

Friday, 31st March, 1933

THE
COUNCIL OF STATE DEBATES

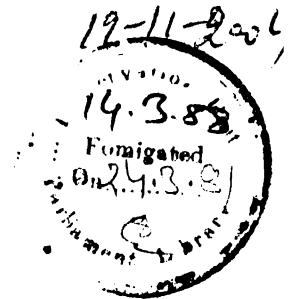
VOLUME I, 1933

(16th February to 15th April, 1933)

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933



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COUNCIL OF STATE.

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 irresponsible 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 KUN BHADUR 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 BHADUR LALA MATHURA PRASAD MEHROTRA : On the total income.

THE HONOURABLE SIR EDWARD BENTHALL : Including the provinces ?

THE HONOURABLE RAI BHADUR 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

* 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-Muhammadian) : 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 extortionist 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.

* " 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

* "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.

*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.

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.

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