

Wednesday, 18th November, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

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(4th to 20th November, 1931)

SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY, 1931



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Legislative Assembly.

President :

THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E.

Deputy President :

MR. B. K. SHANMUKHAM CHETTY, M.L.A.

Panel of Chairmen :

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MR. ARTHUR MOORE, M.L.A.,

SIR MUHAMMAD YAKUB, KT., M.L.A.,

RAI SAHIB HARBILAS SARDA, M.L.A.

Secretary :

MR. S. C. GUPTA, BAR.-AT-LAW.

Assistants of the Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

RAI BAHADUR D. DUTT.

Marshal :

CAPTAIN NUR AHMAD KHAN, M.C., I.O.M.

Committee on Public Petitions :

MR. R. K. SHANMUKHAM CHETTY, M.L.A., *Chairman.*

MR. ARTHUR MOORE, M.L.A.

SIR ABDUR RAHIM, K.C.S.I., KT., M.L.A.

RAJA BAHADUR G. KRISHNAMACHARIAR, M.L.A.

MIAN MUHAMMAD SHAH NAWAZ, C.I.E. M.L.A.

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LEGISLATIVE ASSEMBLY.

Wednesday, 18th November, 1931.

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

QUESTIONS AND ANSWERS.

GRIEVANCES OF *HAMALS* AT VICTORIA TERMINUS STATION.

1356. ***Rao Bahadur B. L. Patil:** (a) Referring to the answer to starred question No. 1146, dated 2nd October, 1931, will Government please state whether any communication has been received from the Agent, Great Indian Peninsula Railway, with regard to the bad plight of the *hamals* working in the Victoria Terminus Station, Bombay, owing to the objectionable methods of the contractor?

(b) Are Government aware that the public are put to much inconvenience in that they are required to pay more to the licensed *hamals* as they themselves are paying a considerable part of their income for getting their licence?

(c) If so, what do Government propose to do in the matter?

Mr. A. A. L. Parsons: (a) and (b). No.

(c) Does not arise.

APPOINTMENT OF CARETAKER FOR THE SECRETARIAT AND COUNCIL HOUSE IN NEW DELHI.

1357. ***Mr. Badri Lal Rastogi** (on behalf of Mr. Bhuput Sing): (a) Is it a fact that there is a post of caretaker of the Council Chamber building and the Secretariat buildings at New Delhi? If so, is it a fact that one Mr. Palmer has been appointed in that post?

(b) Will Government be pleased to state whether he has been given free quarters; if so, why; and what is the rent of such quarters? Is it furnished and does he pay rent for furniture?

(c) Will Government be pleased to state whether he has got any engineering qualification for being selected for the post? If not, will Government be pleased to state the reasons for appointing a man to this post without engineering experience?

(d) Are Government aware that questions have been asked in the Legislative Assembly in the past as to why the posts of caretakers of Government of India buildings are reserved for Anglo-Indians? If so, what action did they take for appointing Indians to such posts? If no action has been taken, will they please state the reasons?

(e) Is it a fact that before Mr. Palmer, there was another Anglo-Indian caretaker of the Chamber? Is it a fact that he used the Chamber furniture for his private use and for which he was shunted out of this post?

(f) Will Government be pleased to state what action was taken against that caretaker for this abuse of his powers? Is it a fact that he used to loan out Council House furniture to his friends as well?

The Honourable Sir Joseph Bhowe: (a) Yes; the appointment is not a recent one.

(b) Mr. Palmer is given free unfurnished quarters consisting of three rooms on the second floor of the Secretariat, North block. In the case of Caretakers, it is usual to give free quarters. The rent of the quarters would work out to Rs. 546 per mensem if calculated on the total cost of the Secretariat buildings.

(c) No. It is not considered necessary that the Caretaker of these buildings should possess any engineering qualifications.

(d) Yes. No appointment has been made since the questions were asked.

(e) Yes. In reply to the second part and to (f), the Government have no information.

APPOINTMENT OF INDIANS TO POSTS OF SUPERINTENDENTS OF QUARTERS, ETC.

1358. ***Mr. Bhuput Sing:** (a) Is it a fact that there is another Anglo-Indian, Mr. Thomas, as Superintendent of Quarters in Old Delhi?

(b) Is it a fact that there was one more Anglo-Indian Mr. DeKnox known as Furniture Supervisor?

(c) Will Government be pleased to state why in any of these posts so long no Indian has been appointed?

The Honourable Sir Joseph Bhowe: (a) There is no post of Superintendent of Quarters in Old Delhi. Mr. Thomas is Caretaker of the Secretariat buildings in Old Delhi, and is also in charge of other work elsewhere.

(b) Mr. deKnock, who is a European, is at present temporarily employed in assisting the Estate Officer.

(c) I would refer my Honourable friend to the reply which I have just given to question No. 1357 (d).

PAY OF CARETAKERS AND ALLEGATIONS AGAINST MR. PALMER.

1359. ***Mr. Bhuput Sing:** (a) Are Government aware of the mal-treatment of the inferior servants by Mr. Palmer, caretaker of the Council Chamber building at New Delhi? If not, do Government propose to inquire into the matter? If not, why not?

(b) What is the pay of the posts of Mr. Palmer, Mr. Thomas, and Mr. DeKnox and the length of Government service of each of them?

The Honourable Sir Joseph Bhowe: (a) No. I am not prepared to make an enquiry of a general nature, but will be glad to enquire into any specific case if my Honourable friend can give me details.

(b)

	Y.	M.	Pay Rs.
Mr. E. Palmer— service	5	8	345
Mr. J. E. Thomas— „	8	3	350
Mr. W. C. deKnock— „	6	7	230

RETRENCHMENT IN THE CORDITE FACTORY AT ARAVANKADU.

1380. **Mr. K. P. Thampan:** Will Government be pleased to state:

- (a) what is the extent of further retrenchment proposed in the Cordite Factory at Aravankadu;
- (b) whether and, if so, to what extent, it is proposed to make the superior staff bear the burden of retrenchment;
- (c) whether in sending away men, any attempts have been made to secure voluntary retirements by offer of gratuities;
- (d) whether it is a fact that 41 men in the prime of life, who have put in service of 15 to 20 years, have been given notice while old men on the verge of retirement have been retained;
- (e) whether the alternative method of closing down the shops on alternate Saturdays suggested by the Union was examined and, if so, why it was not adopted; and
- (f) whether Government are prepared to advise the Superintendent to discuss with the Union's representative the most feasible and practicable method of retrenchment, so as to cause the least heart-burning to the men who have so far worked loyally and faithfully?

Mr. G. M. Young: (a) About 61 men, who will be discharged on the 1st December.

(b) The management staff and the non-gazetted staff will be reduced by 25 per cent.

(c) The Superintendent of the Factory is being instructed to call for voluntary retirements. Gratuities will be admissible under the existing rules.

(d) I have called for full particulars, and will communicate with the Honourable Member when they are received.

(e) Yes. The alternative method was not adopted because, with the prospective cut in wages, it would entail a double loss in earnings.

(f) The Superintendent of the Factory has already consulted the Union on this point.

Mr. K. P. Thampan: May I ask whether Government cannot decide to what extent retrenchment should be effected in the Cordite Factory at Aravankadu and then proceed directly without making retrenchments little by little in a piecemeal manner?

Mr. G. M. Young: I do not think that there will be any further instalment of reduction. I regret it has had to be done in two instalments instead of one.

Mr. K. P. Thampan: May I take it that there will be no further retrenchment?

Mr. G. M. Young: I have just said that I do not think that there will be any further instalment of reduction.

APPOINTMENT OF CONTROLLERS ON THE NORTH WESTERN RAILWAY.

1361. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if it is a fact that when the railway control system was introduced employees were selected from among the chosen Station Masters, Assistant Station Masters, Guards and Yard Foremen?

(b) Were they appointed as Assistant Controllers after they qualified themselves by passing the examination prescribed for the purpose?

(c) Were they appointed in the grade of Rs. 300—10—350?

(d) Is it a fact that protests were made by other senior Station Masters and Assistant Station Masters against their supersession by the appointment of these Controllers?

(e) Is it a fact that they were told by the railway authorities that the Controllers were specially suited for the purpose?

(f) Is it a fact that 51 Controllers were actually confirmed?

Mr. A. A. L. Parsons: I am obtaining information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

Mr. Lalchand Navalrai: Will the answer be placed on the table in the House, when the information is received?

Mr. A. A. L. Parsons: I shall send the Honourable Member a letter, and a copy of that letter will be placed as usual in the Library.

APPOINTMENT OF CONTROLLERS ON THE NORTH WESTERN RAILWAY.

1362. ***Mr. Lalchand Navalrai:** (a) Is it a fact that three grades were created in the cadre of Assistant Controllers on the North Western Railway on the 14th September, 1929?

(b) Is it a fact that confirmation orders of 51 Assistant Controllers of the North Western Railway, which were issued on the 1st January, 1931, were subsequently cancelled on 9th September, 1931?

(c) Is it a fact that these 51 Assistant Controllers were kept on probation for a period of three to four years prior to their confirmation and that their work was quite satisfactory?

(d) Will Government be pleased to state if there is any rule or regulation under which confirmation of a Government servant can be withdrawn without proving him to be unfit?

(e) Is it a fact that these Assistant Controllers were officiating in the grade in which they were confirmed and was it the Agent of the North Western Railway who accorded his sanction to their being taken in the highest of the three grades, viz., Rs. 300—10—350?

(f) Will Government be pleased to state if it is a fact that these 51 Controllers moved the railway authorities to reconsider their case and set aside the orders of withdrawal of their confirmation; if so, what orders have been passed thereon? If they have not been reconfirmed, will Government be pleased to state full reasons for the same?

(g) Is it a fact that the railway authorities now contemplate fitting these 51 Controllers in the three grades according to the substantive appointment they held prior to their appointment as Controllers?

(h) Will not this process have the effect of putting the European and Anglo-Indian Controllers into higher grades and the Indian Controllers in the lower grades?

(i) Are Government prepared to confirm all these 51 Controllers in the highest grade in which they are working at present?

Mr. A. A. L. Parsons: As regards part (d) of his question the Honourable Member is referred to the reply given to Mr. S. G. Jog's question No. 1291 on 13th November, 1931.

As regards the remainder of the Honourable Member's question, I am obtaining information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

Mr. Lalchand Navalrai: Is the Honourable Member aware that under Fundamental Rule No. 15 a Government servant shall not, save in cases of inefficiency or misbehaviour, be transferred to a post substantially carrying less pay than his relative position in the cadre of the service to which he belonged would justify?

Mr. A. A. L. Parsons: In effect that was the substance of the reply which I gave to Mr. Jog's question.

INDIAN LOCO. FOREMEN, ETC., ON THE NORTH WESTERN RAILWAY.

1363. **Mr. Lalchand Navalrai:** Will Government be pleased to state how many Indians, with their respective denomination, there are on the North Western Railway who are working as Loco. Foremen, confirmed Traffic Inspectors, Deputy Chief Controllers, and Chief Controllers?

Mr. A. A. L. Parsons: The available information is given in the North Western Railway Classified List of Subordinate Staff, a copy of which is in the Library.

GUARDS APPOINTED ON THE CONTROL SYSTEM OF THE NORTH WESTERN RAILWAY.

1364. **Mr. Lalchand Navalrai:** (a) Will Government be pleased to state if the guards who have been taken on the control system of the North Western Railway have passed the Station Masters' examination and have ever worked as Station Masters before the control system was instituted on the North Western Railway?

(b) Will Government be pleased to state their names?

(c) If the answer to part (a) be in the negative, will Government be pleased to state, with reference to my starred question No. 160, dated the 10th September, 1931, as to whether the duties of the Station Masters are not different from those of guards, and whether the control system falls within the usual duties of Station Masters and not of guards?

Mr. A. A. L. Parsons: (a) and (c). I have called for certain information from the Agent, North Western Railway, and will communicate with the Honourable Member on its receipt.

(b) The Honourable Member's attention is drawn to my answers to his supplementary questions to question No. 63 asked on the 9th September, 1931.

THE GOVERNMENT EPIGRAPHIST.

1365. ***Pandit Satyendra Nath Sen** (on behalf of Mr. S. C. Sen): (a) Is it a fact that the General Purposes Retrenchment Committee has recommended that the Government Epigraphist for India should be at the headquarters of the Archæological Survey?

(b) Is it not a fact that his main work is concerned with the North Indian inscriptions?

(c) What are the reasons for continuing the said office or its head at Ootacamund any longer?

(d) Do Government propose to take immediate steps to move the said office to the headquarters of the Archæological Survey?

(e) Will Government please state who is the present incumbent of this post and what is the length of his service?

(f) If his length of service extends to more than 25 years, do Government in pursuance of its retrenchment policy and the recommendation of the Retrenchment Committee and in the interests of economy propose to ask the present incumbent to retire?

(g) If Government do not desire to observe this general policy in this particular case, are there any special reasons for it?

Sir Frank Noyce: (a) Yes.

(b) The Government Epigraphist supervises all epigraphical work except that in connection with Moslem inscriptions.

(c) and (d). The question of moving the headquarters of the Government Epigraphist from Ootacamund has been considered, but effect could not be given to the proposal owing to the difficulty of finding accommodation at the headquarters of the Government of India.

(e) Dr. Hirananda Shastri. He has put in 28 years' service.

(f) and (g). No. The General Purposes Sub-Committee of the Retrenchment Advisory Committee did not recommend that the present incumbent should be retired. On the contrary, it recommended that Rs. 13,000 should be added to the reduced Budget of the Department, for which they suggested a figure of Rs. 10½ lakhs until such time as the Epigraphist retires or goes on leave preparatory to retirement.

EMPLOYMENT OF TWO MEMBERS OF THE LEGISLATURE ON THE ORISSA BOUNDARY COMMITTEE.

1366. ***Mr. S. G. Jog:** (a) Is it a fact that the Orissa Boundary Committee will have its sitting during the Assembly sessions?

(b) Is it a fact that one of the Members of the Assembly and also a Member of the Council of State are working on that Committee?

(c) Are Government prepared to take steps to see that the Orissa Committee starts its work after the Assembly sessions?

(d) Do Government propose to facilitate the attendance of these two members for giving their votes on the Supplementary Finance Bill when it comes for voting?

The Honourable Sir James Orerar: (a) The Chairman of the Orissa Boundary Committee assumed office on the 31st of October; it is understood that he has summoned the Committee to assemble at Patna.

(b) Yes.

(c) and (d). It is for the Chairman and the Members of the Committee to arrange their procedure with reference to their inquiry and the proper method of handling it. If the Members desire to attend in Delhi during the current month they will no doubt suggest to the Chairman that the business of the Committee should be arranged accordingly. Government see no necessity to take any steps in advance of any arrangements the Committee may approve, but this question and my reply will be communicated to the Chairman.

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

Mr. President: Further consideration of the Finance Bill.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): Sir, the Honourable the Finance Member and the Government generally are anxious that the Budget should be balanced, and we are considering how it should be done.

In the first place, our difficulty is that we have no Budget before us at all which is to be balanced. The main question which the House has been considering is whether the expenditure should be reduced to an extent which would enable the Honourable the Finance Member to balance his next Budget, or whether there should be further taxation. What is the state of public opinion in the country in this matter? There cannot be the slightest doubt that Indian public opinion is entirely against the scheme of further taxation. So far as I have been able to follow the Anglo-Indian newspapers, the Anglo-Indian public opinion is also to the same effect. We know that the Madras Chamber of Commerce, the Punjab Chamber of Commerce, and I believe also the United Provinces Chamber of Commerce, have passed resolutions to the effect that the expenditure of the Government of India should be sufficiently reduced in order that Government may carry on without any further proposals for taxation. But, Sir, how is that public opinion reflected in the House itself? I was very much surprised to find that the British group in the Assembly have not conformed to the state of public opinion among the European community outside this House. We have heard criticisms from that group of the financial proposals, but when it comes to voting they always go into the Government lobby. The question we are now dealing with is whether this 25 per cent. increase in the income-tax should be allowed or not. As is admitted by the Government, the number of individuals who have to pay income-tax is extremely limited. I believe it does not amount to more than 300,000 men. If that be so, this increase of 25 per cent. in income-tax must mean necessarily considerable hardship to this limited class. Income-tax is also paid by another class of men, that is those who are in the employ of Government, the officials, but we are told by the Honourable the Finance Member that they will not have to pay this surcharge at all, that is to say, the ten per cent. cut which he proposes would make allowance for this increased tax. The result of that would be that they will have to pay only about 6 per cent. out of their salaries as a contribution to the present state of the finances. If that was what they intended I think the most straightforward and the best course for the Government was undoubtedly to say we shall make a cut of six per cent. in the salaries

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of Government officials and not ten per cent. Why mislead the public in this way? Besides the proposal must have mischievous effects. The officials form the Government in this country. It is an official Government. If they are exempted from a tax which others have to pay, what would be the natural effect? They will not exercise that scrutiny and that vigilance over public finance which they are expected to do. It is a bad policy indeed that the Government have adopted this time. On the other hand the proper course for the Honourable the Finance Member was to say, "We shall cut the salaries of Government officials to the extent of six per cent. and not ten per cent." The net result is that it is only this limited class, minus the Government officials, that will suffer. The agriculturists and the landlords are exempted. Therefore, only the business people will suffer. There would be a tax only on men carrying on business, the traders and the merchants. Now, we all know, as we have been told repeatedly, that the trade returns have been declining, both export and import,—not within the last six months but within the last three years, since 1928-29. That is to say, business generally has been declining. Now the proposal that is made for a 25 per cent. surcharge in income-tax must injuriously affect the business of the country, and it is upon the export and import of the country that the wealth of the country depends. You are going to diminish the resources of the country altogether. The taxes are already so heavy that this surcharge will practically mean destruction of capital. If capital is going to be destroyed in this way, how is the country to balance its Budget at all? You are cutting at the root of the resources of the country altogether. An appeal has been made time after time to the agriculturist representatives in this Assembly. It is all very well for those who represent the agricultural interests to think that they are exempt and therefore they can pass this proposal with a light heart, but from the way the Government have been going on year after year, piling on tax after tax and broadening the base of taxation as it is called, do my agriculturist friends in the Assembly really think for one moment that they are going to remain exempt for long? Their pockets will be reached as soon as it becomes advisable for the Honourable the Finance Member to levy further taxation. We have been advised that the room for further taxation is now extremely limited and there is hardly any left. Some four or five small minor items, we are advised, have been left for further taxation. If that be so, it must be the turn of the agriculturist and the landlord next time. Therefore it is time for those who represent the agriculturist interests in the House to join with others in resisting this further taxation. The country as a whole cannot bear any further burdens, and it is necessary for all interests to combine and throw out proposals of this character. This habit of taxation seems to be growing on the Government from day to day and is an appetite which grows with feeding: it is time that the Government put a stop to the tendency of piling on taxation after taxation on the country. Sir, the British Group claim that they are right in supporting the Government on this occasion though they are making a great sacrifice. They no doubt represent very large business interests in the country, and they will suffer to a large extent. But why are they sacrificing their own interests and the interests of the country at large? That is the question which they, I submit, have got to answer for themselves. Is it because they must support Government in every possible measure?

Mr. Arthur Moore (Bengal: European): The Honourable Member will recollect that we did oppose the Government on the income-tax last March, when there was no national emergency.

Sir Abdur Rahim: What happened last March I am perfectly aware of. The result was that Government accepted very moderate deductions from their proposals. Otherwise, if the British Group had stood shoulder to shoulder with us, they would have accepted further reductions in their taxation proposals. What was the attitude of the Government last March? I believe they were prepared only to go to the extent of 1 crore 35 lakhs. We asked for reduction to the extent of 3 crores. The figure which the Government accepted was the figure supplied to them by the proposals of the British Group! Now what is the attitude of the Government to-day? I say that we on this side of the House were right. We were extremely moderate last March, but the Government thought at the time that they could not possibly balance the Budget except with the help of the figure which they gave. But what has happened now? They themselves have accepted proposals for reduction to the extent of about seven crores. There is still a further field for retrenchment, which is unexplored. The point is why do we find on this occasion, as on other occasions, that the Honourable Members of the British Group must support the Government? We are told that we on this side of the House are too prone to criticize. I say it is our business to criticise the Government proposals and to guide them in the light of public opinion; that is the function which we have to perform, and to perform which we have been sent by our constituencies to this Assembly. I say, Sir, if we fail to perform that duty, we should fail to perform the primary function which has been assigned to the elected Members of this Assembly. If the Government's action was always right, if the Government were perfect, then in that case there was no necessity for the Government of India Act to provide for the election of Members by the country. Our function is to show to the Government that their proposals, their measures, their administrative acts in certain respects are not in accordance with public opinion or the needs of the country. Sir, if any group of Honourable Members consider it their duty to go into the Government Lobby on every occasion, or say on 99.9 per cent. of the occasions, then in that case I say they are violating the spirit of the constitution. I say without the least hesitation that it is not in accordance with the spirit of the constitution, that any group of Members should consider it their duty to support Government at every step and on every occasion.

Sir Abdullah Suhrawardy (Burdwan and Presidency Divisions: Muhammadan Rural): Even if the Government were in the right?

Sir Abdur Rahim: If Government were always right, then there would not have been any necessity for this Assembly to exist. It is because the Government are liable to err, like any other human institution, that this Assembly has been constituted: and if any section of this Assembly thinks that the Government are always in the right, then I say that those gentlemen have no business to sit here at all. We, on the other hand, do not indiscriminately oppose the Government in season and out of season. We allow measure after measure to be passed at every session without any question whatsoever; but, when we do find that measures are passed which we think are injurious to the interests of the country, we consider it our duty to point that out to the Government and to vote

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against their proposals. Sir, the stand that we have taken is this, there should be no further taxation; that the Government's Budget ought to be prepared on the basis of the pre-war scale of expenditure, and, if that is done, then, in that case, there is no necessity whatever for any increased taxation. If you take the pre-war Budget, for instance the Budget of 1913-14, you will find that if the Government regulated their expenditure according to that Budget, there would not only be no necessity for increased taxation, but it would leave a considerable surplus in their hands. Since 1913-14 many important subjects have been provincialized, and some of them transferred entirely to the charge of Ministers. Yet what do we find? We find there has been a rise in expenditure from day to day, from year to year. What is there, Sir, to show for it? Very little. I am perfectly aware that since 1920-21 this Assembly and the Council of State have come into being, but that only accounts for Rs. 10 lakhs of expenditure or a little less. The general growth, however, has been by crores. What is there to account for it? India has not gone to war; she has not got the power to go to war with any Power. What, I ask, has been done to increase the wealth of the country or even to promote peace and contentment and prosperity and well-being in the land? The growth of expenditure in this phenomenal manner, of this extraordinary character, could only be justified if it tends to increase the wealth of the country and tends to increase peace in the country and prosperity, well-being and contentment of the people. Can Government say that either of these objects has been attained? The declining revenues refute at once any idea that the wealth of the country has been increasing. And as regards peace and contentment, nobody is more conscious than Government themselves that political troubles and other troubles, due largely to economic causes, have been increasing in the land. We always find that Government are in the habit of taking credit for efficiency. How is that to be judged? I put it to Government that it is not to be judged by the number of notes that are written in the Secretariat nor by the character of those notes; but it is to be judged by the effects on the prosperity of the people, on the contentment and happiness of the people. Judged by that standard, has there been the slightest justification for this enormous growth of expenditure from year to year? I should like to know by what standard or on what principle can Government justify this growth of expenditure. We have been repeatedly told—it has been flung at our faces—that the introduction of a democratic form of government has been responsible for all this. Where is the democratic form of government, to begin with? No doubt this Assembly accounts for a certain amount of expenditure, but it is very little compared to the increase that there has been all round. What else is there to show? Then, are our proposals accepted and carried out? No. In every matter to which Government attach any importance, if our proposals are against their policy, they have a very easy remedy,—certification. Bills can be passed by certification; financial measures can be passed by certification; Ordinances can be passed without consulting the Assembly. Therefore the less talk there is of popular government or democratic government having increased the expenditure of Government, the better.

Sir, as regards this particular proposal I agree with the Honourable the Finance Member in this respect that you must take all his proposals together, and I say that there is no justification for the Finance Bill at

all. The whole of the money that is wanted can be had by retrenchment. If you reduce your expenditure sufficiently,—and you can do so without injuring any interests of the Government at all,—you can easily balance the Budget without resort to further taxation. Then, Sir, I must also point out that if we were given the time, if the various retrenchment Sub-Committees were given the time, they could place in the hands of Government proposals which would justify all the remarks that we on this side have been making. We know that the Retrenchment Committees only began their work at the beginning of July last. Then they had to suspend their sittings for the Simla Session. They were perfectly prepared to take up their work much earlier, but the Government departments themselves were not prepared. If there has been any delay, I do put it confidently to the House that the delay was not due to the Retrenchment Committee at all. All the Retrenchment Sub-Committees did their best to help the Honourable the Finance Member, but it has to be remembered that the Committees had to cover very wide fields, and unless they made their investigations into important details, it was not possible for them to arrive at any conclusions. If the Honourable the Finance Member had given us sufficient time, we would have been able, before the next Budget was placed before this House, to place complete proposals before this House. In that case he would have been convinced that there was room for a very large curtailment of expenditure, large enough to satisfy all. But he has adopted a different course. Instead of doing that, he has brought forward this Finance Bill proposing very heavy taxation in all possible forms. I have not yet been able to follow why there should have been such a hurry when the Budget was not ready and could not be made ready. We were told in general words that the credit of the country was at stake. Sir, I for one do not accept any such dictum. The credit of the country was not at stake in any way. There has been a decline in revenues, but was there no remedy for it? Could not Government wait till next February when they could bring forward their Budget and the country could know whether it was not possible to balance the Budget by retrenchment? Do Government want us seriously to believe that by that time the credit of the country would have declined? Why should there have been any notion on the part of any country that India was not able to balance her Budget? Sir, I must say that this hurry on the part of Government to bring forward this Finance Bill cannot be explained on that ground. If the Government were anxious to have all our proposals before the time for framing the Budget came they should have waited; and if they had only waited till February, they would have had all the inquiries completed by that time, and if at that time we could not make up the deficit and prove to the Government and to the country that there was no necessity for further taxation and that the Budget could be balanced by reduction of expenditure, then Government would have been perfectly justified in bringing forward any proposals for taxation. But not until then. I submit that this proposal for further taxation is altogether untenable and that there are special reasons why this surcharge should be thrown out.

Mr. C. Brooke-Elliott (Madras: European): Sir, on one unhappy occasion I made a pun in this House and the ghost of that pun has haunted me ever since. I should like to say that in speaking today I am speaking in very real earnest, and I also want to say perfectly frankly that on this occasion our little family does not quite see eye to eye. That happens;

[Mr. C. Brooke-Elliott.]

Sir, in the best of families, but it is always a little painful perhaps to face up to it. I want to say quite plainly that the Bombay Chamber of Commerce, of which my Honourable friend Mr. Griffiths is the principal representative, the Chamber of Commerce of Madras, and the Chamber of Commerce of Upper India, represented by my Honourable friend Mr. Ramsay Scott, have taken a strong line in respect of this portion of the Budget. Sir, we have had some observations about the duties of members of parties. W. S. Gilbert put it so well that I venture to quote him as being in point, though not quite in point. He said:

“When in the House M. P.’s divide,
 If they be a brain and *cerebellum* too,
 They have to leave that brain outside,
 And vote just as their leaders tell them to.”

Sir, with great respect, perhaps I cannot claim a brain, but I claim its little brother *cerebellum* and I note that the last two syllables are *bellum*, and I think that the war like diminutive is rather a strong one. And so I am going to indicate as shortly as I can the reasons why I am unable to agree, with great respect, with full knowledge and understanding, I hope, of the arguments both for and against. The Honourable the Finance Member made a very pointed appeal to us to consider these proposals not from a narrow party spirit but from the point of view of our honest intellects: I have tried to do so all through. Sir Joseph Bhore convinced me beyond any doubt, and I believe he convinced the intellects of a great number of other Members of this House, that the case as regards the Posts and Telegraphs was unassailable, and I voted with the Government on that question. Again, yesterday, on the lowering of the limit of income for assessment of income-tax I had a great deal of sympathy with my Honourable friends here, but many points weighed with me,—perhaps some were not aware of this—namely that an assessee under this Bill, if it goes through finally in its present form, drawing a salary of Rs. 1,000 will only pay an income-tax of Re. 1-0-0 by virtue of section 17 of the Income-tax Act, and I doubt whether Government will go after the one rupee in the wilderness remembering the 999 elsewhere. Further on, I admit, the rate is 2 per cent. But, Sir, there comes a point when, although you see the force of the argument on the one side, you feel unable to resist the force of the argument on the other side. We are not today in the position of an advocate but rather in the position practically of a Judge. I preserved an open mind right through this Bill. I came here with certain instructions. My constituents were good enough to give me their confidence. Now, I am unable to give direct support to this clause in the Government Bill, and my Honourable friends whom I have mentioned agree with me in that resolution. I think it right therefore to give a few of the points that have influenced me. What influenced me profoundly was the speech of my Honourable friend Mr. Tait. It seemed to me that while you might criticise one of his series of facts, yet by linking together the general result of all his calculations, he has proved conclusively to any reasonable man that there is wholesale and gross evasion of payment of income-tax. Sir, I read with very great care the speech of Mr. Sarkar, Chairman of the Bengal National Chamber of Commerce.

What did he say in his speech? Surely a gentleman of his position and responsibility will not talk idly. This is what he said (on page 5):

"I feel that if the Government had taken steps to improve their organisation and methods to prevent income-tax evasion, *which has become almost scandalous*, they would have obtained a larger volume of revenue than by the means now proposed."

I cannot believe that this is a mere debating point or mere idle statement. Why I feel justified in not according my humble support asked for by Government is this, that we in Madras do believe emphatically that that is the true state of facts and therefore we are not departing from the principle which has been underlying our conduct so far. We say, "If you keep on piling up this increased income-tax on the already overloaded honest camel, you might drive him to methods of evasion." If, on the other hand, as we all believe and most of us know, there is this gross evasion, then my point is that Government who say to us, "You must pay" cannot complain if we reply, "First you must collect more." That is the point in the word "must". This in effect is very largely tantamount to a vote of censure on income-tax methods throughout the country. I find that feeling is very widely felt. A European friend—I cannot mention his name—told me the other day that the quantity of correspondence he has with the Department, because he draws only a salary of Rs. 200 himself and some of his juniors equally little, is immense as regards petty details. Sir, it is the duty of people who have to collect the tax to have a certain amount of sound psychology and they ought to some extent to recognise the honest man when they see him and not worry him more than is absolutely necessary. That is one method where they fritter away a good deal of energy on a willing loaded camel, instead of going out and lassoing and putting taxed or untaxed salt on the tails of those other camels which are careering about, either lightly taxed or not taxed at all. I do not say—you could not expect me to say—that by those methods they will make up all that they hope to get by the increased taxation; but I do say, after speaking to men, well qualified I think, to give me a sound opinion, that a very large amount could be got in: and I still hope that the Government in their wisdom will do all they can to lessen the steepness of the gradation throughout and make up, what they lose therefrom, from the pockets of those who so far have evaded. Sir, income-tax stands on a different footing from an ordinary revenue tax. If you put a duty on goods and the goods come in free or are smuggled in, once they are in the country past the Customs you practically can never catch them up with a tax. But income-tax is a continuing liability even after the year in which it has become due, and I do believe—I know it will not be challenged—I do believe that in these coming 18 months if a real campaign is inaugurated to carry through with all the vigour and ability of which the Department is capable in an emergency, I believe a very large amount of taxation will be brought in from these people who negligently, and, in many cases I fear dishonestly, have been evading taxation so far. Therefore I am not merely making a destructive criticism; I am making a criticism which I believe is highly constructive. Sir, let me give one or two figures. I am indebted to the Memorandum of the millowners of Bombay for the figures. I am not here to plead for the rich man. My friends are very largely among the poor. Look at the result. The last column in this Memorandum—and I hope I am quoting the right column, I am sure I am—shows the

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increase in tax in 1932-33 as compared with 1930-31. Take a few of the figures.

Rs. 3,000. The increase is 50 per cent.

Rs. 4,550.

Rs. 6,000.

Rs. 7,500.

Rs. 9,000. The increase is 87 per cent.

Then it drops in the next grade to 66 per cent. and on Rs. 15,000 the increase goes to 100 per cent. Now, I am not going into the higher scales. I have gone up to the people earning Rs. 15,000. Whether you call them rich I do not know. Rich and poor are merely words of comparison. What I can say is that those people are the best milkers in the Government taxation herd, if I may so put it, and I do think that the best milker should not be heavily overmilked.

The next point that I want to make is that you are now going to have retrospective taxation. Sir, I know—I hate to talk about law; it is the one thing one wants to get away from when possible—I know in law sometimes retrospective legislation is necessary. You may have to pass an Act of Indemnity for good reason. You may find some obsolete law operating contrary to the ends of natural justice, and you give an indemnity to law breakers as they did in London lately in regard to an ancient Act affecting Cinemas, but retrospective taxation in the nature of income-tax is the introduction, I believe, of a vicious and wrong principle. (*Opposition Cries of "Hear, hear."*) People who had their assessment forms sent to them last June paid up or are paying up every month. Now, is it right in this emergency—I never forget the emergency—is it right to come forward and seek to reopen an account stated between the State and the party last June? I say it is wrong. When a thing is wrong, it is just as wrong in an emergency as at other times; perhaps even more wrong. I have seen lately the sanctity of contracts violated. I think that is probably the greatest harm that has been done to the public conscience probably in the last decade. The answer is "Emergency; and necessity knows no law". I retort that necessity seems to know a great deal of bad law, and I am sorry to have to say that I think this is one example of such a thing. So, Sir, on that ground all those people who lawfully paid their tax last June (and spent what little money, if any, was left) are going to receive a fresh Revenue Christmas card—some of them have already received it—and are expected to send to the tax-collector another cheque signed, I hope, "Yours gratefully." Sir, is that right? Will that not arouse a very real degree of irritation amongst people who say—"We have been clean and straight forward and honest and we have not got the cash now to put down because we have spent it". When a duty is raised, you can smoke less or drink less or have a cheaper car or walk; but with regard to income-tax you prudently put aside the money necessary for payment last June, and now they come and say, "Pay up again". And it has got presumably to be cash; and to my knowledge a lot of people simply have not got the money. Are you going to create that feeling in that large body of persons—330,000 is a large body—it ought to be much larger—are you going to do that and are you going to do something, which, as a simple man and a simpler lawyer, I honestly believe to be wrong? It seems to me that it is no good my saying I believe it to be wrong unless I go a step further and give

point to my belief. Sir, we disliked many taxes; I supported the Government in regard to the machinery tax, because in Madras we went through all the proposals and the man who probably was one of the hardest hit said "I hate the tax, but I do realise there is this emergency; and so do not vote against it." That is the spirit to encourage; and that is the spirit which in the main I believe the public have shown, are showing, but I fear may not show, if taxation exceeds what I might call the breaking-point. I have had a lot of communications with those whom I try to represent, and on this point they are very strong, I may say, unanimous. As a representative of a number of different classes of people in Madras, I am perhaps more closely in touch with the general European community than some of my friends who are mainly in touch or most nearly in touch with the commercial community. I find amongst the general European community, people like our missionaries, educationists, railway people, people in mills, people in shops and so on, a real deep-seated resentment against this tax, and am I to come here and not represent them? Am I to sit silent and say nothing, or am I to honestly say what I feel; because I think truth is the consideration you must place above all others. I also venture to think that there are things higher even than the rupee. I believe public good faith and the sanctity of contract and all similar matters are above price and I believe natural justice is a thing which makes a universal appeal to all. It is because I do earnestly think that, when the tax-payer met his lawful liability last June unless things have gone far, far, beyond the present emergency, you ought not to seek to reopen what I call an account stated between the State and the subject. Sir, one of my clients wrote to me the other day and he used rather a good sentence, which I shall borrow. He said:

"There has been a great deal of unofficial thunder; now we demand from Government a little lightning. . . of taxation."

Sir, I read this morning a text with which I will close, and I will offer it quite humbly to my Honourable friend, whose heavy burdens and official anxieties nobody appreciates more keenly than I do. It is because I honestly think that we can relieve some of those burdens and anxieties by this constructive proposal that I have made it. This is my last word in the Assembly: and I hope it is an appropriate one: I would say, "let the Finance Minister stay his rough wind in the day of the East wind."

Mr. R. S. Sarma (Nominated Non-Official): Mr. President, adversity makes strange bed-fellows, and I think that is one of the reasons why we find today that the Leader of the Independent Party has had the good luck to have as his immediate supporter the representative of the European community of Madras. It is a strange commentary upon the professed representative character of some Members of the Opposition that, while some of their leaders were sitting glued to their seats not inside the Chamber but in the lobby when the debate was going on on the poor man's salt, when the rich man's income was going to be additionally taxed they should rush into the Chamber promptly as the clock struck the hour of eleven and should champion the cause of the rich . . .

Mr. B. Das (Orissa Division: Non-Muhammadan): Have you joined the Congress?

Mr. R. S. Sarma: The Opposition protested on the first day against the poor man's salt. On the second day they protested against the poor man's post; yesterday they protested in the morning against income-tax

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on lower middle class incomes; and the whole of the afternoon yesterday and today they are protesting against the tax on the rich man's income.

An Honourable Member: Of the poor man also.

Mr. R. S. Sarma: I think that the only tax that the Opposition will like to impose with unanimity is a tax on the patience of some of us here to be made to listen to the amateurish discourses of pseudo financiers. I want to place only one thing before this House. If taking advantage of the support of some section of the European Block which the Honourable the Mussalman (Knight from Bengal has been able to get, this House passes this amendment by a majority and rejects the imposition of this duty, will not an impression be likely to be created in the country that, while this Assembly as a whole has adopted a tax on the poor man's salt, the very same Assembly when it came to the question of the rich man's income, rejected that tax? I want to put it to the Opposition whether that is a consummation which they desire.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, if I rise to submit a few observations in connection with this Bill, it is not with any conviction that what I am going to say will have very much effect, because I know behind the official proposals there is a solid phalanx that is quite ready to vote and support them whether they are reasonable or otherwise. But duty compels me to get up and submit a few observations to this House regarding this income-tax under the heavy heels of which most of us have been and are still being trodden.

Now, one of our veteran statesmen, who fortunately is still among us, who worked with the older generation of Indian politicians, the Honourable Sir Dinshaw Wacha, in giving his opinion on the recent proposed amendment of the Income-tax Act has described the whole position regarding this matter, and I think it is too valuable not to be brought within the debates of this House, and with your permission I shall quote a few sentences from his opinion :

"The whole of the Income-tax Act is iniquitous in its operation on poor and rich alike. There is a sad lack of financial statesmanship in search of the "eternal peace". The entire Act demands to be repealed and substituted by one which will not only be equitable in its operation but elastic enough to give automatically a larger and larger revenue. If people can save more, they can increase their capital, and if their capital increases by judicious saving it signifies so much more grist to the Government mill. The fact is that financial sagacity is at a discount at headquarters, and unless the Government seriously takes steps to organise its whole system of revenue on a sounder and juster footing than for some years past, it might find itself in a serious plight."

A little later on he says :

"The income-tax is growing more and more burdensome, if not refinedly tyrannical". (I want to emphasise those words specially). "The fact is that the Government of India is living from hand to mouth, aye, its revenue, for reasons which need to be explained, is fast diminishing."

He was not writing about this particular Budget at all, but how prophetic he was when he said that!

"It is at its wit's end to find the means to balance its Budget. In search of improving its resources, it finds in income-tax a potent instrument. No objection could be taken to such taxation, so far as it is not burdensome. The question eventually resolves itself into one of psychology. Government is being punished for its

tyranny and is nothing more or less than what the Greeks called 'Retributive Justice'. It is the Nemesis of the Government of India's own cupidity which is dogging its footsteps."

Now, Sir, that is a warning conveyed not by an irresponsible agitator, but by one who for more years than I would care to count has been devoting his whole time to the study of the financial position of India, and this is the conclusion he has arrived at. The misfortune of India is that it is being subjected to experiments every time there is a masterful personality in the person of the Finance Member there. At one time it was the 2s. ratio; at another time it was the 18d. ratio; but whether the ratio was 16d. or 18d. or 2s., the man who is being harassed, the man who is being crushed and crushed is myself, the Indian taxpayer; and if one experiment fails, 50 millions are lost. What does it matter to Government? Another experiment is made; we protest, but you do not listen to us; another 30 millions is lost; after all the money comes in. That is the practice which the Government of India have been following all these days. Sir Dinshaw Wacha says they are being punished for their own cupidity. But I say it is not the Government of India that is being punished. You know there is a maxim that everybody is presumed to know the law. The man who wrote that wrote only one-half the truth: he forgot to add "except the Judges". It ought to be "Everybody is presumed to know the law except the Judges." Why? Because if the Judge makes a mistake the man who pays for it is not the Judge but somebody else. You go to an appellate court and the appellate court finds that the lower court has made a mistake in law: and who has to pay the costs? Not the Judge (Laughter), who made the mistake in law, and on account of which mistake I had to appeal. Exactly like that, the Government makes mistakes and experiments and who loses? I do. Whatever may be the way in which you circuitously try to raise this money, it always comes upon me—the 95 per cent. of the population—and thus the position that the Government of India has now brought themselves to is exactly the position that they have been trying from the beginning to achieve, perhaps not consciously, but at the same time so far as the result is concerned, it is the same trouble so far as the poor man is concerned.

Now, there was a statement made the other day by one of the Members of the European Group that while the non-officials agreed to a 10 per cent. cut on the lower paid officials' salary, they are not so kind to the other persons who make an equal income and light their cause. No, Sir, the non-officials are not kind to the other persons. My friend has either forgotten or has not had the experience of the income-tax officers and their administration. The fact of the matter is this. I am one of those who strongly opposed this limit being reduced up to a thousand rupees, but if it has got to be done, as somebody pointed out that some time ago the limit was one thousand only, there is no difficulty whatever about this one thousand rupees, because the man's salary is known to everybody, and no Income-tax Officer, however ingenious he may be in his efforts to put some money into the pockets of Government, can go over that one thousand rupees, because the figure is in black and white and is known to everybody, but what about this poor unfortunate trader? Now, what is the procedure adopted? There is a notice served on the poor trader. I am quite sure, Sir, you along with us had at some time or other to submit this return, and you doubtless know what the procedure is. Now, the one thing that I am afraid of is when the postman comes in with a registered notice asking me to submit my return of income. That letter is sent to everybody, and as long as it is an Indian, no matter how great he is, when

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such a letter is sent to him and a return has been submitted to the income-tax authorities within a certain number of days, within a week of the receipt of such return, what does the Income-tax Officer do? In order to test the reliability of your return, he asks you to produce your account books and other relevant papers to support your return. My point is: will you tell me why you consider my return is incorrect or unfair? Does the Income-tax Officer record any reasons as to why he considers my return unreliable? Then you go to him and prove to him that your return is absolutely correct to the best of your knowledge, and put before him the judicial pronouncement of his own Commissioner for the previous year to the effect that the accounts are correct; but still in order to test the reliability of your return, the Income-tax Officer in the first instance, after obtaining your return, asks you to produce your account books and so forth. Then what happens? The Income-tax Officer is generally a touring officer, and so I have to follow him with my books. He has not got the time, though he has to find some time eventually, and after going through my accounts in a somewhat cursory manner, he rejects them as unreliable and comes to his own decision which is generally based upon what he has heard from somebody else, perhaps not very friendly to me and that is the standard he fixes as my actual income. Now, Sir, the notice of demand comes to me; he gives me a fortnight's time, I think, within which to pay the money. Now, where is the money to pay from? Cash is absolutely non-existent, but I have got to meet the demand of the Income-tax Officer. I go to him and ask for an extension of time, but he does not give it. Then there is an appellate court. In civil court we have been accustomed

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): May I ask if that Income-tax Officer is not an Indian? Is he not our own Indian brother?

Raja Bahadur G. Krishnamachariar: That is my just complaint, Sir. If an Englishman had done it, I could understand it and put it down to his mistake or ignorance, and his ignorance might be excused. Sir, a greater man than myself, Sir Gurudas Bannerjee, when he gave evidence before the Public Service Commission, said that the Indian people have got to be protected more from the Indian bureaucrat than from the Englishman.

Major Nawab Ahmad Nawaz Khan: That is the reason why we want British officers everywhere.

An Honourable Member: We have enough of nominated Members.

Raja Bahadur G. Krishnamachariar: If my Honourable friend will kindly keep his soul in patience for a few seconds and allow me to finish my line of thought, I am quite prepared to yield to him for half an hour even, because I want that any objection that may be raised against what I say should be replied to on the floor of the House. I do not want to run away at all; I have enough material to support what I say. As I was saying, Sir, in the Civil Procedure Code there is a section which enables me to go to an appellate court and ask for a stay of execution when I file an appeal. What do I find in income-tax matters? I go to the Assistant Commissioner of Income-tax, who is the appellate court. As my friend

Sir Hari Singh Gour said yesterday, the man who collects the taxes himself is the appellate authority and I go to him, and pray for an extension of time, and he says that he has no power to extend the time. Very well, then I go to the Commissioner, but it is very difficult to rouse him from his deep slumber and make him attend to you. If you at all succeed in getting your money in time, you should thank your stars. But my point is: how is the poor trader to find the money to pay to the Income-tax Office within the prescribed time, and where has he got the money to go to the appellate court? I do not know if Honourable Members remember the days of the Rowlatt Act agitation. In those days there was a man who was poetically inclined and who described the Rowlatt Act as "Na Vakil, Na Dalil, Na appeal", and that might literally be applied to the proceedings under the Income-tax Act. They have here Vakil just as they have provided in the Rowlatt Act for Vakil, but where is the money to finance the Vakil and to persuade him to go from place to place after the Officer of Income-tax? It must be remembered here that the Income-tax Officer is not a judicial officer, he is not bound to come and sit on a chair or bench in any fixed place, he comes to the office whenever he likes, and the poor man with his Vakil has to follow the Income-tax Officer with his account books and so forth to fight out his appeal. And in order to fight and prove his inability to pay Rs. 30, how much has this poor man to spend for the Vakil in order to make him go after the Commissioner of Income-tax from place to place?

Now, Sir, "Dalil". If the House would give me a little time, I would be very pleased to go into this matter in greater detail and give them a sample of "Dalil". That is an appeal has got to be filed to the Income-tax Officer himself. As regards appeals of this character, we have first of all to see the records and get a statement from the Income-tax Department to see how many appeals have been allowed. It is just like snakes in Iceland there are none to be found. Similarly appeals are filed to the Commissioner of Income-tax only to be discussed, and not for getting any kind of justice; few appeals are reversed. It is the same genius throughout. As I said the other day, when you sit in an official chair, you forget everything except what you consider to be the God-imposed duty upon you. Year after year they make extra collections, and when you ask for the return of the money, there is no reply. You send a reminder, and after 8 months of trouble, you hear to the effect that your letter could not be traced and you are then asked to send a copy of your last letter. Very well, you send a copy, still there is no reply. That is the genius, and you cannot help it; so that, Sir, ever since the Income-tax Department became a Central subject they have let loose upon us an army of Income-tax Officers, young men not very well trained.

Mr. President: Will the Honourable Member please explain, at this late hour, why he is going into such minute details as regards the working of the Income-tax Department?

Raja Bahadur G. Krishnamachariar: That is the only grievance I have, Sir. Unfortunately I am trodden under the heels of these income-tax rules as most others are. And the reason why I went into those details, if you will allow me, is this. The tax has already been raised by 25 per cent. surcharge, and what I was trying to impress upon the House was that there should be at least a provision for a judicial authority in order to investigate into these things. That was what I was leading to. In

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consequence of these troubles, make some officer a judge in these matters so that we may have some chance of getting justice done. I shall not go into any further details, and I shall close with a recital of half my grievances reserving the rest for some other time.

There is only one other matter that I would like to invite the attention of the House to, and that is this. If I am talking out of ignorance, I beg to be excused. They always harp upon a balanced Budget. I suppose the Budget has got to be balanced some day or other. In England they had a special general election for balancing the Budget, and they have not yet done so. The skies have not fallen, but is the method by which you attempt to balance the Budget in any way going to convince the world that there is solvency in this country? In the beginning of his speech the Honourable the Finance Member says that the trouble is ahead and we must ensure the stability of our internal position. Does the stability of our internal position consist in crushing and crushing the poor man? Here I am squealing and squealing that I am being crushed under your heels. Is this how you are going to balance the Budget? Is the world going to consider that you have become solvent simply because you have balanced the Budget in this manner? I say that is not the way, and I submit that, whatever may be the fate of the other proposals, this proposal should not be allowed.

Mr. N. M. Dumasia (Bombay City: Non-Muhammadan Urban): Sir, as a representative of a city sorely afflicted by the step-motherly treatment of the Government of India and especially of the Finance Department,—a city which is weighed down by the economic distress prevailing all over the world—I wish to offer a few remarks in regard to the boon which the Government propose to confer on the country in order to restore the credit of our bankrupt Government. I characterised the Budget in March last as a rotten Budget. It had at least the merit of the proverbial curate's egg, partly good and partly bad. But this supplementary and extending Bill has neither that merit nor any redeeming feature. I fail to find an appropriate word for it.

Sir, you will remember that in the Bombay Municipal Corporation whenever a reference was made to the Land Acquisition Bill, Sir Dinshaw Wacha characterised it as a Land Confiscation Bill. So, in the absence of an appropriate word to describe this measure, I will call it a confiscatory measure, designed to confiscate the earnings of the poor and the rich alike. The meaning of what the lawyers would call the operative clause is this, that we are to live and earn and the Government are to spend. Sir, a commercial magnate in Bombay, once openly said in the Town Hall meeting that if they were to live and earn for the Government to spend, it was not worth living. Sir, we are fast moving towards socialism, and a day will come when the people will say, "Why should we earn in order that Government may spend our earnings?" Sir, those of us who have seen the monster processions in Bombay, those of us who have heard the cries of "Boycott British Goods", which were dinned into our ears, those of us who have seen the children carrying black flags, have come to the conclusion that it is due to the starvation and unemployment that is prevailing in the land. By this measure you will increase that army of unemployed and half-starving people.

The Honourable the Finance Member the other day spoke about the protection derived by the Bombay mills from this proposal. He has forgotten the history of the protective measure. Government declined to listen to the fervent appeals of the millowners of Bombay till the industry reached a breaking point. They declined to give the modest protection recommended by the Tariff Board, and ultimately they had to appoint Mr. Hardy to investigate the matter. We know how Government procrastinated, how Government delayed, and how Government hesitated in giving protection to the Bombay millowners until the industry was well nigh on the verge of collapse.

Then, Sir, I will tell you about the protection given to the Tata iron and steel industry. That was given on a certain basis. On account of Government's miscalculations that basis disappeared. The Government are now buying rails which are not even half the quantity that was expected. . . .

Mr. President: I do not know what relevance that has to the present issue.

Mr. N. M. Dumasia: Sir, I want to show that were it not for the Government's unsound measures, our income would have increased, but I will not refer to that question now.

Mr. Brooke-Elliott has referred to the vicious and mischievous feature of the retrospective effect that is sought to be given to this measure. He has put the case so forcibly that I shall not refer to it again.

When we are face to face with the grim reality of the struggle for existence and depressed by economic distress, it is a pity that the Government ignore the stern reality and propose to impose an additional burden on an already over-taxed population. In the history of the country, both in the pre-British period and under British rule, there is no parallel to the present record burden of taxation on an impoverished nation in the name of national emergency by an anti-national Government. Economic conditions have, for centuries, made or marred the political history of every country in the world, and I have no doubt that the unbearable economic strain which is now pressed to a breaking point will react on the Government themselves. The simple truth is that the Government allowed the growth of their expenditure on military and civil establishments, till they are unable to control it. If this thing had happened in a public company, it would have been taken into compulsory liquidation, but here, though we supply Government with the funds, we are only helpless spectators of our own ruin and unable to force on Government compulsory or voluntary liquidation. I must acknowledge that the Honourable the Finance Member has tried to be as fair as he can be in a wholly unfair business, but I believe I may utter a warning that if the Round Table Conference fails, the Government will have a more uneasy time than they have now; and they will have no friends left. If you have no funds, as I remarked on the occasion of the discussion in the Legislative Assembly in 1926 on the Resolution for the suspension of the excise duty on cotton, "beg, borrow or steal". I find that His Excellency the Commander-in-Chief has raised a warning that the retrenchment would impair the efficiency of the Army. Our army was efficient and ready to take the field at a moment's notice in the Great War of 1914, when the military cost was half of what it is now. Why should it be now less efficient I fail to understand. Give us the control of the army and finance and then we

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guarantee a balanced budget without the additional taxation. Sir, even the *Statesman* has described these taxation proposals as bad, mad and altogether hideously wrong and unless the Government stay their hands, the recovery to which we look forward in trade and commerce will be impossible and will be postponed indefinitely. Sir, though the Finance Minister seems to be cynically unconcerned, I am sure he is human enough to be weighed down by the care and anxiety of his office. I do not want to harass him, but I have a serious complaint to make against the Government for withholding from the Assembly important documents having a vital bearing on the consideration of this additional taxation. My request to lay these papers on the table has met with scant courtesy. I do not wish to spoil the strongest case against the Government by indulging in strong language, for it is obvious that considering the importance of the present proposals, which have no parallel in the history of this country and considering the abnormal crisis through which we are passing, the attitude of the Government in withholding these documents from the Assembly stands self-condemned and discredited in the eyes of India, especially as these documents have already been circulated to the members of the Round Table Conference and even editorially dealt with in the *Times of India* of the 31st October last. Sir, the Members on the Treasury Bench have always prattled on efficiency. I do not deny the efficiency with which the Finance Member has spread his net wide for his catch; he has left nothing to chance, but I make bold to say that if the documents which I asked for were produced, we would have shown how unreluctant and how untrustworthy are the Government's estimates and how the Opposition could have produced a balanced Budget without resorting to this unprecedentedly heavy taxation, as my friend Mr. Mody has put it.

The Honourable Sir George Schuster (Finance Member): What is the refusal to which my Honourable friend refers?

Mr. N. M. Dumasia: I put a short notice question asking the Government to place on the table certain documents and the Government declined to waive the ten days' notice. That is my complaint.

The Honourable Sir George Schuster: I would like to explain to the House that as a matter of procedure I replied to my Honourable friend that I did not think that this was a proper occasion or a short notice question. I was very anxious not to encourage abuses in the forms in which short notice questions can be dealt with; but in my note I informed my Honourable friend that if he wished to see the papers and speak to me about them, I should have the greatest pleasure in giving him all the information that he required.

Mr. N. M. Dumasia: I think this was the proper occasion for placing these papers on the table.

The Honourable Sir George Schuster: I asked my Honourable friend to put down a question in the ordinary way.

Mr. N. M. Dumasia: You must have understood the object with which I put that question. However, Sir, in view of the reply which you have given, I would not refer to it and I thank you for having promised to show us those papers. Sir, there is a proverb in Hindustani which says, "Sub tumara, hokum hamara", which means everything belongs to you. We only keep to ourselves the power of disposing of your belongings by our order. This is what the Government are doing. In England Government

resigned consequent upon such an emergency as has arisen in India, and consulted the nation which returned a national Government with a specific mandate. Here we are voiceless representatives of a voiceless nation, rendered helpless in our efforts to resist the demands of the Finance Member. I will not be surprised if the Government reap in abundance the harvest of what they sow now in the shape of a no-tax campaign when Mahatma Gandhi returns to India. To borrow a simile, the Government are the accusers, prosecutors and their own witnesses. They are also the judge and the jury, with no appeal against their judgment. With such a Government it is futile to argue and put forward any plea of defence or any constructive proposals which they decline to entertain.

Mr. S. C. Mitra: I move that the question be now put.

Mr. President: The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: My Honourable friend, Mr. Mody, in his speech yesterday,—and I should like to pay my tribute to some of the touches of humour which he has been able to insert into this debate—I trust that they are evidence of a somewhat more cheerful underlying disposition due to the recovery of trade which he represents—said that we were approaching the end of our agony. Speaking for myself I think the words are entirely appropriate, for the agony in my case consists in getting this measure through; but I was somewhat surprised that my Honourable friend should regard it as his agony. One would have thought that the agony with him was just about to begin, when the taxes will fall on him for the first time.

We have again had a very discursive debate, and I am sure the House will not take it amiss from me if I say that I find very little of substance to reply to in the debate on the particular amendment which is before the House. We have, however, had this morning one entirely relevant speech and that was from my Honourable friend, Mr. Brooke-Elliott. He not only confined his remarks to income-tax in general, but he directed them to clause 8 in particular, and I feel that he has some justification in asking that his remarks should be taken seriously. The rest of the speeches have been very largely attacks on the general financial policy of Government and on the general circumstances in which this Finance Bill has been introduced. I am not suggesting that the arguments are not legitimate, but if I pass them over rather lightly now, I do so because they have really no reference to the amendment which is before the House and would be more appropriate in a second reading or a third reading debate. Now, Sir, my Honourable friend, who went through the income-tax position in great detail, referred amongst other things to the extremely heavy rates which are now imposed and to the extremely heavy increase which will be brought about if this Finance Bill is passed. My Honourable friend is not incorrect in the figures which he gave, but I would like to remind the House that when we talk in percentages and percentages of increase, those figures are apt to be very misleading. If the rate originally was a low one and is doubled, so as to bring it up to a moderate sum, the increase is undoubtedly 100 per cent., but if the rate had originally been a very high one, so high that it hardly stood the possibility of an increase, then an increase, even a heavy one, could, in the form of a percentage, be represented as extremely lenient. I should therefore like to put before the House certain figures, particularly as a comparison has been

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made between the rates of increase which we are now proposing, and the rates of increase proposed by the British Government in their own emergency finance measure. Now the particular case to which my Honourable friend referred of great and extreme hardship was the case of a man with an income of Rs. 15,000 per annum. My Honourable friend said that, by our last two measures, his income-tax would have increased by 100 per cent. It is true, perfectly true, but I would ask the House to realize that the amount which he would now pay—if this 25 per cent. surcharge is imposed—is only one anna and eight pies in the rupee, which represents a tax of 10 per cent. Now, Sir, in a national emergency—and I want to emphasize at all points of my speech that the fundamental justification for our present proposals is that we are dealing with a national emergency—in a national emergency, that a man earning Rs. 15,000 a year should pay an income-tax of 10 per cent. of his income is, I submit, not an excessive burden. Let us compare the position in England, let us take that particular example; and in order not to make my comparison unfair, I have taken the case of a man in England who gets certain benefits from the fact that he is a married man with two children and gets the full allowances in that respect, and that two-thirds of his income are unearned and one-third earned, so that he gets there again a benefit which our provisions do not give him here. That I think is a fair and typical case to take. Now a man in England whose income is Rs. 16,000—I have taken that instead of Rs. 15,000—would formerly have paid, before the latest emergency Finance Bill, £145-7-6d. The rates in his case would have increased by 33 per cent. as a result of the emergency measures, instead of the 25 per cent. which we are proposing, and he would now pay £194-2-6d. As against that, a man in India earning Rs. 16,000 a year, even without allowances for a wife and children, or any allowances in respect of earned income, is only asked to pay £125 sterling income-tax, that is to say £125 in India, against £194 in England.

Mr. H. P. Mody: What about the carry-forward of losses?

The Honourable Sir George Schuster: My Honourable friend, if he likes to assume that that particular individual has losses in the preceding years, may import some further benefit into the comparison, but that I submit is an irrelevant interruption. We are now dealing with the case of individuals, and particularly those individuals who are earning salaries. I do submit to the House that that at least indicates the moderate level of the general scale of the burden which, even with these surcharges, people in India will be asked to bear. (Applause from the Official Benches.) As regards the rates of increase, if we go lower down the scale, we find that the new British provisions have operated very hardly indeed on the lower incomes. Now that is interesting. They have found that, in a time of national emergency, it is impossible to go on piling up burdens on the small class at the top (Hear, hear): they have had to get down to the lower levels of income and cut away a good many of those allowances to which my Honourable friend, Sir Hari Singh Gour, made such an envious reference in his speech yesterday. If we now go down to a man with an income of about £500 a year, we find that in the case of his income, if it is all earned income, the increase now imposed by the latest British Finance Act amounts to a percentage increase of no less than 133 per cent., and if his income is unearned, a percentage increase of 161 per cent.

If we get still lower, in the case of the man on £360 a year his income-tax has been increased by no less than 500 per cent. according to the latest British provisions. I use the percentage figures, though I admit I am open to the remark which I myself made before, that percentage figures are misleading when they are made in comparison with the low rates in question, but I am entitled to make these comparisons to illustrate my point that what we are doing here now, in comparison with what the British Government have found it necessary to do, is really a comparatively light imposition (Applause from the Official Benches), and the fact that we have had to go low down is a necessity of the case.

Now I want to turn to the other points made by my Honourable friend. He argued very forcibly the objections to what he called the retrospective effect of the present measure. I admit that my Honourable friend, when dealing with that point, has really a good point. I freely admit to the House that that is one of the most objectionable features of our present proposals. But I think my Honourable friend exaggerated the case when he implied to the House that the greater part of the assessments had been made and actually paid in June. If he goes into the actual figures, he will find that by June only about a quarter of the assessments are completed, and that the percentage of demands and payments made is very small. But I agree that we only came forward with our proposals in September, so that the amount of assessments already completed would have increased. But, Sir, even if we admit that that is unfortunate, I do take up and repudiate my Honourable friend's point that what we are doing now is in effect retrospective taxation. What we are asking the House to do is to alter the rates of income-tax in the course of a single financial year. We are not in effect asking the House to impose, as from the middle of the year, with six months still to run, taxes for the first half year. We are really asking the House to impose, for the second half of the year, income-tax at the full rate at which we propose it should be imposed in the following year. But we have had to frame our proposals in a slightly different form. Instead of saying that the surcharge is to be 25 per cent. for the remaining six months, which is really the object at which we are aiming, we have had to say, "it will be 12½ per cent. for 12 months". That is because of the method by which income-tax is levied, because of the law on which the collection of income-tax depends, and because of the regulations as regards different scales of income, allowances and so on which apply to a full year's figures and not to a half year's figures. We examined this case very carefully. We came to the conclusion that if we tried to introduce this measure in the form of a 25 per cent. surcharge for the remaining half of the year instead of, as we have done, a 12½ per cent. surcharge for the full year, we should have had completely to alter the income-tax law. We should have had to bring in a very complicated income-tax amending Act applicable only to these particular conditions. I am sure the House will agree that that was a practical impossibility, while we felt that it was not in any case necessary, because in effect the result which will be achieved by what we are now doing will be precisely the same. Therefore, Sir, although, as I have said, I admit that in practice assessments will have been made on the old basis and a good deal of inconvenience will be the case, in substance we are not taxing incomes retrospectively. And in justification of what we are doing I would again remind the House that what we are doing is exactly the same in principle as what the British Government have decided to do. We were told by my Honourable friend

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that in this form of action we were doing something which he almost characterised as dishonourable. I hope I am wrong in that understanding, but as that was the impression conveyed to me, I am entitled to say that I put it to him that the British Government are not a Government which can be accused of taking dishonourable action in matters of this kind.

Mr. C. Brooke-Elliott: Sir, may I say that I did not suggest anything dishonourable, but I said that it was wrong. And that is the exact word I used.

The Honourable Sir George Schuster: I have only one more word to say about my Honourable friend's speech. He said, to use his last words, that it was wrong, it was extremely wrong, it was so wrong that it could only be justified in an extreme national emergency. I am prepared to put our case on my Honourable friend's ground. We do maintain that there was an extreme national emergency, and we further maintain that, unless we take that action now which alone we think would be adequate, that national emergency may again recur. Some Honourable Members may think that, because in the last two months things have gone fairly well, and they have seen an improvement of trade and a very marked and decisive strengthening in the rates of the rupee exchange, we exaggerated the emergency at that time when we introduced this Bill. But I would ask them to cast their thoughts back to the uncertainties with which we were at that time oppressed and the dangerous state in which the world then found itself. If things have gone well since then, I think it is fair to say that not a small share of that result was produced by the knowledge which the world got from the announcement of our programme that we in India were going to tackle the situation on sound lines, that although our currency was divorced from gold, we were going to produce an internal budgetary equilibrium, and not run the risk of getting on to that slippery slope of which I warned Honourable Members in Simla.

Now, Sir, I must turn from that direct answer to the direct attack on the particular proposal which is now before the House, to a general line of argument which has been advanced, particularly from the Benches on my right, the argument that if we would only apply principles of ordinary honesty and efficiency to the administration of the Income-tax Act, we should be able to collect, by achieving a better percentage of recovery, an additional sum equal to, if not more than, what we propose to get by the surcharge which is now before the House. Now, Sir, when we on these Benches are attacked from any quarter of the House, I think we may say that our shoulders are broad enough to bear the burden and that our brains are good enough to give a pretty sound answer to any arguments that are put forward. At least we deal with the situation without any heat and without losing our own mental balance. But when a general attack is made in this House, from whatever quarter it comes, upon the efficiency, the standards of work, and the public spirit, of any part of those services for which any of us are responsible, and if that attack is based not on precise evidence but merely on general gossip and repute, then, Sir, I must confess that I myself feel a certain amount of heat. I entirely repudiate the suggestion which has been made that the income-tax administration in this country is, in my Honourable friend's words, a blot on the administration. I entirely repudiate the suggestions which have been made that the whole of that service for which I am responsible,—and I am proud of that responsibility,—is either inefficient or dishonest. Sir, the

income-tax officials in this country have to perform one of the most unpleasant tasks which falls to the lot of any public official. The Income-tax Department in its present form is a comparatively young creation. It dates only from nine years back and it has not had a long time to grow up. I confess of course that during my office here, with the many ties which have fallen upon me in the course of exceptionally difficult years, I have not had the opportunity to get about and make personal acquaintance with all the officials in the Income-tax Department throughout the country. But I have seen some of them, and I know my own department and I say that the Finance Department and the Income-tax Department are largely staffed by Indians. They are almost entirely staffed by Indians, and I can say that in all my experience of the world, working in different parts of the world, I have never come across more devoted and honest service than that which I have received from the Indians in my own Department (Applause), and that I know I am receiving from the various Income-tax Departments throughout the country. I entirely refuse to believe that the standard of administration in the Income-tax Department is lower than the standard of administration throughout the Government services of India; and I maintain that the standard of Government services throughout India stands comparison with that of any country in the world.

Now, Sir, I must apologise perhaps for having displayed a certain amount of heat in that particular matter. Having done so, I would like to say to my Honourable friend that if he has a case to make out, if he can put up a case on clearly established grounds, that case will receive the most thorough and searching examination; and I would tell him further that it will be examined not with a view to prove that he is wrong but rather with a view to prove that he is right. For, if he is right, undoubtedly it will be of great financial advantage to the country, and enormously relieve our own burdens, if we can achieve a higher standard of collection of income-tax throughout the country. Now, on general grounds if I try to consider impartially what my Honourable friend has said, I would say to him at once that I do not dispute for a moment the proposition that in India as a whole there probably is a very large amount of evasion of income-tax. There is evasion of income tax in all countries. Even in England where income-tax has such a long history and where public opinion and the attitude of the body of assesseses is, I should say, on a far higher standard from the point of view of producing a higher percentage of recovery than that of any country in the world, even in England, where they have not got the immense difficulties that we have in India owing to the enormous size of the country, the differences in languages and scripts, and the failure of many of the small assesseses to keep proper accounts, even in England where they have none of these difficulties, it is recognised that evasion is very substantial indeed.

It was estimated in 1920 by witnesses before the Royal Commission that in England 10 to 20 million sterling per annum were lost through that particular cause. I think we may accept that as a reliable estimate. I have not the slightest doubt—I have no reason to state the case otherwise—that in India the percentage of evasion may be considerably higher. But when we consider what can be done to tighten up the procedure, I would put to my Honourable friend that it cannot so easily be done by a stroke of the pen. What we depend on more than on anything else in these matters is the force and pressure of public opinion. We need to create throughout the country an idea that dishonest

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evasion is not a thing to be practised and a thing to be lightly passed over, that it does bring discredit and that the man who practises dishonest evasion is not one who can congratulate himself on being clever, at having got the better of the Government, but rather should be regarded as one who has saved his own skin at the cost of the public interest. On this question of evasion, before I go any further, I should like to call my Honourable friend's attention to the distinction between what I would call fraudulent evasion and legitimate or straightforward direct evasion. There are many ways in which a man can so arrange the disposal of his assets and his business that it does not become liable to the full income-tax to which it would be liable if he adopted a different method. My Honourable friend quoted from the Central Board of Revenue's Report of 1924-25. I would remind him that it is perhaps a little out of date. He quoted from the Report a passage by the Board itself that the Board regrets to observe that evasion by tax-payers still continues on a fairly large scale. I would remind him that the main purport of that paragraph was to call attention to the form of evasion which was practised by those who put their property into "one-man companies" or who adopted other expedients of that kind to avoid their legal liability. That was what was mainly referred to in this particular paragraph. My Honourable friend taunted the Government with their failure to amend the law where it is necessary to amend it in order to get over the disadvantages which had been referred to in this report. I would remind my Honourable friend that in Delhi, in 1930, we actually passed into law the provisions which the Central Board of Revenue had in mind when they wrote that particular paragraph which he quoted. This was one of the very first things which I personally took up when I took up my appointment as Finance Member. It was referred to a Select Committee, circulated for opinion, and I think it is a great credit to this House that that Bill was passed, so that that form of evasion is now countered so far as it is possible by legal means to counter action of that kind. As regards fraudulent evasion, that is in quite a different category. My Honourable friend has suggested various means by which fraudulent evasion could be minimised. At this late hour and at this late stage in the discussion of the Finance Bill I do not propose to go in detail through all my Honourable friend's suggestions. I think it will suffice if I tell him that they all have our consideration, that some of them are not really practicable, and on one in particular I should like to say a few words because it illustrates our general attitude towards this matter and the realities of the position. One of my Honourable friend's proposals was that the assessment should be doubled if an assessee makes no return and professes to keep no books. I would remind my Honourable friend that the duty of an Income-tax Officer is to try and assess the assessee's income as accurately as he can. He has no power to force him to keep books, and if we were to issue general instructions that whatever the previous assessment had been, if no books were produced, it must be doubled, I put it to my Honourable friend that we should be issuing improper instructions, and in fact instructions which it would be quite illegal for us to issue. On the other hand, I would tell him that the practice of the Income-tax Department is to follow what is known as the principle of progressive enhancement. That is what they do. The basis on which they act is this. They apply the ordinary presumption in the law of evidence that if a man withholds evidence that he could produce, he does so because it is to his advantage to do so, that is to say, because,

in his particular case, it would reveal a larger income than that on which we have been assessing him. That is a fair principle on which to act. But to lay down any arbitrary rule that the assessment must straightaway be doubled would be to depart from any sort of principle, and it would be doing something which it would be quite illegal for us to do. We do go on increasing the assessment until the assessee can produce reliable evidence to rebut the presumption on which we make the assessment. I thought it worth while just to explain that particular position in detail because, in the first place, it shows that certain things which have been asked are unreasonable and in the second place it shows what the Income-tax Department themselves are doing. On the other points of my Honourable friend we propose to make further enquiries, and I would put it to him and to those interests which he represents, that if they, each working in their own business circles in the areas which they themselves know fully and are familiar with, would endeavour to collect evidence or to establish a case on which the Government could take action, if they can make any specific suggestions to us, if they can do anything to create public opinion on which, as I have said, the whole position must fundamentally depend, then they will be really helping both the Government and the public. Any effort of that kind which is made, I give the fullest undertaking, will be responded to by the Government.

Now, Sir, there is very little time to deal with my Honourable friend's figures. He produced before the House quite an interesting statement, and I welcome any attempt of this kind to arrive at the truth in these matters. A good many of the points require further enquiry before I can give a detailed and full answer, and I do not want to prejudge my Honourable friend's case. But on broad grounds I would put this to him. He has taken the standard of collection in Burma as the standard on which to make a start, and working on various bases, he has arrived at the result that if in the whole of India the standard of income-tax collection which prevails in Burma were applied, then the Government of India would recover an extra sum of about 6 crores. Now, Sir, whatever room there is for improvement in the system of income-tax collection, whatever scope there may be for detecting evasion on a large scale, however much our officials may suffer from ordinary human failings, I cannot believe that, while all is black on the Continent of India, the position in Burma is entirely free from these defects. My Honourable friend no doubt would say that he has never claimed that Burma is entirely free from these defects. But he says that there are 6 crores which we could get if we only administer our law properly in India, in Madras, in Bengal and Bombay, that there are those 6 crores that we could get if we only administer the law as well as they administer it in Burma and that being his case, then I say on *prima facie* evidence he is putting up a statement which I for one find it impossible to believe. Moreover, if one follows his figures further, one finds that one is led to the most surprising results. If you use one of his tests—I noted this point as he gave the House the figures yesterday—if you use one of his tests, the number of assesseees in proportion to the population, you find that Bombay is the best boy of the lot, at the top of the class; on the other hand, if you turn to his other method, the proportion of revenue collected in the form of income-tax and super-tax to the customs revenue collected at the ports of entry into the province, Bombay goes right down to the bottom of the class and I had to cry "shame" to my

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Honourable friend from Bombay when I heard those figures. Sir, whatever my Honourable friend who put these figures forward believes about the truth of the proposition which he is supporting, I feel sure that he cannot feel that he has absolutely established the case on the basis of the figures which he has put before the House. I feel it necessary to go as far as that; having gone as far as that, I would return to my original proposition and assure my Honourable friend, both for himself and for those whom he represents and his Honourable colleague from Madras who took the same point, that we are going to inquire into these matters; and, as I said before, we are going to inquire into them with the purpose of finding out how near the truth he has got and not for the purpose of proving that he is wrong. Just one more point before I leave that question. I have one interesting figure which I might give to the House. I am told by the Income-tax Department that if the assessee's returns had been accepted as correct in 1929-30, we should have lost just under 4 crores of revenue, that is to say, over 29½ per cent. of the revenue. I think that, as a broad statement, is evidence of the fact that the Income-tax Department is very busily at work; they have been able to put up the assessee's own figures by Rs. 4 crores in the year 1929-30.

I should like also to tell the House that this particular matter has during the last six months had my constant attention. It is very difficult to test whether, owing to the higher rates of income-tax, the practice of evasion is increasing. We thought that one way of testing this would be to take the income-tax returns from companies in a certain portion of India and compare those with the income-tax that we got from people doing ordinary business; we felt that in case of the comparatively small number of businesses which are run by limited companies, most of which are large in scale, in their case the chances of evasion were very small; so that, if we took them as a test and then compared the progress of income-tax recoveries in their case with the progress of income-tax recoveries in the case of ordinary business done on a small scale, we should get some line to indicate to us whether the ordinary small businesses were escaping income-tax by evasion. I may tell my Honourable friend that the figures which we obtained showed on the contrary that there had been a constant improvement in the percentage collection from small businesses as compared with the percentage collection from large businesses. I should be very pleased to give my Honourable friend a note which establishes that fact, and indeed on the whole of this question there is nothing that I wish to do more than to encourage the study of it among those who are engaged in business, so that they may help us to get an improvement, which I think is possible, but which is not possible on such a scale and at such a rate as my Honourable friend himself has suggested.

Now, Sir, the rest of the argument with which I have to deal has been largely concerned with income-tax administration also, but the case has been made from the other side. My friends who spoke from the Opposition have not only not supported the view urged by Mr. Tait, but we have been attacked from that side on the ground that our income-tax administration is unjust because it is too harsh. That charge would require a very full debate for proper treatment and I am not going to attempt to enter into that question now. My Honourable friend Sir Hari Singh Gour has abused the Government for not taking action on a draft Bill which he and 54 of his friends had prepared. I would remind my Honourable

friend that he only gave me a copy of that Bill towards the close of the last Simla Session, and even if we had been ready to take immediate action on it—and I am afraid I cannot hold out any strong hope to him that we are—but even if we had been prepared to take immediate action on it, we could hardly have done so before we asked the House to assemble for this emergency session. My Honourable friend referred to the practice in England, and led the House to suppose that the unofficial Commissioners in England practically did the whole of the income-tax assessment. I think my Honourable friend misled the House on that matter, and I would remind him of what are the facts. The association of the General Commissioners in England with income-tax work is in practice little more than formal. Considering the mass of work to be dealt with, it could not be otherwise. The Royal Commission of 1920 recommended that this formality should be abolished. Even in regard to appeals the Report of the same Commission shows that the volume of work actually disposed of by the General Commissioners is very small. They wrote:

“An attempt by the General Commissioners to carry out the Income-tax Acts literally would result in a breakdown of the machinery. The investigation of all claims of exemption or abatement by the Commissioners themselves would necessitate their sitting almost continuously throughout the year. Seeing that the General Commissioners are an unpaid body of men, frequently men with many other activities, it has naturally come to pass that many of the duties allotted to them are, with their sanction, performed by the Inspector of Taxes. This course is convenient not only for the Commissioners but for the tax-payers.”

I will not weary the House with reading the rest of the quotation from the Report of the Royal Commission. I would ask my Honourable friend himself to study it.

Now, as a general conclusion, I am afraid I can do no more than repeat what I have repeated so often that the House must be weary of hearing me do so—that we are confronted with a national emergency which we consider can only be properly dealt with by the measures which we have proposed.

My Honourable friend, Mr. Anklesaria, pleaded most urgently that although we had to meet a deficit, we should meet it by borrowing. He says that is what he would do in private circumstances if he were met with a sudden difficulty of this kind. He challenged me to name any single country which had, in his own words, a favourable balance of trade, which was not meeting the present position by borrowing. I am quite prepared to take up my Honourable friend's challenge. But I must ask him to be rather more precise in what he has said. When he talks about a favourable balance of trade, that in itself is a most misleading expression. In normal parlance a favourable balance of trade refers only to the so-called visible items of export and import. What matters to a country far more than a favourable balance of trade is a favourable balance of payments, and if a country is in a position to export more merchandise than it imports, that will do it no good at all if it is, on balance, a debtor having to meet interest on external loans; for if the interest which it has to meet on external loans is greater than the favourable balance of trade, this favourable balance of trade disappears into the gap and will not save the situation. On the other hand, if a country has an unfavourable balance of visible trade, but is a creditor country and holds a large mass of investments abroad, then the mere fact that its visible imports exceeds its exports is no indication of an unsound position. Now, there are two countries which illustrate these two cases. India has normally a large visible favourable balance of trade and normally that visible balance of trade is sufficient to cover India's external payments. England on the other hand

[Sir George Schuster.]

is a country which normally has an unfavourable balance as regards her visible exports and imports, but England has enormous sums owing to her from abroad, which more than cover that deficit on the visible export and import balance. England is certainly a country which has a favourable balance of payments, and England has thought it necessary to balance her Budget in exactly the same way as we have done now.

My Honourable friend told us that the United States and France and England have all of them been faced with deficits and he suggested that they had avoided sound measures for dealing with them. I gave the House the other day the figures of the French budgetary deficit for 1930; but for 1931 the French Government have taken all proper steps to balance their Budget; and the French Government are not going to embark upon a policy of budgetary deficits to be covered by borrowing. The same applies to England, and England as I have already said is a sufficient guide and example for us. What is going to happen to the United States I cannot prophesy; but I think it is quite safe to say that in spite of the strength of her position, in spite of the enormous payments which she now has to receive by way of reparations and interest on war debts, if the United States does not eventually balance her Budget, she will suffer consequences from it which even she, with all her strength, may not be able to stand. But she can afford for the moment to take risks. We cannot. We are not in a position in which we can afford to take any risks; and my Honourable friend's suggestion breaks down at once for a simple reason. He says, "If your income is not sufficient to cover your expenditure and if you cannot reduce your expenditure immediately in order to provide the balance, then go to your banker and borrow the money". I would ask my Honourable friend what he will do if his banker tells him, "I refuse to lend you money until you put your position on a sound basis". That is what would happen to us if we refused to take the action which Government have now put before the House.

My Honourable friend and many others have told us that in the years 1919, 1920 and 1921 India herself had unbalanced Budgets, and met the deficits by borrowing. That is a thing that can be done once. We are now suffering from the results of what was done then. A great many of the loans, which are now maturing, and causing us increasing difficulty, are loans which were raised at that period in order to meet these uncovered deficits, and unless we pull up now and make our situation sound, we here could not take the responsibility for the future, and I venture to put to Honourable Members opposite that they themselves, when they came to take it over, would find that they had succeeded to a *damnosa hereditas* which would ruin them and ruin the whole country.

Sir Hari Singh Gour: Not being sure that the Honourable Member would give way, while he was referring to the statement I made.

Mr. President: What is the Honourable Member doing? Is he making a personal explanation?

Sir Hari Singh Gour: Yes, Sir. What I stated in the course of my speech yesterday as regards the Income-tax Commissioners was taken from the English Income-tax Act. What the Honourable the Finance Member is referring to to-day is the Report of the Royal Commissioners, a very different thing.

Mr. President: The question is:

"That clause 8 be omitted."

The Assembly divided :

AYES 52.

Abdoola Haroon, Seth Haji.
 Abdur Rahim, Sir.
 Aggarwal, Mr. Jagan Nath.
 Azhar Ali, Mr. Muhammad.
 Badi-uz-Zaman, Maulvi.
 Bhuput Sing, Mr.
 Chandi Mal Gola, Bhagat.
 Chetty, Mr. R. K. Shanmukham.
 Chinoy, Mr. Rahimtoola M.
 Das, Mr. A.
 Das, Mr. B.
 Dudhoria, Mr. Nabakumar Sing.
 Dumasia, Mr. N. M.
 Dutt, Mr. Amar Nath.
 Gour, Sir Hari Singh.
 Griffiths, Mr. G. I.
 Gunjal, Mr. N. R.
 Harbans Singh Brar, Sirdar.
 Hari Raj Swarup, Lala.
 Ibrahim Ali Khan, Lt. Nawab
 Muhammad.
 Isra, Chaudhri.
 Jha, Pandit Ram Krishna.
 Jog, Mr. S. G.
 Krishnamachariar, Raja Bahadur G.
 Lahiri Chaudhury, Mr. D. K.
 Lalchand Navalrai, Mr.

Misra, Mr. B. N.
 Mitra, Mr. S. C.
 Mody, Mr. H. P.
 Murtuza Saheb Bahadur, Maulvi
 Sayyid.
 Pandit, Rao Bahadur S. R.
 Parma Nand, Bhai.
 Patil, Rao Bahadur B. L.
 Puri, Mr. B. R.
 Puri, Mr. Goswami M. R.
 Rajah, Raja Sir Vasudeva.
 Ranga Iyer, Mr. C. S.
 Reddi, Mr. P. G.
 Reddi, Mr. T. N. Ramakrishna.
 Sant Singh, Sardar.
 Sarda, Rai Sahib Harbilas.
 Scott, Mr. J. Ramsay.
 Sen, Mr. S. C.
 Sen, Pandit Satyendra Nath.
 Singh, Mr. Gaya Prasad.
 Sitaramaraju, Mr. B.
 Sohan Singh, Sirdar.
 Sukhraj Rai, Rai Bahadur.
 Thampan, Mr. K. P.
 Uppi Saheb Bahadur, Mr.
 Wilayatullah, Khan Bahadur H. M.
 Ziauddin Ahmad, Dr.

NOES 56.

Ahmed Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhore, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crear, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Fazal Haq Piracha, Shaikh.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Ismail Ali Khan, Kunwar Hajee.
 Ismail Khan, Haji Chaudhury
 Muhammad.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand. Honv. Captain Rao
 Bahadur Chaudhri.
 Lall, Mr. S.

Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mujumdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Raghuraj Singh, Kunwar.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Singh, Kumar Gupteshwar Prasad.
 Studd, Mr. E.
 Suhrawardy, Sir Abdullah
 Svkes, Mr. E. F.
 Tait, Mr. John.
 Talib Mehdi Khan, Nawab Major
 Malik.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.
 Young, Mr. G. M.
 Zulfqar Ali Khan, Sir.

The motion was negatived.

The Assembly then adjourned for Lunch till Ten Minutes to Three of
 the Clock.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

Kunwar Raghubir Singh (Agra Division: Non-Muhammadan Rural):
Sir, I move:

“That to sub-clause (1) of clause 8 the following be added at the end, namely:

‘on all incomes over rupees ten thousand.’”

Sir, it is essential in the interests of the poor and the vast majority of my constituents that I should move this motion to amend clause 8 of the Finance Bill. Less than ten thousand rupees a year will come to about Rs. 800 or less a month, and a man getting such an income cannot be considered to be a rich man worthy of being taxed further. As I said in my speech on the general consideration of the Finance Bill, it is only the rich people that should be taxed and not the poor, and here the burden will fall on the poor people and that is why I am moving my amendment to-day.

If we compare the income-tax rates of 1930-31 with the present proposals, it means an increase of tax from 50 to 100 per cent. on incomes over Rs. 2,000 to Rs. 15,000, and 80 per cent. on incomes between Rs. 22,500 and Rs. 1,60,000. The Honourable the Finance Member said that there should be no discrimination between one class and another, but here I have made a list of those things in which discrimination is evident. For instance, it has been proposed that there should be no reduction below Rs. 40 in departments other than Railways and the Post Office—the Police and some other departments also have been left out. If there was to be reduction, it ought to be everywhere. Then, Sir, those getting Rs. 4,000 will be taxed to the extent of 5 to 6 per cent., and on lower incomes it will be about 25 per cent. The higher rate of tax should fall on bigger incomes, but here the case is the reverse. In India on Rs. 5,000, one will have to pay Rs. 300, while in England he will have to pay only Rs. 100. So there is a difference between England and India. There is a rebate in England and not here, for married men for a first child, for a second child, etc.—but it is not the case here. On incomes between Rs. 30,000 to 60,000 the income-tax increase is 80 per cent. here, while in England it is 11 per cent. In super-tax it is 25 per cent., while in England it is 10 per cent. Therefore, there are very great differences between the rates imposed in England and those imposed in India. As to the nation-building activities, eight annas per head per year is the incidence of expenditure in India, while in England four-fifths of the income is spent on such activities. There is a difference in the condition of the two countries, and so it will not be good to compare the condition of India with that of England.

Sir, it has been said that there is a dearth of constructive proposals from the non-official side. I wish to point out that a duty on matches was proposed by my Honourable friend Lala Hariraj Swarup, and a duty on raw hides and skins was proposed by Mr. B. Das, which was summarily dismissed by the Honourable the Finance Member. I suggested a tax on bones and manure. The surcharge on income-tax is included in the 10 per cent. cut in salaries. That may not be done. Another proposal was that the number of white garrisons should be reduced, because there is

no other department in which more economy is possible than in the Army Department. There are no wars just now and Government can very well carry on without so much expense in the Army.

Again, Sir, there has been a talk about the efficiency of the Government. In Part II of the Gazette of India which is supplied to us, we see that under the heading "Gold and Silver" we find "nil" written there. I do not know where all this gold and silver has gone. When I was reading in college we used to question the professor as to why the gold reserve of India was kept in England. He used to tell us because the London market was the biggest market in the world and therefore it was very safe there. Now, in the Gazette of India we find "nil" under gold and silver, and we do not know where it has all gone. We want an explanation from the Government. I think this thing does not redound to the credit of an efficient Government.

Sir, I received this morning a letter from Surat in which it has been pointed out that, "The income-tax in the past for a number of years was at the rate of 2½ per cent., that is, 5 pies in the rupee, and with an addition of 25 per cent. under the present Finance Bill the maximum rate will be 12 per cent., that is, 32½ pies in the rupee, to say nothing of the super-tax". I have cited these figures to show that it is a very heavy burden of taxation which has been proposed by the Honourable Member, and by my amendment I seek to give relief to incomes below Rs. 10,000, on the ground that the burden of taxation should fall only on the rich and not on the poor. With these words, I move my amendment.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): I support the amendment moved by my Honourable friend, Mr. Raghurib Singh. It is quite essential that we should give some relief to those whose earnings are below Rs. 10,000. The Income-tax Act is based on the English Act, and yet in the matter of administration there is a considerable divergence of principles adopted in both countries. In England the Government are careful to see that the assessee must be able to pay the income-tax without detriment to his social amenities and the education of his children and so on. They give a personal allowance if he is a married man, and if he has got children an allowance is given for each of his children. They give allowances for dependants also; whereas in India the sole aim is to get as much money as possible from the assessee. It is all the more necessary in India that such relief should be given as is given in England. Indians are living under a patriarchal system. The Hindu joint family system prevails throughout India. There will be one or two earning members in a family and a number of dependants and distant relations to be maintained. The family may be composed of a dozen members. One or two members will be earning, and still the tax will be collected on the joint income of all. According to the Hindu joint family, they have to incur a lot of expenses on account of the marriage of girls, and education of boys and other festivals, and there is no relief at all under the Indian Income-tax Act. Further the tax is collected on the joint earnings of all the earning members. For instance, one earning member might be in a village, earning Rs. 100, and another member in a town earning Rs. 100. They have to maintain families in two separate places, but the Act does not take into account all that, but taxes them on the joint income, since individually they will escape the tax. Then take the taxes on business enterprises. In England, the losses of one year can be carried forward to the next

[Mr. T. N. Ramakrishna Reddi.]

year, and if there are profits in the next year, the losses will be deducted and the tax will be paid on the balance alone, whereas in India if a man has sustained a loss of Rs. 10,000 in one year, Government will simply keep quiet, and if he makes a profit of Rs. 2,000 next year, they will pounce upon him and collect the tax, though in the previous year he may have been on the verge of ruin. The amendment proposed is therefore quite justified.

If the Finance Member wants revenues, I shall suggest certain things for his consideration. The Indian income-tax is based on the principle of the origin of the income, but that principle has not been carried to its logical conclusion. So many incomes accruing and arising in India are escaping tax. For instance, the allowances and salaries and pensions paid to the Government servants by our Government in England escape taxation. Now, the Finance Member says this is a national emergency. So I ask him why he should not tax these earnings instead of taxing the poor people. Then again the allowances and salaries accruing and arising in India of private employees of companies and firms which are paid in England escape the tax, if the private company and their employees have entered into an agreement that the payment should be made in England. It is quite unjustifiable that two persons should enter into an agreement of this kind in order to deprive the State of its legitimate income, because the company or firm is carrying on business here and the income accrues in India. That is another source. There are other sources of income, for instance, the interest guaranteed to railway companies by the Secretary of State. The railways work here and earn income here, but the interest is paid in England and thus escapes taxation. There is also the interest on sterling securities of the Government of India and the interest on the sterling securities issued by the British companies carrying on business in India. When the rules regarding the avoidance of double taxation are made applicable throughout the British Empire including India, and are in operation, there is no difficulty in taxing these incomes. They will not be taxed over again in England. So I do not see why the Indian exchequer should lose the benefit of the income from these sources. If the Finance Member wants further revenue, he should tap these sources instead of levying more burdens on the poor Indian taxpayers. So I beg to support the amendment, which is intended to give relief to the income-tax payers in this country.

The Honourable Sir George Schuster: I will try to deal very shortly with this proposal. The financial effect of the amendment now before the House combined with the similar amendment to clause 9 would be according to our calculations a loss of about 35 lakhs in the current year and 65 lakhs next year, total loss about 1 crore. We feel that we cannot face that loss and that is my first reason for opposing this amendment. I would however also oppose it on grounds of principle. We endeavoured in the changes that we introduced in the last Finance Bill to produce an evenly graded scale, from the bottom to the top. Honourable Members who will look through the tables which were supplied in the course of the Budget debates of the last Delhi Session will be able to see that now the income-tax rises by steady and even steps from the bottom to the top. The whole object of our proposal now to meet the financial position by an emergency surcharge of 25 per cent. is to distribute the extra burden evenly and not to upset this carefully thought-out graded scale. If my Honourable

friend's amendment is accepted, it will completely upset that scale and will leave a number of steps down to the bottom which do not at all agree with the general plan. We feel, moreover, that the rates of income-tax which will be levied on those lower incomes, even with the surcharge, are not unduly high. The rate on an income of Rs. 3,000 a year will now be about 3.9 per cent. It rises to 5.85 per cent. on incomes of about Rs. 6,000 and at Rs. 10,500 it goes up to 7.8 per cent. That is the highest rate payable within the range of incomes which will be affected by this amendment. I would submit to the House that at a time of emergency like the present, that is not an unduly heavy rate. Therefore, Sir, on financial grounds and on grounds which will upset our whole scheme of taxation, I am bound to oppose the amendment moved by my Honourable friend.

Mr. President: The question is :

"That to sub-clause (1) of clause 8 the following be added at the end, namely :
'on all incomes over rupees ten thousand'."

Mr. D. K. Lahiri Chaudhury (Bengal : Landholders): On a point of order, Sir. Is any Honourable Member who has voted in one Lobby entitled to go into the other Lobby again?

Mr. President: An Honourable Member is entitled to give his vote once only.

Mr. D. K. Lahiri Chaudhury: The parliamentary practice in England is that whenever an Honourable Member goes to one Lobby, that is an indication that he has already voted.

Mr. President: The voting lists are scrutinised by the Secretary.

The Assembly divided :

AYES 45.

Abdur Rahim, Sir.
Aggarwal, Mr. Jagan Nath.
Azhar Ali, Mr. Muhammad.
Bhuput Sing, Mr.
Das, Mr. B.
Dudhoria, Mr. Nabakumar Sing.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Shaikh.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Harbans Singh Brar, Sirdar.
Ibrahim Ali Khan, Lt Nawab
Muhammad.
Ismail Ali Khan, Kunwar Hajee.
Isra, Chaudhri.
Jha, Pandit Ram Krishna.
Jog, Mr. S. G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Misra, Mr. B. N.
Mitra, Mr. S. C.
Mujumdar, Sardar G. N.
Murtaza Saheb Bahadur, Maulvi
Sayyid.

Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
Ranga Iyer, Mr. C. S.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Scott, Mr. J. Ramsay.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Talib Mehdi Khan, Nawab Major
Malik.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Yamin Khan, Mr. Muhammad.

NOES 49.

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhole, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. K.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heathcote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur Captain.
 Howell, Mr. E. B.
 Jawahar Singh, Sardar Bahadur Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao Bahadur Chaudhri.
 Lal, Mr. S.

Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Rastogi, Mr. Badri Lal.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Shah Nawaz, Mian Muhammad.
 Singh, Kumar Gupteshwar Prasad Studd, Mr. E.
 Sukhraj Rai, Rai Bahadur.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Young, Mr. G. M.

The motion was negatived.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadian Rural):
 Sir, I rise to move:

"That Sub-clause (2) of clause 8 be omitted."

This sub-clause now runs as follows:

"(2) For the purpose of assessing and collecting the additional tax imposed by sub-section (1),—

- (a) the Indian Income-tax Act, 1922, shall be deemed to be subject to the adaptations set out in Part II of Schedule II to this Act, and
- (b) the Central Board of Revenue may make rules—
 - (i) making such further adaptations in the Indian Income-tax Act, 1922, as may seem to it to be necessary to secure that the additional tax shall be equitably levied, and
 - (ii) regulating the procedure of income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom."

Sir, my objection to this sub-clause is this that it gives unlimited power to the Income-tax Officers and the department whose duty it is to collect these taxes and to make rules for its conduct generally. The objection will appeal to every right thinking man, if you remember that in the administration of justice the fundamental principle is that a man cannot himself be the legislator, the prosecutor, the judge and the executioner. Here we have the four functions combined in one individual. Sir, by a snap vote you have been able,—I mean those who are responsible for this increase in the income-tax upon the people of India,—to take more in the shape of income-tax which we are already paying. If you remember, Sir, the rate of income-tax which is imposed in India at the present moment under the Indian Finance Act of 1931 has been raised abnormally, and over that abnormal increment, you want to put in again a

surtax of another $\frac{1}{4}$ th of the amount already leviable for six months. We have to submit to it and you will be entitled to rob us to that extent for the next six months. But what I object to is the procedure of robbing. Sir, we have found that in looting hands of dacoits go to the house of the victim at the point of a revolver, ask him to hand over his money or be shot.

An Honourable Member: Specially in Bengal.

Mr. Amar Nath Dutt: In Bengal they do not carry revolvers. They are not allowed to do so in order to safeguard lives and properties. Be that as it may, at the point of the revolver you ask for money to be delivered to you. A docile householder has either to value his life more than the money which is in his iron chest or he has to part with his life. Here the Government comes to us at the point of the revolver asking us to pay more this year no doubt, but they also want more from us. Even the small amendment of my friend Mr. Raghubir Singh was not accepted by this House. This is not the place nor the time to commend on the record of votes on either side, but at the same time I express my deep regret at the result of the voting on the amendment for exempting people whose income is below Rs. 10,000 a year. Now again to subject them to the tyranny of that tax collecting department is a thing which ought to be avoided. You give them rule making power; you give them power to determine the procedure by which to collect it, whether with revolvers or with lathis. Sir, when you point a revolver at me, I can well understand that you seriously intend to kill me, and I at once part with my money. But here the Honourable the Finance Member does not himself come with a revolver, but he sets some over-zealous officer against me with lathis, who will begin first by beating me, and then when I am senseless on account of the beating, they will take away the money which they want. Who can say that they will not take more than what the Finance Member really wants? My painful experience of the Income-tax Department, both as a member of the Bar as well as a member of the public, has been that they carry out instructions in a way which, if brought to light, would make the Finance Member shudder. And then he would probably say that he is not going to rob people in that way. The Honourable the Finance Member says that he has not heard of any such oppression. Sir, the difficulty is this. If I am to speak out plainly that such oppression is practised upon me, next year further oppressions will come upon me. That is the way in which oppressive zamindars put down their tenants, and the voiceless tenants have to submit to the oppression of the zamindars. How many stories of police oppression do you hear? So long as the great *daroga* is in the *thana*, I have to live under his jurisdiction, it requires more than human courage to be able to lodge a complaint against the *daroga* before the Magistrate or even the Sub-Divisional Magistrate. I know that here I can speak with great freedom and can lay all our grievances before the Honourable the Finance Member, and I know that he will try to devise all possible human means to give us redress if all the tales of oppression that is practised upon the assesseees in the mofussil are brought to his notice. But let me tell him, through you, Sir, that it is impossible for us to narrate all the tales of woe that we have to suffer in Bengal. I will give one instance. I received a long petition from a certain fruit seller in a district. That fruit seller's capital was not more than Rs. 100 or Rs. 150, and that man's income was assessed to be not less than Rs. 6,000. Because he dared to send petitions, I had no other alternative but to advise him not to lay any charge of corruption against

[Mr. Amar Nath Dutt.]

the officers concerned, but only to say that he had a fruit shop. The higher officers were more kindly and he was let off by being assessed on Rs. 2,200. To arm this class of officers with such powers over people who are to be assessed and who are to be subject to this sur-tax is something which ought not to be done. If you want to frame any rules, have them embodied in the Statute-book; embody them here so that we may discuss them and point out to you the difficulties and vote and come to some conclusion. But for God's sake do not empower these people with rule making powers to rob us more than we ought to be robbed. I do not think that by omitting this clause, the Honourable the Finance Member's expected income will be lost. He has given us to understand that if he were to accept the returns submitted by the various assessees, as correct, there would be a loss of 4 crores. The question is not whether there will be a loss of 4 crores or not. The question is whether these assessees are rightly assessed or not. If you are to lose 4 crores by taxing people who ought not to be taxed, I think you ought not to do that. You have ample powers under the Government of India Act to introduce another Finance Bill when you find that there will be a deficit of 4 crores and to impose another sur-tax. There is no limit to your powers of taxation. But remember that the taxation has reached the breaking point, and I warn you that if you want to rob us of all, please rob us gently and not in the way in which you want to.

Mr. President: Amendment proposed:

"Sub-clause (2) of clause 8 be omitted."

Mr. B. Das: Sir, I gave notice of an amendment that part (a) of sub-clause (2) of clause 8 be omitted.

Mr. President: The Honourable Member's amendment will come up in due course. It proposes to omit only one part of the sub-clause.

Mr. B. Das: I find that the omission of the whole clause will serve my purpose.

Mr. President: Then you can support this amendment.

Mr. B. Das: Sir, the grant of refunds arises under sub-clause b(ii) to this Bill. My object was to raise the whole question of salary cuts on my amendment. A consequential amendment of my amendment will be the omission of Part II of Schedule II. This side asked the Finance Member to give us a special day for discussing the subject of these cuts so that he can know the wishes of this side of the House,—whether this side approves of the Government decision on a 10 per cent. salary cut inclusive of the 25 per cent. surcharge on income-tax. I take this opportunity of raising a debate on this subject so that Government may know the intentions of non-official Members on this side of the House. Sir, the Retrenchment Committee of which I have the honour to be a member, and of which the Honourable the Finance Member was the Chairman, unanimously recommended a salary cut ranging from 3½ per cent. to 20 per cent. We find that the Government of India, with the approval of the Secretary of State, have decided that there should be a uniform cut of 10 per cent. and those who enjoy higher salaries will get the deduction of the sur-tax on the income-tax. Sir, we strongly oppose that decision of the Government of India. If the Government of India carry out that decision, it will be against the will of the people of India. They must know that. I

find from a special communiqué of the Government of India that they have adopted part of the recommendations of the General Retrenchment Committee in cutting the salaries of the low paid employees in the Postal and Railway Departments. They have adopted a cut of 2 pice in the rupee for salaries up to Rs. 40 and thereafter one anna in the rupee up to Rs. 75. I cannot understand why the Government of India did not take the higher scale of cut recommended, namely, 15 per cent. for salaries above Rs. 1,500.

The Honourable Sir George Rainy: On a point of order, Sir. I would submit that the discussion of the merits or demerits of the decision of the Government as to the 10 per cent. cut—it is very difficult, it seems to me, to make it relevant on a sub-clause in the Bill which provides that the Indian Income-tax Act shall be subject to certain adaptations. I would submit, Sir, that the Honourable Member should explain how it is relevant.

Mr. B. Das: I do not understand the point of order raised by the Honourable the Leader of the House.

Mr. President: The point of order that the Honourable the Leader of the House has raised is that this clause which the Honourable Mr. Amar Nath Dutt seeks to omit has no reference to any cuts. This is a clause the first part of which imposes an additional income-tax of 12½ per cent. for the current year and the second part provides the procedure to be followed with power to make rules. I should like to know how on a sub-clause like that the speech which the Honourable Member is making is relevant.

Mr. B. Das: Under sub-clause (b) (ii) of clause 8 the Central Board of Revenue is authorised to regulate the procedure of the income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom. My submission is that these refunds will include rebates, which the Finance Member foreshadowed in his Budget speech that the salaried officers would get a rebate of the surtax on income-tax.

Mr. President: Rebate is one thing, refund is another thing.

Mr. B. Das: Well, Sir, I have one more point. If you will kindly turn to page 6 and read Part II of Schedule II, which comes under (2) (a), Part II deals with the procedure for regulating a deficient deduction of income-tax on salaries.

Mr. President (to Mr. B. Das): Will you please point out which part of Schedule II, Part II applies?

Mr. B. Das: Part II says:

"For the purposes of the proviso to sub-section (2) of section 18 of the Indian Income-tax Act, 1922, any person responsible for paying any income chargeable under the head 'Salaries' shall be deemed to have made a deficient deduction in respect of the additional income-tax imposed by section 8 of this Act at the time of making all payments made before the commencement of this Act, and such person may make the adjustments permitted by that proviso."

Here it refers to salaries of all Government officials.

Mr. President: For the purpose of making adjustment.

Mr. B. Das: This Part deals with sub-clause (b) (ii) of clause 8. This House is entitled to raise this discussion of salary cuts.

Mr. President: The House has been entitled to raise that question and we have had nearly 10 days' debate on the issue. The present issue is a restricted one. I have never prevented any Honourable Member from dealing exhaustively with all those issues during the last 10 days that the House has been sitting. On the present occasion the question as to the Government's decision to reduce salaries does not arise.

Mr. B. Das: This refers to rebates on income-tax.

Mr. President: I do not think there is any reference to rebates in this clause. Will the Honourable Member please speak on the clause as it stands.

Mr. B. Das: This rule-making power gives Government the authority to make rules whereby they can give salaried officials of the Government rebate or refund of the income-tax. That is my submission and my interpretation.

Sir Lancelot Graham (Secretary, Legislative Department): No, no.

The Honourable Sir George Schuster: May I point out to my Honourable friend that this sub-clause has nothing whatever to do with the point which is exercising his mind. If my Honourable friend would read the Explanation which is given in the Statement of Objects and Reasons as to why it has been necessary to add these two additional sub-clauses to clauses 7 and 8 of the Bill, I think he would be able to satisfy himself that they cannot be applied for the purpose which he has in mind. I was expecting in the course of my reply to explain to the House exactly why these two sub-clauses have been inserted; I had better leave it over till then. I can assure my Honourable friend that the point which he has in mind has no connection whatever with this sub-section and that no power is created under this sub-section to be used for that purpose.

Mr. B. Das: May I ask. . . .

Mr. President: Order, order. I cannot allow further discussion on the point of order. Will the Honourable Member restrict himself to the provisions of the clause.

Mr. B. Das: I do not wish to speak, Sir.

Mr. President: Does any other Honourable Member wish to address the House?

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I would only like to ask one or two questions of the Honourable the Finance Member, so that he can give us an answer with a view to enable us to understand the procedure that the Income-tax Department intend to follow in this connection. Under section 18 of the Income-tax Act I find that any person responsible for paying any income chargeable under the head "Salaries" shall at the time of payment deduct income-tax on the amount payable at the rate applicable to the estimated income of the assessee under this head. We know, Sir, that in practice persons who are responsible to pay out salaries have every month to deduct the relevant income-tax from the salaries of the employees and remit it to the Income-tax Department. My Honourable friend now imposes a surcharge of 12½ per cent. on the income-tax which has already been paid this year. I would like to know whether the relevant rules are

ready now in draft and I would in particular like to know whether an employer in, say, paying out the salary of his employee for December would be asked to deduct the whole of the arrears of income-tax for the previous ten months from the pay for December or what other procedure is to be adopted. I would also like to know what happens in a case where, for example, the person under my employ who is liable to pay income-tax has left my service two months ago. Do I become liable then personally for the arrears which will fall upon the person who has left my employment? We do not find satisfactory explanation of the procedure in the Bill as given to us, and therefore in replying to the debate I would like my Honourable friend to enlighten the House on these points.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Sir, it seems to me that there exists a certain amount of confusion as to the exact scope and the meaning of sub-clause (2) of clause 8. I do not know whether I am right or otherwise, but I venture to think that sub-clause (2) of clause 8 is merely a consequential provision. The main provision is contained in sub-clause (1) of clause 8. Sub-clause (1) is really the operative part of it, the essential part of the provision, which lays down that one-eighth of the amount of the present income-tax shall be added, so far as the present year is concerned, to the income-tax amount which has already been assessed. That part of clause 8 has already been passed by the House. Now, in order to give effect to that provision. . . .

Mr. President: Order, order. The House has not yet passed that clause; the amendment to omit the clause has been defeated.

Mr. B. R. Puri: Exactly. I venture to think, Sir, that sub-clause (2), as I have already submitted, is merely a consequential provision in order to give effect to the main provision which is contained in sub-clause (1). That being so, I do not think it is a substantial provision like the main clause 8; it is really in order to make that provision workable and not to leave it as a dead letter, that this provision had to be made. Therefore my submission is that we would be stultifying ourselves to a certain extent if, after having in a way accepted the principle which is contained in the main clause we

Mr. President: Order, order. The Honourable Member is again misconceiving the position. The House has not accepted the principle underlying clause 8. The occasion when the House will be called upon to pass the clause will be when the Chair puts clause 8 to the vote. Then the House has either to pass it or to reject it. At present all that the House has done is that they have thrown out the amendment to delete the clause.

Mr. B. R. Puri: Very good, Sir. Then this provision is a necessary corollary to the main provision. It stands or falls with it. If the main clause is ultimately passed, I do not see anything offensive so far as this clause is concerned because this is only a consequential relief, and there must be some workable method of carrying out the main provision if and when that is passed. Otherwise we would be stultifying ourselves if we ultimately passed the substantive law and did not provide the procedure or method to carry it out.

I should like the House to note one more thing, and that is that this sub-clause (2) has got absolutely nothing to do with it so far as the granting

[Mr. B. R. Puri.]

of refunds, etc., is concerned. It does not place any powers in the hands of the Central Board to determine and decide in what cases refunds should or should not be granted. This sub-clause merely regulates the procedure with regard to the grant of refund, and similarly in (b)(i) it lays down merely the procedure. It does not place any arbitrary powers in the hands of any board, central or otherwise, to determine the question whether in certain cases a grant should or should not be made. Therefore to my mind, this clause is not only inoffensive but an essential part of the main provision.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): Sir, I should like to know the import of this clause so far as sub-clause (2)(a) is concerned. It says:

"The Indian Income-tax Act, 1922, shall be deemed to be subject to the adaptations set out in Part II of Schedule II to this Act;"

Now, referring to Part II of Schedule II we find that clause 1 provides:

"For the purposes of the proviso to sub-section (2) of section 18 of the Indian Income-tax Act, 1922, any person responsible for paying any income chargeable under the head 'Salaries' shall be deemed to have made a deficient deduction in respect of the additional income-tax imposed by section 8 of this Act at the time of making all payments made before the commencement of this Act, and such person may make the adjustments permitted by that proviso."

As the Act makes the payment of this tax with retrospective effect, *i.e.*, from an earlier date, this clause imposes an obligation on the employer to be responsible for the deficiency of the taxes which he has not realised, but which by virtue of the present Act he is supposed to have realised. Now, under section 18(7) of the Income-tax Act, "If any such person does not deduct and pay the tax as required by this section, he shall, without prejudice to any other consequences which he may incur, be deemed to be personally in default in respect of the tax". Therefore, taking the Schedule and section 18(7) of the Act, he is deemed to have made default and by this sub-section (7) of section 18 he is made personally liable. I have talked about the matter with Sir Lancelot Graham, and he assured me that it was not the intention of the Government to make the employer personally liable for this tax, and he says that the Central Board of Revenue have issued, or will issue instructions to the Income-tax Officers not to make employers personally responsible. If I get that assurance, there is no question; otherwise I shall have to object to that particular clause. I want to know what is the intention of the Government.

Sir Lancelot Graham: Sir, on this small point which is agitating my friend, Mr. Chetty, and Mr. Sen, Mr. Sen has already told the House that he had some conversation with me and I passed on his troubles to a very sympathetic Central Board of Revenue. He first pointed out that the provision itself does not require anybody to make this deduction under section 18, it merely enables him to do so. That I think will answer my friend, Mr. Chetty, in part at any rate. It enables him to do so, and in doing so he can use his discretion, and the Board of Revenue has no control over him.

The other point which my friend Mr. Sen was troubled about was that he thought that it might be held that a person was in default under section 18(7) if he failed to deduct from the salary of a person who had ceased to be in his employment. It is just possible that that is so, and

it is for that reason that the Central Board of Revenue have issued—certainly if they have not issued already, they are intending to issue a circular pointing out that this power is optional; it does not confer any obligation on the employer at all. Quite apart from that, I think it might be contended that this Schedule only empowers the employer to take this action for the purposes of the proviso to sub-section (2) of section 18, and that it does not place him in a position of default as regards sub-section (7) of that section. Actually, however, that position will not arise owing to the instructions which have been or are being issued to all Income-tax Officers.

Mr. R. K. Shanmukham Chetty: Sir, just to make the point clear, do I understand that, according to section 18 of the Income-tax Act, there is no obligation imposed upon the employer to deduct the income-tax payable by a person under his employ before he pays down the salary?

Sir Lancelot Graham: There is no obligation in respect of the deductions which are made under the proviso. There is an obligation as regards the main portion of the sub-section, but not to make adjustments and additions under the proviso. That is merely a power for the purpose of adjusting any excess or deficiency. It is merely a power conferred under the proviso and is not an obligation. I hope I have succeeded in making that clear.

The Honourable Sir George Schuster: I have, Sir, already explained to the House that they will find the real reason for this proviso if they read paragraph 7 of the Statement of Objects and Reasons. It was really necessary for the Government to insert a proviso of this kind in clauses 7 and 8 because we were introducing an unusual procedure. We wanted to have some latitude to deal with any points that might have been overlooked and which could not, in the short time available for the drafting of the original Finance Bill, be fully dealt with. At least we could not feel sure that we had fully dealt with them. In respect of the general line taken by my Honourable friend who moved this amendment, I would point out to him that really the object of this proviso is in the interests of the assessee. I would particularly call his attention to the wording of sub-clause 2(b) (i) where the word "equitably" occurs—"as may seem to it to be necessary to secure that the tax shall be equitably levied".

My Honourable friend, the Deputy President, has asked one or two questions. I think on the whole those questions have been satisfactorily answered by Sir Lancelot Graham; but I would like to give him the general assurance that the Central Board of Revenue in acting under this portion of the Finance Bill will certainly act in a reasonable and equitable way. I have already explained that what we are really aiming at doing is to impose the full surcharge of 25 per cent. for the six months of the year which remained when we introduced this Finance Bill, but because of the form of the Income-tax Act we could not put it in that way; we have had to make it a 12½ per cent. surcharge for the whole 12 months. That undoubtedly means that on the remaining payments which have to be made in the case of salaries, we should actually have to deduct more than the additional 12½ per cent. surcharge; we shall have arrears to recover. If there were full six months available, those arrears would obviously have been recovered

4 P.M.

[Sir George Schuster.]

by charging the current 12½ per cent. and an additional 12½ per cent. for each of the six months, and then we should have the full amount due. There will now only be four full months after the passage of the Finance Bill, and some different arrangement will have to be adopted; but it will be our intention to work this fairly and equitably and in a way which will cause the least burden on the assesses, and also in a way which will cause the least inconvenience to employers who are bound to deduct tax from the salaries. If my Honourable friend has any points to make, I should be very glad to receive suggestions from him or from any other quarter of this House before our rules are finally issued. Our rules are now in draft; they have not been finally issued; naturally until the Finance Bill is passed they cannot be issued. But now is the time if anybody has any points to make which may not occur to us, and we should be very glad to consider them. I do not think I need say any more in opposition to my Honourable friend's amendment.

Mr. President: The question is:

"That sub-clause (2) of clause 8 be omitted."

The motion was negatived.

Mr. President: The next amendment is from Mr. B. Das.*

Mr. B. Das: I don't move it, Sir.

Mr. President: The next amendment is also from Mr. Das dealing with the Schedule,—No. 129.†

Mr. B. Das: I do not want to move it either.

Mr. President: The question is:

"That clause 8 stand part of the Bill."

Mr. B. S. Sarma: On a point of order, Sir. This House has rejected the motion that clause 8 be omitted; that is it means that it should stand part of the Bill. After having taken a decision to that effect, is it in order that this clause should again be put to vote?

Mr. President: The Honourable Member does not seem to realise that when there is a substantive proposition and an amendment, and when the amendment is rejected by the House, the original proposition is put to the vote. If this is not so, there would be no meaning in the Chair putting the question that a particular clause stand part of the Bill. When that question is put, the House is entitled to decide it as it likes. The question which I have now to put is that clause 8 stand part of the Bill.

*"That in sub-clause (2) of clause 8 part (a) be omitted and part (b) be renumbered accordingly."

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

The assembly divided:

AYES 53.

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwaria. Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 Azizuddin Ahmad Bilgrami. Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Bhowre, The Honourable Sir Joseph.
 Cosgrave, Mr. W. A.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Fazal Haq Piracha, Shaikh.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heathcote, Mr. L. V.
 Hira Singh Bar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Ismail Ali Khan, Kunwar Hajee.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Lall, Mr. S.
 Montgomery, Mr. H.

Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mumtazdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prashad Narayan.
 Sams, Sir Hubert.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Studd, Mr. E.
 Suhrwardy, Sir Abdullah.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Talib Mehdi Khan, Nawab Major
 Malik.
 Todd, Mr. A. H. A.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.
 Young, Mr. G. M.
 Zulfikar Ali Khan, Sir.

NOES 44.

Abdur Rahim, Sir.
 Aggarwal, Mr. Jagan Nath.
 Azhar Ali, Mr. Muhammad.
 Bhuput Singh, Mr.
 Chetty, Mr. R. K. Shanmukham.
 Chinoy, Mr. Rahimtools M.
 Das, Mr. B.
 Dumasia, Mr. N. M.
 Dutt, Mr. Amar Nath.
 Gour, Sir Hari Singh.
 Griffiths, Mr. G. I.
 Gunjal, Mr. N. R.
 Harbans Singh Brar, Sirdar.
 Hari Raj Swarup, Lala.
 Ibrahim Ali Khan, Lt. Nawab
 Muhammad.
 Isra, Chaudhri.
 Jha, Pandit Ram Krishna.
 Jog, Mr. S. G.
 Lahiri Chaudhury, Mr. D. K.
 Lalchand Navalrai, Mr.
 Misra, Mr. B. N.
 Mitra, Mr. S. C.

Mody, Mr. H. P.
 Murtuza Saheb Bahadur, Maulvi
 Sayyid.
 Parma Nand, Bhai.
 Patil, Rao Bahadur B. L.
 Puri, Mr. B. R.
 Raghbir Singh, Kunwar.
 Ranga Iyer, Mr. C. S.
 Rastogi, Mr. Badri Lal.
 Reddi, Mr. P. G.
 Reddi, Mr. T. N. Ramakrishna.
 Sant Singh, Sardar.
 Sarda, Rai Sahib Harbilas.
 Scott, Mr. J. Ramsay.
 Sen, Mr. S. C.
 Sen, Pandit Satyendra Nath.
 Sugi, Kumar Gupteshwar Prasad.
 Sitaramaraju, Mr. B.
 Sohan Singh, Sirdar.
 Sukhraj Rai, Rai Bahadur.
 Thampan, Mr. K. P.
 Uppi Saheb Bahadur, Mr.
 Wilayatullah, Khan Bahadur H. M.

The motion was adopted.

Clause 8 was added to the Bill.

Mr. President: The question is:

"That Schedule II, Part II, stand part of the Bill."

The motion was adopted.

Schedule II, Part II, was added to the Bill.

Mr. President: The question is:

“That clause 9 stand part of the Bill.”

Raj Sahib Harbilas Sarda (Ajmer-Merwara: General): I move that clause 9 be omitted.

It is quite unnecessary for me to make any speech in moving this amendment. The arguments that were advanced in support of the amendment to clause 8 apply with equal force to this amendment. In fact, the force of those arguments becomes redoubled when those arguments are applied to this amendment, for the surcharge under this clause is 25 per cent., whereas under clause 8 it is 12½ per cent.

Sir, with the income-tax super-tax and the surcharge, very nearly seven annas in the rupee out of the rich man's income will be taken away by Government, resulting in capital becoming scarce. The lack of capital will injuriously affect the Indian industries and Indian trade; and this heavy, almost crushing taxation will cripple the resources of business men in this country. If the object of Government were—and I am sure it is not—if the object of Government were to stifle industrial effort in this country and to put a handicap on Indian industry in its competition with foreign industry, Government could not find a better and a more effective means of doing it than to levy the proposed taxation. The social effect of this heavy taxation will also be bad. The rich, when this heavy taxation is levied and collected, will have to sink into the upper middle class, and the people of the upper middle class will sink into the lower middle class. The taxation therefore in its present form will not only have an adverse effect on industry and trade in this country, but its social effect will be equally injurious. Sir, I move.

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muhamadan Rural): I rise to support this amendment. Clause 9 provides for the collection of taxes for next year. In supporting this amendment, I have got a few reasons and I beg to place them before the House.

In the first place, I should like to submit that it is premature to impose taxes for the next year. In the second place, it is extremely unusual in the course of a Finance Bill to propose taxes for the coming year. The reports of the several Retrenchment Committees are not yet finally before us. They are yet to come, and the Government have also not yet made up their minds to what extent they can effect retrenchments even with regard to the present reports that have been submitted, and also with regard to the reports that have yet to come. After the reports are submitted, we will be in a position to know to what extent Government could actually retrench. That is one reason. In the next place, we have been told that there are many signs of revival of trade and that the present depression in trade is likely to abate. If such be the case, we shall be in a position at the end of this year to know how we stand. There is also another reason. At the end of this year we would know whether the law of diminishing returns has operated this year so far as the new proposals of taxation are concerned. It has been argued very strenuously by some Honourable Members on this side of the House that the law of diminishing

returns will apply if the taxes are raised to such an enormous extent. When we know that the law of diminishing returns has operated, we would be in a position to understand the value of the suggestions made on this side of the House. We hope that then the Finance Member will certainly yield to our suggestions, and lastly my reason for supporting this amendment is on the ground that we have already passed clause 8 of the Bill and Honourable Members who opposed the passing of that clause submitted that it would operate very heavily both on the rich and the poor alike. I think that fact cannot be denied. The only answer to it is that there is a national emergency. At the end of this year we will be in a better position to know whether that national emergency is still there or has disappeared or partly disappeared. For these reasons I support the amendment.

S. G. Jog (Berar Representative): This year particularly we are in the midst of taxes and axes. Some people have been hit by the axes and some people have been bit by the taxes and some people have been hit both ways. When discussing the second clause of the Bill, I had occasion to pass some criticism as to taking such a long range and taking measures about 12 months ahead by way of taxation. By way of reply the Finance Member said that there was some difficulty in not taking such a long range, as in the case of customs it was very difficult to purchase new stock unless one was assured of the duty which would ultimately affect the selling and buying prices of those commodities. I must congratulate the Finance Member that the reasoning that he gave to my mind was really sound so far as the customs duties were concerned, but I for one cannot see whether the same reason can apply in the case of income-tax. Here, people will be earning their incomes whether this tax exists or not, and the difficulty, which the Finance Member expressed, when giving a reply in the case of customs, does not apply in the case of income-tax. As observed by my friend the last speaker, we do not yet exactly know how we stand with respect to our several retrenchment proposals. Probably we will have to raise this tax still more if the present emergency continues. In fact the whole thing is in an uncertain state. Having passed the last clause and given the power of taxing incomes for six months this year with a surcharge, I see there is no necessity of extending this tax for another 12 months in advance. When discussing the constitutional issue on clause 2, I also made the remark that many Members of this House were absent, and a measure of this sort should not be forced on the House in their absence. The whole House will be meeting in the course of a month and a half, and we will know exactly what the financial situation then will be and what will be the necessity for further taxation of income-tax. Would it not be reasonable then to come forward with this increased income-tax when we meet next? We shall then have ample time to discuss and decide the issue more satisfactorily. For these reasons I support the amendment moved by my friend Rai Sahib Harbilas Sarada.

Pandit Satyendra Nath Sen: (Presidency Division, Non-Muhammadan Rural): Sir, I, too, rise to support the amendment. Clause 9 is practically a continuation of clause 8, and I wish to make some preliminary observations. I do admit that we were defeated in regard to the deletion of clause 8, but I beg to submit that Government won not owing to the cogency of the arguments put forward by the Finance Member, but probably owing to some neglect on our own part. I hope we shall be able in the meantime

[Pandit Satyendra Nath Sen.]

to reorganise ourselves, and I also hope that Honourable Members will grow wiser and exercise better judgment on this occasion. As was shown by more than one Honourable Member during the debates on the last two clauses, the rates of income-tax in India are much higher than those in the United Kingdom. The fact remains unshaken in spite of the figures quoted by the Finance Member with regard to the increase of percentage in England. Sir Hari Singh Gour took the trouble of quoting chapter and verse, which I think was almost superfluous, because it goes without saying that if the rates in England were as high as they are in India, the English people would at once start a movement which would be called not the "civil disobedience movement" but the "criminal disobedience movement". The rates of income-tax in our country come up to 26 pies in the rupee, and those of super-tax come up to 75 pies in the rupee. These are not uniform rates, but taking a fair and reasonable average, those rates come up to 40 to 50 per cent. This was made clear by the Explanatory Memorandum which was supplied to us during the debate on this same subject at the last Delhi Session. We are now going to have a surcharge of 25 per cent., that is to say, the rates in that case will come up to 50 to 60 per cent. We are thankful to the Finance Member that he does not demand cent. per cent. tax from us. In this connection I am reminded of a European Professor at Calcutta who sometimes when he was extremely satisfied with the answers given by the examinee would award him even 105 or 110 marks when the full marks were only 100.

Sir, it has been argued by some that this measure affects not the poor people but affects the rich men only. Sir, that is not true; it affects not only the rich men, but also the poor men, or, if not the poor men, the middle class men surely, because it deals not only with super-tax but also with income-tax and begins with the lowest zone, namely, incomes of Rs. 2,000 per year. And to say that a person having an income of Rs. 2,000 a year only is a rich man in these days befits the mouth of an Ind an only. I am sorry the Honourable Member is not here. (*An Honourable Member*: "Who is he?") Sir, with reference to the rich men also, I think some words may be pleaded in their justification. Everybody in society has a utility of his own. (Hear, hear.) Rich or poor, intelligent or foolish, patient or irascible, every one serves a useful purpose in society; and I think the rates of income-tax have now risen up to such an extent that it is now time to reconsider the position of the rich men, who, I submit, are not to be hanged and to be thrown to the dogs, but should be treated with all the sympathy that is due to them. I ask Honourable Members, who are the people who have kept alive this national awakening? I also ask the Government, who are the people who come forward with such lavish donations and gifts in times of famine, which is the greatest boon of the British Government? (Laughter.) And who are the people who contribute so largely to the establishment of such useful institutions as schools and colleges and hospitals? (*Mr. Amar Nath Dutt*: "And also statues for *ex-Viceroy*s?") (Laughter.) Sir, the fact is that income-tax is always regarded by the Government as what is called "*kam-dhenu*" in Sanskrit, that is the milch-cow, which can yield as much as is required, and that is the reason why they always have recourse to this thing at every step. Sir, there is no denying the fact that the rates have already gone up to an unjustifiable extent, and any additional burden, I warn the Government, will only prove to be the last straw on the camel's back.

(Hear, hear.) I hope our Honourable colleagues on this side of the House will combine this time to vote against that clause and will in a body support this amendment.

Mr. N. R. Gunjal (Bombay Central Division : Non-Muhammadan Rural) : (Speaking in Hindi) Sir, I deplore that, instead of finding ways and means to promote the prosperity of the masses, the Government are very often bringing in taxation measures and asking the representatives of the people to vote for them. I advise my colleagues to remember that the people in the villages are all reading the newspapers and watching our activities in the Legislature, and now if we vote for taxation, we will never again be returned to the Assembly. Government have not carried out their policy of trusteeship for the Indian people; do Government really mean that Indians should live on air and water? Twenty-five years ago, Lokamanaya Tilak was of the opinion that the British Government were acting in a most unsympathetic and high-handed manner, and that view holds true even today. The Finance Bill, as it has been presented to the House, clearly shows that Government have no heart for the poor.

An Honourable Member : The question may now be put.

Mr. President : The House will now adjourn till 11 o'clock tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 19th November, 1931.