chiefly for imperial purposes. Only the other day I brought to the notice of the Government by putting some questions the necessity of publication of the Capitation Tribunal's report. Government have not published it. They say that it is under consideration, but they do not say whether it will be published or not. It is only fair to publish the report and let the public know what the Tribunal has had to say on that point. The Government's acceptance of the proposal might be under consideration, but I do not see any reason why the report itself should not be published at once. This itself shows that the balance is in favour of India and not of Great Britain, and I hope that when the report is published, it will come out, as expected, and the army expenditure of my country will go down to an appreciable extent.

Sir, there is a general talk of disarmament, but it is forbidden ground so far as India is concerned. I will, for the opinion of this House, quote certain figures which will show what is the incident of expenditure on the army in India in proportion to the revenue and what is the incident of expenditure in other countries in proportion to their revenue. In India we are spending 33 per cent. of our revenue on the Army Department ; in Great Britain 23·6 per cent. ; in Australia 3 per cent. ; in Canada 3 per cent. ; in New Zealand 5 per cent. ; in South Africa 3 per cent. ; and the Irish Free State 6 per cent. You will see that we are spending more than eight or ten times what other Dominions are spending for the maintenance of their armies in proportion to their revenues. I believe, Sir, that unless a substantial cut is made in the Department, there will be no relief to the taxpayers.

THE HONOURABLE KJAN BAHADUR DR. SIR NASARVANJI CHOKSY : I want to know whether the calculation is based on the revenue of the central Government alone or on all the provinces and the central Government combined?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : On the total income.

THE HONOURABLE SIR EDWARD BENTHALL : Including the provinces ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Yes. Sir, finally I will suggest that these taxation measures should not be given any further lease and other methods should be adopted which I will mention now. There should be a further reduction in the civil and military heads. Some drawings should be made from the sinking fund. Whatever more be required then to balance the budget may be borrowed, as is being done in other countries, rather than that the people who are already overtaxed should have further taxes put upon them.

In consideration of these facts, Sir, I hope the House will support us when we are moving amendments to different clauses.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, this House is sometimes adversely criticised for the short duration of its sittings and for its infrequent meetings, but I do not consider that this casts any reflection on our efficiency or statesmanship ; rather does it tend to show how businesslike we are and I am proud of our reputation. I do not therefore propose to waste your time, Sir, nor the time of the House by speaking at length.

[Mr. E. Miller.]

Now, while I fully appreciate that the first duty of the Finance Member is to endeavour to raise sufficient revenue to at least balance the budget—and I take this opportunity of again congratulating the Finance Member on having done so this year—I hope he will not mind if a mere amateur like myself expresses some doubt as to whether in some instances the method adopted was the best.

It is because I feel this that I once again raise a voice of protest against the heavy taxation imposed on motor transport. There is no industry which bears such a load of taxation as that levied on motor transport and the accessories connected with it, but the Finance Member has resisted all attempts made to persuade him to reconsider this matter, mainly on the grounds that the falling off of imports in motor cars and lorries and the reduction in the consumption of petrol, etc., are merely due to the trade depression and the fact that a superfluous number of motor vehicles were on the road before the slump set in. It is very easy to take up this attitude when one wishes to have one's own way, but I can only say that it is most unconvincing and, in my opinion and in the opinion of most people, it is a very short-sighted policy to continue this heavy taxation during the ensuing year. As I have already stated on a previous occasion, in my opinion a further all-round reduction of 10 per cent. should be made in the import duty on motor cars and lorries. This would, I believe, give the necessary impetus to trade which would very shortly compensate Government for any temporary drop in revenue.

Another matter to which I should like to refer is the surcharge on income-tax. I wish to repeat my previous request that no further restoration of the cut in pay of those in Government service will be considered until such time as simultaneously, substantial relief in the income-tax surcharge is granted.

The Honourable the Finance Member at the last annual meeting of the Associated Chambers of Commerce, invited suggestions as to alternative methods of raising revenue if the existing taxation was in any way reduced, and I believe many have been submitted from various sources, amongst which might be mentioned an export duty on gold (although the opportunity to impose this seems to have been missed) and death duties. It has been submitted that death duties is a provincial matter, but I do not see why it should be so. It appears to be obvious that such a duty, if imposed would have to be worked in conjunction with income-tax so that it should be an all-India scheme although some contribution from the proceeds might be made to provinces.

The only other point I wish to make, which I feel sure will eventually result in increased revenue, is the urgent need for the encouragement of development schemes. I know that the Honourable Sir George Schuster is in full sympathy with such proposals and so I will not enlarge on these but only mention the point in order to keep the idea alive and before the public and Government.

Now, Sir, if I am to keep my promise not to take up the time of the House, I must conclude my remarks and in doing so I support the Bill, not because I like it, but because at this stage it would appear to be futile to reject it.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, when this Bill was introduced in 1931 it was said that it was an emergency measure and we all expected that when the emergency disappeared we would not be called upon to give our support to this kind of Bill. Sir, to some extent Government has indirectly admitted that the

emergency has disappeared, because they have restored half the salary out which was then imposed along with the increased taxes. I fail to understand, if the emergency has to that extent disappeared, why they have not reduced the taxes on income and other things. The taxes are still there. I am thankful that Government have at least assented to the measure adopted in the Lower House reducing income-tax on incomes ranging between Rs. 1,000 and Rs. 1,500 from 4 pies to 2 pies. But then, Sir, Government ought to take into consideration the hardship poor people earning Rs. 1,000 or a little over per annum experience in paying the income-tax. I would bring to the notice of the House the case of poor shopkeepers and Government servants in my province who are members of undivided families and draw about Rs. 1,200 a year. I do not want to go into details, but I would like to bring these cases to the notice of the House because of the troubles which poor shopkeepers suffer under the procedure of the Income-tax Department which uses its own discretion as to what the shopkeeper has earned. I am not referring to big shopkeepers as you have in Delhi, but to small men who cannot even afford to keep a servant on Rs. 7 or Rs. 8 a month. These men have to pay whatever they are assessed, otherwise they are fined. So, I submit that the proposal to tax these people cannot be justified in any circumstances. These poor people can hardly afford to maintain themselves and their families. It is admitted that the purchasing power of the people has gone down, and I fail to see how the Government can think, as they do think, that people are in a position to pay the taxes which are being imposed willingly and without hardship.

It is said, Sir, that in order to maintain stability of finance these Bills are introduced and new taxes are being imposed. My

12 NOON.

Honourable friend, Mr. Mehrotra, just now stated that there is wide scope for curtailing the expenditure of Government on the civil side as well as on the military side. I do not want to go into details at this stage, but I only want to bring to the notice of His Excellency the Commander-in-Chief that at an Economic Conference held at Brussels it was stated that a country which spends more than 20 per cent. of its revenues on military expenditure is bound to come to trouble. So, taking this principle into consideration I think there is wide scope for curtailment of expenditure on the military side. If the various recommendations made by the Sub-Committee appointed by the Indian Legislature to go into the expenditure of the Government of India on the military side as well as on the civil side are given full effect to, I think Government would not have been required to bring in these taxation proposals. Sir, in this Bill, we find that duties are to be imposed on silk and artificial silk. I would like to know from the Honourable the Finance Secretary whether these duties are really protective duties or revenue duties and the effect of these duties on the silk industry of India. If the effect of these duties will be to encourage the silk industry in India, then, Sir, we will find no difficulty in supporting the proposal, but if instead of encouraging the silk industry in India they will be causing hardship to the consumer and the consumer will have to pay more, certainly we can state that these duties are not justifiable and therefore Government should not have imposed these duties on these articles. It is said, Sir, that on account of these emergency measures the balance of trade has been maintained and the stability of finance has also been maintained. If we take into consideration the flight of gold from India to England and other parts of the world, and if we take that fact away from our consideration, we think that there is no balance of trade; the figures that are available to me show that in fact the balance of trade was against India in the year 1932-33 by Rs. 2 crores. Of course, some people may say about the flight of gold that the people of India are in the habit of

[Mr. Vinayak Vithal Kalikar.]

hoarding gold and so the flight of gold is not a thing which should be complained of. I beg to differ from them, because instead of taking into consideration, the theory that is propounded about the necessity of not hoarding gold, the facts as they appear to me show that the poor peasants and the agriculturist come to the market to sell their gold for getting the bare necessities of life and surely that brings me to the conclusion that it is not the hoarded gold but the distress gold that is passing away from India. So, what I mean to submit is that by these emergency measures, and by these attempts on the part of the Government, there is not going to be peace and tranquillity in the country and these proposals for taxation will not in any way bring about a good situation, but it will to some extent create hardship and it will not in any way mitigate the hardship of the people.

Then, Sir, we see the proposals for increasing the rates for postcards and envelopes. It is said, Sir, that the Post and Telegraph Department ought to be self-sufficient and it ought to maintain itself. I submit, Sir, that if the rates are reduced, the income would be greater than it is at the present time. So long as the purchasing power has not gone up, so long as the people are experiencing the depression regarding prices in their agricultural products, it is very difficult to spend more even when there is a necessity to write letters and instead of writing four letters people will, when it is necessary, write one. My point is, by reducing rates you can get more revenue. I therefore submit, Sir, that before the Government make up their minds to introduce these taxation proposals, they ought to have examined the financial condition of India and they ought to have carefully examined whether the purchasing power has gone up and then they should have introduced these taxation proposals. The purchasing power of the people of India has not to any extent increased, but it is going down day by day. So, Sir, under these circumstances, I think they were not justified in introducing these taxation proposals.

With these words, Sir, I conclude my remarks.

\*THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, my friend, the Honourable Mr. Miller, while speaking on the Finance Bill, referred to the imposition of death duties. All his speech was meant to reduce taxation, but not to increase it. Taxation is now heavy and unbearable and no extra duty should be considered or conceived of at this moment. I endorse everything which the Honourable Mr. Miller said, except this new imposition of death duties.

Sir, I had no mind to speak on this Bill at this stage but being in doubt as to the fate of my amendments Nos. 5 and 6, I take this opportunity of addressing this House on those points in case my amendments are ruled out by the Chair.

Sir, at present our trade and industry is suffering very badly from the effects of the dumping of goods from foreign countries. Sir, we are practically at the end of the session and the Government of India so far have not arrived at any final decision regarding the measures which they intend to adopt to stop dumping and thereby to save the industries of India from disaster. Sir, it is now well known that the textile industry, the woollen industry, the sugar candy industry, the hosiery industry, the cement industry, the paint industry

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\* Speech not corrected by the Honourable Member.

and many other industries are in a very bad way and are feeling the effects of dumping owing to the depreciated value of the Japanese yen. I might mention, Sir, that I gave some figures as regards the import of Japanese cotton piecegoods. I will now take this opportunity, Sir, to show to this House how the Japanese have dumped woollen goods into this country. Sir, in 1930, for the 12 months imports from Japan of woollen piecegoods were 610,406 yards and in 1932 for the same period the imports were 1,259,840 yards. In 1930, Sir, the value of these piecegoods in rupees were 331,690 while for almost double the quantity in 1932 the price was Rs. 628,201. Sir, on March 1st, you increased the duty on art silk to annas four per yard. On that very day Japanese art silk was being sold at 2 annas 11 pies per yard f. o. b. Calcutta. Ten days later it was being offered at 2 annas and 1 pie per yard to overcome the enhanced duty. That is a reduction of about 29 per cent. which nullified altogether the protective duty. Sir, there is only one way of counteracting this and that is to refrain from enhancing the tariff but to fix the duty the same for all except only for the Ottawa Agreement, a certain preference for England, but to fix exchange in some definite standard.

**THE HONOURABLE THE PRESIDENT:** Please do not anticipate the fate of your amendment. You can make observations with general reference to the Finance Bill.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Therefore, Sir, I wish the Honourable Mr. Taylor to tell this House when the Government is likely to come to a decision as regards the prevention of dumping by foreign countries. In the local papers we see that the anti-dumping Bill is coming. May I ask the Honourable the Finance Secretary whether that news is correct and if it is when that Bill is likely to be laid before us.

Sir, this extra emergency Finance Bill was a measure for an emergency but it has proved to be a permanent measure. Then, Sir, His Excellency the Viceroy in the case of emergent powers is restricted to six months. After six months the emergency ceases but as far as this extra taxation is concerned, the emergency goes on and goes on. Therefore, Sir, it is time now that this Bill should not be called the emergency measure Bill but a permanent measure Bill so that the people may know where they stand. (Hear, hear.)

Sir, the Honourable the President, from what I understand from him, will perhaps allow me to speak on my amendments, to have my say on my amendments even though I may not be allowed to move them. If that is the case—

**THE HONOURABLE THE PRESIDENT:** I cannot allow you to anticipate your amendments at this stage. I have already mentioned to you that if you wish to make general observations on the Finance Bill irrespective of your amendments I will allow that.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Then, Sir, in that case I would like to deal with the sugar candy industry in the first instance. Sir, the Indian Tariff Board in paragraph 98 on page 97 say :

"In Formosa, where in the course of a relatively short period the Japanese Government has built up a flourishing industry which now enables Japan practically to dispense with imported sugar, a policy of subsidies of various kinds was adopted. In a period of 16 years between 1902 and 1917, the Japanese Government spent 11,178,713 yen or about Rs. 1½ crores on this object. The average expenditure was thus about Rs. 1 lakhs a year giving an incidence on the 300,000 acres under cane of about Rs. 3 per acre".



[ Rai Bahadur Lala Ram Saran Das. ]

Sir, in India we have about a thousand sugar candy factories and the present effect of the protective duties is that instead of getting our proper revenue we are losing revenue because of the depreciated value of the exchange and the calculation being based on that exchange basis. Therefore, Sir, I would suggest that the Government ought to be armed with extra powers to deal with this dumping matter in a befitting manner. I would suggest for their consideration that we might copy the Australian Act in this respect. There, Sir, is a provision that if the Minister is satisfied after inquiry and report by the Tariff Board that the exchange value of the currency of the country of origin of any goods has depreciated and that by reason of such depreciation goods have been or are being sold to an importer in Australia at prices which will be detrimental to an Australian industry, the Minister may publish a notice in the Gazette specifying the country as to the exchange value of the currency of which he is so satisfied and the goods originating in or exported from that country—

**THE HONOURABLE THE PRESIDENT :** The Honourable Member is now anticipating the debate on that point. I would ask him not to dilate on it.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I do not want to take up the time of the Council any longer and so I resume my seat in the hope that the Government will before the end of this session announce their policy in this matter.

**THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce) :** Sir, I do not intend to talk on the subject of dumping, but I should like to endorse the anxiety which is felt by the industries of this country in connection with the delay in taking action regarding imports from countries with a depreciated currency. The session of the Legislature is drawing on and if no action is taken in the immediate future, no action can be taken till September, and that is causing considerable anxiety.

With regard to the remarks made by the Honourable Mr. Mehrotra, he said that the military expenditure of this country came to 33 per cent. of the total budget of the central and provincial Governments combined. These figures were put up at an earlier stage of this debate and possibly the Honourable Mr. Mehrotra was not in his place at that time. I think it is necessary again to do what I did then and to deny the correctness of those figures. I believe that the total budget of this country, provincial and central, comes to some Rs. 200 crores and the defence expenditure is some Rs. 46 crores. I make that as a percentage of 23 and not 33. It may be argued of course that that figure, even so, is extremely high. The Honourable Mr. Kalikar argued that any country which spends more than 20 per cent. of its budget on defence is looking for trouble. The answer to that is that each country has to take care of its defence according to the problems which are in front of it. There is no object in going over the ground which I went over in reply to the Honourable Mr. Natesan some time ago, and I refer the House to what I said on that occasion. I think that everybody is aware of the high burden of defence expenditure and every one desires to keep it down, including the army people, who we have repeatedly recognised have loyally contributed in reducing their budget.

As regards the Finance Bill, I think that this House has got to stand for canons of sound finance. The Lower House has cut out the tax on cheques and it has also reduced the income-tax. By this last measure, which, as the

Honourable the Finance Secretary has pointed out, has reduced the surplus from Rs. 42 to Rs. 25 lakhs, the limit of prudence has been reached, and I therefore support the Finance Bill as it stands now, in its entirety, without alteration. I stated previously that I was inclined to oppose the imposition of the stamp duty on cheques, but I mentioned that I have consulted my constituents and that my constituents did not think that a tax on cheques would in fact retard banking, which was one of the main objections to the stamp duty on cheques. I myself am inclined to agree, normally speaking, that a tax on cheques is a reasonable tax, and I have mentioned that I thought that the banks themselves are not opposed to the tax because it will tend to reduce the number of small cheques which are drawn on them.

THE HONOURABLE MR. G. A. NATESAN : Question ?

THE HONOURABLE SIR EDWARD BENTHALL : I think that is the opinion of the banks themselves.

THE HONOURABLE MR. G. A. NATESAN : As a matter of fact, many of the banks have protested openly and have sent us copies of their protest.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Why not introduce an amendment here to add the tax on cheques ?

THE HONOURABLE SIR EDWARD BENTHAL : I do not wish to do so, Sir. But I am glad that the tax has been thrown out, for one reason only and that is, as a protest of business interests against the imposition of further taxes on business. Business has loyally supported Government in the imposition of the surcharge on income-tax, because we thought it was necessary to balance the budget. But we find that business is constantly subjected to small pin pricks, a little bit of taxation on railway freights, a little bit of taxation on cheques, a little bit in connection with the various labour legislation that has been brought forward, a little bit on telegrams and a little bit of local taxation for port dues, and so on. All these things mount up, and I think it is high time that in a matter such as the stamp duty on cheques, which does not vitally affect the soundness of the budget, business interests should protest.

As regards the income-tax, I think the Lower House came to a wise decision in deciding to maintain the principle of spreading the burden of taxation as widely as possible and in not abolishing the taxation on incomes below Rs. 2,000. The Bill as it now stands maintains that principle, but the reduction on incomes between Rs. 1,000 and Rs. 1,500 is reasonable because it gives relief to a class of men who can never hope to earn very much more and who for the most part throughout the country have already had cuts of 10 to 20 per cent. at least in their salaries. But the principal reason why I support the Finance Bill is that I entirely agree with the Finance Member's speech in the Lower House when he said that it was far more in the interests of business in India that the budget should be balanced, that the credit of India should be maintained and that money should be cheap. I think that is the primary function of a Finance Member and I do not think that it is for the Council of State to support any further reduction of the balance of Rs. 25 lakhs which is now all that remains. I do not wish to reduce that balance any further, because I feel that the margin of safety has been reached, and I feel further as I stated previously in this debate, that unless Government take some active steps to stimulate business and a return of confidence, they are not likely to repeat the success in balancing the budget and showing a small surplus.

[ Sir Edward Benthall. ]

When I mentioned before that I thought that what was required was a far-sighted scheme of capital expenditure and when I accused the Finance Member of not practising what he preached, the Finance Member took me to task for misquoting him. Perhaps I did. Perhaps I should have made it clear that what I should have said was that the Government of India did not practise what the Finance Minister preached. He did, I think, in his reply go about a quarter of the way to meet me, while good humouredly ridiculing my scheme of far-sighted capital expenditure. Now, Sir, I do not want to repeat the arguments which I put forward then just for the sake of doing so, but I think this problem has a direct bearing on the budget and on the Finance Bill and I believe that what I say is correct. Since speaking on that occasion I have been reading the papers and I notice that those views are supported by Professor Keynes. Professor Keynes was reported in the *Statesman* about the 17th March. Broadly speaking, Mr. Cairns' thesis is that the malaise variously but consistently recognizable in falling prices, contracted incomes, diminished trade, rising taxation and obstinate unemployment will yield to nothing but a policy of confident loan expenditure upon schemes of capital development nationally fostered and internationally concerted. Now, Sir, Professor Keynes is not always an orthodox economist, but he has a disconcerting way of being correct and his views should be given the very greatest weight. He is supported in this theory, which he has been airing in the *Times* newspaper, by two such different people as Mr. Lloyd George and Sir Josiah Stamp. He is also supported by another eminent economist, who comes from the same College and the same University but who hitherto has usually taken opposite views, Professor Pigou, who, also writing in the *Times*, takes the line "When in doubt expand". He is also supported by the British Chancellor of the Exchequer, who in a speech reported on the 24th March said that Government were contemplating several large schemes of public expenditure and would sympathetically consider proposals put forward by industries and local bodies which would lead to increased employment. He is also supported by the *Economist*, a leading London journal which in its issue of the 25th February, referring to the general policy of the Government in Great Britain says :

"What is needed is a planned and concerted drive in which the Government, the local bodies and the building societies and the private builder must co-operate".

That is with particular reference to the same subject in its aspect of building schemes, and it goes on to cover other public schemes such as telephones, land drainage, afforestation and allotments, revival of the Trade Facilities Act, electrification of railways and other things. Now, that does not apply directly to India. We cannot copy them exactly. Here we have to adapt ourselves to such things as the development of roads, railways, electrification, irrigation, bridges and so forth. I do again appeal to Government in all earnestness to consider whether the time has not come to foster a drive of this sort, to foster capital expenditure of an earning nature which is likely to recoup the low interest charges upon which capital can now be raised. I do not propose to go into details, because last time I did so I had holes picked in most of the details. But I would press again for this "bold programme of far-sighted capital expenditure" and I am not ashamed of the term. I feel that if the Government of India would give a lead in this matter, would let it be known that they are prepared to back schemes of this nature and would encourage local Governments to go into schemes of this nature, great progress would be made. I feel certain then that those of us who are interested in business will undertake to set in motion the machinery to make suggestions to

Government and I feel certain the public would co-operate. Government's credit is still improving and I believe that later in the year a reconstruction loan for putting into operation a policy of this nature would make a sure appeal to the public. I again appeal to Government to give us a lead in this matter, for I feel that nothing would do more to lead to a revival of confidence which I believe would be the best guarantee of a balanced budget next year.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, I will just take two minutes. My Honourable friend Mr. Mehrotra when criticising the army expenditure compared the percentages of the revenue of the expenditure on army in different countries. I take the liberty to say that in the matter of the defence of the country it is not very important to compare the percentages of revenue. The main point is to consider what is the minimum necessary force required to defend the country. God forbid, if there should be a war, the enemy will never take the trouble to go into the budget entries. If he takes notice of anything it will be of the number of combatants and their fighting capacity. So, Sir, we have to depend upon our military experts' advice as to the minimum force necessary for the defence of our country and we should not criticise such expenditure and it is only the experts who can do it.

As regards taxation, I would be very happy indeed if all the taxation were done away with, and would be happier still if the Government could fix a reasonable sum per head of the population as subsistence allowance. If the Government could do this I am sure all of us will feel very satisfied. The only difficulty for the Government would be how to raise the money to run the administration, and if any one of us could make acceptable and practical suggestions regarding this, I am sure the Government will be equally happy. As this cannot be done I do not see any justification for recommending reduction in taxation without finding the means to augment the income required to run the Government. There has been no additional taxation this year. There has in fact been a reduction in income-tax in the case of incomes less than Rs. 1,500. The budget has been balanced by the Finance Department and I think we should be thankful to that Department.

Sir, I support the Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I should like to refer only to one or two features of the Finance Bill. It is a matter for gratification that the Lower House has reduced the minimum income-tax rate on incomes between Rs. 1,000 and Rs. 1,500, but I would have been happier if the taxable limit had been raised to Rs. 2,000, so that the middle classes, petty merchants, etc., would have been exempted. It is most unfortunate that the emergency measure which we thought was temporary has become a permanent fixture. The heavy surcharge of 25 per cent. is most regrettable and nothing has been done to reduce this heavy burden on business men in India. When Government restored 5 per cent. of the cut they seem to have forgotten the heavy taxpayers who have paid so far without grudging it. I hope the Finance Member will try to give them some relief next year. (*An Honourable Member* : Why not this year ?) It is too late. At this juncture I can only appeal to Government to give some relief in the next budget. Many of us in this House supported the emergency Bill on the ground that it would be a temporary measure. Unfortunately we never expected that it would be extended for another year ; we could say nothing about it but have to submit to

[Diwan Bahadur G. Narayanaswami Chetti.]

if for this year ; but we hope that the remedy due to the taxpayers will not be forgotten by Government during the next budget at least. Sir, coming to postal rates, I am only sorry that the poor man's necessities have been taxed. I would have been most happy if the other House had taken it up—I did see that there was some amendment, but it was defeated—and had retained the nine pies post card. As a matter of fact I know many who would use post cards freely are very reluctant to do so. The result is that there is a reduction of revenue under that head. I hope that the poor man will not also be forgotten at the next budget, I opposed the increased rate on post cards even in the emergency Bill.

Sir, coming to retrenchment, I would only say that Government ought to see that immediate efforts are being continued to retrench their expenditure as far as possible. Without retrenchment I know they could not very well come to the rescue of the overburdened taxpayers, particularly the income-tax payers. One other point. I should like to sound a note of warning about the Honourable Mr. Miller's suggestion. I do not think anybody would welcome death duties in India and I hope the Government of India would not seriously take that into consideration. I think everyone would oppose death duties and I do not think India would be content to pay any further duties. I am supporting the Bill, Sir, in the view that some relief will be given to the unfortunate taxpayer at least during the next budget.

THE HONOURABLE SIR EDWARD BENTHALL : Europeans pay death duties.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians) : All Christians pay.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : The other communities do not pay except Indian Christians.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, when the debate on this motion opened I was agreeably surprised to hear a suggestion made by the Deputy Leader of the Opposition as to being merciful towards the four Universities which I am in charge of. I felt that the conscience of this House was after all aroused and that they had realised that economy is good, retrenchment is admirable but the slaughter of infants and children is condemnable. Those Members who have distinguished themselves in this distinguished House by standing up for reasonable support of Government measures I have noticed with much regret, Sir, that in the matter of enforcing economy and retrenchment on the departments of Government hold the view that Government departments are existing not with the object of discharging certain functions and duties in the interests of the people but with the sole object of squandering finances just to suit their own whims. Sir, I and my colleagues of the Executive Council have not been on the best of terms with the Honourable the Finance Member and we have found him an extremely difficult person to please. Our relations, Sir, for some time now have been strained, with the result that we have given up hope that he and we think alike as to our needs. Our activities have been very considerably reduced—some of us feel to the detriment of public interests. I had, Sir, imagined that the representatives of the public in this House as well as in the Lower House would expect us to do something, but if they want us to do something for the good of the people out of nothing, then they really

expect us to perform a miracle which we, frail human beings, are incapable of performing. If there is to be further retrenchment in the departments, the wisest course for Honourable Members to adopt would be to suggest the reduction of Members of the Executive Council, rather than reduction of expenditure by retrenchment of staff. We simply cannot do it; it cannot be done. What am I to do? Whether in the matter of archæology or geological survey or zoological survey, there is nothing doing. Members of various services have been reduced to such an extent that no fresh work is done.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The Survey of India is going on on the same scale.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: The Honourable Member is entirely mistaken, Sir, if he thinks that the Survey of India is going on on the same scale.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Practically on the same scale.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: There is no question of saying that it is *practically* on the same scale when there is a reduction of 25 per cent. A reduction of 25 per cent. does not leave it *practically* the same. The Survey of India has been reduced to an extent most mercilessly by me at the suggestion of the Honourable the Finance Member which brought tears to the Surveyor General's eyes last year; the extent to which it was carried out was very great indeed. I really do not know what is the good of running various departments if they are not to be run properly and adequately. Much better give up the pretence of running a civilised Government and carrying on these departments. Let us get more and more assimilated to our neighbours whether to the north or to the west. Are we approaching the state of administration prevailing in other Asiatic countries, or do we aspire to get on and set a standard for Asia which Asia ought to follow. There is no good saying more and more retrenchment. By all means go on rubbing, and rub at a clot on a cloth provided you do not rub it so hard that the cloth also disappears with the clot. Therefore, Sir, I wish Honourable Members to bear in mind that there is a limit to everything which is good. If you go beyond that limit the good disappears. In my Department, Sir, I am afraid that that stage we have reached. I felt so sore and so bitter, Sir, about this point that last year chancing to be in the Lower House—in the other House I ought to say—the Honourable the Finance Member in a tantalising manner said, "You are always worrying me. Why don't you address the House?" I took him at his word, caught the President's eye and I very well remember, embittered as I was, I told the House what I felt as a Member in charge of Education, etc. Formerly, I had only to deal with a friend, who had ceased to be a friend. I thought perhaps he was only barking, but that was not enough. He had developed tendencies of biting and showed himself in the colour of a wolf who was out for my blood, but I did not expect that I would have a pack of wolves on the other side as well thirsting for my blood. Between the two of them I could not possibly carry on the administration that was entrusted to me. Therefore, Sir, I beg the Honourable Members to bear in mind that if they want really some good work to be done for the people—beneficent activities as they are called—these activities cannot be carried out by mere talk. Those activities need men who must be fed in

[Khan Bahadur Mian Sir Fazl-i-Husain.]

order to carry them out. I am expected to promote agricultural research. Other Honourable Members are most keen that something should be done in the line of animal husbandry. Others are anxious that the dietary should be placed on a scientific basis in this country. And the demands for excellent research work being done in all walks of human life are very pressing and very great. Am I expected to do all this out of nothing? Well, it cannot be done. Therefore, Sir, by all means let the Honourable Members devote their efforts to the reduction of taxation from which I in common with them suffer, but let them remember that if they want to run the administration of this country in a civilised manner and approaching a standard which would not be a disgrace to the great name of this country then they must look at the matter from a practical standpoint. They should look not only at their income but also at their expenditure. Far be it from me, Sir, to say that there is no wastage in any department. There may be. But we are ever ready to do away with it. But wastage is something quite different from meeting absolute needs. I trust the Honourable Members, if they cannot give me any more money—and I am sure they cannot—the budgetary rules and savings do not permit of it—will at least not be unwilling to give me that sympathy and solace which a man like me, surrounded on all sides by people who are thirsting for my blood, deserves.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal: Non-Muhammadan): Sir, I cannot persuade myself to remain silent without making a few observations on the Bill that has been moved by the Honourable Mr. Taylor. First of all, Sir, I should like to refer to the Salt Import Duty Act.

As far as I remember an understanding was given by the Central Government that a portion of the revenue from the salt import duty would be allocated to the Government of my province, which would be devoted to the development of the indigenous salt industry and utilising the natural resources of the province. But as far as I know nothing has been done by the Government of Bengal with regard to this matter. Perhaps, Sir, the money was spent in maintaining law and order in the province such as one found one fine morning that the District Magistrate of Dacca issued an unwanted order requiring all householders to supply to the nearest police station the list of all able-bodied young men aged from 14 to 35, the residents of those houses and probable absentees for about a month and probable new comers in the city within 24 hours.

**THE HONOURABLE THE PRESIDENT:** Will you please confine yourself to the Finance Bill? This is outside it.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** That such a novel way of maintaining law and order at Dacca must have caused hardships and difficulties to the citizens, this Honourable House and Government can easily realise.

**THE HONOURABLE THE PRESIDENT:** I cannot allow any comments on law and order today. We are discussing the Finance Bill.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** However, Sir, I do not like to make any further comment on this matter but should like to leave it to the judgment of Government to take such step

as they deem fit to see that the natural salt resources of my province are taken advantage of and encouragement given to the people to manufacture salt for their consumption as people in Bengal are accustomed to take fine crushed salt.

Then, Sir, the demand for lowering the postage rates has become our general cry since they were increased by the Indian Finance

1 P.M.

Act of 1931. Government have not been able to show us by figures whether the increase in the rates of post cards and envelopes has brought Government larger revenue in their Postal Department. I believe, Sir, the increase in the rates of post cards and envelopes must have given diminishing returns to the Postal Department at least in connection with these two articles. The postal rates, at least with regard to post cards and envelopes, should be brought back to the former level. It is a legitimate grievance of the people which should be redressed by Government.

Sir, as regards the rates of income-tax, assessment should be made on incomes of Rs. 2,000 per annum and not on Rs. 1,000, as has been fixed by Government. It is a great hardship to the middle class people in these days of economic depression in the country.

I know, Sir, Government will lend a deaf ear to what we say from this side of the House but we shall be failing in our duty if we do not, as representatives of the people, bring to their notice the miseries and grievances of our countrymen so that Government may find their way to alleviate the distress otherwise the adamant attitude on their part will surely antagonise the spirit of the people and may worsen the situation in the country.

**THE HONOURABLE THE PRESIDENT:** This is all irrelevant to the Finance Bill.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT:** Sir, this Finance Bill is an emergency Bill, the second of its kind introduced in the space of two years. The emergency first arose in March, 1931, when fresh taxation was imposed to the tune of Rs. 18 crores or so. Let no one run away with the idea that the taxation at the time was by any means light. But we were told that an emergency had arisen and we must make special sacrifices. Scarcely had six months passed before another Bill was introduced imposing taxation to the tune of about Rs. 24 crores and covering a period of about 18 months, so that altogether we had about Rs. 40 crores of new taxation to meet within a period of two years. That we did. Now we are called upon to meet another Rs. 40 crores. Sir, it is very pertinent now to inquire how this emergency has arisen. We were told at the time that it was due to world-wide trade depression, that India could not live in isolation and that what affected other countries must affect India as well. That is true but I submit that is not the whole explanation. What has happened, it seems to me, is this, that at a time when there was enough money we gave away with both hands without any regard to the possibility of lean years intervening. Take, for instance, the salaries of the services. I well remember when they were increased because I was at the time a member of Government. Well, Sir, commodity prices had gone up and it was thought that that fact justified an increase in the salaries of public officers. Now, Sir, if that was the reason for increasing salaries at the time why should not salaries be reduced now that prices have gone back to the pre-war level. Then come the Lee concessions. I know, Sir, what expenditure that involved the country in. Then comes the military expenditure against which the country has been protesting all these years. In three years that has been reduced by Rs. 9 crores. If it had been done earlier several crores would have been saved. I submit, Sir, that the only



[Rai Bahadur Premode Chandra Dutt.]

remedy for this state of things would be rigid retrenchment. We do not know when this emergency is going to end. If I understood the budget speech of the Honourable Mr. Taylor aright, he fears this is going to be a permanent feature of our finance. If that is so, the prospect for this country is very gloomy. The Honourable the Leader of the House has referred to the fact that retrenchment has been so severe in the Survey Department that it brought tears to the eyes of the Surveyor General. And I was expecting to see tears in some eyes here. But, Sir, let me remind the House and the Honourable Leader that this Rs. 40 crores of new taxation has brought tears into the eyes of millions and millions of people.

I oppose this Bill.

The Council then adjourned for Lunch till a Quarter Past Two of the Clock.

The Council re-assembled after Lunch at a Quarter Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadan) : Sir, it redounds not a little to the credit of the Honourable the Finance Member that he has been able to bring in a balanced budget this year. When financial crisis is the order of the day, it is greatly heartening that by a prudent adjustment of our usual, almost inelastic, resources, our financial chief has presented to us a small surplus, and we should not carp or cavil at him that notwithstanding that surplus he has not thought it fit to take away some of the emergency duties or taxes he imposed on us a year and a half ago. But when we look around us we cannot feel quite sure that we have yet come out of the woods. It is for these reasons, Sir, that I support the proposals adumbrated in the Finance Bill, and we should thank the Honourable the Finance Member that he still proposes not to abate his efforts in order to keep us perfectly afloat, till he finds us securely placed so far as our finances are concerned. Any attempt to unbalance the budgetary resources at this time, when all the world over financial equilibrium is being seriously threatened, it would have been a matter of consummate injudiciousness. I was, therefore, really wondering why from day to day for about a week my Honourable friends at the other House were tugging at this Bill when the proposals contained therein were nothing new and not quite oppressive and militated against no great interests. Then again, Sir, we cannot contemplate the inauguration of a new constitution entailing additional expenditure unless we are endowed with adequate surplus resources from the very outset.

Speaking about the salt duty, Sir, I cannot make common cause with our pseudo-champions of the poor to condemn the tax altogether. Our Government has got to fall back upon some sure source from where a heavy revenue may come in, by indirect taxation of all and sundry in the country, for carrying on the normal expenses of our administration. Honestly speaking, Sir, any decrease or increase in the salt duty affects very little the man in the street, so far as his retail consumption goes. Nobody has ever cared to find out by an extensive enquiry to what extent small consumers are affected or benefited by an increase or decrease of that duty. Sir, if I were to give my frank opinion on the subject I would rather empower the Honourable the Finance Member to augment the duty on salt still higher, if he could assure us

that he would exempt the country from the other very many galling taxes he has to impose upon us from year to year, according to the fluctuating demands of the exchequer.

Sir, speaking about the 25 per cent. surcharge on custom duties, I would urge that such a surcharge has served its purpose quite well, as, besides bringing in revenue, it is affording distinct stimulus to our indigenous industries. Some apprehension was needlessly entertained when the surcharge was put upon foreign machinery, raw cotton, drugs and chemicals, and it was said then that our country's production would suffer immensely therefrom. But subsequent experience has belied such apprehensions, as the additional duty, instead of proving deterrent in any way, has greatly expanded the demand for machineries, especially those required for the sugar and paper industries. The ousting of the foreign cotton has also afforded an extensive market to our country's production. The demand for drugs and chemicals has also mounted higher and higher with the expansion of the protected industries of sugar and paper. The levelling down of the scale of income-tax has no doubt affected the limited resources of a large number of the poor people in these hard financial times, but the acute financial situation of the country left no option but to tap that source as well. But it is fervently hoped that as soon as the other sources of revenue have shown signs of expansion, the Honourable the Finance Member will be the first to restore the tax on income to its former level and afford also other reasonable exemption. As regards the super-tax which is really a company or corporation tax, I shall not say anything at length. Companies or corporations, if they derive large profits in business, are in duty-bound to part with a fraction thereof for the benefit of the administration under which they have flourished. The 25 per cent. surcharge on income has also been imposed for a dire national necessity, and it promises to be scratched up as soon as prosperity returns.

The increased rate on letters and post cards was really conceded when there was the greatest urgency for revenue and other sources had failed to yield a sure income. But when there was a surplus it was naturally expected in every quarter that the rates, being somewhat unconscionable in these financial days of stress and strain, would go, and the whole country is therefore naturally disappointed at their continuance for another year.

In conclusion, the Honourable the Finance Member deserves our unstinted thanks for readily accepting the cut, for not imposing the duty on bank cheques as well as for accepting the modification of the rate on income-tax between Rs. 1,000 and Rs. 1,500.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, the Honourable Mr. Kalikar has referred to *distress* gold. I believe there is a mystery attached to that distress gold. We do not know its source. Does it come from the actual cultivator who is in want of money for paying his dues to the Government or for his actual subsistence ? There is no doubt that the middlemen have a great deal to do with the stimulation of this flight of gold. Ordinarily, the *ryot* must have purchased it at Rs. 16 or Rs. 17 per tola. The middleman goes and tells the *ryot* that he will get Rs. 24 or Rs. 25. He then goes to Bombay or any other place and sells it. The middleman sells at about Rs. 27 or Rs. 28 to the merchant and the latter parts with it at Rs. 30. It thus happens that three sets of persons are interested in it and are making money, namely, the *ryot*, the middleman and the merchant. If the Government of India had placed an embargo on the export or imposed an export duty, the cry would have gone forth that it was an outrageous interference with legitimate trade.

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

On the other hand, if the export had been thus restricted, the Honourable the Finance Member would not have had so many rupees in circulation from which the Government loans would have been purchased and its credit raised. The result is that there is a sort of vicious circle. And yet there are people who blame the Government for denuding the country of its gold after having made money over the transaction ! And further, they say that this has been done with a set purpose, namely, to block the formation of the reserve bank. Where does the truth lie ? I am afraid it lies at the bottom of the well. We cannot and yet do not know exactly *all* the actual sources from which the gold has been derived.

Turning to salt, what is the position here ? If the Government of India fixes a certain rate of taxation the price of salt may be enhanced by something less than half a pie per pound. We find however that the retailers will put it on to 6 pies extra. I would ask the Honourable the Finance Secretary whether the time has not arrived when some sort of a Profiteering or Retailers' Act, as was introduced in the British Parliament should be applied to India. Something like that should be done in India, because it is the retailer who profiteers in all commodities and eats into the vitals of the people and makes money out of the poor and unsophisticated masses. It is not the wholesale merchant who gains so much as the retailer. At the same time, it is said that the purchasing power of the people has been reduced, and it is also said that prices have gone down. Well, do not these two factors more or less equalise the position and thus there is a parity ? We have no information exactly about that factor.

As regards the army and defence, we see that re-equipment has been made up to Rs. 7½ crores through savings from the army grant voted year after year. Besides that, the Retrenchment Committee saved about Rs. 4½ crores and in some other directions more saving has been effected, so that there has been an actual reduction of Rs. 6½ crores. Thus we may say that the army charges have been reduced to the extent of Rs. 14 crores. Were it not for the savings thus made, the country would have had to bear Rs. 7½ crores more for re-equipment. India is a poor country and it has to support an army of 54,000 British troops of all categories. The cost is enormous. If His Excellency the Commander-in-Chief had been here, I would have appealed to him as to whether now, or in the immediate future, he could not see some probability of even a small reduction in the British garrison in India. That would considerably relieve Indian finances and place the Finance Member in a far better position. Not only that, the saving so effected, could be devoted to the betterment of the nation-building departments that have dragged far behind.

As regards this Bill, I am afraid it is too late to alter it. I do hope that the remarks that have fallen from this Honourable House will have some influence when the Finance Bill for next year is framed.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, when the Honourable the Leader of the House got up we expected something illuminating, but instead we got a cynical diatribe against the Finance Member. And I would not have risen to speak at this late hour had I not thought that it would be improper to let those remarks go without noticing the wailings of the Honourable the Leader of the House. I am sure he feels that both the bark and the bite of the Finance Member were very fierce, but we on this side of the House think

that such bark and bite were nothing more than a mock fight indulged in by the two Honourable Members to try their strength in a friendly match. To the Leader of the House the Finance Member appears as a wolf in sheep's clothing, but so far as the opposition and the teeming millions are concerned, they suffer from the joint attacks of all the Honourable Members of Government and to them they reveal their real wolfish natures or perhaps the tiger's, and end by devouring them wholesale. To complain that departments cannot function properly because of retrenchment, which, as we all know, has been only a flea bite—only the lopping off of unwanted twigs off the big tree—is an admission of inefficiency of the Honourable Members in charge of those departments for which there can be no excuse. We only hope that when the new constitution will function such inefficiency will find short shrift at the hands of the legislators to whom they will be supposed to be responsible.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, in spite of your ruling Honourable Members seem to have been successful in covering a wide range of subjects and I wish I had their ingenuity. When I was listening to the adroitness with which the Honourable Mr. Ram Saran Das was juggling with points of order and Japanese dumping my mind was irresistibly drawn to some other Japanese jugglers whom we saw on another recent occasion. I am afraid that I cannot imitate him and anticipate any decision of the Government on the question of anti-dumping legislation. That can be discussed at the proper time and place. I was also waiting in anticipation of some constructive suggestion when the Honourable Mr. Hossain Imam began to throw blue books and complicated arithmetic at me and I began to hope we might reach some concrete result. I am afraid however that after listening to it all I found that we had come back to the old familiar device of raiding the sinking fund, the first resort of bankrupt Governments. Sir, we are not a bankrupt Government and we do not propose to raid the sinking fund.

**THE HONOURABLE MR. HOSSAIN IMAM :** What is England's condition ?

**THE HONOURABLE MR. J. B. TAYLOR :** I am sorry, but I cannot hear the interjection and I do not know to whom it is relevant. Was the point about war debts ?

**THE HONOURABLE MR. HOSSAIN IMAM :** No. England has raided its sinking fund. It has reduced its proportion for sinking fund provision.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, England may have raided the sinking fund, though I would not certainly accept that statement without proper inquiry and qualification. But we are not going to raid our sinking fund. As regards the war debts, the position was very clearly explained by the Honourable Finance Member in his budget speech. We have made such provision as we think necessary to meet the liabilities which we have undertaken to meet. If we get any alleviation we shall be very glad to get it, but we are not going to anticipate it. The Honourable Sir Edward Benthall also raised my hopes that we were going to get something constructive out of him and I was somewhat astonished to find him among the socialists advocating that Government should undertake expansion on commercial operations though so far the eagle eye of the business man in Bombay or Calcutta has failed to find this remunerative. Sir, in this connection I would like to repeat the words of the Honourable Finance Member in another place.

[Mr. J. B. Taylor.]

We have an open mind on this subject. We will be very glad to consider proposals, but there are two essential criterions which I think will command the unqualified acceptance of this House. The first one is this :

"In the first place we must adhere to the policy of not regarding any schemes as suitable objectives for capital expenditure which are not economically sound and productive. In the second place we do not intend to launch out into any programme on a scale which is likely to depress the market for Government securities and put us in the position of having to ask the investing public to subscribe more money than it has for investment".

THE HONOURABLE SIR EDWARD BENTHALL : I accept both these criterions but I still think it is a promising policy.

THE HONOURABLE MR. J. B. TAYLOR : Sir, we would be only too glad to receive any concrete suggestions to give effect to that policy, but we cannot commit ourselves in advance to any general and grandiose scheme without seeing the details elaborately worked out ; and in this respect we would welcome definite suggestions from those we consider best qualified to make them, that is to say, the commercial community of this country.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : What about the Vizagapatam scheme ?

THE HONOURABLE MR. J. B. TAYLOR : Sir, to those general remarks I have very little to add. I have already in the general budget indicated my view of the position and dealt with criticisms which in this discussion also have followed on familiar lines ; and in concluding I would merely like to impress upon this House the vital importance of a balanced budget. We have been accused of distinguishing between sound finance and the interests of the people. Sir, the interests are not distinguishable ; they are one. There can be no greater calamity to the people of this country than an unbalanced budget with all the chaos which would follow. Other countries have found it so. Germany tried it ; America tried it and they inevitably landed themselves in a mess. And if they fall into a mess, who suffers ? Not the astute money dealer in the large cities ; he knows how to fish in troubled waters and get out of the trouble. The man who suffers is the agriculturist and the honest tradesman. They are the people who benefit by sound Government finance, and for this reason, Sir, I commend the Finance Bill to this House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : How far have those agriculturists been benefited ?

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to fix the duty in 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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

THE HONOURABLE THE PRESIDENT : The question is :

That clause 2 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

"That in clause 2 of the Bill for the words 'one rupee and four annas' the words 'ten annas' be substituted."

The object of my moving this amendment is to reduce the salt duty by half. At present it comes to about 6 pies per seer. Now I want that it should be reduced to 3 pies per seer. The history of the agitation for the abolition of this duty, or at least its substantial reduction, is older than my Honourable friend, Mr. Taylor; at least it is older than myself. At different times the question has been brought before the Lower House and also discussed in this House. Sir, as long ago as 1903, this duty was at 8 annas a maund only. Then, Sir, in 1915-16 it was raised to Re. 1 per maund. In 1922-23 the Assembly being backed by popular opinion abolished the duty altogether, but His Excellency the Viceroy certified it at the rate of Rs. 1-4-0 per maund. The agitation during this period went on and in 1929 the Government was good enough to reduce this duty again and brought it to the level of Re. 1 per maund. But, Sir, it was for a very short time, that is for one financial year, that the Government seemed to reduce it by 4 annas a maund, because in 1930 they again raised it to Rs. 1-4-0. We are all aware that the agitation about the abolition or substantial reduction of this duty became widespread during this period and was led by Mahatma Gandhi who became so popular and got such a backing from the whole country that about 60,000 persons went to jail on account of this agitation. Now, Sir, the Finance Bill proposes that the duty should be levied at Rs. 1-4-0 but I believe over and above this there will be a surcharge of 25 per cent., increasing it to Rs. 1-9-0. Popular opinion in this matter is very strong. I hope the Government will see its way to accept my amendment and reduce the duty by half. Sir, this is a tax which affects everybody in the country, not leaving the lowest of the low, so much so that persons who are getting only one meal a day, who do not have sufficient cloth to wrap themselves up, who expose themselves to the vicissitudes of weather, whether the hot winds are blowing or whether it is raining or whether cool winds are blowing, are all affected by this tax. In short it affects the teeming millions. My Honourable friend, the Finance Secretary, sitting in this palatial building and when going out also driving in a luxurious car and living in a comfortable bungalow cannot properly realise the condition of these millions. If the Honourable Member wants to know the real condition, he may accompany me to the villages where I come from and he will see what is the condition of the people whom this tax affects. Sir, in support of my contention that this is the duty on which the first attention of the Government should be turned, I will quote the opinion of the highest official concerned with the Government of India, I mean, the Secretary of State for India. An Honourable Member while moving for the abolition of this tax in the Lower House in 1931 has given a quotation from the statement of the Secretary of State which was not challenged by the Government and therefore I think it was correct. The statement runs like this :

"I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the salt duty."

That is what the Secretary of State wrote to the Government of India.

"While I do not dispute the conclusion of your Government that such an increase was under the circumstances unavoidable, I am strongly of opinion that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to its former rate".

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Then, Sir, later on he says :

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

He does not stop there but goes on to say further :

"The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interests of the people and of the public revenues were identical and that the proper system was to levy a low duty with unrestricted consumption".

Sir, these are the words of not an agitator, not a responsive co-operator like ourselves, but the highest official of the British Government who rules over the destinies of this country and if his words are not to be respected by the Government of India I think no person can wield great influence in making a better statement in support of the amendment than that I have quoted.

THE HONOURABLE MR. J. B. TAYLOR : Sir, it may be due, as the Honourable Member says, to my extreme youth but I am sorry that I cannot generally follow him back over his very eloquent history of this question. We are discussing the budget for 1933-34 and the cold fact of the matter is that his proposal would involve a loss to Government revenue of somewhat over Rs. 4 crores which would hopelessly upset the balanced budget. I really do not think that there is anything more to be said than that. The question of salt taxation has been discussed for many years and even in this House today I heard, if I recollect aright, the Honourable Kumar Nripendra Narayan Sinha advocating an increase in the salt tax in preference to an increase in the income-tax. One must balance one tax against another. Some people dislike one tax and some dislike another but we must look at matters as a whole and the fact from our point of view is that we cannot accept this amendment consistently with balancing the budget.

THE HONOURABLE THE PRESIDENT : The question is :

"That in clause 2 of the Bill for the words 'one rupee and four annas' the word 'ten annas' be substituted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question is :

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is :

"That clause 3 stand part of the Bill,"

to which there are two amendments, Nos. 4\* and 5\*, one by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra and the other by the Honourable Rai Bahadur Lala Ram Saran Das. I disallow both these amendments on the ground that they are not in order inasmuch as the Tariff Schedule at large is not under consideration in this Bill, but only the particular items in the Schedule to which the Bill relates. I entirely agree on this point with the ruling given by the President of the Legislative Assembly when the same amendment was sought to be moved in that Chamber and I cannot therefore allow both the Honourable Members to move their amendments.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT: Then there is another amendment† by the Honourable Rai Bahadur Lala Ram Saran Das for the insertion of a new clause after clause 3. I also disallow this amendment since the whole of the Indian Tariff Act is not under consideration but only the particular items mentioned in this Bill. The amendment is clearly outside the scope of the Finance Bill with which we are now dealing.

The question then is :

"That clause 4 stand part of the Bill,"

to which there is an amendment‡ by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra that clause 4 be deleted. I also disallow this

\*"That after sub-clause (d) of clause 3 (1) of the Bill the following sub-clause be inserted, namely :

'(e) in item No. 157, the words 'and sugar-candy' shall be omitted and after that item the following item shall be inserted, namely :

			Rs.	a.
157A	Sugar-candy . . . . .	Cwt.	9	8 "

†"That after clause 3 of the Bill the following new clause be inserted :

'3A (1) where the Governor General in Council is of opinion that currency of any country has depreciated to an extent likely to affect any industry in India, he may by the notification in *Gazette of India*—

- (a) declare the standard rate of exchange of that country in terms of hundred rupees ;
  - (b) from time to time declare the existing depreciated rate of exchange with that country in the same terms ; and
  - (c) specify the article or articles manufactured in India affected by such depreciation.
- (2) Notwithstanding anything contained in the Indian Tariff Act, 1894, or in the Sea Customs Act, 1878, the duty of customs on any article notified under sub-section (1) shall be determined in accordance with the following rules, namely :—
- (a) where the duty is calculated at an *ad valorem* rate the value of the commodity in rupees shall be increased in the ratio of the notified depreciated rate of exchange to the notified standard rate of exchange ; and
  - (b) where the duty is a specific duty the unit of assessment shall be decreased in the ratio of the notified standard rate of exchange to the notified depreciated rate of exchange.
  - (c) This section shall have effect only upto 31st March, 1934, but the Governor General in Council may extend the period by one year."

‡ "That clause 4 of the Bill be omitted."



[Mr. President.]

amendment. An amendment may not be moved which has the effect of a negative vote under Standing Order 32.

Clause 4 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is :

"That the First Schedule to the Act stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move :

"That in Schedule I to the Bill, in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head *Letters*, the following be substituted :

For a weight not exceeding one tola . . . . . One anna.

For every additional tola or fraction thereof . . . . . Half an anna."

Sir, the object of my moving this amendment is that the rate of letters should be reduced by one pie only and brought to the level of what it was previously. Sir, I hope the Government will accept this because I have also made a reduction in the weight from  $2\frac{1}{2}$  tolas to one tola which means that this will only benefit the middle class and firms of smaller size only using cheap papers and envelopes but other firms using superior stationery will have to pay the higher rate and thus the income will not be affected by this amendment of mine. It will give facilities to those persons who on account of the high rate of postage are compelled at present to use post cards instead of envelopes and at the same time will not affect the income of the Government. Sir, in 1919-20, before the rate was increased from half an anna to one anna, the number of letters in circulation was 580 millions. In 1920-21 it rose to 600 millions and in 1921-22 it came down to 510 millions because in 1922 the rates were increased, and then the traffic fell to 510 millions. Thus, instead of getting an annual increase of 10 to 20 millions every year in the number of letters, it has since been reduced and has not yet reached the level of 1919-20. I do not know the figures after that year and if the Honourable Mr. Taylor will quote the figures, we will know to what extent this duty has affected the number of letters in transit.

THE HONOURABLE MR. J. A. SHILLIDY (Industries and Labour Secretary): Sir, before I get on to this particular motion, as there are other motions relating to the Posts and Telegraphs Department, I hope this Council will allow me to state very briefly what the general position of the Posts and Telegraphs Department is with regard to these rates. I had occasion a few days ago in this Council to state that nobody had the right to have their letters or post cards carried for them at something less than what it costs Government. That is a position which I think every one will accept, and when one talks about letter rates, one must be very careful not to talk about it as a tax, but as a definite payment for services rendered, and there is no particular reason why that payment should be less than what it costs to render those services. That is the position that I wish to make.

The next point I want to make is to point out that the Department is now working at a loss. The deficit this year is Rs. 56 lakhs. That has been reached after a great deal of work in the way of examining the accounts and of retrenching the expenditure. The House will remember that a Committee over which Sir Cowasji Jehangir presided went into the question of the finances of the Posts and Telegraphs Department and decided what was the expenditure which could be rightly debited to that Department and what could not. In addition to that, I had to point out some time ago that the Posts and Telegraphs Department had been very severely retrenched and I think the House will agree with me that the retrenchment has been serious when I inform them that in personnel alone it amounts to as much as Rs. 75 lakhs a year, and we have not stopped even there, because we have another Committee still working at further proposals for retrenchment. Therefore, we are doing all we can to reduce the deficit on our side. The real reason of course for the deficit at the present moment is bad business. Business is bad and although there seems to be an impression abroad that if you reduce the rate on letters to half an anna, a firm will just for the sheer joy of writing, write letters, I venture to suggest that after all, commercial firms write letters in answer to business, and do not simply write unnecessarily to increase our revenue. It is the depression that is responsible for this large deficit at the present moment. Some Members might possibly say that we have paid our establishment very highly. If that charge should be brought, then all I would say is that the increases in pay which we gave to the Posts and Telegraphs Department were given under constant pressure from the Legislative Assembly, and I think Members of this Council are also aware that from time to time I have had to resist motions for further proposals of increases of pay for one grade or another of the Posts and Telegraphs Department. That more or less explains the general position. We are working under a deficit in spite of the fact that we have done our best to cut down expenditure to the very last possible amount.

Now, Sir, turning to this particular motion which is before me at the present moment, the Honourable Member seemed to think that this would really not cost Government very much, but would help other people. We have examined the figures in the past and the fact of the matter is that practically the great majority of the letters are under one tola, and if we were to accept this proposal, we should be adding to our present deficit of Rs. 56 lakhs another deficit of Rs. 41 lakhs. That very simply stated is the reason why I regret that Government cannot accept this amendment.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :** On a point of information, Sir. The minimum charge on letters now is Rs. 0-1-3. Actually the Post Office charge one pie more. How is that ?

**THE HONOURABLE MR. J. A. SHILLIDY :** I have no knowledge at all why that is done. If the Honourable Member will let me know, I will certainly make enquiries. The postage at present is one anna, three pies. I understand that this extra pie has reference to the price of the envelope. There of course you are paying something for which you get the paper.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :** The same thing is not done in the case of post cards.

**THE HONOURABLE MR. J. A. SHILLIDY :** If you ask us to put an extra charge for paper in the case of post cards we will do so.

**THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT :** I do not ask you to do that. I want to place the matter before this House. You are just taking power from us to fix the postage at Rs. 0-1-3 and the Postal Department takes action under the Post Office Act and charges one pie extra.

**THE HONOURABLE MR. J. A. SHILLIDY :** Will the Honourable Member raise this later on ? We are at present dealing with the question of letters.

**THE HONOURABLE THE PRESIDENT :** Motion moved :

"That in Schedule I to the Bill, in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head *Letters*, the following be substituted :

'For a weight not exceeding one tola . . . One anna.  
For every additional tola or fraction thereof . . . Half an anna'."

The question is :

"That that amendment be made".

The motion was negatived.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I am not moving Nos. 15\* and 16†, but I will move No. 17 now. Sir, I move :

"That in Schedule I to the Bill, in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head *Postcards*, the following be substituted :

'Single . . . . . Half an anna.  
Reply . . . . . One anna'."

Sir, the price of a post card was formerly 3 pies and now it is 9 pies—an increase of 300 per cent. In 1919-20, 610 million postcards were used ; in 1920-21 the number rose to 630 millions and in 1921-22 it rose still higher to 650 millions. In 1922 the price was raised from 3 pies to 6 pies and the circulation at once dropped in 1922-23 to 520 millions. That is, there was an immediate falling off of 130 millions when the price was increased from 3 to 6 pies. This increased tax on post cards affects 230 millions of people living in the villages, who cannot now afford to send communications to their relatives as often as they used to do. The tax on post cards should therefore be reduced. In reply to my previous amendment on the subject, my friend over there said that he did not see why the cost should be less. I humbly submit in reply to him that the Postal Department should not be run on commercial lines. It is a utility department and I think it should be the first charge of every civilized government to arrange for easy communications. It is one of the duties of Government and it should not be run on commercial lines. Then he said

\* "That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, against the entries under the head *Letters*, for the words 'one anna and three pies' the words 'one anna' be substituted."

† "That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head *Postcards*, the following be substituted :

'Single . . . . . Three pies.  
Reply . . . . . Half an anna'."

that there is a loss of Rs. 77 lakhs in the working of this Department. I would submit that it is due to the combination of the Telegraphs and Telephones with the Postal Department. If the costs were to be separated the Postal side would show no loss. For these reasons I would request the Honourable Members to accept this amendment of mine. Even when the price of post cards was 3 pies the Department was able to pay a contribution to general revenues as there was excess of income over expenditure. But now I do not know whether it is because the Department has become top-heavy or because it is run in combination with the Telegraphs that there is a loss, even though the prices for postage have been enormously increased. Therefore I request the House to accept my amendment.

**THE HONOURABLE MR. J. A. SHILLIDY :** Sir, I gathered from the Honourable Member that he not only wants the Postal Department to be run as a public utility department but also as a charity department. If he desires a change in the rate from something down to something less than its cost, then there hardly seems any reason to charge anything at all, because we could equally argue that it would be very good for business if all correspondence could be carried free of charge. He went on to argue that if the Telegraphs and Telephones were separated from the Postal side, the latter Department would not work at a loss. Now the extraordinary thing about it is that the Telephone side is the only side that works at a profit. The Postal side works at a greater loss than the Telegraph side, which is also working at a loss. By combining the three the only result is that the Telephone side works at a loss too.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** It used to work at a loss previously to 1919-20 also.

**THE HONOURABLE MR. J. A. SHILLIDY :** The Postal Department did not work at a loss previously. I explained in my speech on the other motion why it is worked at a loss. I am sorry it made so little impression on the Honourable Member, but I do not think I need repeat it again because I believe most of the Honourable Members understood what I said.

As regards the question of post cards, last year we had to raise the rate from 6 pies to 9 pies. I gave some figures to show exactly what it meant. As far as we could calculate, the year before last there were 546 million post cards used. And if you were to allow there had been a general and universal use of post cards, it would amount to three post cards each per adult in the year. The result would be that the burden we put on the poor amounts to 3 pice in the year. If you do not go as far as that and suppose that only 50 million people used post cards, then the burden we place on each of those 50 million persons by the present rate amounts to 10 pice in the year. I think, Sir, when I have given those figures the Council will appreciate that a great deal of all that is said about these matters is, if I may put it mildly, somewhat exaggerated.

But the final reason why I regret that I cannot accept this reduction in tax is that the Department is working at a loss of Rs. 56 lakhs. We cannot add to that loss another loss of Rs. 55 lakhs, which the acceptance of this proposal would entail.

Sir, I oppose.

**THE HONOURABLE THE PRESIDENT:** Amendment moved :

'That in Schedule I to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head *Postcards*, the following be substituted :

'Single . . . . . Half an anna.  
Reply . . . . . One anna.'

The question is :

"That that amendment be made."

The Council divided :

AYES—11.

Banerjee, The Honourable Mr. Jagadish Chandra.  
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.  
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.  
Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.  
Kalikar, The Honourable Mr. Vinayak Vithal.

Kidwai, The Honourable Shaikh Mushir Hosain.  
Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.  
Naidu, The Honourable Mr. Y. Ranganayakalu.  
Ram Saran Das, The Honourable Rai Bahadur Lala.  
Sinha, The Honourable Kumar Nripendra Narayan.

NOES—26.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.  
Bartley, The Honourable Mr. J.  
Basu, The Honourable Mr. Bijay Kumar.  
Benthall, The Honourable Sir Edward.  
Charanjit Singh, The Honourable Raja.  
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.  
Cotterell, The Honourable Mr. C. B.  
Devadoss, The Honourable Sir David.  
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.  
Ghosal, The Honourable Mr. Jyotananth.  
Habibullah, The Honourable Nawab Khwaja.  
Hallett, The Honourable Mr. M. G.  
Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.

Johnson, The Honourable Mr. J. N. G.  
Kameshwar Singh, The Honourable Maharajadhiraja Sir, of Darbhanga.  
Maqbul Husain, The Honourable Khan Bahadur Sheikh.  
Miller, The Honourable Mr. E.  
Murphy, The Honourable Mr. P. W.  
Natesan, The Honourable Mr. G. A.  
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.  
Russell, The Honourable Sir Guthrie.  
Shillidy, The Honourable Mr. J. A.  
Stewart, The Honourable Mr. T. A.  
Taylor, The Honourable Mr. J. B.  
Varma, The Honourable Mr. Sidheslwari Prasad.  
Watson, The Honourable Sir Charles.

The motion was negatived.

**THE HONOURABLE THE PRESIDENT:** Does the Honourable Member (Rai Bahadur Lala Ram Saran Das) wish to move his amendment ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** As it is practically the same amendment\* I do not propose to move it.

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

"That clause 4 stand part of the Bill."

\* "That in Schedule I to the Bill in proposed First Schedule to the Indian Post Office Act, 1898, under the head *Postcards*, for the words 'nine pies' the words 'six pies' be substituted."

The motion was adopted.

Clause 4 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That the First Schedule stand part of the Bill."

The motion was adopted.

Schedule I was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

"That clause 5 stand part of the Bill."

There is an amendment by the Honourable Mr. Mathura Prasad Mehrotra that the whole clause be omitted. I disallow that amendment\* on the ground that it has the effect of a negative vote.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

"That in sub-clause (1) of clause 5 of the Bill the words 'increased in each case, except in the case of total incomes of less than two thousand rupees, by one-fourth of the amount of the rate' be omitted".

By this clause, Sir, the Government wants to propose a surcharge of 25 per cent. on all incomes above Rs. 2,000. I was against the whole clause, but as my amendment has been ruled out to delete the clause, I shall content myself with moving this amendment only. When the Bill was brought before this House in 1931 it was introduced as a temporary measure on account of the emergency and the surcharge of 25 per cent. was proposed to equalise the 10 per cent. cut in the pay of Government officials. The cut in the pay of Government officials has been reduced by half ; that is, it is now only 5 per cent., but no reduction has been made in these taxes. This affects not only the higher income-taxpayers, but also the lower income-taxpayers, and therefore, Sir, I move that this should be omitted. If it is allowed to pass this year, although it is meant only for a year, yet it is likely that this will again come up next year and by and by it will be made a permanent feature of the budget. I hope, therefore, Honourable Members will support me in this amendment.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to support the amendment moved by my Honourable friend Rai Bahadur Lala Mathura Prasad. Sir, the surcharge was imposed as an emergency measure and as this is a very heavy tax, it ought to be removed immediately. It is quite unjust to restore the salary cut and not to restore 50 per cent. of this surcharge in case Government could not see its way to do away with it altogether. The economic depression is grave and is telling upon the public very badly and it is in the rightness of things that this extortionary tax ought to be reduced. The Honourable the Finance Member when moving this emergency measure in Simla promised that as soon as the time arrives this will be the first direction in which he will give remission. I am sorry to find that that promise has not yet been fulfilled.

With these words, Sir, I support the amendment.

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\* "That clause 5 of the Bill be omitted."

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I do not think it is necessary for me in my reply to go beyond the immediate scope of the amendment which is a proposal to remove the surcharge on income-tax, a thing which everybody will recognise is quite impracticable financially. The cost involved would be Rs. 2,80 lakhs. I may at this stage save time by explaining what will have to be my attitude to all amendments to reduce the income-tax. In the other House, as a result of prolonged discussion, a reduction has been made in the rates on incomes from Rs. 1,000 to Rs. 1,500, thereby effecting a reduction of Rs. 17,00,000 and reducing our total surplus to the very small figure of Rs. 25 lakhs. We cannot go below that and I am therefore constrained to oppose this amendment.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Can I ask one question, Sir? I would like to know whether this reduction in interest cannot be met by the reduction in interest in Government securities which has just been made?

**THE HONOURABLE MR. J. B. TAYLOR :** The answer is "No."

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

"That in sub-clause (1) of clause 5 of the Bill the words 'increased in each case except in the case of total incomes of less than two thousand rupees, by one-fourth of the amount of the rate' be omitted."

The question is :

"That that amendment be adopted."

The motion was negatived.

Amendments Nos. 10\*, 11†, and 12‡ were not moved.

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

"That sub-clause (4) of clause 5 be omitted."

The object of sub-clause (4) of clause 5 is to prescribe a summary method of assessment of income-tax in respect of incomes of less than Rs. 2,000. I fail to understand why there should be this summary method of assessment for incomes of less than Rs. 2,000, namely, why the decision of the Income-tax Officer in the case of assesseees with incomes of less than Rs. 2,000 should be final and why such assesseees should be deprived of a right of appeal from the orders of the Income-tax Officer unlike assesseees on higher incomes. In the first place, you are taxing the poor people with such a small income, which according to the popular belief, is one wrong, and now over and above that wrong you are laying down that these poor people will have to remain content with their fate as ordained by the Income-tax Officer, and that they cannot prefer an appeal against his order should they choose to do so. I think this is doing them a second wrong. Let at least this much justice be done to these poor middle class men that they should at least possess a right of appeal to the higher authority in case they are dissatisfied with the assessment made

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\* "That in sub-clause (1) of clause 5 of the Bill the words 'increased in each case except in the case of total incomes of less than two thousand rupees, by one-fourth of the amount of the rate' be omitted."

† "That in sub-clause (2) of clause 5 of the Bill the words 'increased in each case by one-fourth of the amount of the rate' be omitted."

‡ "That in sub-clause (2) of clause 5 of the Bill, for the words 'by one-fourth of the amount' the words 'by one-eighth of the amount' be substituted."

by the Income-tax Officer. I think, Sir, it is a matter of bare justice and the amendment proposed by me should commend itself to the House.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I think that the Honourable Rai Bahadur Lala Jagdish Prasad is moving his amendment under a misapprehension. Part III was intended to provide merely an alternative and simpler method of assessment for smaller assesseees. He has, if he so desires, the right to come under the ordinary practice under the proviso to clause 2, so that in no case can this impose any unnecessary hardship on him. The object is, in the case of these smaller assesseees, to provide a simpler and cheaper method of assessment if they have no objection.

I therefore, Sir, oppose this amendment.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Do I understand that these assesseees will have a right of appeal ?

THE HONOURABLE THE PRESIDENT : You are not entitled to reply : you can ask a question.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : I want to be clear on the point which Mr. Taylor has just referred to. If he thinks the poor assessee has a right of appeal I shall withdraw the amendment.

THE HONOURABLE THE PRESIDENT : You cannot make a conditional request.

The question is :

"That sub-clause (4) of clause 5 be omitted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The question is :

"That Schedule II stand part of the Bill,"

to which an amendment\* stands in the name of the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra that Schedule II to the Bill be omitted. I disallow that amendment on the same ground.

Amendment No. 20† was not moved.

\*"That Schedule II to the Bill be omitted."

†"That for all entries in Part IA of Schedule II to the Bill the following be substituted :

- |  |  |
|--|--|
| (1) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000.     | Four pies in the rupee.                |
| (2) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000.    | Six pies in the rupee.                 |
| (3) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000.   | Nine pies in the rupee.                |
| (4) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000.   | One anna in the rupee.                 |
| (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000.   | One anna and four pies in the rupee.   |
| (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000.   | One anna and seven pies in the rupee.  |
| (7) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000. | One anna and eleven pies in the rupee. |
| (8) When the total income is Rs. 1,00,000 or upwards                               | Two annas and one pie in the rupee."   |



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

"That in Part IA of Schedule II for the existing entry against item (1) under the heading 'Rate' the word 'Nil' be substituted."

The object of my amendment is to provide that there should be no income tax levied on incomes of less than Rs. 1,500. I hope the House remembers that formerly incomes of less than Rs. 2,000 were free from income-tax and it was the Finance Act of 1931 that lowered the taxable limit bringing it down to Rs. 1,000 in the teeth of opposition of the representatives of the public in both the Houses of the central Legislature. This, Sir, as was anticipated, has hit the middle classes very hard, especially at this time of unprecedented economic depression. After all, an income of Rs. 84 a month is a very small income and we know that sometimes on account of the vagaries of some of the Income-tax Officers persons with yet smaller incomes are liable to become the victims of this provision. The public demand has all along been that the minimum taxable limit should again be raised to Rs. 2,000 to which of course the Government have not so far seen their way to accede. I am by this amendment suggesting a sort of half-way house between the Government limit of Rs. 1,000 and the limit demanded by the public of Rs. 2,000, in that I want the exemption limit for the next year to be Rs. 1,500. The Lower House, Sir, has rendered a public service by reducing the rate of income-tax to 2 pies in the rupee for incomes between Rs. 1,000 and Rs. 1,500, with a proviso. What I propose is that incomes of less than Rs. 1,500 at least should be entirely free of income-tax, if not incomes below Rs. 2,000. I hope that the House will see the reasonableness of my suggestion and will lend its support to the amendment.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I am afraid that I have nothing to add to what I have already said. In the Lower House a certain amount of relief has already been granted to these lower assesses which comes to Rs. 17 lakhs. This proposal will involve a further Rs. 17 lakhs. It is the object of Government that income-tax should be spread over all classes so that the burden should be more or less in proportion to their ability to pay, and we consider that a further reduction would disturb this equilibrium. I therefore oppose the amendment.

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

"That in Part IA of Schedule II for the existing entry against item (1) under the heading 'Rate' the word 'Nil' be substituted."

The question is :

"That this amendment be made."

The motion was negatived.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I beg to move :

"That Part III of Schedule II to the Bill be omitted."

I move for the omission of this Part for two reasons. Firstly, I consider that it is not fair to bring in the methods of assessment in the Finance Bill. If the Government wanted to bring in these methods of assessment they ought to have brought forward an amending Bill to the Income-tax Act and not in

the Finance Act. The title of the Bill also does not cover this Part of the Bill. Therefore, my first objection is that it ought not to have found place in the Finance Bill. My second objection is that persons whose income is less than Rs. 2,000 will have to depend upon the Income-tax Officers for his summary assessment. We know what sort of men these Income-tax Officers are. They always want to please their superiors and so they try to rope in as many persons as possible, even though they do not have that much income. Persons with small incomes do not keep proper accounts and so it is very difficult for them to go before the Income-tax Officers and prove that their income is less than the amount assessed for. In India, income-tax appeals do not go to the judicial courts, and therefore these persons, whether they have an income of Rs. 2,000 or not, have got to submit to the decision of the assessing Income-tax Officers. They can only submit an appeal to the Income-tax Commissioner, but for that they have to run to a distance which becomes more costly than the reduction in tax which they may secure and, therefore, they have to submit to their lot.

My third objection is that the Taxation Enquiry Committee submitted a proposal that married persons should be given an abatement of Rs. 200 for the wife and Rs. 150 for every child to the maximum of Rs. 950. That has also not been taken into consideration. In England I understand that a bachelor has to pay income-tax above £250 while a married man has to pay tax above £350 and every sort of abatement is given for wife and number of children. In addition to all these disadvantages in this country, the process of summary assessment is also being introduced for incomes of less than Rs. 2,000. I therefore hope the Honourable Members will accept this amendment of mine.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the Honourable Mr. Mehrotra opposed this clause on three grounds. The first was that it should not properly find a place in the Finance Bill since it deals with a matter of procedure. This seems rather a point of order, but since he has raised it, I will deal with it. It was dealt with exhaustively in the Lower House and the decision there reached was that though if this assessment was likely to become a permanent measure it ought properly to be embodied in the Income-tax Act, since it is part of an emergency scheme of taxation, there was nothing improper in its embodiment in this Bill.

As regards his second point, I have already dealt with it in answering the Honourable Rai Bahadur Lala Jagdish Prasad, when I explained this is merely an optional procedure. Under the proviso to clause 2 of Part III any assessee who so desires can file an application and his return under the ordinary section, that is to say, sub-section (2) of section 22 of the Indian Income-tax Act whereupon he will be governed by the ordinary procedure and will have the same rights of appeal as other people, or so I am advised. I therefore consider that this amendment has been largely moved owing to a misunderstanding and I accordingly oppose it.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): I wish, Sir, with your permission just to say a few words, not as a Member of Government nor as Leader of the House. The Honourable mover of this amendment seemed to be under the impression that what his country needs most is facilities for increasing its population by affording facilities in the matter of income-tax so that married people may be exempted, and those who have children may yet produce more children.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I said they may get abatement.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** I assure you, Sir, that his economics are entirely wrong and those who have devoted some thought to this problem I have no doubt will agree with me in thinking that he is not right. Mr. Gandhi advised his countrymen ten years ago to be so good and so kind to him and to their Motherland as not to go on adding indefinitely one per cent. to the population every year, but much as they admired him, much as they appreciated him, they never listened to him. I am not sure whether my word will carry any more weight, but that does not deter me from doing what I consider right and I trust the Honourable Member will in future let his thoughts work on something like the following lines. Income-tax on one who gets married early should be at a heavier rate than on one who gets married later. Similarly, if he has more children than two he ought to pay a heavier income-tax than one who has not. I am sure he will thereby be helping the best interests of the country.

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

"That Part III of Schedule II to the Bill be omitted."

The question is :

"That that amendment be made."

The motion was negatived.

Amendment\* No. 23 not moved.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I beg to move :

"That in Part III of Schedule II to the Bill, paragraph No. 4 be omitted."

If the Honourable Members will read paragraph 4 they will find that the summary assessment is not only to be made for the future, that is for the year 1933-34, but it will also have retrospective effect for 1932-33, which I think is most objectionable. The paragraph reads :

"The above procedure shall apply also to the assessment and collection during the financial year 1933-34 of incomes of Rs. 1,000 and upward and less than Rs. 2,000 which have escaped assessment in the financial year 1932-33."

Thus it gives retrospective effect and I object to this paragraph.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I should have thought it would have been clear to the Honourable Member for what I have already said that Part III deals merely with procedure. It does not impose any fresh liability on anybody. Those on incomes of Rs. 1,000 and upwards and less than Rs. 2,000 which escaped assessment in the financial year 1932-33 will, if they are found liable to income-tax, be assessed under the operative sections of the Act. This Part merely provides that they like other people of similar income can enjoy the benefit of the same summary procedure if they so desire.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I rise to support this amendment. My reason is that when this clause is translated into practice it will mean that many people who do not keep accounts—and as a rule people with incomes of Rs. 1,000 or so seldom keep accounts—will find themselves in difficulty. The net result will be that the Income-tax Officer

\* "That Part III of Schedule II be omitted."

will use his discretion and assess them at any amount he thinks fit. This clause 4, in addition to the above, will give the assessee no right of appeal, which I consider is very unjust, in all those cases in which the Income-tax Department proves that people who deserved to be taxed in 1932-33 were not taxed. Sir, it is very unfair and unbusinesslike to give this vast discretion to the Income-tax Officer to assess these people in any way he likes. As this clause is liable to be misused I therefore strongly support my friend in asking for the deletion of this clause.

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

"That in Part III of Schedule II to the Bill, paragraph No. 4 be omitted."

The question is :

"That that amendment be made."

The Council divided :

**AYES—7.**

Banerjee, The Honourable Mr. Jagadish Chandra.  
Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.  
Kalikar, The Honourable Mr. Vinayak Vithal.

Kidwai, The Honourable Shaikh Mushir Hosain.  
Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.  
Ram Saran Das, The Honourable Rai Bahadur Lala.

**NOES—29.**

Bartley, The Honourable Mr. J. Basu, The Honourable Mr. Bijay Kumar.  
Bentham, The Honourable Sir Edward.  
Charanjit Singh, The Honourable Raja.  
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.  
Chokay, The Honourable Khan Bahadur Dr. Sir Nasarvanji.  
Cotterell, The Honourable Mr. C. E.  
Devadoss, The Honourable Sir David.  
Dutt, The Honourable Rai Bahadur Promode Chandra.  
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.  
Ghosal, The Honourable Mr. Jyotsnanath.  
Ghosh Maulik, The Honourable Mr. Satyendra Chandra.  
Habibullah, The Honourable Nawab Khwaja.  
Hallett, The Honourable Mr. M. G.

Iqbal Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.  
Johnson, The Honourable Mr. J. N. G.  
Kameshwar Singh, The Honourable Maharajadhiraja Sir, of Darbhanga.  
Maqbul Husain, The Honourable Khan Bahadur Sheikh.  
Miller, The Honourable Mr. E.  
Murphy, The Honourable Mr. P. W.  
Natesan, The Honourable Mr. G. A.  
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.  
Pandit, The Honourable Sardar Shri Jagannath Maharaj.  
Russell, The Honourable Sir Guthrie.  
Shillidy, The Honourable Mr. J. A.  
Stewart, The Honourable Mr. T. A.  
Taylor, The Honourable Mr. J. B.  
Varma, The Honourable Mr. Sidheswar Prasad.  
Watson, The Honourable Sir Charles.

The motion was negatived.

Schedule II was added to the Bill.

Clause 6 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I 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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, as passed by the Legislative Assembly, be passed."

**\*THE HONOURABLE MR. HOSSAIN IMAM :** Sir, if I rise at this stage to speak on the Finance Bill, it is just to clear some points.

4 P.M.

I had asked the Treasury benches to explain how Rs. 28 crores of increase in our deadweight of debts is accounted for, but I did not get any reply from them. I have also found, Sir, that there is an item of expenditure on which no question has either been asked in this House or in the other place, nor is there to be found in the whole of the Explanatory Memorandum of the Finance Secretary anything but a bare three lines. In the Item "Ways and Means", India, No. 10, loss on revaluation, sale, transfer, etc., of assets of the Paper Currency Reserve, for the last three years we have incurred a loss of Rs. 16.97 crores, which is made up of Rs. 4.68 crores for 1932-33, Rs. 7.05 crores for 1931-32 and Rs. 5.24 crores for 1930-31. There is no mention of this in the Explanatory Memorandum. We cannot understand how this money has swollen. We have passed the Finance Bill and it is for the Government to see that all the proceeds of it are accounted and fully utilised. Government in its budget proposals laid great stress on the fact that we require for the inauguration of the reserve bank external securities and the other requirement was that we must have a favourable balance of trade. On that point no mention has been made as to how that desirable end is to be secured. If gold export continues unabated, it will be an incentive to imports and it will further increase the adverse balance of trade of India. I do not count that the gold that we export is really a tangible commodity which is being exported in exchange for anything. It is more in the nature of a capital and it ought to be utilised for capital requirements and not for meeting day to day expenditure. I agree with the defence that was put up by the Honourable Mr. Shillidy about the post office that increased cost of the department is really responsible for the increased rates and taxes that are being levied now. In this connection, Sir, while I agree with his diagnoses I do not agree with the treatment that he proposes. The treatment should have been that the services should have been pruned. If the country cannot pay the scale of emoluments at present prevailing, then it is time to revise it. In this, Sir, I find that not only was the Government behaving in an irresponsible manner, but I have to admit that our own representatives in former times did behave in just the same manner in which the Government is behaving. They thought that there was to be a loot and everyone wanted to have his share out of it. The Government wanted to have their share for the higher services and our representatives wanted to have their share for the lower services. Really everyone wanted to get his share of the plunder and the real interest of the masses was entirely forgotten. The unholy alliance which now prevails between capitalists and Government by which every motion for increasing import duty and thereby increasing the resources of the Finance Department is received with acclamation is accepted as something very good and it is reacting very harshly on the public. It is high time for the Government to realise that this sort of thing cannot continue for any length of time. The thing is bound to snap. Finally, I would appeal to the Government, as the Diwan Bahadur has done, that if they cannot do anything good to the public now, to come up with better things next year.

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\*Speech not corrected by the Honourable Member.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I do not think that I need reply at any length. The Honourable Mr. Hossain Imam in his earlier speech asked various questions regarding some of the items in the accounts, particularly the composition of our debts and assets in Appendix II to my Explanatory Memorandum (at page 48 of that Memorandum). There is of course an explanation for those various items which explain the difference in the total, but I do not think that the details will be of sufficient interest to this House or that they can properly be dealt with in a Third Reading debate. I am quite prepared to explain the various points in the way of question and answer if the Honourable Mr. Hossain Imam will put questions to me in the ordinary way in this House.

As regards his other more general points, I think that we have emphasised that because the budget is balanced we do not consider that all is well with the country. We realise that there is an economic crisis not only in India but throughout the world and we realise how heavy is the burden we are imposing on the people of this country, but we do feel that it is a necessary burden and that it is better to impose it rather than to let things slide and face the consequent dangers.

**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 fix rates of income-tax and super-tax, and further to amend the Indian Paper Currency Act, 1923, as passed by the Legislative Assembly, be passed."

The motion was adopted.

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### STATEMENT OF BUSINESS.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Leader of the House) : Sir, we shall have no more business to place before the Council until further Bills are passed by the Legislative Assembly. It is probable that certain Bills will be passed by that Chamber on Monday next, and I would suggest that the Council should meet on Tuesday next with a view simply to the Bills being laid.

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The Council then adjourned till Eleven of the Clock on Tuesday, the 4th April, 1933.

# COUNCIL OF STATE.

*Wednesday, 5th April, 1933.*

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

## QUESTIONS AND ANSWERS.

FILLING UP TEMPORARILY OF TWO POSTS OF READERS AND REVISERS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

191. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Is it a fact that two posts of reader and two posts of reviser were temporarily filled up in the Government of India Press, New Delhi, in 1933 ?

THE HONOURABLE MR. J. A. SHILLIDY : Yes.

QUALIFICATION, ETC., OF PERSONS PROMOTED AS READERS AND REVISERS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

192. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Will Government kindly state :

(a) What are the qualifications, length of service and community of those persons who have been promoted to the posts of reader and reviser in the Government of India Press, New Delhi, in 1933 ?

(b) How many seniors were superseded by the persons who were promoted to the posts of reader and reviser in the Government of India Press, New Delhi, in 1933 and to which community did the seniors belong ?

(c) Has it been represented to Government that the Manager of the Government of India Press, New Delhi, overlooks the seniority and other claims of Hindus and Muslims and prefers Christians for promotions in the arrangements of the Reading Branch and that the Head Reader recommends Christians for promotions to please the Manager ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) and (b). Government have no information on the points raised by the Honourable Member which relate to matters of detail lying within the competence of the head of the department.

(c) No.

PROPOSED INCREASE OF STAFF IN THE CLERICAL BRANCH OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

193. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Is it a fact that there is a rush of work in the Government of India Press, New Delhi, and that the clerical establishment is overworked ? If the answer is in the affirmative, does Government propose to increase the staff ?

**THE HONOURABLE MR. J. A. SHILLIDY :** Government understand that work in the Government of India Press, New Delhi, has lately increased and that temporary clerks have been engaged to cope with it. Proposals for increasing the permanent clerical staff in the Press are under consideration.

**DIFFERENCE IN SCALES OF PAY OF THE CLERICAL BRANCH, GOVERNMENT OF INDIA PRESS, DELHI, AND THE CLERICAL BRANCH, GOVERNMENT OF INDIA PRESS, CALCUTTA.**

**194. THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** Are the Delhi and Calcutta Government of India Presses under the Controller of Printing and Stationery, India ? If so, will Government kindly state the reasons of the difference between the scales of pay in the clerical establishment of these presses ?

**THE HONOURABLE MR. J. A. SHILLIDY :** Yes. Different scales of pay in the two Presses have been fixed because the local conditions are different.

**INSUFFICIENT ACCOMMODATION IN THE QUARTERS ALLOTTED TO DAFTRIES IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.**

**195. THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** Is it a fact that the daftry quarters, Government of India Press, New Delhi, have insufficient accommodation and that a daftry died of phthisis in them and a second one is still suffering from phthisis ? If so, what action does Government propose to take ?

**THE HONOURABLE MR. J. A. SHILLIDY :** If the Honourable Member cares to visit the quarters he will, I think, be satisfied that they are adequate and afford far better accommodation than employees of this class ordinarily provide for themselves or rent from private landlords. I have no information regarding cases of phthisis among the tenants. Steps are being taken to increase the ventilation in some of the quarters.

**CONTINUAL CHARGING OF RENT TO THE LATE OCCUPANT OF A GOVERNMENT OF INDIA PRESS QUARTER UNTIL SUCH TIME AS THE VACATED QUARTER IS ALLOTTED TO ANOTHER EMPLOYEE.**

**196. THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** Is it a fact that if an occupant of a Government of India Press quarter, New Delhi, vacates the quarter occupied he is continually charged rent of that quarter so long as the same quarter is not occupied by another ? If so, why ?

**THE HONOURABLE MR. J. A. SHILLIDY :** The allotment of the press quarters is made in accordance with supplementary rules 311—316 and rent is charged according to supplementary rule 312 for the period of incumbency.

**AUTHORITY RESPONSIBLE FOR THE ALLOTMENT OF QUARTERS TO EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.**

**197. THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** Will Government kindly state :

(a) Who allots the quarters, the Manager or the Estate Officer ?



(b) Is it a fact that some senior employees of the Press did not get any quarter or have been allotted daftry type quarters whereas their juniors have been given better accommodation ?

(c) If so, what is the reason and who are they ?

(d) Is it also a fact that Christians have been given preference ? If so, why ?

(e) Is it also a fact that people who never wanted any quarter or who were living in the city have been allotted quarters whereas people who were allotted quarters and living in them in Old Delhi have been debarred from quarters, or allotted daftry type quarters ?

(f) Is it also a fact that the Estate Officer wanted to realloot the quarters to remove the grievances of the senior employees and the people who were living in Old Delhi in Government quarters ? If so, with what result ?

(g) Is it also a fact that people who have never applied for quarters have been allotted quarters and are being charged rent ? If so, why ?

(h) Is it also a fact that one employee has been charged rent for two quarters at a time, one at 5 per cent. and the other at standard rent ? Is one man entitled to two quarters at a time ? If not, are Government prepared to refund the money in question ? If so, when ?

THE HONOURABLE MR. J. A. SHILLIDY : (a) Formerly the allotments of the press quarters were made by the Manager of the Press. The Estate Officer took over the allotment of these quarters with effect from the 1st November, 1932.

(b) and (c). Allotments have been made under supplementary rule 311 according to seniority. Senior officers are allotted a lower class of accommodation only if the higher class of accommodation for which they are eligible is not available. Their allotments are set right as soon as such quarters become available.

(d) No.

(e), (f), (g) and (h). Government are not in possession of the details of allotments. It is open to any individual who considers that he has not been treated in accordance with the rules to make a representation to the proper authority.

#### RESERVE BANK.

198. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : Will Government be pleased to state what steps they propose to take to expedite the establishment of the Reserve Bank ?

THE HONOURABLE MR. J. B. TAYLOR : It is proposed that special discussions with Indian representatives will be held on this matter in London simultaneously with the Joint Select Committee discussions, and that selected representatives of Indian opinion will be specially invited to proceed to London for this purpose.

THE HONOURABLE MR. HOSSAIN IMAM : Do the Government propose to invite additional people or only the Members who are going to the Joint Select Committee ?

THE HONOURABLE MR. J. B. TAYLOR : I have nothing to add to my answer.

#### RESERVE BANK.

199. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : (a) Is it a fact that a scheme for the Reserve Bank was drawn up some years back ?

(b) If the answer is in the affirmative, what has become of it ?

(c) Was it shelved or dropped ? If so, at what stage and for what reasons ?

(d) Is it the intention of Government to hold a special session at Simla in June to push the scheme ?

THE HONOURABLE MR. J. B. TAYLOR : (a) Yes.

(b) and (c). The Gold Standard and Reserve Bank Bill of 1928 was discussed in the Legislative Assembly in February that year and eventually postponed. The attention of the Honourable Member is invited to the record of discussions which show at what stage that action was taken and why it was taken.

(d) No action of this nature is at present being contemplated by Government.

THE HONOURABLE MR. HOSSAIN IMAM : Do we understand that Government's activity is the same as it was on that date ?

THE HONOURABLE MR. J. B. TAYLOR : Again I have nothing to add to my answer.

#### VIEWS OF THE INDIAN NATIONAL CONGRESS ON THE WHITE PAPER.

200. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Has the attention of Government been drawn to the notification of the Police Commissioner, Calcutta, warning residents and house owners not to receive or harbour delegates to the next Indian National Congress ?

(b) Has Government declared the National Congress as an unlawful body ?

(c) If the answer to (b) is in the negative, why are attempts being made to prohibit the holding of its annual session ?

(d) Is it the intention of Government to know the Congress views on the White Paper ? If it is so, how does Government propose to know them without letting them hold their session ?

THE HONOURABLE MR. M. G. HALLETT : (a) Yes. I have seen a statement to that effect in the Press.

(b) No.

(c) Though Congress has not been declared an unlawful association, it stands at the present moment for an unlawful movement as its activities are directed to unlawful ends.

(d) I would refer the Honourable Member to my answer to clause 3 (b) of his question No. 181 in this House on the 27th March, 1933. There is no objection to Congress leaders who are at liberty discussing and publishing their views on the White Paper.

THE HONOURABLE MR. HOSSAIN IMAM : Has the Government placed any ban on the publication of the presidential address delivered by Pandit Madan Mohan Malaviya at the last Calcutta Congress ?

THE HONOURABLE MR. M. G. HALLETT : The address, as far as I know, was never delivered. Certain copies which were attempted to be distributed at the meeting held on the Maidan were seized by the police.

THE HONOURABLE MR. HOSSAIN IMAM : But a summary has been published by the Government authority. That is why I ask the question.

THE HONOURABLE MR. M. G. HALLETT : A summary may have been published by the Government of Bengal but it does not necessarily follow that the whole speech will be allowed to be published.

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#### STATEMENT LAID ON THE TABLE.

##### ARRANGEMENTS FOR THE MEDICAL EXAMINATION OF LADY DETENUS IN INDIAN JAILS.

THE HONOURABLE MR. M. G. HALLETT : Sir, I lay a statement on the table.

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*Statement containing a complete reply to the Honourable Mr. Jagadish Chandra Banerjee's question No. 73, regarding arrangements for the medical examination of lady detenues in the Indian Jails.*

THE HONOURABLE MR. M. G. HALLETT : I understand there are thirteen women detenues in Bengal. The responsibility for all arrangements connected with their detention and treatment rests, under the Bengal Criminal Law Amendment Act, 1930, with the Government of Bengal.

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

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill to Supplement the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932, which was passed by the Legislative Assembly at its meeting held on the 3rd April, 1933.

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#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : I suggest, Sir, that in view of the desirability of expediting the remaining business of the session the Bill which has been laid on the table today might be taken on Friday next with one day's curtailment of the normal period of notice.

**THE HONOURABLE MR. HOSAIN IMAM** (Bihar and Orissa : Muhammadan):  
We have no objection.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR**  
(Madras : Muhammadan) : I agree. .

**THE HONOURABLE MR. E. MILLER** (Bombay Chamber of Commerce) :  
So do we.

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The Council then adjourned till Eleven of the Clock on Friday, the 7th April, 1933.

# COUNCIL OF STATE.

*Friday, 7th April, 1933.*

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

## INDIAN TARIFF (OTTAWA TRADE AGREEMENT) SUPPLEMENTARY AMENDMENT BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary) : Sir, I move :

“That the Bill to supplement the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932, as passed by the Legislative Assembly, be taken into consideration.”

The object of this Bill is to correct a few inaccuracies and discrepancies that have been discovered in the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932. I do not propose to take up the time of the Honourable Members of this House by repeating the explanations that have been given in the very full Statement of Objects and Reasons. I shall only refer to an addition that has been made by an official amendment in the other House the effect of which has been to include with other chemicals in a non-preferential item, the chemical alum. Alum was specifically excluded from preference by entry No. 30 of Schedule F to the Ottawa Trade Agreement. It was also excluded from preference by the fact that it was subject to a protective duty under the Heavy Chemical Industry Protection Act of 1931. That Act ceased to be operative except in respect of magnesium chloride on the 31st March last, and it has therefore become necessary to specify that alum is excluded from preferential treatment. Without such specification, alum would be included with other unspecified chemicals in item 181 of the Second Schedule to the Tariff Act and would be eligible for preference. For this reason there has been special inclusion of alum in item No. 88, as stated in clause 2 of the Schedule to the Bill.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, at the outset let me thank you on behalf of the Hindu members of the House for your so kindly, at the representation of some of us the other day, cancelling the meeting of the Council that was originally fixed for the Ram Navami day.

Coming to the Bill, I am glad to find that the Government have realised that there are some inaccuracies and discrepancies in the Ottawa Trade Agreement Act which was rushed through in a hurry, and that by the measure now before the House those inaccuracies and discrepancies are proposed to be removed. One of such items is that relating to newsprint which, as the Statement of Objects and Reasons appended to the Bill says, is expressly excluded from preference by No. 120 of Schedule F to the Ottawa Trade Agreement, but which owing to a discrepancy is unintentionally subject to a

[Rai Bahadur Lala Jagdish Prasad.]

preferential tariff. I am glad to find that it is now proposed to clear the ambiguity by restoring newsprint to the non-preferential part of the Schedule. In the same way there are inaccuracies in respect of some other items which are now being rectified by the provisions of this measure. I therefore welcome the Bill. But before I resume my seat, Sir, I will ask the Government to throw some light on one point. I wish the Government to tell the House when they propose to appoint a Committee of this Council to enquire into and report on the actual working of and results achieved from the Ottawa Agreement, which the Government agreed to appoint as the result of a Resolution moved by my Honourable friend Rai Bahadur Lala Ram Saran Das on the 20th March last. I hope Government will carry out early the undertaking given by them on that occasion as the appointment of such a Committee is very necessary.

Lastly, Sir, I wish that the Government may bring forward before the Legislature at a very early date an anti-dumping legislation which is so badly wanted and is becoming so increasingly essential day by day for the safety and protection of the trade and industry of this country.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, from the Statement of Objects and Reasons appended to the Bill it appears that it is intended to correct a few inaccuracies and discrepancies in the Schedule of the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932. I am not at all inclined to oppose the Bill under discussion, nor do I wish to be so understood on account of the remarks which I wish to make in this connection. What I want to say is this. So far as I understand it, the Ottawa Trade Agreement was entered into between the Government of India and His Majesty's Government in the United Kingdom through their representatives at Ottawa on the 20th August last. They mutually consented to Imperial preference. As Honourable Members will know, this question of Imperial preference is a very old one. It commenced somewhere in 1903, but at that time the Government of India did not think it proper to enter into any agreement ; but now the Government of India have changed their views and they have already agreed to India's preferential treatment of Empire products. It is equally obvious that the delegation used their very best endeavour and solicitude in bringing about the agreement. We are grateful to them for their exertions and I think it is advantageous to both the Government of India and the United Kingdom. But, Sir, what I say is that we in India are quite willing to give effect to it and if articles manufactured in the United Kingdom are as cheap as those of continental manufacture we are quite willing to buy them. We should prefer our money to go to the people in the United Kingdom because we are all the subjects of His Majesty, and I would that they benefited rather than that our money should go into the pockets of strangers. But I say that the arrangement should be reciprocal and Indians also should derive some advantage. In my speech dealing with the import duty on wheat I pointed out that the agriculturists in India had fallen on bad days in the last three or four years owing to the fall in prices of primary products. Some market should be found for their products and something should be done to improve their condition. And I am not here referring only to the agriculturists of the North-West Frontier and the Punjab. I have noticed that when Bills which happen to benefit that side of the country are brought here, Members from Bengal raise objections. I am referring here to all-India products and the country as a whole. I think it is time that something was done to obtain a market for India's products.

With these remarks, Sir, I support the Bill.

\*THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, I do not want to take up the time of the House with regard to this Bill which I think will have the unanimous support of this House. There is one item on which I would like to have a little information—item No. 7, tea chests and parts and fittings thereof. What I feel is this, that we here in India import tea chests and fittings from England and we pack our tea in those chests and send them back to England where they are sold. Now if we had a preferential duty on tea chests, say, 10 per cent., we would be able to send tea to England at a cost 10 per cent. less and we should be in a much more favourable position to compete, say, with Java tea in England than we would be if this clause is accepted and non-preferential treatment is given to these tea chests. In the latter case also the public in England would have to pay a little more for Indian tea than they would otherwise do. I would like the Honourable Commerce Secretary to enlighten us on this point.

THE HONOURABLE MR. T. A. STEWART : Sir, in answer to the Honourable Mr. Basu I would explain that tea chests were not included as articles in respect of which preference should be given under the Ottawa Trade Agreement. I cannot therefore discuss his suggestion that at this stage they should be given such preference. The reason why tea chests are the subject of an amendment of the Schedule is as follows. Tea chests are usually composed of ply wood with metal fittings for the corners and hinges. The wooden part arriving in India would not be entitled to preference, but the metal parts arriving by themselves would be classified as hardware, which, under item 185 of the tariff, is entitled to preference. In order that there may be consistency in the assessment of tea chests and their parts it was decided that there should be a special non-preferential entry covering tea chests and their parts and fittings.

The Honourable Lala Jagdish Prasad has asked for an assurance that Government intends to keep its undertaking in respect of the examination of the result of the Ottawa Trade Agreement. I cannot see that at this stage there is any reason to believe that Government wishes to resile from the position it has already taken, and I would suggest that after three months' duration of the Trade Agreement it is somewhat premature to consider the appointment of a Committee in the near future.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to supplement the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Clause 2 was added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART : Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

\*THE HONOURABLE MR. BIJAY KUMAR BASU : With reference to the answer given by the Honourable Mr. Stewart to the query that I made when the Bill was taken into consideration, I have to point out that by this

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\* Speech not corrected by the Honourable Member.

[Mr. Bijay Kumar Basu.]

amendment the parts and fittings of tea chests which would have come into the preferential duty tariff will now be transferred to the non-preferential duty tariff. As a matter of fact the wood for the tea chests would not have come under the Ottawa Agreement under the preferential tariff. That is a complete answer ; we could not have gone beyond that ; but, Sir, the parts and fittings which would come under the heading " Hardware " would have got preferential tariff. By this amendment we shall not get that preferential tariff duty on those fittings and parts of tea chests. I only want to point that out to the House before they pass this Bill.

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

" That the Bill to supplement the Indian Tariff (Ottawa Trade Agreement) Amendment Act, 1932, as passed by the Legislative Assembly be passed."

The motion was adopted.

### STATEMENT OF BUSINESS.

**THE HONOURABLE MR. M. G. HALLETT** (Home Secretary) : Sir, in the unavoidable absence of the Honourable Leader of the House, I ask your permission to make a statement of business.

In anticipation of the passing of certain Bills by the Legislative Assembly in the course of the meetings today and tomorrow, I would suggest that, with your approval, the Council might meet tomorrow afternoon at 5 P.M. to enable Bills passed by the Assembly to be laid on the table.

I would then propose that these Bills be proceeded with on Monday if you, Sir, will direct in pursuance of rule 27, that the usual three days period of notice may be so curtailed.

**THE HONOURABLE THE PRESIDENT :** I think under the circumstances narrated by Mr. Hallett on behalf of the Honourable the Leader of the House, the only course possible is that I should adjourn this House till 5 P.M. tomorrow and if any Bills are placed on the table by that time the House should proceed to deal with those Bills on Monday morning. However, I should like to take the sense of the House.

**THE HONOURABLE MR. BIJAY KUMAR BASU** (Bengal : Nominated Non-Official) : Where is the time to give notice of amendments ?

**THE HONOURABLE THE PRESIDENT :** Under the circumstances I am prepared to suspend the operation of Standing Order 45. We will deal with amendments also. You can give notice of amendments till 10 A.M. on Monday morning.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD** (United Provinces Northern : Non-Muhammadan) : We agree.

**THE HONOURABLE MR. E. MILLER** (Bombay Chamber of Commerce) : I have no objection.

The Council then adjourned till Five of the Clock on Saturday, the 8th April, 1933.



### ***ERRATUM.***

In Nos. 7, 10 and 14, pages 219 and 230, 289 and 298, and 460, respectively, of the Council of State Debates, Volume I, 1933, insert an asterisk against the name of the Honourable Mr. Hossain Imam and add as footnote “ \*Speech not corrected by the Honourable Member.”

# COUNCIL OF STATE.

*Saturday, 8th April, 1933.*

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

## QUESTION AND ANSWER.

### CHAPTERS II AND III OF THE BENGAL PUBLIC SECURITY ACT.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : Were the Government of India consulted in the matter of the putting into operation of Chapters II and III of the Bengal Public Security Act ? If so, did they approve the action taken by the Government of Bengal ?

THE HONOURABLE MR. M. G. HALLETT : The answer to the first part is in the negative. The second part does not arise.

## STATEMENT LAID ON THE TABLE.

### STANDING COMMITTEES FORMED ANNUALLY FROM MEMBERS OF THE COUNCIL OF STATE.

THE HONOURABLE MR. M. G. HALLETT (Home Secretary) : Sir, I lay on the table the information promised in reply to question No. 152 asked by the Honourable Mr. Bijay Kumar Basu (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) on the 13th March, 1933.

(a) and (b). The information is given in the statement attached.

(c) As the abovementioned statement shows, the answer is in the negative.

(d) Ordinarily Honourable Members of the Council of State are invited to attend the meetings of any Standing Committee of which they are members. There have been, however, a few meetings of the Standing Advisory Committee attached to the Department of Industries and Labour to which Honourable Members were not invited because at the time they were either out of India or not present at the headquarters of Government. On one occasion, for example, Honourable Members were not invited in order to save them the inconvenience of a journey to Delhi nearly a month in advance of the Session of the Council of State ; relevant papers were, however, sent to them in advance for favour of advice and remarks on the questions fixed for discussion at the meeting.

*Statement showing the number of meetings held by the Standing Advisory Committee, etc., attached to certain Departments of the Government of India.*

Year.	Number of meetings held.	Remarks.
DEPARTMENT OF COMMERCE.		
<i>Standing Advisory Committee.</i>		
1922	<i>Nil</i>	Notification nominating members to the Advisory Committee issued on the 16th November 1922. The Committee could not, therefore, be summoned till the Indian Legislature met in January 1923.
1923	2	
1924	3	
1925	<i>Nil</i>	There was only one case ripe for submission to the Standing Advisory Committee of 1925, but by the time this case was ready, the Council of State had been dissolved and the Committee ceased to exist. The facts of the case were, however, placed in January 1926 before the members of the Committee who were also members of the Assembly.
1926	<i>Nil</i>	It was not possible to constitute the Standing Committee for the Department of Commerce for 1926 as all the gentlemen nominated to be members did not intimate their willingness to serve on it, until only 2 days before the end of the concluding session of the second Legislative Assembly, which was then dissolved.
1927	<i>Nil</i>	Notification formally nominating the members to the Committee to be attached to this Department issued in September 1927 when the last session of the Indian Legislature at Simla had nearly come to an end and it was, therefore, not possible to summon any meeting in 1927.
1928	5	
1929	2	
1930	<i>Nil</i>	A meeting of the Committee was summoned on the 8th July 1930 but as only one Member turned up, the meeting could not take place.
1931	<i>Nil</i>	As the members for the Committee for 1931-32 were elected by the Indian Legislature when its Delhi Session of 1931 had nearly come to an end it was not found possible to summon a meeting during that session, nor could a meeting of the Committee be summoned during the Simla Session of the Legislature in September 1931 as owing to the 2nd Session of the Indian Round Table Conference all the members of the Committee were not available.
1932	<i>Nil</i>	No cases were ready for submission to the Committee during 1932. A new Committee for 1932-33 was constituted during the last Simla Session of the Legislature.
1933	<i>Nil</i>	No case is yet ripe for being placed before the Committee during the present session of the Legislature.

Year.	Number of meetings held.	Remarks.
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## DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

*Standing Advisory  
Committee.*

1922	.	Nil	
1923	.	1	
1924	.	1	
1925	.	1	
1926	.	Nil	
1927	.	Nil	
1928	.	1	
1929	.	Nil	} No Committee was constituted during these years.
1930	.	Nil	
1931	.	1	
1932	.	Nil	
1933 (to date).	.	Nil	

*Standing Emigration  
Committee.*

1922	.	13
1923	.	4
1924	.	4
1925	.	5
1926	.	4
1927	.	3
1928	.	2
1929	.	5
1930	.	2
1931	.	2
1932	.	1
1933 (to date).	.	1

*Standing Committee on Pil-  
grimage to Hejaz (consti-  
tuted in 1930).*

1930	.	1
1931	.	4
1932	.	2
1933 (to date).	.	1

## DEPARTMENT OF INDUSTRIES AND LABOUR.

*Standing Advisory  
Committee.*

1922	.	Nil	
1923	.	1*	*It was a combined meeting for the Departments of Commerce and Industries.
1924	.	2	
1925	.	3	
1926	.	2	
1927	.	Nil	
1928	.	4	
1929	.	2	
1930	.	1	
1931	.	Nil	
1932	.	2	

*Standing Committee on  
Roads.*

1929	.	1
1930	.	3
1931	.	3
1932	.	3
1933	.	1

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Year.	Number of meetings held.	Remarks.
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RAILWAY DEPARTMENT (RAILWAY BOARD).

*Central Advisory Council  
for Railways.*

1924	.	.	5
1925	.	.	3
1926	.	.	2
1927	.	.	<i>Nil</i>
1928	.	.	2
1929	.	.	2
1930	.	.	3
1931	.	.	1
1932	.	.	<i>Nil</i>
1933	.	.	1

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BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE  
TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 7th April, 1933, namely :

A Bill to supplement the provisions of the Bengal Public Security Act, 1932, the Bihar and Orissa Public Safety Act, 1933, the Bombay Special (Emergency) Powers Act, 1932, the United Provinces Special Powers Act, 1932, and the Punjab Criminal Law (Amendment) Act, 1932, for certain purposes.

A Bill further to amend the Auxiliary Force Act, 1920, for certain purposes.

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The Council then adjourned till Eleven of the Clock on Monday, the 10th April, 1933.

# COUNCIL OF STATE.

*Monday, 10th April, 1933.*

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

## PROVINCIAL CRIMINAL LAW SUPPLEMENTING BILL.

**THE HONOURABLE MR. M. G. HALLETT (Home Secretary) :** Sir, I rise to move :

"That the Bill to supplement the provisions of the Bengal Public Security Act, 1932, the Bihar and Orissa Public Safety Act, 1933, the Bombay Special (Emergency) Powers Act, 1932, the United Provinces Special Powers Act, 1932, and the Punjab Criminal Law (Amendment) Act, 1932, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Sir, it has been my duty during the short time I have been a Member of this Council to move the consideration of two other Bills which were designed to give local Governments necessary powers to deal with subversive movements, Bills which in some quarters were criticised as repressive legislation, but which I am glad to say that this Council, with a true appreciation of the realities of the situation has accepted and has passed with considerable unanimity. This Bill which I now commend to this Council is simpler than those which I dealt with on previous occasions. It will be remembered that at the time when it was decided to replace the Ordinances, and in particular the Special Powers Ordinance which was promulgated in July last, by legislation, the Government of India decided after a full review of the general situation that it was desirable to divide up legislation between the centre and the provinces. Certain powers which in their opinion were or would be required for the whole or greater part of British India were included in the Bill introduced in the central Legislature and passed in November last. It was left to the local Governments to decide in the light of local conditions what further powers they required in their own provinces. Local conditions differ considerably and the five Bills which have been passed differ in matters of detail though in their general form they are based on the provisions of the previous Ordinances. It is not relevant here to go into the details of those Bills except in so far as it is necessary to explain the provisions of this Bill before the Council. It will be seen on a reference to the Bill that clause 2 refers only to the Bengal Public Security Act, 1932. The Bengal Government and the Bengal Legislature by a large majority considered that it was necessary to make provision in that province for the appointment of Special Magistrates who would try certain cases if a situation arose which justified their appointment. They were only to try offences, punishable under the Act which they passed, or committed in furtherance of a movement prejudicial to the public security. It must be remembered that Bengal being a Regulation province, it is not possible to appoint Magistrates with power under section 30 of the Criminal Procedure Code as is possible in provinces such as the Punjab or the Central Provinces. They therefore included this provision, but having made

[Mr. M. G. Hallett.]

that provision for the appointment of these Magistrates, it is necessary for them to provide for appeals in the town of Calcutta itself. As those who are acquainted with Calcutta will know, the High Court there in certain respects exercises the appellate powers of a Sessions Judge. Therefore, clause 2 provides that any sentence passed by a Special Magistrate in any trial under the Bengal Public Security Act in the presidency town of Calcutta shall be appealable to the High Court of Judicature at Fort William. Similarly, on the same principle as is followed in section 30 of the Criminal Procedure Code, sentences exceeding four years passed by a Special Magistrate anywhere in the presidency are appealable to the High Court, sentences below four years being appealable under the ordinary law to the Sessions Judge. That section is, I think, quite simple, and is similar to the section which was included in the Bill which was passed by this Council last November to supplement the Bengal Terrorist Outrages Act.

We then get on to clauses 3 and 4. These clauses are directed to bar the jurisdiction of High Courts in certain respects. They are based on a section which was included in the Ordinance, section 78. In the first place, provisions have been inserted in a number of special local Acts providing protection for acts done or intended to be done in good faith under those Acts. Provisions of this nature have been included in the Act for Bihar and Orissa, Bombay, the United Provinces and Bengal. These provisions, however, as they stand in the local Acts can only apply to the courts subordinate to the High Courts and cannot bind the High Courts. The local Legislatures have no jurisdiction to deal with any matter which affects their High Court in their province. We propose that these provisions should extend also to the High Courts and we propose to enact in clause 3 that those sections shall have effect as if passed by the Indian Legislature.

In the second place, provisions have been inserted in certain of the local Acts that proceedings or orders purporting to be taken or made under the Act should not be called in question by any Court. Provisions on these lines exist in the Acts in Bombay, the United Provinces and Bengal and just as in the case of what I may call the indemnity provisions, to which I have referred just now, it is proposed by this legislation to extend the bar of jurisdiction beyond the subordinate courts and to apply it also to the High Court, so also it is proposed to enact that it will not be possible to call in question in the High Court proceedings or orders purporting to be made under the Acts passed by the local Legislatures. It may be somewhat obscure to Honourable Members why we have to include a special clause, clause 4, to deal with the Bengal Act and why we could not include the Bengal Act in clause 3. There is no substantial difference between the two and it is really only a matter of drafting. The reason is that when the matter was under discussion in the Bengal Legislative Council the question arose as to the jurisdiction of that Legislative Council to pass any clause which would affect the jurisdiction of the High Court. To make the matter clear they inserted a proviso in section 27 of their Act to the effect that :

“nothing in this section shall affect the jurisdiction of the High Court”.

It was explained when the matter was under discussion in the Bengal Legislative Council that it was not within the jurisdiction of the local Legislative Council to affect the powers of the High Court. It was to clear up that doubt and to make it perfectly plain that the local Legislature was not enacting a section which was *ultra vires* that this proviso was inserted, and

may quote what the Government Member in charge of the Bill in the Bengal Council said at that time. The Honourable Mr. Prentice said as follows :

" I would also make another thing clear. It must be clearly understood that this proviso is not interpreted as interfering with the freedom of the local Government to attain the introduction of legislation subsequently by which the jurisdiction of the High Court may be barred in the same way as subsequent legislation will be introduced in order to supplement clause 18 in respect of appeals ".

The Bengal Government, taking that view, requested us to introduce the necessary legislation in the central Legislature and we have acceded to that request and have included this clause in the Bill.

I now pass on to clause 5 of the Bill which it will be seen only refers to one Act, the Punjab Criminal Law (Amendment) Act of 1932. The proposal is that the *habeas corpus* provision of the Criminal Procedure Code should not be exercised in respect of persons committed to or detained in custody under the provisions of the Punjab Act. That is in fact a rather more limited provision than the general provision, which we have in the case of the other provincial Acts, that none of the proceedings or orders purporting to be taken or made under the Act should be called in question by any court. But the Government of the Punjab were satisfied that this bar of the *habeas corpus* jurisdiction was sufficient. I may explain that during the discussion of the Bill in the Punjab Council it was explained by the Government Member in charge that they intended to use section 2 of their Act chiefly, if not entirely, against terrorists. Section 2 gives power to arrest and detain suspected persons, and it is in respect of persons against whom such action is to be taken that we wish to have this bar of jurisdiction against the High Court.

Finally, there is clause 6 of the Bill which was introduced during the discussion in another place. That again is put in as a measure of caution to make the legal position clear and to show that the Government of India cannot and do not do anything that is *ultra vires* or that is beyond their jurisdiction. The Government of India and the central Legislature cannot do anything to affect the provisions of the Government of India Act and therefore we have specifically stated that nothing in this Act will effect the powers of the High Court under section 107 of the Government of India Act.

Those, Sir, are the provisions of this Bill which as I say is to supplement the Bills passed by large majorities in the provincial Councils. I trust that this Council will treat it as kindly as they have treated the other Bills I have introduced, and I trust that it will not be my duty to introduce any further Bill to supplement the criminal law of the land and that these powers will be found sufficient to enable local Governments and local executives to deal with any subversive movement that may arise now or in future.

Sir, I move.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, in my criticism of this Bill there may be some similarity in my arguments with those employed by Congress men. I employ those arguments because I feel after examining them that they are unanswerable. I am not a Congress man. With their methods and activities I have no sympathy. I have been the victim in many instances of Congress men in my province. However much I may believe in and support constitutional authority, and however much I may be prepared to allow them special powers to cope with the situation which is more or less of their own creation, I refuse to arm them with powers which are subversive of the elementary ideas of personal rights and liberties of the individual. We have



[Mr. Satyendra Chandra Ghosh Maulik.]

been told for generations and have been led to believe that the British courts of justice had always preserved and are very jealous of the rights and liberties of the individual. Anybody coming to a court always thought that he was going to get justice pure and undefiled. This, if I may say so, has been the cornerstone of the British Empire in India. It is not the British bayonets that have really kept 350 millions of Indians in subjection, but the keen sense of justice shown by the administrators and felt by the country. That has kept us bound to the British Throne in spite of many broken pledges and unredeemed promises. But I venture to submit that it is too much for me to support a piece of legislation which goes against all canons of jurisprudence. Legislation which seeks to deprive a man of the right of *habeas corpus* cannot possibly have my support or the support of any right-thinking man either here or outside the Council. There is one provision in this Act which gives power of appeal to an accused under certain circumstances, which may be considered as the only redeeming feature of the Bill under discussion. That too, as has been pointed out in the Legislative Assembly, is a doubtful privilege. I would here point out that this right of appeal extends sentences of over four years' imprisonment. But may I know what will be the proportion of such cases? There have been cases where persons who are acquitted and discharged as the result of an appeal have harassed and re-arrested under various pretexts even in the precincts of those courts. Between their acquittal and re-arrest a space of time cannot be calculated even by the Greenwich chronometer, not to talk of the old *Jantar Mantar* of Delhi. I call it an elusive right, a bait put forward to be swallowed by the Legislature and make the passage of the more rigorous sections smoother.

Section 3 of this Bill, as has been described by the leader of the Nationalist Party in the Assembly, provides for an indemnity in advance. This piece of legislation seeks to take away the liberties of the subject and the legal remedies hitherto open to him. Government officers are protected by many other enactments such as the Judicial Officers Protection Act and the relevant sections of the Penal Code. I think Government should have some faith in their own courts, and if they are able to satisfy those courts that they have acted in good faith they need have no fear. This section will have the effect of shifting the onus of proof from the defendant to the plaintiff. We have heard of the "Divine right of kings". We have heard of the maxim "The King can do no wrong". But before this Bill was introduced we did not know that the maxim applies even to a police constable. The idea is gaining ground that the Government is following a vindictive attitude under the cloak of law and order. People realize and think with some amount of justification that the Government mean to govern, not with the good will of the governed, but by treading under foot the 350 millions whose destiny has unfortunately been placed under their care. We are not living in the days when a "Tooth for a tooth" or "An eye for an eye" was the accepted principle of legislation. We are living in the 20th Century when people believe that after all the good will of the governed is necessary for the smooth working of the Government and the progress of the country. It is rather strange that Britishers who are at the helm of the administration, to whom the idea of freedom is inborn and whose love of the democratic system of government is proverbial, should have thought fit to bring forward a legislation of such a nature. True no doubt that the provincial Legislatures have passed similar enactments. I regret the action of the elected members there. This should have been an issue for an election and then and then only would the Government have found out what the public thought of these Acts. We fear to face the constituency on these issues. The

glamour of a seat in the Council or the prospect of an official favour, a pat on the back or a smile of recognition, have been too much for us. We are too much engrossed with ourselves, for our personal ends of gain and fail to play the part of real representatives of the people.

I know that I am crying in the wilderness and that the Bill will have the blessings of the House in no time. But, Sir, let me point out that the Government is doing a great mistake by enacting such extraordinary laws. By their action the Government are tending the people towards exasperation. With all the constitutional reform looming large on the horizon I thought this was the proper time for Government to seek the good will and co-operation of the country to enable with smoothness the functioning of the new constitution, but instead we are asked to provide fresh and new weapons and the most lethal ones in the armoury of the Government arming the police and the lower executive with powers that cannot but make them drunk and the use of which would endanger the very foundation of British Government in India. I therefore take this opportunity of warning the Government that they are on the brink of a precipice and every action of theirs which may be a false step will land the whole country in ruin and disaster. I may repeat here what a Bengali poet has sung :

“ Yata toder bnadhan shakta habey,

Moder bnadhan tootbey ;

Yata toder ankhi rakta habey,

Moder ankhi khoolbey ”,

which means that the more you tighten your knot, our bond of slavery will loosen ; the more you show your red eyes, our eyes will open.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, I rise to oppose the Bill before the House in as much as it seeks to practise a legal fraud on the people. The provincial Ordinance Acts, whatever may be their names, Sir, have already embittered the feelings of a vast section of the people, alienated their sympathy for Government, have created disaffection among them for the officials, tarnished the fair name of justice of the Britishers in India and last but not least have brought for Government contempt, and now, if on the eve of the new constitutional reform this Bill is passed into an Act it will add another black chapter to the history of India under the Britishers.

Clauses 3 and 4 of the Bill give a blank cheque to the officers whose actions could not be called in question by even the High Courts which means that they are going to be indemnified by this Bill which is a matter that should never be allowed to be on the Statute-book. In plain words, Sir, so far as these two clauses of the Bill are concerned, the people are going to be deprived of their liberty to seek relief in the High Courts. Already there have been many abuses of the provisions of the Ordinance Acts for which the people have had no redress of their grievances and there have been illegal actions too on the part of over zealous officers, as, for example, in the city of Calcutta where, under cover of the Bengal Public Security Act, eminent persons such as the venerable Pandit Malaviya, Mr. Aney and others were arrested and detained in goals and subjected to indignities although they were not members of any unlawful bodies such as the Reception Committee of the Calcutta Congress or of the Working Committee. Non-co-operators as they are, they have not challenged the legality of their arrests, but if they would have made any test case the result would have been surely not to the satisfaction of the authorities. However, Sir, if this present Bill is passed into an Act, the little privilege and right which the people now enjoy even after the passing

[Mr. Jagadish Chandra Banerjee.]

of so many Ordinance Bills in the provinces, would be reduced to nil, and the High Courts too would be debarred from taking any action on the acts done by the officers in so-called good faith under the Ordinance Acts.

And lastly, Sir, as clause 5 intends to curtail the power of the Lahore High Court to issue the writ of *habeas corpus* in respect of any person arrested, or committed to or detained in custody under the provisions of the Punjab Criminal Law Amendment Act, 1932, this Bill, when passed into an Act, will be looked down upon and regarded by the people as a piece of lawless law.

With these few words, Sir, I should like to oppose the entire Bill and hope that the House will agree to throw it out summarily as it is unnecessary, uncalled for and unwanted in the present circumstances of the country.

THE HONOURABLE MR. M. G. HALLETT : Sir, I do not think there is very much need for me to speak at any length in reply to the speeches that have been made. As on other occasions, this Bill has been attacked on the ground that it takes away the right of liberty of the subject. It must be remembered, however, that the powers given by the provincial Bills and by the central Bill which has been passed last session are only exercised very moderately. The total percentage of persons against whom action has been taken in exercise of these special powers is small compared to the total population of British India. I quoted some figures when I was speaking on one of these Bills on the last occasion and referred to the number of persons that had been convicted under the Ordinances. I could quote figures to show that the number of persons against whom executive action has been taken in exercise of these powers is even smaller still. We must recognise that there is a small minority—and I hope a rapidly decreasing minority—who think that they can coerce Government, can coerce their fellow-citizens, by methods of intimidation and terrorism. It is against that small minority that these powers are directed and the ordinary man need have no fear that he will be affected in any way by this Act or by the fact that this Act takes away the right of making references against executive orders to the High Court. It should be recognised that even this Bill does not in any way affect the ordinary rights of appeal to the High Court. As I have shown, there is a definite provision in section 2 for appeals in Calcutta and Bengal. In other cases, in other provinces, the right of appeal and the power of revision by the High Court, in criminal prosecutions will remain; one province has specifically mentioned that point—the United Provinces—although there was really no necessity to do so. The last speaker also stated that these Acts have embittered a large number of people of this country. I think that on an impartial view of the situation a different view might be taken and it might well be held that the improvement in conditions which has taken place in the last two or three months is on the whole due to the fact that the people of the country recognise that these Acts are necessary and have endorsed the action of the Legislatures, both provincial and central, in passing these Bills. I trust therefore that the House will accept this Bill as they have done the previous ones.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill to supplement the provisions of the Bengal Public Security Act, 1932, the Bihar and Orissa Public Safety Act, 1933, the Bombay Special (Emergency) Powers Act, 1932, the United Provinces Special Powers Act, 1932, and the Punjab Criminal Law (Amendment) Act, 1932, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Clauses 2 to 6 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. M. G. HALLETT : Sir, I move :

“ That the Bill, as passed by the Legislative Assembly, be passed. ”

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, in taking part in this debate at this stage I believe I am in good company. My Honourable friend, Mr. Ghosh Maulik, has just in his able speech opposed the Bill and has stated the grounds on which he wishes to oppose the Bill. My Honourable friend, Mr. Hallett, says that, as we passed in the last session a Bill having provisions similar to those in the present Bill, we should support this Bill also. But the difference is there, Sir, that that Bill related to the terrorist activities and this Bill is a Bill which is practically a supplementary Bill to the Ordinance Act which we opposed on this side of the House in the last November session. As I said on that occasion, Sir, the real remedy for bringing under control these activities—which you desire to bring under control by this sort of repressive legislation—is not by passing such repressive legislation but by giving further reforms and by taking the people of the country into your confidence. Any repressive legislation which you want to pass for good government must have the support of the people of the country. You might have been successful in carrying out repressive legislation—I mean the Ordinance Act—by the support of both Houses of the Indian Legislature but the opinion outside throughout the country was against passing such repressive legislation and by this Act you propose to take away the rights of accused persons from appealing to the High Court and the fundamental rights which every British subject must enjoy—I mean the right of *habeas corpus*—that also you want to take away. The people in India have got the greatest confidence in the justice of the High Court and I submit you are not proceeding on the right lines in shaking that confidence. By passing legislative measures like this you are helping the people—those people who have lost confidence even in British justice—you are helping the cause of these people and practically you are playing into their hands. Sir, those who have to deal with litigation, know fully that in some cases, where the lower courts have sentenced people to heavy punishments, they have been acquitted on appeal to the High Court. We have seen cases where the lower courts have given punishments of imprisonment but the High Courts have found them not guilty and have acquitted them. So, Sir, it is only the High Court that has created confidence in British justice and if you proceed in these directions not only will you shake the confidence of the people but you will support those persons, I mean those Congressmen who are boycotting the courts. You have published White Paper proposals, you are meeting in London for the purpose of framing the new Government of India Act, but at the same time you are passing repressive measures like this. I submit no constitutional proposals will be supported if by the power of the executive you simultaneously carry on repressive legislation. You are taking away the liberties and rights of the people and you are giving more power to the executive. Under British rule the High Court, at least up to the present time, has controlled to some extent the power of the executive. If by passing such legislation you want to deprive the High Court of that power I do not know where you will land yourself and in what way you will help the agitators who have boycotted the British courts.

[Mr. Vinayak Vithal Kalikar.]

It is in our interests, I mean in the interests of those people who differ with the Congress people, and it is in your interest also that you must not play into the hands of the agitator. I therefore submit, Sir, that this is a wrong step that you are taking and you are practically helping the Congress people. What do we see in England? Two or three British subjects have been arrested in Russia and the whole House of Commons is against them, they are going even to the extent of severing their connection with Russia. But here we find repressive measure after repressive measure being passed and power being taken away from the High Courts which you have established. We see, Sir, in the Bill certain projects which take away the power of the High Court. While you give power under clause 2 (a) you take away the power of the High Court under clause 2 (b). We see that the power of the High Court even so far as imprisonments are concerned is taken away. So what I submit in short is this that by passing these laws for controlling the activities of the Congress you deny the Congressmen the ordinary rights as human beings. You must allow them the enjoyment of the rights to which they are entitled and to which every British citizen is entitled in the British Commonwealth. I mean the right of appeal, of engaging pleaders and conducting their defence and if you deprive them of all these powers I submit you are practically depriving an individual of his rights and liberties. I therefore oppose the Bill.

THE HONOURABLE MR. M. G. HALLETT: Sir, I must give the same reply to the Honourable Member as I gave before. I think he still labours under the impression which I endeavoured to meet in my first speech. No right of appeal is taken away. If a person is prosecuted under these Acts or under any of the other Acts which have been passed for dealing with the civil disobedience movement, if he is convicted by a lower court and if he considers that the conviction is wrong or the sentence is unduly heavy, he has the right of going to the High Court and the High Court can upset that conviction or sentence. In fact, as Honourable Members probably have noticed, in some cases in which the accused himself has not thought fit to go to the High Court, a person who calls himself *amicus curiæ* goes before the High Court and gets the order modified or reversed. There is no doubt that he is given the ordinary right of appeal. The Honourable Member referred in particular to clause 2(b) as reducing the powers of the High Courts. That clause, as I have already explained, is exactly on the same lines as the provision in the Criminal Procedure Code regarding magistrates with powers under section 30. In cases where a small sentence is imposed, the appeal is to the Sessions Judge. If necessary, the accused can then go on revision to the High Court. Similarly, here the appeal goes to the Sessions Judge in the case of small sentences and to the High Court when a sentence of more than four years is imposed. These Acts, therefore, do not in any way restrict the ordinary right of appeal against criminal convictions. They merely protect Government officers and executive officers from being harassed by unnecessary references to the High Court. They prevent delays in criminal cases and expedite the disposal of these cases. I do not think any one need be afraid that the liberty of the subject on a large scale will be removed by the passing of this Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill, as passed by the Legislative Assembly, be passed."

The motion was adopted.

## AUXILIARY FORCE (AMENDMENT) BILL.

THE HONOURABLE MR. J. BARTLEY (Government of India : Nominated Official) : Sir, I beg to move :

"That the Bill further to amend the Auxiliary Force Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Sir, the honour of making this motion has devolved upon me owing to a circumstance which the House will regret as much as I regret it myself, namely, the illness of His Excellency the Commander-in-Chief, who is unable to be present today. The House will no doubt sympathise with him and will regret that his knowledge and experience is not at their disposal and I hope that it will extend to me a certain degree of forbearance in the position in which I find myself. Fortunately, however, Sir, this Bill does not require any elaborate exegesis or any impassioned advocacy because it is aimed at producing two results which will commend themselves to this House, efficiency and economy. The Auxiliary Force Act has now been on the Statute-book for 13 years and the experience of those years has led to the conclusion that certain of the provisions are lacking in elasticity and prevent the achievement of certain economies which the Army Department saw could be attained without loss of efficiency and which they desire to attain. This Bill introduces into the Act some slight modifications by which these economies will be brought about. The Force has hitherto been organised in three classes, the Active Class in which members of the Force under the age of 31 were automatically included, Reserve Class A containing those members who had passed the age of 31 and were still under 40, and Reserve Class B containing the members over the age of 40; and the Schedule laid down a rigid scale of training for each of these classes. There was power under the Act to reduce the training in the case of individuals, but there was no power to reduce the amount of training prescribed in the case of whole units, and even if, consistent with efficiency, it was desirable to reduce the amount of training, it was impossible to do so under the Act. Now, the training is really the expensive feature of the administration of this Act. Amendments introduced by this Bill reorganise the Force into two classes only, an Active Class and a Reserve Class and give power to the Officer Commanding the Corps or Unit to decide precisely how much training is necessary in a particular year for his Corps or Unit. The age limits of the various classes have been removed and a more elastic power is given of transferring from one class to the other individual members. This will enable the authorities to include in the Active Class at any particular time only those members who are likely to be called upon in an emergency and who are likely to be available in an emergency if so called upon. There are a good many members of the Active Class who by reason of their occupation are not likely to be available. In an emergency they will be required elsewhere and will not be available for the purpose of the Auxiliary Force. There are also always certain members of the Active Class on leave. They could be transferred to the Reserve Class and re-transferred to the Active Class in accordance with the expedencies of the moment. That is the main principle involved in the Bill before us. Certain minor changes in the Act have also been made for the more convenient administration of the system. "Competent military authority" which was rather rigidly defined in the Act, has been now defined in a more elastic manner so as to permit that officer to be specified as the competent military authority, in respect of any particular power or duty of the competent military authority who in practice is the most appropriate person to perform the particular function in question. The proposals contained in the Bill were discussed in November by a Committee and that Committee succeeded in reaching a very

[Mr. J. Bartley.]

large measure of agreement. The Bill itself was considered in Select Committee and in that Select Committee no changes were made. One small amendment was made during the passage of the Bill in the Lower House, which merely implemented more fully one of the objects which had been adumbrated in the Bill as introduced.

I think, Sir, it is unnecessary to deal in any greater detail with the measure, which I am sure will commend itself to the House.

Sir, I move.

The motion was adopted.

Clauses 2 to 13 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. BARTLEY : Sir, I move :

"That the Bill further to amend the Auxiliary Force Act, 1920, for certain purposes, as passed by the Legislative Assembly, be passed."

The motion was adopted.

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#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : With your permission, Sir, I desire to make a statement with regard to the course of legislative business now outstanding.

It is hoped that there may be a Bill from the other House ready for laying on the table tomorrow, but I am not yet in a position to estimate accurately when we may expect to receive the remaining Bills that are before that House.

I would propose, therefore, Sir, that this House might meet at 5 p.m. tomorrow for the laying on the table of any Bills meanwhile received from the other House. I hope to be in a better position tomorrow evening to decide the further course of legislation in relation to the Bills that may then be outstanding.

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The Council then adjourned till Five of the Clock on Tuesday, the 11th April, 1933.

## COUNCIL OF STATE.

*Tuesday, 11th April, 1933.*

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

### SHORT NOTICE QUESTION AND ANSWER.

**THE HONOURABLE THE PRESIDENT :** The Honourable Mr. Kalikar has got leave to ask a short notice question. As it has not been circulated, will the Honourable Member please read it ?

**LETTER FROM MR. GANDHI TO HIS EXCELLENCY THE VICEROY.**

**THE HONOURABLE MR. VINAYAK VITHAL [KALIKAR :** Will Government be pleased to state :

(a) Has the attention of Government been drawn to an Associated Press message in the *Hindustan Times* of 9th April regarding a letter from Mahatma Gandhi to His Excellency the Viceroy ?

(b) Is it a fact that His Excellency the Viceroy or the Government of India requested Mahatma Gandhi to express his views on the White Paper proposals ?

(c) If the answer to part (b) is in the affirmative, was Mahatma Gandhi supplied with a copy of the White Paper and given other facilities to express his views ? If not, why not ?

(d) Does Government propose to secure the co-operation of the Indian National Congress in framing the new constitutional proposals ?

(e) In view of the opinions expressed by Mahatma Gandhi in his above-mentioned letter regarding the civil disobedience movement, does Government propose to give him necessary facilities to consult his colleagues on the executive body of the Indian National Congress on the question of calling-off the civil disobedience movement and taking part in the framing of the new Government of India Bill ?

**THE HONOURABLE MR. M. G. HALLETT :** (a) Yes. I shall answer parts (b), (c) and (e) together, with your permission, Sir.

(b), (c) and (e). There is no truth whatever in the statement appearing originally in the *Bombay Chronicle* of 8th April that it had been decided to ask Mr. Gandhi to give to the Viceroy a statement of his views as to the present situation and the proposals which emerged from the third Round Table Conference and are now embodied in the White Paper. Nor has Mr. Gandhi of his own initiative addressed any such statement to the Viceroy or to the Government of India. As there has been no such correspondence questions (c) and (e) do not arise.

(d) It is always open to the Indian National Congress to co-operate in framing the new constitutional proposals should they wish to do so.



THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May we understand, Sir, that the report as published in the papers was incorrect ?

THE HONOURABLE MR. M. G. HALLETT : It was entirely without foundation, Sir.

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BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes, which was passed by the Legislative Assembly at its meeting held on the 10th April, 1933.

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STATEMENT OF BUSINESS.

THE HONOURABLE THE PRESIDENT : Is the Honourable Leader of the House in a position to make any statement regarding the course of public business ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, the course of events in the other House has been more than usually uncertain. There is, however, reason for me to believe that certain Bills will be passed in the course of today and tomorrow. I therefore suggest that we meet tomorrow at 7 P.M. to enable these Bills to be laid on the table in accordance with rules, and then meet again on Saturday in order to proceed with the Bill that has been laid today and the Bills which will be laid tomorrow.

THE HONOURABLE THE PRESIDENT : I entirely approve of the suggestion made by the Honourable Leader of the House. Tomorrow evening we will only meet for the purpose of laying on the table any Bills that are passed by the Legislative Assembly. I may also inform Honourable Members—and I know that many of them are anxious to go back to their homes—that on Saturday I propose to take up all the Bills and if necessary to sit till a late hour and finish them all.

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The Council then adjourned till Seven of the Clock on Wednesday, the 12th April, 1933.

# COUNCIL OF STATE.

*Wednesday, 12th April, 1933.*

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

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

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 11th and 12th April, 1933, namely :

A Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose.

A Bill to provide for the imposition of additional duties of customs on imported goods for the purpose of safeguarding industries in British India.

A Bill further to amend the Indian Tariff Act, 1894, for a certain purpose.

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THE HONOURABLE THE PRESIDENT : As the Council is now in possession of these three Bills and of one other which was placed yesterday on the table, we shall be able to proceed with all these Bills on Saturday next. As some of the Members have expressed a desire to leave Delhi that very afternoon, I propose to summon the meeting of the Council at 10-30 A.M. on Saturday next and I trust we shall be able to finish our work before lunch. If we are not able to do so, of course, I propose to sit to a late hour and finish the work that day.

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The Council then adjourned till Half Past Ten of the Clock on Saturday, the 15th April, 1933.

# COUNCIL OF STATE

Wednesday, June 14, 1933  
12:00 P.M.

The Council Chamber of the Council House at Dover  
New Jersey, June 14, 1933

## THE LEGISLATIVE ASSEMBLY Laid on the

TABLE  
The following bills were laid on the table at the meeting held on the 14th and 15th of June, 1933, in accordance with the provisions of Article XXIV of the Constitution of the State of New Jersey.

1. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
2. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
3. A bill to amend the Income-tax Act, 1922, for a certain purpose.

The following bills were laid on the table at the meeting held on the 14th and 15th of June, 1933, in accordance with the provisions of Article XXIV of the Constitution of the State of New Jersey.

4. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
5. A bill to amend the Income-tax Act, 1922, for a certain purpose.

The following bills were laid on the table at the meeting held on the 14th and 15th of June, 1933, in accordance with the provisions of Article XXIV of the Constitution of the State of New Jersey.  
6. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
7. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
8. A bill to amend the Income-tax Act, 1922, for a certain purpose.

The following bills were laid on the table at the meeting held on the 14th and 15th of June, 1933, in accordance with the provisions of Article XXIV of the Constitution of the State of New Jersey.

9. A bill to amend the Income-tax Act, 1922, for a certain purpose.  
10. A bill to amend the Income-tax Act, 1922, for a certain purpose.

# COUNCIL OF STATE.

*Saturday, 15th April, 1933.*

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

## INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member) : Sir, I move :

" That the Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Honourable Members will no doubt remember that in response to a Muslim demand made in 1928, Government appointed a Haj Inquiry Committee in March, 1929, and on that Committee Members of this Council were also represented. That Committee made an exhaustive tour and presented its report in 1930. That report was examined by Government and was duly considered in consultation with local Governments and the Haj Standing Committee on which again this House is represented. It was as a result of these consultations that the present Bill was prepared. It is one of the three Bills prepared in pursuance of the recommendations made by the Haj Inquiry Committee. One of these three has already been passed by this House ; this is the second Bill and the third one is not being proceeded with for the present. Honourable Members will have noticed that the basic idea of the present Bill is to make for the comfort and convenience of the pilgrims without adding to their expense. The object is that as far as possible Haj be not made expensive, but at the same time all comforts that can be secured for them should be secured. It was found by the Haj Inquiry Committee that the practice of the Hajis cooking for themselves was such as was absolutely insanitary, even dangerous and did not permit those interested in them to do anything in the way of affording comforts and conveniences for them. This was the basic idea of the report, and it is this idea which is the pivot of the present Bill. When this provision is enforced, it is hoped larger space will be available for pilgrims for their accommodation.

The next provision in the Bill which is of some importance is to make pilgrims immune against cholera and small-pox by inoculation. This will do away with the need for quarantine at Kamaran, a matter of very great importance.

The third important provision is : When the pilgrims return, they have to wait for boats. The waiting period was 25 days previously during the period immediately following the Haj. That 25 days has now been reduced to 15.

The fourth important point was that no real attempt could be made to enable Hajis to leave the ports of embarkation in India as soon as they arrived there. They had to wait for days, sometimes weeks, which added to their expense and discomfort. We have introduced provisions which enable

[Khan Bahadur Mian Sir Fazl-i-Husain.]

provisional dates to be advertised so that Hajis can arrange their arrival accordingly, and at the same time we have provided that shipping companies should be able to comply with the statute later by giving exact dates.

There is one point on which Government has not been able to comply with the recommendations of the Haj Inquiry Committee and that is with reference to their wish that deposits be made compulsory and return tickets be abolished. After very careful consideration we came to the conclusion that for the present it was best to try both systems side by side on a voluntary basis. It is true the shipping companies would on their side try to push the return ticket system; but, on the other hand, if the deposit system is undoubtedly superior to the return ticket system, there is no reason why Hajis themselves should not see the advantage, and further there is no reason why the Port Haj Committee when it is operating should not be able to convince Hajis who are ignorant of the facts of the comparative merits of the two, so that they may decide in favour of deposit and against the return ticket. In the meantime all privileges that attach to return tickets have been extended to deposits as well. Lastly, Sir, unclaimed deposits and the value of unused return tickets, at present not provided for by law, have been arranged for, and when such amounts are received by Government they will be transferred to the Port Haj Committees which will give them funds to be utilised for the convenience and comfort of Hajis. That, Members will realize, is a very satisfactory provision.

We cannot, Sir, in this world have all we want, and even if we get all we want we are apt to feel that there is something else we did not get. That is human nature. Therefore I will not say anything myself which Members might criticise as self-laudation on the part of one who has produced the Bill, but I have ventured upon a few words of commendation realizing that the Bill really is not my handiwork at all. Credit for it I claim, not for myself, but for the Haj Inquiry Committee on which representatives of this House also sat. They have done a great work and great credit is due to them. I trust that Honourable Members will realize that this was a Committee brought into existence because the Muslim public wanted it, that the Committee worked in the interests of the public and that their recommendations were speedily brought under consideration by Government, resulting in legislation within a very short period of time. I am told by those who know these things, that there are not many instances where necessary legislation of this description has been introduced and passed after receipt of the recommendations of a Committee so quickly as in the present case.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, it has been rightly observed by the Honourable Leader of the House that the Bill before us is the outcome of the investigations of the Haj Inquiry Committee. Sir, Honourable Members are aware that this Committee was appointed at the instance of non-official Muslim Members of the Assembly. The personnel of the Committee comprised Honourable Members of this House as well as of the Assembly and the great majority represented the most orthodox school of Muslim views. The Committee toured all over the country; it examined hundreds of witnesses and took every step to study the conditions of the Haj pilgrim traffic. After an exhaustive inquiry it submitted its report. Among the recommendations made were some which demanded modification of the Indian Merchant Shipping Act

in some respects. Government examined those suggestions, consulted provincial Governments, shipping companies, the Standing Haj Committee and all others concerned in the matter and then formulated proposals which are now before us for consideration. If we thus recall to our mind the history of the events which have led to the framing of this Bill, if we only bear in mind the fact that on this Committee there were persons like Maulana Sayid Murtaza Sahib, Maulana Shafi Daoodi Sahib and several others, than whom no better selection could have been made to represent the Muslim orthodox view—if we bear all this in mind, there can be little doubt left as to the purpose for which this Bill is really intended, inasmuch as all the provisions in the Bill are in the main based upon the recommendations of that Committee. With your permission, Sir, I would like to take this opportunity to tender our most grateful thanks to the Honourable Leader of this House for having so promptly striven to give effect to the recommendations of the Haj Inquiry Committee. Even if action is taken on the recommendations of such Committees, it is not often done at an early date. The Haj Inquiry Committee is lucky in this respect. Not even three years have elapsed since it submitted its report and its recommendations are now the text of the legislation before us. Sir, the readiness with which the Honourable Member in charge has hastened to carry into effect the Haj Committee's recommendations offer another and unmistakable proof of his solicitude for the well-being of Haj pilgrims.

Sir, as the Honourable Leader of the House has already dealt in detail with the provisions of this Bill, I would in my speech confine myself only to some of its salient features. Sir, one of the main provisions of the Bill is the supply of cooked food to pilgrims on board ship. Sir, under the present arrangement when cooked food is not being supplied to pilgrims, they are put to considerable difficulty. All the disadvantages, the evils that accrue from allowing pilgrims to cook their own food, have been referred to and explained at length in the report of the Haj Committee. Therefore, Sir, this provision to supply cooked food to pilgrims on board ship will not only save pilgrims from the trouble of cooking their own food but it will also tend to conduce to a very great extent to their comfort in several other ways. Sir, it is obvious that this arrangement will bring about better sanitary conditions and much healthier conditions on board ship. Sir, when pilgrims are required to prepare their own food, it is necessary that they have to keep with them all the foodstuffs and kitchen utensils necessary for cooking their food. The result is that out of the limited space allotted to each pilgrim a portion has to be set apart for storing these articles. Now that under the proposed arrangement pilgrims will not be required to prepare their food they will not be put to the necessity of keeping all those articles with them and even if any of them carry kitchen utensils and foodstuffs, those articles might very well be deposited in the hold of the ship. Therefore, Sir, this arrangement would go to make more room available for the comfort and convenience of pilgrims. Sir, it is proposed to fix the rate for the supply of this food and it is hoped that not more than one rupee will be fixed per diem for the same. In this connection I would submit to the Honourable Member in charge that the rate stated be fixed at less than Rs. 1 per diem for adults and provision should be made that in the case of children under 12 years of age the rate should be half the rate fixed for adults. Sir, in this connection I have to draw the attention of the Honourable Member to one very important aspect of the question. Sir, when under section 213 of the Merchant Shipping Act rules come to be framed, care should be taken to see that pilgrims are supplied with food which is not only wholesome but is also absolutely unobjectionable from the point of view of the orthodox Muslim. The caterers, the contractors of the shipping companies, should be required to employ Muslim cooks and use only

[Saiyed Mohamed Padshah Sahib Bahadur.]

such meat as they can get from animals duly slaughtered. Unless these precautions are taken all the elaborate arrangements which are obviously for the comfort and the well-being of the pilgrim traffic would hardly be of any avail. Sir, it is a matter of common knowledge that Mussalmans, whether of the very orthodox type or otherwise, always refrain from partaking of meat of animals which have not been duly slaughtered. To ensure this, Sir, it may be necessary that the Port Haj Committees be afforded all necessary facilities to inspect and check arrangements in this respect in order that they may satisfy themselves. It may be necessary also that these Port Haj Committees may be required to submit reports periodically, say about a couple of months after the Haj as to the way in which these food arrangements have worked. These Committees may make enquiries of the pilgrims on their return from the Hejaz and find out for themselves how the food arrangements have worked and how far they have been appreciated by those pilgrims. Sir, now and then it may also be necessary that one representative at least of the Port Haj Committees and the Standing Haj Committee may have to travel on board the pilgrim ship to watch the food arrangements and for this purpose it would be advisable that on those occasions such a representative is provided with a free passage.

Sir, another important provision made in this Bill is the reduction of the waiting period from 25 days to 15. This is a very salutary change and one which is bound to result in much greater convenience to the pilgrim on return from the Hejaz and save them from a great deal of trouble at Jeddah.

Sir, the provision regarding the advertising of the approximate date of the sailing of the ship to be followed later by the exact date is also calculated to go a very long way in curtailing the period of waiting at the port of embarkation. Again, Sir, the fixing in the Bill of the minimum space for each pilgrim is decidedly to the advantage of the pilgrim. Sir, what happened, what is even now happening, is this. Even though the rules entitled the pilgrim to some fixed space on deck the pilgrim seldom or never enjoys the whole of that space allotted to him. But now that a statutory provision has been made in the Bill fixing this space it may be reasonably hoped that the pilgrim would be able to secure for himself the space allotted to him under the law. Now, Sir, while I am on this aspect of the question, I would like to stress the desirability of doing everything necessary to see that all the heavy luggage of the pilgrim passengers is deposited in the hold of the ship. If, Sir, the pilgrim is not inclined at present to keep his luggage in the hold, it is simply because arrangements in this respect are far from satisfactory. The shipping company never cares to number and register the packages properly. They do not take steps to inspire the pilgrim passenger with confidence and remove all room for any apprehensions that his luggage may be lost. Again, Sir, when the pilgrims deposited their luggage in the hold of the ship it should also be provided that they should be given access to their luggage in the hold for a certain period in the day. By making these arrangements, Sir, it will be possible to have all the heavy luggage of the pilgrims kept in the hold, so that more room may be available to the pilgrims on deck.

Sir, as regards the deposit system, it would have been better if the

Government had seen their way to do away with the return ticket system. This deposit system is decidedly in the interest of the pilgrim. Even though to all outward appearance the return ticket system holds out the same convenience and facilities for the pilgrims

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it very often happens that a pilgrim who takes a return ticket finds himself at a much greater disadvantage than the other who has travelled under the deposit system.

Sir, I may draw attention to the recommendation made by the Haj Inquiry Committee in regard to the fare. At a time when the original fare stood at Rs. 195 return fare, this Haj Committee was of opinion that it could be reduced to Rs. 158 including also the food expenses. Now the conditions are very different. The commodity prices are very much lower now than they were at the time that recommendation was made by the Haj Committee. There has been a reduction of expenses all round and every endeavour should therefore be made to see that the fare is brought down to the figure which the Haj Inquiry Committee recommended. (Hear, hear.)

Sir, besides the provisions to which I have made reference there are several other provisions in this Bill which are calculated to conduce to the comfort and well-being of the pilgrims but since all these details have been dwelt upon by the Honourable the Leader of the House I do not propose to go any further into these features of the Bill.

One word more and I have done, Sir. The Bill is manifestly in the interests of the pilgrims and if steps are taken to see that these provisions are duly carried into effect it will certainly go a long way to improve the hard lot of the pilgrims who really deserve every help that is proposed to be given to them by this Bill and also every possible help for which any further steps may also be devised in the light of the experience that may be gained in the working of the provisions of this Bill.

Sir, I support the motion.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, if I rise to speak on this measure it is neither to support it *in toto* nor to affirm that it does not confer any benefit on the Muslim pilgrims. There is no doubt about the fact that this measure was brought forward by the Government with the laudable intention of conferring some benefits and advancing to a certain extent the rights of the pilgrims. If there has been any opposition in the country about this Bill it is mostly due to the fact that the advance has not been sufficient, that the advantages which we hoped to have had from this measure, have not materialised. It is because, Sir, if we analyse the whole Bill, we find that the measures recommended by the Haj Committee have not been carried out in its entirety. There is no doubt about the fact that the Government has been quick in bringing forward the measure but that does not satisfy us because of its defects of omission. Sir, first of all I should like to lodge my protest against the formation of the Haj Inquiry Committee in which out of nine non-official Members seven Members from the Legislative Assembly were taken —

THE HONOURABLE THE PRESIDENT : Don't you think that that is an ancient story now ?

THE HONOURABLE MR. HOSSAIN IMAM : Well, Sir, that is why the Bill is so defective, because it is based on that. Now, Sir, I should like to say that even the recommendations of the Haj Inquiry Committee were not carried out *in toto*. Too much stress has been laid by the Government as well as by its opponents on the question of cooked food which in itself was not



[Mr. Hossain Imam.]

deserving of the importance which has been given to it. The Government in its reforming spirit went forward to make this innovation because they were fortified by the finding of the Haj Committee but even that Haj Committee itself accepted the fact that the weight of evidence adduced before it was against this innovation. A compromise was offered when the Select Committee sat in Simla in the summer of 1932, and that compromise, if it had been accepted, would have gone a long way to disarm the opposition to this Bill. But unfortunately that compromise could not be effected. My reason now, Sir, for not opposing the Bill is that I find that this Bill does to a certain extent advance our interest and we reserve to ourselves the right to demand further improvements when we find that this measure does not satisfy. I think this is not a thing to which even Government Members will take an objection, because they themselves admit that they have not done all that they could have done in the removal of the difficulties. In this connection I should like to remind the Honourable Member in charge of the recommendations of the Haj Inquiry Committee that the rate should be Rs. 158 including food. This Rs. 158 probably included Kamaran charges on page 79, paragraph 175. The Government should endeavour to bring down the fare including the cooked food to this rate. I quite admit that it cannot be done by statute but the Government has more strong and persuasive measures by which it can press its views and it does press them when it wants to. Sir, there are some improvements which it is possible for the Government to make without having recourse to legislative enactment for that purpose. At the moment, Sir, the accommodation which used to be 96 cubic feet and 16 superficial feet by means of rules has been incorporated in the Bill. I am very glad to find, Sir, that in the other place the Member in charge promised to mark out in the holds group seating, but I should also like and urge upon the Government the necessity of marking on the tickets the hold numbers for which they are available. If this is done, we will be able by that means to segregate to a great deal the pilgrims from the different provinces. I would also urge that on the upper decks, marking should be placed to mark out to which between deck hold this particular deck belongs. It will in reality be dividing up the upper deck into eight or ten parts. It will be no great difficulty to the Government but it will greatly facilitate the pilgrims in finding out to which particular hold in the between decks and to what particular spot in the upper deck they belong. In addition, I would like to commend the view of Sergeant Orford given in paragraph 148, page 87, in which he strongly advocates an arrangement by which the tickets will be marked with the spots allotted to the passengers. If it is not possible to allot particular places on the tickets, at least the holds should be mentioned on the tickets. This will greatly facilitate the passengers and ease their troubles which are now encountered by Bengalis being pushed in with Afghans —

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :  
Brotherhood.

THE HONOURABLE MR. HOSSAIN IMAM : There is another recommendation of the Haj Committee which does not find any place and which I hope Government will try to incorporate in the rules, and that is about the washing places. At the present moment, in the rules the numbers are not fixed. The Haj Committee recommended that the number should be fixed at the rate of one washing spot for each hundred pilgrims carried on the ship.

There is no doubt, Sir, that Government wanted to do us good, but the way in which they did it was unsatisfactory because it was not thorough enough and because they were too mindful of the interests of the shipping companies. I know that shipping companies have at the moment a sort of monopoly and they can dictate to them. If the Government were in earnest, they could induce even the shipping companies. When they can dictate to Mahatma Gandhi and Congress, I think they can dictate to Turner, Morrison and Company as well.

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON** (Punjab : Nominated Non-Official) : Induce them by soul force !

**THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN** (East Punjab : Muhammadan) : Sir, it was I believe in pursuance of a Resolution of the Legislative Assembly that the Government of India undertook to enquire into the conditions of Haj travel with a view to ameliorate them from the view-point of health and comfort of pilgrims to the Hejaz. Exhaustive enquiries were instituted at the ports and elsewhere, through Haj Committees and other representative agencies, and the result of those extended labours we see in the form of the Bill which is today before this House. The Bill was piloted through the Assembly by Mr. Bajpai, a worthy son of my valued friend and colleague on the Jaipur Council of State, Rai Bahadur Pandit Sitla Parshad Bajpai, and it has fallen to the lot of that high-minded patriot and statesman the Honourable Mian Sir Fazl-i-Husain to see it through to a successful issue. Sir Fazl-i-Husain's name shall remain associated with many constructive efforts of the Reforms era.

It has been said—very uncharitably I think—that Government desire to discourage Haj through this measure. Actually this Bill has the blessings of men like Maulana Shafi Daoodi, Sir Abdul Rahim Makhdom, Sayyed Rajan Bukhsh Shah, Seth Haji Haroon—men who yield to none in their spirit of independence or their love of solicitude for the pilgrimage to Hejaz, and the mere association of their names with the measure is a guarantee of the fact that it is covered with the best of intentions in the best interests of the Hajis.

There are one or two points, however, which I should like to emphasize in order to make this Bill more useful to the public. At present the pilgrims are huddled together like sheep on board the steamers with the result that very meagre space is permitted to them. The Bill makes it obligatory on the shipping company to provide at least 16 feet space to each passenger. In actual practice I think it may be possible to induce the companies to permit more than that, for with better conditions of ocean travel and perhaps the building of the projected railway in the Hejaz the increased traffic and consequently increased income will make it easier for the companies to provide ampler spaces.

Sir, I strongly endorse the view that cooked food should be supplied to the Hajis. But to meet their susceptibilities in this connection the cooking arrangements should be under the supervision of an orthodox Muslim food inspector. We have got a system of Hindu and Muslim refreshment rooms on the North Western Railway and these refreshment rooms are very popular, and on the same system the food arrangements should be made on the steamers with rates fixed for different kinds of dishes. The staple food of a Kashmiri is rice. Cooked rice will be supplied to him and he will pay for the same according to the tariff rate. Thus it will be possible for the passengers to take their meals according to their own taste and requirements. The system should be elastic and the payment should be based on daily consumption and

[Khan Bahadur Chaudri Muhammad Din.]

should not be in the form of a lump sum for the whole voyage. I mean it should be open to pilgrims not only to select their dishes and pay for them every day, but they should not be made to pay anything on account of food during periods when owing to illness or disinclination they do not eat anything.

These improvements will, I venture to think, go a long way to make the measure useful and will earn the gratitude of the numerous pilgrims.

THE HONOURABLE KHAN BAHADUR DR. SIE NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, it is a matter of considerable satisfaction to one like me, who was connected for over 25 years with the Hajis, especially those who used to be removed to my hospital when suffering from small-pox, cholera and other infectious diseases. They used to come from very long distances, sometimes from Central Asia and Turkestan taking several months on their journey, as also from the Far East, from places like Java. But the most miserable and the poorest of the whole lot came from Eastern Bengal. They were drawn from Comilla, Mymensing, Barisal and Dacca, and their condition was indeed deplorable. Their ages varied between 50 to 70 years. Their clothes and bedding were mere rags. If one were to see their food—it was so poor, so unnutritious and so bad that even the hospital sweepers did not care to touch it. It used to be wrapped up in dirty packets, or in pieces of dirty cloth, and it was surprising how they managed to live upon such material on their journey from Bombay to Mecca. They used to complain bitterly that they were being looted at every step. When asked to deposit their money for safe custody, they were suspicious lest it might share the same fate. They would not repose confidence in any one. I once saw a man remove five sovereigns from a pouch in his throat where he had secreted them, because there was no other place where he could hide them ! On the return journey, they had practically very little food and suffered from diarrhoea and dysentery. The provision which has been made in this Bill for cooked food is indeed salutary. I am however afraid that the suggestion made by the Honourable Member that a number of different dishes should be prepared and sold to Hajis at a fixed tariff, according to their liking, is not at all practicable. To conform with the tastes and susceptibilities of all the different people numbering 1,000 to 1,500 would necessitate the employment of several cooks, if individual tastes were to be satisfied. That would indeed be a heroic task. As regards space, 16 square feet are certainly given per passenger, but what happens is that the more virile races push the weaker ones out and absorb their space ; the poor Bengalis, for instance, have thus to go down to the lower decks. I would therefore suggest that the spaces should be marked out and numbered and nobody should be allowed to encroach on the space allotted to his neighbour.

With regard to water, there have been very grave complaints that pumps are kept open only in the morning and evening for short periods and in the scramble for water, the weaker go to the wall and get an insufficient supply for their needs. The water is often scanty and unpotable on the return journey. As regards food, it is, as I have said, a salutary measure that they should be supplied with cooked food. In the case of the poorer pilgrims who cannot possibly afford to pay for their food I would suggest that the Muhammadan princes and rajas should organise a fund from which these might be helped with sufficient money to cover the cost. After all, these people are not going on a pleasure cruise but in pursuance of a religious duty in which they have implicit faith. Unless such a fund is established, I do not

think these poor people will be able to pay Rs. 20 or Rs. 30 which is to be demanded for their food in addition to the passage money and other incidental expenses.

As regards medical arrangements. There is one medical officer for 999 pilgrims, and a compounder, an ayah and a sort of a wardboy. That is hardly enough. The accommodation given to the medical officer is not enough, and the ignorant ayah and wardboy are no good. What is wanted is a well-trained nurse-midwife speaking Urdu. An Anglo-Indian or European person should be employed. One other complaint I have heard is that when the captain is not conciliatory, the doctor cannot get proper attention to be paid to the sanitary condition on the ship as he is not vested with any authority. It is to be hoped that proper attention will be paid in the rules to be framed under the Act for the sanitary condition on board. I believe that the rules laid down by the International Sanitary Convention of 1926 are being adhered to and those rules no doubt provide for all necessary measures.

The voyage takes 13 to 14 days to Jeddah. If, unfortunately, however, an infectious case occurs the pilgrims are detained at Kamaran. It is necessary for this reason that ships should carry enough food not only for the voyage but also for the probable period of such detention. The diseases commonly prevalent are diarrhoea and dysentery; a good proportion die on the return voyage because they have practically no food and no money. It is to be hoped that the provision for the supply of cooked food will very greatly reduce this mortality. People coming from a cold climate suffer from heatstroke; and some deaths are due to this cause also. A properly qualified medical officer, however, would be quite capable of dealing with such occurrences.

I should like to place before this Honourable House a few suggestions which may be embodied in the rules. These are—firstly, that the space for each pilgrim should be marked out and numbered; secondly, there should be fans in the lower hatches where the stench when all these pilgrims are huddled together is intolerable and unbearable; thirdly, more water should be supplied; fourthly, officers should know one of the colloquial languages, especially Urdu; fifthly, there should be a daily cleansing of the ship; sixthly, a Muhammadan medical officer should be preferred as he is more familiar with the customs and habits of the Hajis.

I would further suggest that the Haj Committee should appoint a responsible Muhammadan representative to travel with each ship to supervise the arrangements. That would ensure the comfort of those on board and help to remedy defects, if any, on proper representation to the captain.

One word more. Care should be taken that there is no officious interference with the administration of this Act from members of the Haj Committee or their representative at any point. There have been such instances; much unnecessary trouble has resulted that could have been easily avoided.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Sir, I am very grateful to Honourable Members for their valuable suggestions which will be borne in mind in the preparation of the rules. I am sure Government will benefit a great deal by these suggestions, which struck me as being very largely constructive.

One word, Sir, as to reduction of fares. Perhaps Honourable Members are not aware that the fares when the report was made were at Rs. 195. In the following year they were reduced to Rs. 165—a reduction of Rs. 30. I may assure the House that every effort will be made to bring about a further reduction.

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

"That the Bill further to amend the Indian Merchant Shipping Act, 1923, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Clauses 2 to 15 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

The motion was adopted.

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

**THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary):** Sir, I rise to move :

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (amendment of section 4), as passed by the Legislative Assembly, be taken into consideration."

Sir, this is a simple Bill confined to the object of stopping up a loophole in our present income-tax legislation. As things stand at present, under section 4 income derived from a business outside British India is subject to income-tax on the part of residents in British India if brought into the country within three years. There seems to be no reason why income from investments should be exempted or why the period should be limited to three years and this Bill is designed to remove these two restrictions. When the Bill went to Select Committee in another place a certain amount of doubt was expressed by non-official Members regarding the retrospective effect that might be given to the operation of the Bill. They felt that people who in the past had invested their money abroad realising that it would be free of income-tax might be unfairly penalised if they were taxed when they brought it back. They also pointed out—and I notice that there is an amendment to that effect on the paper—that if they were encouraged to bring the money back as soon as the Bill was passed the amount of their previous investments might bring them into some higher category and make them subject to super-tax. The majority of the Select Committee therefore recommended a provision more or less on the lines of the amendment proposed by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. It was felt, however, that there were obvious objections to such a proposal ; it would be administratively difficult to work and it would be even more unsatisfactory in the future. It would be quite impossible for income-tax officials to say that so much income was earned in one year, so much in another year and so on. Besides, in the future anybody who invests his money abroad will do so with his eyes open,

knowing that the law is as it stands. Government therefore decided to meet this objection—though they did not think it altogether well founded—by eliminating the retrospective effect from the Bill and a clause has now been added to the effect that :

“ Provided that nothing contained in this sub-section shall apply to any income, profits or gains so accruing or arising prior to the first day of April, 1933, unless they are income, profits or gains of a business and are received in or brought into British India within three years of the end of the year in which they accrued or arose.”

That amendment met with the acceptance of another place and as a result the administratively difficult and unsatisfactory proposal that the past interest might be split up when it was brought into the country was thrown out.

There is only one other point, Sir. A certain amount of apprehension was also felt that this Bill might alter the practice in respect of agricultural income accruing in Indian States. It is not the intention of Government to alter the present law in that respect. We realise that it is a very complicated subject and our object was merely to stop up this clear and obvious loophole in the present law and to be careful in embarking on wide alterations in our income-tax legislation. For that purpose Government in another place accepted an amendment which now forms part of the Bill; namely,

“ Provided further that nothing in this sub-section shall apply to income from agriculture arising or accruing in a State in India from land for which any annual payment in money or in kind is made to the State ”.

These, Sir, are the two alterations in the Bill in its passage through the other House and as it stands I would commend it confidently to the acceptance of this House. It is obviously unreasonable that those who are unpatriotic enough not to invest their money in their own country should gain a benefit at the expense of those who do, and for this reason I hope that the House will pass this Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadian) : Sir, I rise to extend my support in general to the Bill.

THE HONOURABLE THE PRESIDENT : Does the Honourable Member propose to move his amendment ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I shall move the amendment when we take up the Bill clause by clause. I wish to speak on the general aspect now.

• I rise to extend my support to the Bill that has been just presented to the House. Sir, the big magnates invest a very large capital outside India because they do not have to pay income-tax and the burden of income-tax falls mostly on those who invest in this country. I hope, Sir, that the income that will be derived from this taxation will be utilised in giving relief to the over-taxed people of the country belonging to the lower and the middle classes. On account of dire necessity Government has lowered the taxable minimum from Rs. 2,000 to Rs. 1,000 and by this process tax has levied mostly on poor people, for instance, petty shopkeepers and even *tongawallas*.

THE HONOURABLE THE PRESIDENT : We have nothing to do with that question. We are dealing now with foreign investments.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA**: I am developing the point and coming to it. If income from income-tax is increased, this class of people will get some relief. The Bill that has emerged from the Legislative Assembly, as has been pointed out by my Honourable friend, Mr. Taylor, has undergone one or two changes. One of them being the deletion of a proviso by which income of persons who are investing their capital in foreign countries will be taxed on accumulated incomes and not on yearly basis; and the second being the addition of a proviso by which agricultural income will not be taxed. I do not agree with the former, but welcome the latter, because persons who are carrying on agriculture are already taxed and have to pay land revenue whether they carry on their business in British India or Indian States and if the balance, even after paying land revenue, is also taxed, it will be a double tax and will cause great hardship.

Then, Sir, I am glad that the Bill will not have retrospective effect. Of course, as Mr. Taylor has pointed out, it would be very difficult to find out what investments were made in previous years and then how many years' income should be taken into consideration for taxation and so on. There are some other defects in this Bill which I want to point out. Firstly, no provision has been made to tax incomes of those who get pensions and are living outside India. People who are living in British India and who get their pension are already taxed. But those who are living outside British India are not taxed.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY**: Do they not pay income-tax in the country in which they live?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA**: We do not mind what the income is, but the money is taken away from India. In reply to the question of my Honourable friend, I shall quote an instance. For example, on the loans that are floated by the Government here in India, the investors get their interest minus income-tax. But the sterling loans which are floated in England they get the total interest without the deduction of income-tax though India has to pay the interest. So no provision had been made to effect such kinds of income. Not only would it have increased the income but it would have removed a great hardship felt by our countrymen and it was also expressed at the time of the budget discussion and I am repeating it again. That is a great defect in this Act.

Then, Sir, the Finance Member in the Assembly has held out a hope that a Committee will be appointed which will see the working of this Act and if any hardship is being felt further amendments will be made. I would suggest so far as this matter is concerned, that the Committee should be a Committee of both Houses and not of the Assembly alone. The Leader of the House this morning made repeated references in connection with the Haj Bill to the fact that the Haj Committee consisted of Members of both Houses. I hope that example will be followed by the Government when they are going to appoint a Committee to look after the working of this Act.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal: Non-Muhammadan): Sir, I have much pleasure in supporting the Bill, the aims and objects of which are to assess tax on all foreign income of a resident of British India from whatever source derived and whenever it is

received in or brought into British India. It cannot be gainsaid that the Bill when passed into an Act, will be able to realise a large amount for the exchequer of Government from the incomes of persons or residents of British India who have investments abroad and specially in gilt-edged securities. Instances are not a few when it has been found that attempts have been made by persons or residents of British India who have had various sources of income abroad, at avoiding payment of income-tax to the Government of India. Not only that, the income of a resident in British India accruing out of his foreign investments has remained untaxed. It is to levy tax on such incomes that this Bill has been placed before us for our consideration. Equity and justice demand, nay, it is most reasonable that this Bill which has been passed by the other House should be endorsed by us too and passed without any demur or objection. The proposed measure, Sir, so far as I am able to understand, will make for a financial gain to our Government and as such there can be no two opinions about its easy passage by this Honourable House. From the point of view of India's economic position, Sir, it may be said that although the provisions of the Bill when made operative will not be able to put a stop altogether to the flight of capital from India at the first instance, they will, at least, put a check upon it and, in the long run, it is hoped, investments in foreign countries by residents in India will terminate.

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

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Sir, while giving my whole-hearted support to the Bill I cannot help making a few observations. The wise man has said :

" There are three things which are too wonderful for me, yea, four, which I know not. The way of the eagle in the air, the way of the serpent upon a rock, the way of the ship in the midst of the sea, the way of a man with a maid ".

But he failed to add the way of the Finance Department of the Government with the Indian tax-payer. A very culpable omission indeed.

When some of us suggested an easy method of adding at least Rs. 40 lakhs to the revenue without causing any hardship to anybody, the Government would not even look at it. Now by this Bill the Government is trying to glean a few rupees here and a few rupees there. By taxing under the Income-tax Act pensions and allowances paid outside India, no one will suffer or lose a single penny except a few persons who are resident on the Continent or in the Free State of Ireland. We are now taxing incomes earned outside India and we refuse to tax incomes earned in India and payable by India. Is it a logical position ? The Government may answer we cannot tax people not resident in India. It is not a question of residence : it is a question of the source of income. It cannot be denied that the allowances and pensions are earned in India. It is not suggested that the Indian Legislature cannot tax pensions and allowances paid out of Indian revenues. The difficulty, if any, can be easily got over. There are so many things in the melting pot now. What is Australia doing in this matter ? Where there is a will there is a way.

It may be urged now that the White Paper has put it beyond the power of the Indian Legislature to tax the pensions of persons residing permanently outside India. This is only a safeguard—the result of fear on the part of some people that the future Indian Legislature might impose a very heavy income-tax on pensions. Like several other safeguards it is not only unnecessary but mischievous. The Government ought to fight against any such provision being enacted in any Act of Parliament. A reasonable safeguard would be that the Indian income-tax should not exceed the British income-tax.



[Sir David Dowdson.]

By not taxing the pensions and allowances paid outside India we are only benefitting the British exchequer. I do not say it is the deliberate policy of the Government to help the British exchequer at the cost of the Indian. But the result is we are perhaps adding a quarter of a million to the £800 odd millions of the English revenue whereas we are losing about Rs. 40 lakhs which is a big sum compared to our income.

Sir, in this connection I am reminded of a parable told on a memorable occasion. There were two men in one city—the one rich and the other poor. The rich man had exceeding many flocks and herds but the poor man had nothing save one ewe lamb which he had brought up and nourished and it grew up together with him and his children. It did eat of his own meat and drank of his own cup and lay in his bosom and was unto him as a daughter. And there came a traveller unto the rich man and he spared to take of his own herd to dress for the wayfaring man that was come unto him but took the poor man's lamb and dressed it for the man that was come to him.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, this measure has been received by the other House as well as by this House with acclamation. If I wish to say a few words now it is just to remark on the one difficulty in the drafting of this Act. This Act imposes the Indian income-tax on the foreign incomes only if it is brought into India and if it is not brought into India, though it accrues to the resident in India, he escapes Indian income-tax. That point, Sir, is an invidious distinction between Europeans and Indians, because an Indian has got to bring back his money now or some time afterwards.

THE HONOURABLE THE PRESIDENT : Is the Honourable Member aware that that had formed the subject of a previous Bill in the other House and this House last year which was not accepted by the non-official Members ?

THE HONOURABLE MR. HOSSAIN IMAM : I may remind the House, Sir, that part of this point was raised in the other House and Sir George Schuster said in his reply that the people who have sent their money away have done so after paying income-tax in India. That was the defence that Sir George Schuster made. If the Finance Department were to make it a rule that once a sum of money has paid income-tax all incomes accruing from it will not be liable to income-tax I think it will be hailed by most Indians as a great and benevolent resolution. The difference between income and capital is nothing but that income saved becomes capital. Capital does not come out of anywhere else. It is only the income that we manage to save and pile up year after year that becomes capital and becomes a source of income. Here, on account of this provision that the money must be brought into India, we are placing the investment of Europeans in England free of income-tax. Further, we do not know whether incomes accruing to residents in India are subject to foreign income-tax or not. If they are subject to foreign income-tax, will they get any rebate from the income-tax to be assessed by the Government ? These are the two points on which I hope the Honourable Member will enlighten us.

**THE HONOURABLE MR. J. B. TAYLOR :** **SIR,** I would like to answer straightaway the last question of the Honourable Mr. Hossain Imam. He asked whether investments abroad were subject to foreign income-tax. That of course is rather a complicated question, but I think that I can put the main issue as regards investments in Great Britain at any rate very shortly. If an investor invests in British companies he will be subject to British income-tax. Of course he can obtain double income-tax relief. But there is a list of securities which include most Colonial securities, our Indian Sterling loans and certain British Government securities, such as the Funding Loan, which are paid free of British income-tax, so that the Indian investor who puts his money escapes income-tax on them. I think that was the question that he wished to ask.

Another of his contentions, which was of some substance, was that we were somewhat illogical in not taxing accrual wherever it may accrue. A Bill to that effect—a more comprehensive Bill—was brought forward in the Legislature two or three years ago, but was thrown out. There are very obvious difficulties in the way of such a comprehensive measure. The Honourable Mr. Hossain Imam himself showed some of them by implication. It would no doubt be a very simple solution if we were to accept the contention that once a certain sum has paid income-tax, all the future profits that that sum earns should be freed from income-tax. That would mean that once it had paid income-tax, it would not be available at all for the future revenues of the country and in future would escape income-tax entirely. That is one of the difficulties. It is a very minor one, because obviously such a solution would be impossible, but it shows the difficulties which might result from the acceptance of the wide principle which he has indicated.

**THE HONOURABLE MR. HOSSAIN IMAM :** It is not my principle ; it is Sir George Schuster's principle which I recounted.

**THE HONOURABLE MR. J. B. TAYLOR :** Another difficulty about accrual is about people who are only temporary residents in this country. That is a very complicated problem which cannot be dismissed so summarily as he did, because there are all types of temporary residents from the man who stays here only for a few months to the man who spends his working life in this country. For that reason, Sir, we decided to accept the majority opinion of the other House as regards the more complicated measure and we have concentrated on this simpler one. For that reason I do not wish to discuss at any length the wider questions of income-tax on pensions, on leave salaries and so on, which were discussed on another occasion and which are clearly outside the scope of the present Bill.

There is only one other point, Sir. The Honourable Mr. Mehrotra referred to a Committee and voiced the natural desire of this House that if there was a Committee, there should be Members from this House on it. The suggestion—it was no more than a suggestion—was thrown out very early in the debate in another place when there was considerable apprehension felt as to the workability of the retrospective provisions of the Bill. These being satisfactorily met during the debate, no more was heard about the proposal. The Honourable the Finance Member threw out the suggestion, but as we met all these difficulties by the amendment which Government accepted, the question of a Committee receded into the background. I do not think, Sir, there is anything more for me to say. I am very glad that the principle of the Bill has met with the commendation of this House.

**THE HONOURABLE MR. G. A. NATESAN** (Madras: Nominated Non-Official): Will the Honourable Member tell us what will be the probable amount we will get, if this measure becomes law, at any rate for the first year?

**THE HONOURABLE MR. J. B. TAYLOR**: That, Sir, is a question which I am afraid it is impossible to answer, because, under our present income-tax scheme these sums are not shown in the returns at all. It is pure guesswork how much we should get and I am afraid that I would not like to hazard a guess.

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

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (amendment of section 4), as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

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

"That clause 2 stand part of the Bill."

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA**: Sir, I beg to move:

"That after the first proviso to sub-clause (c) of clause 2 of the Bill, the following proviso be inserted, namely:

'Provided further that where an accumulation of such income, profits or gains accruing or arising over a period of more than one year is received in or brought into British India in one year super-tax if chargeable shall be charged on each separate portion of such accumulation representing the total accumulation divided by the number of years comprised in whole or in part in the period at the rate or rates which would have been applicable if such portion only had been received in or brought into British India in that year, and represented the portion of the assessee's income chargeable with the highest rates applicable; and'

Sir, the object of this amendment is that income accumulated in foreign countries, when brought to India, and if it is liable to super-tax, it should be charged according to the basis of yearly income. This proviso has got a history behind it. In the Select Committee the non-official Members fought on this point and by a majority inserted this clause. Perhaps they thought that this tax is being introduced for the first time, and therefore it would be a great hardship if all the rigidity of the law were exercised, all at once, and so they came to a formula that if super-tax is chargeable—there is no question of income-tax—it may be charged on the basis of yearly income. For this purpose they inserted this clause in their report. The Government did not agree there and wrote a note of dissent; but when the Bill was moved in the Legislative Assembly, the Honourable the Finance Member waived his objection and said that as this proviso had been accepted and brought forward by the majority of the members of the Select Committee, Government will neither move any amendment on the point nor object to the inclusion of the proviso. The Finance Member said:

"However, the Government, in view of the wish of the majority of the Select Committee, would not move any amendment but would accept the proposal of the Select Committee by which profits though brought in India in a lump sum might be taxed according to the number of years during which they were earned."

He further said that the Government objective was to remove the privilege and unnatural inducement to people to take out capital from India for investment. So, Sir, this was the position of the Government. But after making this speech, when an Honourable Member moved for the deletion of this proviso they said they would be quite agreeable to its deletion. I fail to understand the position taken up by the Government. I may submit that I am not advocating that the income of rich magnates should not be taxed, but it is not reasonable to jump to this stage all at once. With this proviso the rate of super-tax would be about 9 to 15 pies in the rupee, whereas it might be as much as 21 pies per rupee without this proviso. That is the position and I hope the House will agree to this amendment being included in the Bill.

**THE HONOURABLE THE PRESIDENT :** Discussion will now proceed on this amendment.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I was waiting with some curiosity to see what arguments the Honourable Rai Bahadur would develop in defence of a proposition which found one solitary defender in another place, and I hope that by the time I have finished there will not even be that in this House. Sir, he made great play with a speech made by the Honourable the Finance Member at an early stage of this Bill. As I have pointed out in my introductory speech, the Bill was altered in its passage both through the Select Committee and through the Lower House, and the point made by the Select Committee was as regards retrospective effect, and when this was met in a more satisfactory way by the inclusion of this particular amendment the original one naturally failed to find support. I alluded in my opening speech to some of the administrative difficulties inherent in this proposal. I will merely refer to one. Incidentally, I am rather astonished at the consideration of the Honourable mover of the amendment for the payer of super-tax. It is to be noted that the difficulty, if it is a difficulty, will apply equally to the poorer man who does not come up to the super-tax level. There seems to be no reason why, if this is a boon which can be granted, it should be confined merely to the rich man who pays super-tax and should not be given to everybody. There is one obvious way in which this provision could be evaded. There are such things as one or two-man companies which are started abroad for the purpose of investment. It would be a simple matter for anybody who wished to drive a coach and four through the Act by the use of this amendment to invest his money abroad, allow it to pile up for ten years, carrying the profits each year to reserve. Let us say that his profits for ten years amounted to a crore. For each of nine years he might show a profit of say Rs. 1,000 or so and in the last year a profit of Rs. 99 lakhs odd, yet he would pay here as if this had been steadily accruing over the whole ten years. It would be very difficult for the income-tax authorities here to assess what was his real profit each year. There are other difficulties. In view of the fact that this amendment has been put forward in order to meet a difficulty which has otherwise been more satisfactorily met I hope that the House will reject it.

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

"That that amendment be made."

The motion was negatived.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill

THE HONOURABLE MR. J. B. TAYLOR : Sir, I move :

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (amendment of section 4), as passed by the Legislative Assembly, be passed."

The motion was adopted.

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### SAFEGUARDING OF INDUSTRIES BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary) : Sir, I move :

"That the Bill to provide for the imposition of additional duties of customs on imported goods for the purpose of safeguarding industries in British India, as passed by the Legislative Assembly, be taken into consideration."

The accepted policy of Government in regard to protection of industries is a policy of discriminating protection, and Government maintain that in ordinary circumstances it is the best policy for India. But, Sir, the times through which we are passing are far from normal. In the past few years the financial and economic structures of many countries have been shaken to their foundations and the resulting instability has given rise, and may give rise in the future, to special conditions which constitute a serious menace to India's growing industries. Many of these industries, in ordinary circumstances of economic competition, would not ask for protection, and indeed they could not qualify for protection under our existing policy. That is no reason, however, why in an emergency they should be allowed to go to the wall. It has therefore become necessary to supplement the policy of discriminating protection by special legislation. The present Bill has been framed for that purpose and I am confident, Sir, that the object of this Bill, namely, the protection of Indian industries against uneconomic competition from abroad, will receive the support of all Honourable Members of this House and of a very general body of opinion outside.

If I may refer to particular provisions of the Bill, section 2 of the Bill apparently confers on the executive very wide powers indeed. It may be asked why it was not possible to circumscribe these powers by defining somewhat more precisely the circumstances in which they might be exercised. In particular it may be asked why we have gone beyond India's immediate problem, namely, the competition from a country with a depreciated currency. To these questions I would give this reply. It would be very rash indeed to assume that in the present unsettled state of world economic conditions that a depreciated currency is the only special condition which would constitute a menace to India's industries. It is for this reason that the Bill has been framed in general terms which permit of prompt action being taken in any emergency. If, however, Honourable Members will refer to section 3 of the Bill they will see that the apparently wide powers are subject to check by the Legislature. Section 3 prescribes that any Notification issued in pursuance of the powers conferred by section 2 shall be laid before both Houses of the Legislature for their consideration and, failing their approval, it will automatically lapse. It was recently emphasised in the course of a debate, in another place that if any such legislation as the present were introduced it was essential that the interests of the consumer should not be sacrificed to those of the industrialist. I submit that section 3 providing as it does for the

scrutiny of executive acts by the Legislature provides a sufficient safeguard for those very important interests. This measure is not put forward, Sir, as the last word in safeguarding legislation. It is admittedly an emergency measure and for this reason a term has been put to its operation and it will cease to be effective after the 31st day of March, 1935. It may be that before that date the need for emergency legislation will have passed away. We hope that that will be so, but if not, the experience that we shall have gained from the working of the present measure will be the foundation on which we can build a more elaborate and more scientific structure to take its place.

Finally, I would refer to the relation of safeguarding legislation to India's Treaty obligations. The existence of a most favoured nation clause in any commercial treaty between two countries is a bar to the exercise by one of them of discriminating tariff treatment against the other. We have with Japan a Convention that was concluded in 1905 and a clause of the most favoured nation type finds a place in that Convention. Steps have, however, been taken to denounce the Convention and the bar which formerly existed against action in this way will disappear on the expiry of the period of denunciation.

Sir, I move.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, let me premise by saying that I am not opposed to the prevention of dumping by legislation, but I am afraid that there are some misapprehensions regarding the exact scope of the Bill. The working of the idea behind the Bill also bristles with extraordinary difficulties. There has been so much loose talk about dumping for the last few weeks that it is necessary to clear the atmosphere before we examine the provisions of the Bill. To clear the atmosphere, let us take the general economic considerations and find out what "dumping" really and exactly connotes. As used by economists it implies according to Professor Taussig :

"The disposal of commodities in a foreign country at one price and to domestic purchasers at another and higher price".

We should not fail to note that there are circumstances in which systematic dumping, that is to say, selling more cheaply abroad than at home, may be a prudent business practice to which no objection can reasonably be taken. For instance, a manufacturer might find that the demand for his product is inelastic at home and elastic abroad ; that is to say, that lowering his home price would not greatly increase his sales and that raising his foreign price would greatly decrease them. Such a difference between market conditions is perfectly possible. Acting on this difference means that the manufacturer throws his overhead costs disproportionately more upon the home market than upon the foreign market, because if he tried to spread them over evenly he would lose the foreign market. This sort of adjusting prices of the same commodities to the conditions of different markets so as to make the maximum net profit over all, disposing of surplus stocks at a sacrifice, selling for a time at a loss to make goods known to new customers, selling for a time, at a loss, in order to drive a rival out of business or bring him into an agreement, are all part of the normal technique of marketing, whether in domestic trade or in foreign trade.

Although price discrimination as such may not be objectionable on principle yet there are certain types of dumping which are harmful to the industry and trade of a country and are undesirable in the best interests of the country. In the *first place*, sporadic dumping in the shape of disposal of

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casual overstocks of goods at a sacrifice is harmful in its effects because markets and production in the country receiving dumped goods are upset, and since the continuance of dumping cannot be counted upon, even the consumers who benefited originally by the cheap goods may lose in the end. In the casual character of this dumping, however, lies also the difficulty of dealing with it. The existence of a high tariff is not a sufficient obstacle to this kind of dumping. The importation of Japanese piecegoods in spite of a high tariff wall is sometimes cited as an example of this kind of sporadic dumping. *Secondly*, there is another kind of dumping which is known as predatory dumping, the object of which is to eliminate competitors in a certain market with the object of charging higher prices later on. But such dumping will only be worth while for manufacturers who already have in hand or in prospect a monopoly not in their own market alone but in all the world outside the country where they dump. Hence this kind of dumping is rather a rare phenomenon. But there is a *third* variety which is not uncommon. Sometimes there is dumping by monopolists from behind the tariff wall. Being assured of a secure market at home they might charge higher prices there while selling at low prices abroad. In this case the rival producers in the country receiving the cheap goods are undersold with the help of subsidies extorted by a foreign monopoly from its domestic consumers under protection of a tariff; they have not the possibility of reprisals by invading the home market of their opponents. Therefore this kind of dumping business becomes an irritant all round, to the domestic consumers who are exploited and to the rival producers abroad who are put out of business. Hence this kind of dumping in my opinion should be discouraged by suitable legislation.

Let us now examine the conditions for applying anti-dumping legislation. The term "dumping" which has been defined by Professor Jacob Viner of Chicago to imply price discrimination between national markets means something else when politicians, businessmen, legislators and the public generally use this term. It has a variety of meanings with little in common between them, except denoting of a price which the speaker objects to as too low.

Thus under the British Safeguarding of Industries Act for the prevention of dumping, the term covers selling not only below cost of production but also selling abroad cheaply as the result of depreciated currency and as the result of having lower wages or standards of living. Neither of these last need involve any price discrimination between home and foreign markets. In fact when the Indian cotton mill industry complains of Japanese dumping it is presumed that abnormally low prices of Japanese goods are due to abnormally low external purchasing power of Japanese currency. On the other hand, when Lancashire complains of Japanese dumping in the Indian market reference is made to low wages and long hours of work in the Japanese cotton industries.

The result of looking at the question of dumping from such a curious point of view has been that whenever the foreigner sells his goods in a certain market at a price which is considered too low by a particular industry there is clamour about dumping. But it is possible that such dumping represents merely systematic undercutting which is nearly indistinguishable from competition based on better resources, or more efficient management or cheaper labour or any other natural or technical advantage. From the point of view of sectional interests it might be desirable to stop such dumping by legislation. But from the wider point of view of the best interests of the community such legislation may have little or no justification. In fact, Mr. W. A. Martin forcibly argued,

in a minute of dissent appended to the Report of the Commission appointed in South Africa to consider the working of anti-dumping legislation, that

"the system is liable to great abuse and lends itself to the grant of additional protection to the local industry often on grounds that are not justified"

and that the consumers would lose the benefit of lower prices.

This danger involved in anti-dumping legislation becomes obvious when we consider the professed object of such legislation as given in the existing anti-dumping Acts.

The South African Anti-dumping Act of 1923 provides that the Act will come into operation where

"detriment, may, in the opinion of the Minister of Finance, result to a Union industry".

A change was made in 1925 which was welcomed by the country: under section 15 of the 1925 Act a prior investigation and report is to be made by the Board of Trade before a duty can be applied and the Minister must be satisfied not only that detriment may result to a minor industry but also

"that it would be in the public interest"

to impose a duty.

Such a specific clause should have been incorporated in this piece of legislation that we are considering. In the present Bill the language is so vague that when this Bill becomes law protection can be given to any and every industry by administrative action, to be confirmed later by the Legislature.

It is stated that action will be taken under this law when the Government are satisfied that foreign goods are selling at

"such abnormally low prices that the existence of an industry established in British India is thereby endangered".

The only interpretation of this clause is that dumping will be presumed whenever the domestic industry is undersold by its foreign rivals. But it is obvious that underselling does not necessarily mean sporadic or predatory dumping of an objectionable kind. In fact if this clause remains as it is and is not circumscribed by rules under the rule-making powers under clause 4 there can be no limit to the extent of protection which Indian industries, sheltered by a protective tariff or a high revenue tariff (which has a protective effect), can legitimately claim.

As a matter of fact the interpretation of what are "abnormally low prices" will be left to the discretion of Government and it is likely that they will fail to distinguish between the effects of unfair foreign competition and the effects of fair and healthy foreign competition upon domestic prices. Thus anti-dumping duties will lend themselves to the grant of additional protection to the local industry often on grounds that are not justified.

Let us now see how anti-dumping duties work in practice. It is obvious that there are great difficulties as regards the working of anti-dumping duties. *First and foremost* there is the difficulty of time. If, as in the original South African Act of 1914, previous notice has to be given of the duties, goods will be rushed in during the period of notice; against sporadic dumping this amounts always to closing of the stable door after the horse has been stolen. In fact the effect of anti-dumping duties likely to be imposed on Japanese piecegoods and hosiery will be somewhat similar. If the additional duties



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are imposed without notice, crippling uncertainty is introduced into the importing business; for it is by no means easy for an importer to know beforehand whether any particular transaction will be treated as dumping. In these circumstances it is difficult to see how anti-dumping duties can be levied with perfect fairness. The object of this Bill as the Government say is

"to enable prompt action to be taken to meet any serious menace to Indian industries".

But the difficulty of taking prompt action ought to be clear to those who will be responsible for the administration of the Act. *Secondly*, there is the difficulty of determining the domestic price of the imported article in the country of its origin, in order to see whether price discrimination has in fact occurred. Determination of what are strictly comparable prices in two widely different countries is always a difficulty and sometimes an insoluble problem. It has often been solved in practice by giving a large amount of arbitrary powers to customs officials. *Thirdly*, as I have already said, the experience in other countries has been that there is a tendency to sacrifice general to sectional interests. *Fourthly*, there is the tendency of temporary anti-dumping duties to grow into additional general and permanent protection as illustrated in the case of the South African wheat industry or wrapping paper industry.

Sir, as I said I am not opposed to a legislation of the kind proposed, but I do feel that the Government should be very very cautious to apply the anti-dumping duties. They should be very careful to see that they are not subordinating the general interest to sectional ones. There is a suspicion in the public mind that the Government may be stampeded by some of the local industries into taking action under this legislation without fully and minutely examining the case—I would therefore ask the Government when they may have occasion to take action under the provisions of this Bill they should immediately thereafter put the whole case before the Indian Tariff Board, who should, after examining the case, submit a report which, along with the Government proposal, should be placed before the Legislature for confirmation or refusal. After all, legislators are lay people and the report of the Tariff Board consisting presumably of experts will be of immense value to them to enable them to come to a conclusion which will be just and fair.

Save the industries by all means, I say, but try to save the tax-payer also.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** (West Bengal: Muhammadan): Sir, the Safeguarding of Industries Bill marks a new departure in our industrial history. It is in a way a charter for our industries. From that point of view, it is needless to say that it deserves our support regardless of the fact from which part of India we come. If, for instance, we in Bengal are not cotton manufacturers, we have other industries which will now have protection. Sir, there is another aspect however to which I beg to draw the attention of the Government, and that is the point of view of the consumers. One hopes, Sir, that in giving protection to industries, the interests of the consumers will not be considered any the less important than the interests of the industrialists. Sir, we are promised a special department of Statistical Research and this Department should protect the interests of the consumers in determining the amount of protection necessary in the case of an industry and to see that the protection of tariffs is not used to exploit the consumer. Sir,

so long as the Government sees that the operations of the Bill do not harm the consumers, we may expect great benefit from it to the country at large including the consumers.

Sir, I support the Bill.

\*THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I welcome the measure that the Government has put forward before this House today. I must at the same time say that the measure has been brought in very late and that there are apprehensions that in case it is passed, its application will also be delayed. From what I find in the newspapers, it appears that Sir John Simon, while denouncing the Indo-Japanese Trade Treaty thinks—we at least so infer—that the Government of India will not be able to take action under this Bill if it is passed for another six months. In case I am wrong in this matter, I think the Honourable Mr. Stewart will put me right. So far as this Convention is concerned, the Honourable Mr. Basu quoted the views of Professor Jacob Viner of the Chicago University. I hold, Sir, that when the industries of a country are in a very bad plight and when they are likely to collapse soon and perish, it is right and proper to take immediate action. In case immediate action is not taken, it will be like the physician who has got a specific for the diseases of his patient in his pocket, but does not give him the medicine until the patient dies. Sir, the Honourable Mr. Basu, although he luke-warmly supported the measure, I could see from his speech that he does not see eye to eye with the Government in this measure.

THE HONOURABLE MR. BIJAY KUMAR BASU : I want only to caution the Government. That is all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Caution the Government or discourage the Government ? However, I might say that notwithstanding the Indo-Japanese Treaty being in force, Professor Jacob Viner in his book on dumping says :

“ Many countries have nevertheless asserted their right to impose additional duties on imports on articles from countries which grant bounties on such articles even though these countries are entitled by treaty to most-favoured-nation treatment and some jurists have conceded the validity of such claim ”.

The following extract from the same book throws interesting light on the attitude of the Government of India on the same question on a previous occasion :

“ It was not until 1899, when India upon the insistence of Joseph Chamberlain, the British Secretary of State for the Colonies, enacted a bounty countervailing provision that the British Government definitely and unqualifiedly committed itself in reply to the Russian protests against the Indian duties to the position that countervailing duties were not in violation of most-favoured-nation obligations ”.

I might also mention that Japan herself, in the presence of the Indo-Japanese Convention, imposed a prohibitive duty on Indian pig iron, but the bulk of which was then being exported to this country and she did not hesitate to wriggle out of the Convention when she prohibited the import of Indian rice two years before, though the import of Siamese rice was allowed at the time. If the favoured nation Convention cannot come in the way of Japan when it suits her motive to do so, I cannot understand how it can impede the Government of India to take similar steps even when they feel, as they must

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\*Speech not corrected by the Honourable Member.

[Rai Bahadur Lala Ram Saran Das.]

do, the inequity of Japanese competition underselling Indian goods even in Indian markets. Sir, I wish that the Government should find a way out of their difficulties if any difficulty exists in enforcing this Bill immediately in case it is passed, and thus save the Indian industry from disaster. Sir, other countries like Canada, France, Italy, Germany, South Africa, Australia, New Zealand, and the British Isles themselves have passed such measures, and if I am right, they took immediate action. In India, the industries which are at present suffering from this dumping, whether this dumping is exchange dumping or any other dumping which the Honourable Mr. Basu has enunciated, but the fact is there that the goods are being sold below cost price. To prove this, Sir, I will give only one or two instances, in order to save the time of the Council. If we take the case of the strawboard industry, early in 1932 the price of strawboards in India was Rs. 14 per cwt. and now it has come down to Rs. 4 per cwt. If we analyse this price of Rs. 4 per cwt. we find that the duty is Rs. 1-4-0 per cwt. and steamer freight is over Re. 1 per cwt. That leaves Rs. 1-12-0 per cwt. at the selling country's port, which does not mean that the seller receives even that much.

THE HONOURABLE MR. BIJAY KUMAR BASU : What is the price in the country of origin ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I will give that if you will wait. The rates have been reduced as a result of dumping. High prices were being obtained early in 1932 just before manufacture started in India. The Government is charging a duty of 25 per cent. based on a tariff valuation of Rs. 5 per cwt. Last year this valuation was Rs. 5-4-0 per cwt. and the actual price c. i. f. at which strawboards are now selling is Rs. 2-12-0. That is the rate for Japanese boards, but other countries are also selling them equally cheap ; for instance, Holland strawboards are only 6 annas per cwt. dearer than the Japanese because of the difference in quality. Sir, as far as I know, the cost of production of these boards, which Mr. Basu wants to know, is something like Rs. 5-4-0 per cwt. in India.

THE HONOURABLE MR. BIJAY KUMAR BASU : I wanted to know the cost of these strawboards which you say are dumped here in their own country of origin ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : When those countries can sell their strawboards at Rs. 1-10-0 per cwt. you can easily perceive that that cannot possibly be the cost of manufacture.

Sir, there are many other industries which are being badly hit—paint, cement, sugar-candy, cotton and woollen textiles, cotton and woollen hosiery, and what not. The Honourable Mr. Suhrawardy while making his observations said that we must also protect the interests of the consumer. Certainly, I agree with him, but to a certain extent. Perhaps my Honourable friend does not know that in other countries, simply for the sake of saving and keeping their industries, they put on as much as 250 per cent. upon foreign imports. In India we have not reached that heavy figure of duty so far. Sir, as soon as this anti-dumping measure appeared in the press we found from the newspapers that the authorities concerned in Japan took a very light view of this legislation and it would appear from the cables that they are devising some means to meet the situation created by this new legislation. For the information of this House I might say that I have reliable information that the

Japanese are even now selling forward deliveries for a few months hence at present prices, with a clause that whether or not there is an additional imposition of duty owing to this new measure they will sell their goods at present prices. This shows, Sir, that Japan any how is bent upon dumping notwithstanding any measures that the Government may adopt. I hope that the Government of India will be firm and will fight all means taken by countries whose ambition and aspiration it is to ruin our industries.

Sir, this Bill will be universally well received all over India. Every Chamber of Commerce, European and Indian, has been pressing for it and a lot of memorials have been sent to the Honourable Commerce Member on the subject. I should like to ask the Honourable Mr. Stewart why the situation in India is so different to that in Japan? I think it is due to the fact that the Government of India has no plans, no policy, and is unable to look ahead. Even when it does look ahead it requires six months' notice to end the Anglo-Japanese Treaty, in which interval its own industries die. When the exchange was raised to 1s. 6d. we immediately gave a protection of 12½ per cent. in duties to foreign imports. The raising of the customs duty to 25 per cent. has merely established the old *status quo*. But now has come a further blow in the depreciation of Japanese currency, and even that cannot be overcome for another six months. Sir, the Honourable Mr. Basu also observed that before Government takes any action it ought to examine the proposals put up by various industries. I understand from that that the Honourable Mr. Basu wants to delay matters further and further. The Indian Tariff Board submitted its report upon the textile industry months ago, but no action was taken on it. If a similar inquiry is ordered in other cases perhaps another 12 months will pass before any action is taken.

**THE HONOURABLE MR. BIJAY KUMAR BASU :** I am sorry my friend has not followed what I said. I said the Government of India after taking administrative action should put their case before the Indian Tariff Board for a report which should be submitted to the Legislature to enable the Legislature to come to a finding.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** That was always understood from the very beginning. Well, Sir, the only request that I have to make is that in case you want to do justice and in case you mean justice, do not delay justice, because justice delayed is justice lost.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) :** Sir, I rise to support the Bill which I think was long over due. It is common knowledge that various commodities for our every-day use are being dumped into our country by foreign nationalities that are carrying on a roaring business in India on the main ground that their goods can be sold at abnormally cheaper rates than the Indian as well as Empire products. In this respect, first of all, Sir, no better illustration can be given than the keen competition of the Japanese piecegoods with those of our country. It is no denying the fact that Japanese piecegoods of all kinds are being imported and dumped into our country in large quantities. Our mill industry is thus hard hit by the Japanese competition, and the rapid manner in which Japan has captured our piecegoods market shows that our mill industry may be extinct if no prompt and effective action by legislation is taken against Japan by our Government to protect it betimes. It is also known to the Members of this Honourable House, Sir, that enjoying the bounties and subsidies from their own Government, the shipping industr

[Mr. Jagadish Chandra Banerjee.]

of Japan can dump Japanese goods into our country at cheap freight which is an important factor that enables Japan to sell her articles in our country at such low rates. Low wages, employment of women and child labour in the Japanese factories are also a reason why Japan can dump her goods into our country.

The Ottawa Agreement which is a sort of "Hobson's choice" to us, Sir, is of no avail in the matter of the Japanese competition when we find that in spite of the tariff wall, how, owing to depreciated exchanges since England went off the gold standard and India's rupee was linked to sterling, the Japanese can sell their goods in India at a price which is certainly detrimental to our industries. The protective duty has touched but the fringe of the rates of the Japanese piecegoods and has not in the least affected her trade with India. Despite the "Buy Indian" slogan and the "Swadeshi" programme, it is found, Sir, that the mill industries in Bombay, Ahmedabad and Nagpur are not in a flourishing condition. They tell a woeful tale. In my province, Sir, the industry is yet in the making and as such cannot stand the least competition. In view of all these important considerations the proposed Bill which is quite a welcome measure when carried into effect will be able to save our ever-doomed Indian textile industry. I hope such means of safeguarding our textile industry, as proposed by Government, when adopted, will not disturb the existing international trade relations with Japan. On the other hand, it will not only protect our indigenous mill industry from the keen competition of Japan as is evidenced today, but will give it an impetus, a filip and incentive which will be for the good and the better production of the goods of this country.

Then, Sir, there are the Japanese glasswares, toys, matches, hosieries and sugar-candy that have flooded the Indian markets. For the last two named necessities of our lives, we know, Sir, protection has been and is being wanted by the representatives of those two industries against the imports of those two kinds of articles from Japan, because our hosiery and sugar-candy industries cannot thrive in face of the hard competition with Japan. Fuji silk and other kinds of cheap Japanese silk are practically driving away the Indian silk from our markets. Our silk industry has been affected by the imports of Japanese silk of cheaper stuff. Other foreign countries than Japan such as Germany, Czechoslovakia, and even America sell some of their goods at such cheaper rates in India that our indigenous industries which are in an infant stage and which also produce some of the articles that are imported from those foreign countries are in a moribund condition.

In these circumstances, Sir, prompt action on the part of Government is necessary for obvious reasons, to protect indigenous industries against the imports of goods from foreign countries. It is gratifying to observe that Government propose to take such action to meet the situation which is threatening the Indian industries.

In fine, Sir, I should like to impress upon Government to take steps to check profiteering in the country which will be rampant, as it is likely that taking advantage of the Act, the wholesale and retail dealers will increase the prices of the country-made goods. It is no doubt the poor consumers will be exploited by them. But having considered the pros and cons of the Bill when I find that it will in the long run do more good than harm to the country I have no hesitation in supporting it and which I hope will be passed *nem con.*

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I do not intend, now that it wants only five minutes to one, to detain the House, although the discussion has taken an interesting turn and much could be said about the items that have been argued. My only reason for standing at this late hour is to ask the Government to make a change, not in the letter of the law, but in the procedure. In item 3 it is said that every notification issued shall be placed before both Chambers of the Indian Legislature. May I ask the Government to consider the advisability of leaving it to the non-official Members to decide whether they like the measure or dislike the measure in this House as well as in the Assembly ? I cannot ask the Honourable Member to reply to this point all at once, but I should like to impress upon him the desirability of placing this before the Government Member in charge of this Department and make a convention of asking only the non-official Members whether they like the measure or not, because it concerns a subject on which Indians themselves are interested and on which Government is supposed to have no axe to grind. There is another aspect. Clause 2 which refers to an industry being endangered is too wide. There are partial industries established, and the interests of the consumers who number millions should not be weighed with the interests of a few who may be interested in a particular industry. The industry should be in the nature of a key industry or a widespread industry or something which will make it a national industry in some sense, to qualify for protection. It is all very well, Sir, to ask the Government to impose additional taxation. Government is rather apt to do this, because it incidentally places money in their pocket and if now I wish to sound a note of warning it is not in a spirit of opposition but in order to make it less liable to attack in the future, and make it more in consonance with the public opinion of India. India is essentially an agricultural country and industrial development should be gradual and not at the expense of the masses.

Sir, with these few words, I support the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, my friend, Mr. Hossain Imam, has already sounded a note of warning. If I intervene in the debate at this hour it is to sound another note of warning to the Government. As far as the Bill is concerned, I do not know at this stage whether it is worth giving our whole-hearted or qualified support. Sir, the Honourable the Commerce Member, while introducing this Bill in the other House, accepted that this measure was hastily conceived and was conferring wide powers on the Government. Now, I want Government to remember that these wide powers may not be abused. There should not be any discrimination when these powers are to be exercised towards any nation. If the object is to protect petty and minor industries of India, they should be protected in the right fashion and no discrimination should be made. Another point that I want to bring to the notice of the Government is this, that foreigners coming from outside India have begun to start industries here just to kill the indigenous industries. There should be protection against that also. If the tariff wall is to be raised they will take further advantage of this. I may illustrate the point from one or two examples. All the companies in India manufacturing matches have been taken over by the Swedish Match Factory and thus this industry cannot be developed under the present circumstances. In the same way the cigarette industry. One or two good factories that were started in India have been taken over by the Imperial Tobacco

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Company and they now form a part of it. So these are the dangers which I want to bring to the notice of the Government. Then, Sir, again it is rumoured that Japan is also going to start some big factories here, some cotton factories and other factories, just to kill the indigenous industries of India. On that point too I want to draw the attention of the Government to the danger involved. So if the tariff wall is to be raised these points ought to be considered in the interests of the indigenous industries.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY :** Do you propose that excise duties should be levied on the production of these foreign companies ?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Some such measures should be taken if any real protection is to be given to Indian industries and if India is to be converted into an industrial country.

**THE HONOURABLE MR. T. A. STEWART :** Sir, I shall not follow Mr. Basu through his essay on dumping and anti-dumping legislation but I can assure him that Government are not unaware of the difficulties and the dangers to which he referred. One of these difficulties and one of these dangers we have avoided by refraining from using the word "dumping" in our Bill. Thereby a matter of interpretation, a very difficult matter, has been avoided. As I said before, we have not been unmindful of the interests of the consumer to which reference has been made by several Honourable Members and, as I pointed out, the provisions of the Act does provide that if the Executive should act to the detriment of consumers the Legislatures will have an early opportunity of setting right their error.

The Honourable Rai Bahadur Lala Ram Saran Das dealt with the question of the Indo-Japanese Trade Convention. He has asked me to confirm, and I do confirm, that the period of denunciation is six months, within which period action cannot be taken. He has also referred to the opinion of Professor Viner that the most favoured nation clause is no bar to action by way of anti-dumping legislation. I do not know how far Professor Viner is an authority but we are advised that it would be a breach of the Treaty were we to act otherwise than we are doing now.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Does that advice come from your legal department in India or from outside India ?

**THE HONOURABLE MR. T. A. STEWART :** That has been advised both from India and from outside. I think that is the generally accepted interpretation of the most favoured nation treatment.

The Honourable Mr. Suhrawardy put in a plea for Bengal. I can assure him that Bengal will benefit with other industries by this legislation.

The Honourable Mr. Hossain Imam has put to me a question that I think is not one that properly should be answered by me. I am not in a position to dictate the procedure that may be adopted in this House and in another place when the Resolutions to confirm the executive action of Government are put before them.

**THE HONOURABLE MR. HOSSAIN IMAM :** But will you place this view before the Government ?

**THE HONOURABLE MR. T. A. STEWART :** I think, Sir, the Leader of the House is here and has heard your remarks. The Honourable Rai Bahadur Lala Mathura Prasad Mehrotra has expressed the fear that behind a new tariff wall there will grow up foreign industries within India. I do not know whether he realises that the legislation now before the House is emergency legislation. It proposes the imposition of emergency duties and if any foreign industry is foolish enough to set up behind a temporary tariff wall it deserves everything that is coming to it.

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

"That the Bill to provide for the imposition of additional duties of customs on imported goods for the purpose of safeguarding industries in British India, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

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

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. T. A. STEWART :** Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I rise to congratulate the Honourable Member in charge of the Bill but as he is not present my friend, Mr. Stewart, will act as his post office and carry my congratulations to him. Sir, as this is practically the last measure of this session, I may voice the feelings of the Members of this House that it is not proper for the Members in charge of Bills to absent themselves from the House when measures with which they are concerned are brought before the House. On former occasions it was said that the Assembly was in session but there was no excuse today.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** May I point out, Sir, that there is an excellent excuse. A Member cannot be present in this House if he is not in Delhi.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I understand that the Honourable Members in charge are not in Delhi. But, Sir, I would submit that if the Council of State was going to sit today it was one of their duties to be present in Delhi, and to pilot their Bills in this House. It is due to the fact that in this House the Government has got an absolute majority I should say and therefore they do not show that courtesy even to the Members of the House, and if I have risen this time it is only to protest against this practice and to submit that Honourable Members in charge will in future show this much courtesy to the House to be present at least on those days when their Bills are piloted through the House.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** Sir, I think it would be wrong on my part not to point out to the House whether the Government are prepared to accept the code of etiquette that the Honourable Member who has just spoken wants to lay down for the House



[Khan Bahadur Mian Sir Fazl-i-Husain.]

I am sure the House will agree with me in thinking that on every conceivable occasion where the needs of this House in the matter of debate required, the Members of Government have always made it a point to be present in the House in order to place before the House the case under discussion. I remember very well three of my Honourable Colleagues were here in this House although the other House was in session. But when an Honourable Member of this House wants their presence not because he wants them to place their case before the House but just to have the pleasure of seeing them—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Because we do not get even that pleasure.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Then he ought to have been present when the Honourable Member was in the House some days ago. If he wants to lay down a rule like this just to have the pleasure of seeing Honourable Members, I have no objection—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Thank you.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN—  
to even that whim of his being satisfied provided it is not at public expense. Am I to understand that this House would like Honourable Members to be present here, not because their business requires them, not because the House wants their advice on any point, but simply in order to meet the whim of an occasional Member here or there? I assure you, Sir, that if I get notice in due time from any Member of this House that this particular whim is going to take possession of him at any particular moment of any particular day, I may take steps to secure his attendance provided the cost to the public is not very great, to see that his whim is satisfied. But on the off chance of one Member developing that whim on any particular day, to expect Members, legislative measures belonging to whose department are going to be before the House, even when there are no amendments, sent in on those measures, is really what one might reasonably call unreasonable. Perhaps I have taken the Honourable Member seriously. Feeling that after a protracted session the time of his going home was near, he was probably feeling in a holiday mood.

THE HONOURABLE THE PRESIDENT : The question is :

“That the Bill to provide for the imposition of additional duties of customs on imported goods for the purpose of safeguarding industries in British India, as passed by the Legislative Assembly, be passed.”

The motion was adopted.

### INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary) : Sir, I move :

“That the Bill further to amend the Indian Tariff Act, 1894, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.”

Sir, the object of this amendment to the Tariff Act has been set out with the Bill. It was found that the actual wording of the Tariff admitted to the

concessional rate of Rs. 30 per ton certain sheet made from Indian bar to which the concession was not intended to apply. For this reason, the concession has been restricted by the addition of the date of import into the United Kingdom in item 148A of the Second Schedule.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART : Sir, I move :

“ That the Bill, as passed by the Legislative Assembly, be passed.”

The motion was adopted.

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THE HONOURABLE THE PRESIDENT : This concludes the work of this session. I am awfully sorry that Honourable Members' stay has been considerably protracted on this occasion, but Honourable Members are fully aware it was due to circumstances over which the Leader of the House had no control. Before we part I must take this opportunity of thanking all the Honourable Members for the support and co-operation they have extended to me during this, my first session. I am also particularly grateful to the Honourable the Leader of the House for the valuable support which he has so kindly extended to me. I have nothing further to add but to wish you all farewell and a safe and happy journey back to your homes. The Council will now adjourn *sine die*.

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The Council then adjourned *sine die*.

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