ABSTRACT OF THE PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWS AND REGULATIONS.

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ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS.

1879.

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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 & 25 Vic., cap. 67.

The Council met at Government House on Wednesday, the 24th December, 1879.

PRESENT:

His Excellency the Viceroy and Governor General of India, G.M.S.I., *presiding.*
His Honour the Lieutenant-Governor of Bengal, K.C.S.I.
His Excellency the Commander-in-Chief, G.C.B., G.C.S.I., C.I.E.
The Hon'ble Sir A. J. Arbuthnot, K.C.S.I., C.I.E.
Colonel the Hon'ble Sir Andrew Clarke, R.E., K.C.M.G., C.B., C.I.E.
The Hon'ble Sir John Strachey, G.C.S.I., C.I.E.
General the Hon'ble Sir E. B. Johnson, R.A., K.C.B., C.I.E.
The Hon'ble Whitley Stokes, C.S.I., C.I.E.
The Hon'ble Rivers Thompson, C.S.I.
The Hon'ble Sayyad Ahmad Khán Báhádur, C.S.I.
The Hon'ble T. C. Hope, C.S.I.
The Hon'ble B. W. Colvin.
The Hon'ble Maháráj́á Jotíndra Mohan Tagore, C.S.I.
The Hon'ble G. H. M. Batten.
The Hon'ble C. Grant.
The Hon'ble E. C. Morgan.
The Hon'ble J. Pitt-Kennedy.
The Hon'ble G. C. Paul.

RELIGIOUS CONGREGATIONS BILL.

The Hon'ble MR. STOKES presented the further Report of the Select Committee on the Bill to provide for the holding of property by certain Religious Congregations.

MILITARY CANTONMENTS ACT AMENDMENT BILL.

The Hon'ble MR. STOKES also presented the further Report of the Select Committee on the Bill to provide for the revision of proceedings in trials held under the Military Cantonments Act, 1864, section 20.

TRADES AND PROFESSIONS TAX BILL.

The Hon'ble SIR JOHN STRACHEY moved that the Bill to impose a tax on Trades and Professions be referred to a Select Committee consisting of the

Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Mahárájá Jotíndra Mohan Tagore, and the Hon'ble Messrs. Batten, Morgan and Paul and the Mover. He said:—"MY LORD, When this Bill was introduced into the Council, some six weeks ago, I explained the reasons which rendered it desirable that the measure should be passed into law before the end of the year. The most important of these reasons was this, that all the existing License Tax Acts, excepting that in force in Lower Bengal, require the assessments and collections to be made for the calendar year; the demand of the Collector has to be published in the beginning of January, and the tax has to be paid in February. It was, however, found quite impracticable to proceed with the Bill as soon as we had originally hoped to do. We are now holding our first meeting of the Legislative Council in Calcutta on the 24th December; the Bill has not yet been referred to a Select Committee, nor are all the papers connected with it, and all the opinions which have been received regarding it, in the hands of the Members of the Council. Under these circumstances it was clear that the idea of passing the Bill before the end of the year must be abandoned, and the Government had to consider what course should be adopted. The legal difficulties which seemed to render legislation in December necessary have however been got over, for the Government has been advised that it is in its power to give executive orders to the Local Governments, which will have the effect of preventing any fresh assessments or collections being made pending the passing of a new Act. Instructions have been issued accordingly, and no embarrassment will be caused by the delay in legislating. This delay will in other ways be advantageous. There will be more time for the careful consideration of the Bill, and there is another important advantage which we shall gain. It was not altogether satisfactory that a measure of this kind should be enacted at a time when it is not possible to lay before the Council and the public a complete explanation of the financial position, and we shall now postpone, until after the publication of the Budget, the proposal to pass the Bill into law. It must at the same time be remarked, as I have more than once had occasion to say, that all the local authorities lay great stress on the importance of not leaving the work of assessing taxes of this kind until the weather has become so hot that the Collectors and European officers cannot easily visit the places where the assessments are made, and give to the matter their full personal attention. We shall therefore endeavour to bring out the Financial Statement at a somewhat earlier date than usual, and if meanwhile the Select Committee will consider all the details of the Bill, so that they may be able to report upon it as soon as possible after the Statement is made, we may hope that from an administrative point of view the delay in proceeding with the Bill will not be injurious.

"I must now, my Lord, explain to the Council the course which the Government proposes to take.

"We have received a great number of opinions and criticisms, many of them very valuable, from the Local Governments and their officers, from various public bodies, and from other quarters, and the fresh light thus thrown upon the question will, I hope, enable us to make great improvements in the measure as it was originally introduced. I will state to the Council the principal changes which the Government now proposes in the Bill.

"In the first place it has become apparent that the wisdom of repealing all the Local Acts and substituting for them one Imperial enactment is very questionable. Circumstances vary so much in the different provinces of India, and the machinery by which measures of this kind have to be carried out differs so greatly, that there are plainly many advantages in leaving all details to be settled by the local Legislatures and local Authorities, and in contenting ourselves with prescribing those general principles only which we desire should be everywhere carried out. This is, in the present case, the more true, because, as I shall presently explain, the changes which the Government has proposed to make in the local License Acts are really, with one exception, not great, and if the modifications in the Bill which I am about to describe to the Council be adopted, those changes will become still smaller. We now propose to leave all the local Acts in force; certain amendments in the schedules which prescribe the fees to be levied on the various classes and a provision extending the tax to professional men will be required; but this can be done by a very few sections in our Bill, which, so far as it affects the trading and professional classes, will then become a very small measure. A great part of the Bill will disappear altogether, and the provisions of general application to all India will be almost confined to those which extend taxation to the official and salaried classes.

"I will now, my Lord, endeavour to state the principal points on which further explanations are necessary, and it will be convenient that I should first refer to some of the more important objections which have been made to the Bill.

"There has been a very common feeling that the Bill, in the shape in which it was introduced, was hardly to be distinguished from an income-tax on the classes affected by it. The measure has been attacked as an unnecessary and unjustifiable attempt to re-impose, under another name, a hateful impost which was deliberately abandoned by the Government only six years ago. I fear that upon those who do not scruple to attribute to the Government of

India deliberate and habitual dishonesty in all its dealings, words would be wasted in the attempt to prove that we have not been dishonest in this or any other particular instance. But, for the information of more charitable opponents, I am glad to take this opportunity of stating the facts.

"The conclusion having been arrived at that it was proper to extend to the official classes taxation somewhat similar to that which had been imposed under the License Tax Acts on traders, it was clear that there was only one reasonable way in which the decision could be carried out. This was to levy the tax by a percentage on actual salaries. It would have been impossible to have adopted any other plan. It is clear that the only reason for applying to the taxation of traders the system of classification adopted in the License Acts is, that there are no means of ascertaining the exact amount of their incomes, and it is highly desirable to avoid any minute inquisition. If it were possible to find out, by some perfectly unobjectionable means, their real income, everybody would agree that the plan of charging a percentage on that income would be the proper one to adopt. The rough process of assessment by classes necessarily leads to the injustice of taxing persons who have smaller means at the same amount as those who have larger, but this injustice was accepted as the lesser of two evils. In the case of the official classes we know every man's actual salary, and the salaries of the servants of Companies and private persons can easily be ascertained. To tax them in classes, like the traders, and not by a percentage on their salaries, would really be inequitable and indefensible. No one can believe that it would be accepted as reasonable that an officer receiving Rs. 5,000 a year should pay the same tax on his salary as one receiving Rs. 10,000; and no one would accept as a valid reason for such a conclusion the fact that this was the way in which taxation was imposed on persons deriving their incomes from trade.

"When, however, it was determined to tax the officials by a percentage on their salaries, it was naturally felt desirable to make the incidence of the tax on them and on the other classes as equal as was practicable. It was, as the Honourable Mr. Batten pointed out at the last meeting of this Council, an inevitable and logical consequence of this extension of taxation to the officials that the maximum taxes paid by the commercial classes should be raised. It was felt, as he said, that it was not right to tax a high official more heavily than an equally rich man who derived his income from commerce. 'The maximum tax on traders is now' (as Mr. Batten said) 'in Madras Rs. 800; in Bengal Rs. 500; and in Bombay only Rs. 200. Directly it is determined that officials shall be taxed by a percentage on their salaries, and any other mode of directly taxing them would, I submit, be almost absurd, it becomes impossible to maintain the maximum taxes at the sums which I have mentioned.'

"It was in consequence of all this that the schedule of the present Bill took its present form. The number of classes was increased and the differences between the various classes were diminished. The result was a schedule according to which the taxation on the trading and professional classes would undoubtedly have been assessed under a system nearly approaching the assessment of a percentage on the estimated annual amount of their earnings. In other words, the assessment would have been very like that of an income-tax; and I quite admit that this was hardly consistent with some of my own remarks, or with the Statement of Objects and Reasons, which said that 'the system of classification now in force is generally retained.' In the existing Acts, the system followed was to have a small number of classes. It was always admitted that under such a system there must be a good deal of inequality, and that the burden must fall more heavily on the poorer than on the richer persons included in a class. But this inequality was accepted as a smaller evil than that involved in making an inquisition into individual incomes. I do not, therefore, deny that the schedule to the present Bill, although theoretically much fairer and more logical than the schedules of the existing Acts, is open to the objections to which I have alluded.

"The announcement which I have made that the Government proposes to maintain, with very little alteration, the existing License Tax Acts will, I hope, go far to remove these objections, for I do not see how it can still be said that this is an income-tax in disguise. If the present proposals be adopted, the obnoxious schedule will disappear, and the existing system will remain in force in all its main features.

"There were, my Lord, only two things which the Government in introducing this measure looked upon as essential. It desired in the first place to exempt from taxation a great multitude of people with small incomes. Experience had shown that we were taxing more than a million persons,—I now believe the number to be at least a million and a quarter—for the sake of £240,000 a year. This was clearly neither politically nor financially wise.

"The second object which the Government had was to extend taxation to the official and professional classes. There had been a very general feeling, the justice of which we could not deny, that they ought not to remain untouched when direct taxation was being levied on the traders and landholders. This feeling found expression in public meetings, and in memorials of the Chambers of Commerce of all three Presidencies.

"The Government desires that these two objects shall be carried out in the most equitable way possible, and provided that they are gained, it looks upon everything else as matter of detail. It cannot give up these taxes, because it considers it essential to maintain them; but it is most anxious to do everything in its power to reduce their defects to a minimum, and to remove, so far as practicable, every cause of difficulty which it is possible to foresee.

"I will now state as clearly as I can the course which the Government proposes to adopt.

"We desire to make no changes in the existing Acts which are not, in view of the determination to extend taxation to the professional and official classes, unavoidable.

"In regard to the professional classes, it will, I believe, be sufficient to insert in the existing Acts a single section, to the effect that the words 'trade' and 'calling,' wherever they occur, shall be deemed to include a profession.

"In regard to the official and salaried classes, no change of any importance is contemplated by the Government in the Bill as it now stands, but there are some details in regard to which alterations may be found proper. A good deal of complaint has been made regarding the sections which oblige private employers to levy the tax from persons in their employment, and which impose certain liabilities on both parties. These and many other questions will doubtless be considered by the Select Committee, and the Government will accept whatever view appears to the Committee and to the Council to be just.

"In regard to the trading classes, before coming to other matters, there is one announcement of importance which I have to make on behalf of the Government.

"When this Bill was introduced, I stated that the Government proposed that Rs. 250 should be the minimum income liable to this form of taxation, and I said that in fixing this amount we were giving greater relief to the poorer classes of traders than most of the Local Governments think necessary. It is now estimated that by this change we shall exempt not less than 1¼ million persons from taxation, and shall give up revenue to the amount of about £240,000. The Government now proposes to extend this relief still further. We find that by sacrificing an additional sum of about £100,000, we shall be able to fix the lower limit of liability to the tax at an annual income of Rs. 500, and exempt from taxation at least 250,000 more people. This the Government now proposes to do. There will remain in all India certainly not more than 250,000 traders liable to the tax. The financial result of all the changes thus proposed will be as follows. We now obtain from the license-tax £870,000 a year. We propose to give up a sum of £340,000. We expect on the other hand to obtain £240,000 from the extension of taxation to the professional, official, and salaried classes, and from raising the maximum tax on the commercial classes to the Madras limit, as I shall presently explain. Thus we expect to get altogether from these taxes £770,000, or £100,000 less than the amount which we now receive.

"The effect of these measures will be to remove from the schedules of the existing License Acts (which vary somewhat in their details in different provinces and of which it is not now necessary to speak in detail) those classes and grades including traders whose annual earnings are less than Rs. 500. Since, as I have already explained, we do not propose to repeal the existing Acts, the present classification will otherwise remain unaltered with the following exceptions. In Bombay the maximum fee now payable is Rs. 200; in Bengal, the North-Western Provinces, Oudh, the Punjab, and wherever the Northern India License Act is in force, the maximum fee is Rs. 500; and in Madras it is Rs. 800. We propose to leave the Madras Schedule unaltered; to add in the Bengal and Northern India Schedules one class with a fee of Rs. 800; and to add in Bombay two classes, one paying Rs. 500 and the other paying Rs. 800. Thus the maximum tax at present leviable in Madras will be applied throughout India.

"As, with these exceptions, no change is proposed in the present law so far as it affects the richer classes of traders, the tax will be levied exactly as it is now. Whatever objections there may have been to this form of taxation will no doubt remain, so far as the persons are concerned who are liable to it; but at any rate there will be no ground for the charge that we are completely changing the character of the existing Acts and virtually introducing an income-tax. For in this respect there will be absolutely no alteration in the present system.

"In thus avoiding anything like an income-tax, and as one of the consequences of fixing a maximum fee of Rs. 800 as the highest amount which can be demanded from any trader or professional man however rich, we find ourselves landed in a difficulty.

"The sum of Rs. 800 is much less than that which will be paid by some of the highest officers of Government at the rate of $1\frac{1}{2}$ per cent. on their salaries. The number of officers in this position will, however, be very small. There will be the Viceroy, the Governors of Madras and Bombay, the Lieutenant-Governors, the Commander-in-Chief, the Members of Council, the Chief Justice, and possibly a few others. Excepting these officers, the highest salary paid to any Government officer in India is Rs. 50,000 per annum. One and a half per cent. on this sum would be Rs. 750. Thus, the maximum tax ordinarily paid by the officials, professional men, and traders, will be approximately the same; but there will be this exception, that the few high officers already mentioned will have to pay more, and some of them a great deal more, than Rs. 800 per annum. Your Excellency, for instance, will have the pleasure of paying an annual tax of Rs. 3,600.

"It is, of course, impossible to maintain that this is just, but it is an illustration of the numerous anomalies which must arise under any system of direct taxation short of a general income-tax. It is not so serious an anomaly as others which I could mention; as for instance, that presented by the fact that there are in this Province of Bengal landed proprietors receiving incomes measured in hundreds of thousands of pounds, which are now almost untouched by taxation. The only way in which we could make the richest class of traders and professional men pay as much as the high officers that I have mentioned would be by applying to them a system of assessment virtually the same as that of an income-tax. As we desire to avoid this, we must be content to let these officers pay more than their equally rich neighbours. It would no doubt be possible to fix a maximum of Rs. 800 for the official classes also, but it seems to the Government that this would lead to still worse evils. We could not with propriety, or indeed with decency, say that all Government servants with salaries between Rs. 1,200 and Rs. 50,000 a year shall pay at the rate of $1\frac{1}{2}$ per cent. on their salaries, but that those officers who get more than Rs. 50,000 shall be exempted from paying in proportion. The fact is that the system under which the trading classes are taxed being essentially different from that which is applicable to the officials, it is impossible that the burden should fall with complete equality on both classes alike. I may add that financially this part of the question has little importance. The number of traders and professional men with incomes exceeding Rs. 50,000 a year is very small, and the additional revenue obtained by making them pay more than the maximum license-fee of Rs. 800 would not be great. Taking everything into consideration, it is not worth while to add more classes to the License Acts, merely for the purpose of rendering the law more symmetrical, and theoretically more equal, and making a few rich traders and professional men pay as much as the highest officials.

"I have now, my Lord, explained all the principal changes which the Government thinks it desirable to make in the Bill now before the Council. If the motion which I am about to make be agreed to, and the Bill be referred to a Select Committee, we shall propose to the Committee to adopt these modifications in the Bill. I have no doubt that the Committee will be able to suggest other improvements.

"It will be observed from all I have said to-day, that, although the Government is quite ready to make many important changes in this Bill, it adheres to the opinion that the taxation of the richer members of the trading, professional, and official classes is essential. They have been contributing little or nothing towards the expenses of the State. Justice and financial considerations alike require that they should so contribute, and it is only by direct taxation that this object can be gained. My Lord, I often read in the newspapers that one of Sir John Strachey's most mischievous delusions is his persistent preference of direct to indirect taxation in India, and that his constant desire is to substitute the former for the latter. My Lord, every man's motives are best known to himself; but, if language be any indication of motive, I may ask my critics to point out any single occasion on which I have said anything of the kind. I affirm, not only that I have never, either in public or in private, maintained any such doctrine, but that no such idea has ever entered into my head. If in formerly approving the imposition of the income-tax and other forms of direct taxation, and in regretting their loss, I have erred, I have erred in company with many of the wisest and most experienced of Indian statesmen, among whom I will now name one only, Lord Lawrence, my honoured and lamented master. No man knew India better than he, and never was there a man who would have more strongly and indignantly refused his consent to measures which he thought must entail injustice and oppression on the people. He believed—and I believe—that there are some classes of the community which have borne no proper part of the public burdens, although no classes are better able than they to bear their share; that it is by direct taxation alone that they can be reached; and that with reasonably good administration, which it is certainly within our power to secure, there is no necessity whatever for any gross abuses in the assessment and collection of taxes of this kind. If we could make these classes contribute in any other way to the necessities of the State, without adding to the burdens of others who already contribute in fair proportion to their means, we should be most glad to do so; but this is impossible. We impose direct taxation upon them, not because we prefer direct taxation to indirect, but because we must tax them directly or not at all.

"I have been now speaking as if the taxation now proposed ought to be permanently maintained, independently of the actual financial position in particular years, not necessarily with its present details, but at least substantially. Those who differ from this opinion will have ample opportunity of stating their views, since, as I have already said, it is not proposed to ask the Council to pass this measure, nor even to ask the Select Committee finally to report upon it, until the Financial Statement for next year is before the Council and the public. The view that taxation of this kind, although it may be tolerated for a time, in case of unavoidable necessity, ought to be given up whenever the condition of the finances makes it possible to dispense with it, has often been maintained. It has lately been expressed very clearly and temperately and well in the memorial submitted by the Bengal Chamber of Commerce. The Chamber produces evidence, drawn from the accounts and statements published by the Government, to show that there has been a great improvement in our financial position; it says, there is a widespread impression that the Government could now afford to dispense with the license-tax altogether, and that before any attempt is made to pass the measure before us into law, a full statement of the present and prospective position of the public finances should be made. I cannot now discuss that position, but the hope with which the memorial of the Chamber concludes has been met by the announcement which I have already made that the final consideration of this Bill will be postponed until after the publication of the Financial Statement. With regard to the general financial position, I can now only repeat what I said when the Bill was introduced, that there has happily been great improvement, that we trust the country has passed through its disastrous and long-continued period of scarcity and suffering, and that the condition and prospects of the finances are highly encouraging and satisfactory.

"I have only a few more words to add. It might be supposed from many of the criticisms which this measure has received, that the Government was proposing to impose fresh and heavy taxation on the country. Nothing could be further from the real intentions of the Government; and I trust the proposed modifications of the Bill will, when they are made in it, remove every disposition to such criticisms; for they will certainly remove every justification for them. The result will be that we shall exempt from taxation about a million and three-quarters of persons who, if not absolutely, are still relatively, poor, and we shall transfer, not the whole, but the greater part, of the burden hitherto borne by these classes to about 35,000 persons, the great majority of whom are more or less highly paid Government officials. We shall get altogether £100,000 less revenue than we get now. The measure is essentially one which has for its object the equitable readjustment of taxation. It will reduce, not increase, the burdens of the country."

The Hon'ble MR. PAUL said, as a member of this Council he should always be glad to support the necessary measures of the Government, and that he did not now desire to offer any opposition to the principle of this Bill. But he thought there were rules of practice which, under ordinary circumstances, must be observed. The present motion was to refer to a Select Committee a Bill which, as it was introduced, was the one which he held in his hand. That was the Bill which he had studied before coming to the Council meeting, and he now understood, from what the hon'ble the Financial Member had said, no doubt to MR. PAUL'S great gratification, that the Bill would be shorn of many of what appeared to be its obnoxious provisions, which were in it as it was presented to the Council. The Government, as he understood the hon'ble Member, pledged itself to make alterations on the lines which had been marked out by the mover of the Bill and to lay them before the Select Committee. It then followed that it was not this Bill which was about to be referred to a Select Committee, but it was the Bill with a number of substantial amendments. That being so, he thought the proper practice was that this Bill should be withdrawn, and another Bill drawn in the manner proposed should then be introduced. If that was done, he should raise a substantial objection to such new Bill. Leave had been given to introduce this Bill, and consequently the Council were on this occasion unable to give their assent to the referring of another and an entirely different Bill. But if a fresh Bill should now be brought forward on the lines which had been indicated by Sir John Strachey, MR. PAUL would then have this objection to raise, that as it appeared on the surface of the plan that had been sketched out before the Council that the necessity for the proposed measure depended upon the publication of a Budget-statement the introduction of such fresh Bill must of necessity be postponed till after the publication of the Budget. He maintained that there was not a single member of the Council who would not be most anxious to support the Government in any necessary measures which the Government was bound to adopt; but, on the other hand, it was nothing but fair that this Council should have before it is called upon to legislate upon any measure, the fullest information, in order that any action taken should appear to be supported by substantial reasons. Therefore he should suggest as an amendment, that this Bill be withdrawn, with liberty to the hon'ble Mover to bring in another Bill.

The Hon'ble MR. KENNEDY said he also, upon the same grounds, must oppose the motion of the Hon'ble the Financial Member as it had been brought forward. It seemed to him that they were not now called upon to refer the Bill which had been before the Council, but to refer another and a wholly different measure, with the principles or details of which, complicated as they were, he had not had an opportunity of becoming sufficiently acquainted to form any opinion whatever. Whether the Bill ought to go to a Select Committee or not, he was not in a position to form an opinion, one way or the other. The Council had before them a Bill which proposed the wise and proper course of consolidating into one Act, this part of the taxation of the country. He did not know whether he was right, but as far as he could understand the expressions used by the Financial Member, the new Bill was to be based on an entirely different principle, leaving outstanding three, or perhaps four, separate financial measures, which were to be how he knew not, in what particular form he knew not: what was to be their independent effect he knew not, but he understood they were to be in some way brought in and incorporated with this measure. That this difficulty of understanding the proposition should arise showed that the objection was not merely technical. It was an objection based on the rules which had been introduced into the Council in order to facilitate the consideration of important measures, and it was an objection which he thought to have considerable weight. When, after asking leave and explaining the grounds upon which the measure was based, the Hon'ble Member in charge asked to refer to a Select Committee a Bill which was not even based on the principles of the Bill which had been introduced, MR. KENNEDY was bound to say that he could not assent to the measure without at least knowing what the grounds of the new measure were.

The Council was told that this was not an income-tax, but though accustomed to deal with refined distinctions he was unable to see any difference between this measure and any other income-tax, save this. The great and broad general objection to an income-tax as it existed in England was, that transitory incomes, which were derived from the exertions and intellects of individuals subject to the vicissitudes of health and trade, were taxed at the same rate as incomes derived from realised property and the common sense of mankind was shocked at the injustice, though arguments were possible for the equal taxation of all incomes. That was not so here. The Financial Minister had taken good care that this precise objection should not apply, because here incomes derived from realised property were exempted, and the tax was imposed merely and exclusively on trades and professions—on the uncertain and fluctuating results of personal exertions. He could not assent to aiding the progress of a Bill which avoided the objection of equally taxing fluctuating income and realised property by carefully excluding from its operation every form of the latter.

The Hon'ble MR. MORGAN said that, when he came to the Council that day, he was unaware of the important changes which had just been proposed by Sir John Strachey. It was his intention to have opposed the Bill which was now before the Council, on grounds upon which, perhaps, it was not now necessary to enter, inasmuch as that Bill seemed to have lost its existence. But he could not avoid coming to the same conclusion as the Hon'ble Mr. Paul, that there was practically no measure before the Council, and there was no Bill to refer to a Select Committee. The Bill that was on the table proposed to repeal the existing License Tax Acts, but Sir John Strachey had stated that it was not the intention of the Government to repeal those laws, but to retain them, with very slight modifications as they at present stood. Therefore the Bill before the Council seemed to be without meaning: such clauses as applied to official salaries might stand, but otherwise it seemed to have no value; and therefore he was sorry to say he must oppose the motion.

The Hon'ble MR. BATTEN said that the Hon'ble Mr. Paul had, in the commencement of his remarks, suggested that, as the passing of this measure would depend on the condition of the finances, the further consideration of it should be postponed until after the financial statement had been made. Now he (MR. BATTEN) had not gathered from the speech of the Hon'ble Mover that the passing of the measure under discussion depended on the condition of the finances. In fact, it appeared that the financial result of the measure, if passed with the modifications suggested by the Hon'ble Sir John Strachey, would be merely to remit taxation to the amount of £100,000, and that the view of the Government was that, whatever the financial position might be, taxation of the kind proposed by the Bill before the Council ought to form a part of the permanent sources of the revenue. MR. BATTEN was, therefore, unable to understand why the consideration of the measure should be postponed. It was proposed not to pass the Bill until after the financial statement was made, in order to give time for its consideration in Committee and to the opponents of this kind of taxation to give expression to their views on the general question.

Nor did MR. BATTEN follow the Hon'ble and learned Advocate General in his objection to the committal of the Bill in its present form in consequence of the modifications indicated by the Hon'ble Sir John Strachey. He did not know whether the Hon'ble Members who had just spoken had studied the provisions of the four Acts which it was proposed to amend. These Acts were passed in this Council, and in those of Bengal, Madras, and Bombay. It would be found that Chapter II of the Bill now before the Council was little more than a re-enactment of the provisions of those four Acts which the Bill proposed to repeal. The modification indicated by the Hon'ble Sir John Strachey, as approved by the Government, would, instead of repealing and re-enacting the four Acts, leave them alone, which amounted to pretty much the same thing. The schedules alone would be altered, and even in these the alterations would be in the direction of maintaining the present law. No modifications were suggested in that part of the Bill which dealt with the taxation of the salaried classes or the extension of the tax to the professional classes on the same footing as the tax on traders.

The effect of referring this Bill to the Select Committee, after what had been said by Sir John Strachey, would be to enable them to consider its provisions in the light of the modifications which the Government were prepared to make. MR. BATTEN apprehended that the Select Committee would be at liberty to adopt or reject these modifications. If they rejected them, the Government would then have to consider what course it should take. But there seemed to be no sufficient reason for not referring the Bill to the Select Committee.

MR. BATTEN would ask the Council to consider what would be the effect of throwing out the Bill. It would simply be to maintain the four Acts in their present form. The taxation of the Commercial class would remain as it was; the provisions of the law, including the procedure to which so much objection had been taken, would remain in force; the million and a half people whom the Government proposed to relieve of £250,000 taxation would continue to bear that burden, and the richer officials and professional men to whom it was proposed to transfer it would remain free. On these grounds MR. BATTEN cordially supported the motion which had been put to the Council.

The Hon'ble MAHÁRÁJÁ JOTINDRA MOHAN TAGORE said he was inclined to support the view which had been taken by his friend the hon'ble and learned Advocate General, for, the modifications which had been proposed in the Bill, in so far as he understood them, would completely alter its character and make it a new Bill altogether. Moreover, it was now proposed that this tax should no longer be raised, as was originally intended, for the purpose of providing means for meeting famine-expenditure, which was its only justification, but that its proceeds should form a part of the general revenues. On the other hand there was a strong impression, as had been correctly represented by the

Chamber of Commerce and the British Indian Association, that the prospects of the finances had materially improved, and that the retrenchments which were to be effected would result in considerable saving; so much so that it would warrant the expectation of the Government being able to dispense with the License-tax altogether. Under these circumstances he respectfully submitted that, until it was clearly shown that the public impression was unfounded, and the necessity of taxation was fully established, it would be neither expedient nor just to continue a direct tax of this nature, which had caused so much hardship and oppression, and consequent irritation in the public mind. But as it was not possible to get a correct insight into the financial position of Government till the budget-statement was published, he thought it desirable that any Bill for taxation should not be brought on until that time; the more so as the Hon'ble the Financial Member himself proposed not to proceed with this Bill before the publication of the financial statement. And as he thought there could be no great necessity for hurrying on a measure of this nature so long as the Acts now in operation were allowed to remain in force, the better course, in his humble opinion, would be, to wait till the financial exposition was made, and the public allowed an opportunity of knowing how far the Government stood in need of additional taxation. For these reasons he would support the view which had been taken by the Hon'ble Mr. Paul.

The Hon'ble Mr. Colvin said that he entirely concurred in the remarks that had been made by the Hon'ble Mr. Batten in reply to the objection which had been taken by some of the preceding speakers. He did not see how it could be said that the changes suggested in the Bill were so great that they virtually left no motion for consideration by the Council. The changes, which the Financial Member had indicated, were all in the direction of remitting, not of extending, taxation. The Hon'ble Member proposed, for instance, to exempt from taxation a very large number of the lower classes of traders, namely, all those who earned less than Rs. 500 per annum, instead of those only whose earnings were below Rs. 250. Again, as regards the richer classes, he proposed to tax them at a lower rate than they would be assessed at if the Bill remained unaltered. The only extension of taxation which was intended was in respect of the professional, official, and salaried classes; but this extension had formed a part of the original Bill and was not a new proposal to the Council. These being the only alterations suggested, as he had understood the Hon'ble Member, it did not appear to him that their nature was such as to require the introduction of a new Bill; indeed, except in taxing the salaried classes—and to this, as he believed, no exception had ever been taken by anybody—the Bill, so far from making important innovations, would hardly contain anything that was not a re-enactment of the provisions contained in the existing Acts on the subject.

As to the argument that there is no necessity now for continuing the license-tax at all, he had been glad to hear the Financial Member say that direct taxation in this shape was not to be dependent hereafter on the fluctuations from year to year of the financial position, but was to be treated as a permanent source of revenue. All who had examined the subject must agree that there was no other way by which the trading classes could be made to bear their fair share of the general burden. There were great objections, no doubt, to direct taxation; so there were to indirect taxation. But it was useless to balance their respective merits for the present purpose, because there was no mode of indirect taxation by which trading incomes could be made to contribute in due proportion to the general revenues. It had been urged by the Hon'ble Mahárájá Jotindra Mohan Tagore that the license-tax, which it was proposed now to modify, had been originally justified on the ground that it was intended to supply the means of dealing with famine-expenditure, and that unless, as MR. COLVIN understood him, this tax was strictly appropriated to that one particular purpose, it ought to be abolished. MR. COLVIN was present at the discussions which took place at the time of the introduction of the License Tax Bill, and he certainly had not heard it said that the proceeds of any particular tax were to be devoted to any particular purpose.

[The Hon'ble MAHÁRÁJÁ JOTINDRA MOHAN TAGORE explained that what he had said was, that the general finances were not then in a position to meet the increased expenditure on account of famine, and therefore additional taxation was necessary to provide sufficient means for the payment of those expenses out of the general revenues.]

The Hon'ble MR. COLVIN continued: He now understood the Hon'ble Member to say that the license-tax was introduced because additional taxation was necessary to meet the expenditure on famine, and that, until it was shown that such an addition to the revenues was still required, there was no ground for continuing the license-tax. In that case the answer appeared to him to be that the necessity for the money continued with the necessity for the expenditure, and that the ordinary revenue of the country was still inadequate, without such help, to supply the yearly million or more which is necessary to provide for famine-requirements. He would not base any argument upon the state of the finances in the present year, because he had not sufficient information about them, and because the question did not really turn upon the state of the finances in one particular year. However prosperous that might be, the conditions of Indian finance did not appear to him to be such that it would be safe, on account of temporary prosperity, to relinquish a permanent branch of the revenue. The gain which had hitherto accrued upon exchange during the current year might be converted into a loss before its close. It was impossible also to shut one's eyes to the constant precariousness of our present opium-revenue. There were other items in the budget regarding which no one could foresee what a year might bring forth. Whatever might be the financial result of any single budget, he could see no sign of the finances becoming so permanently prosperous as to justify the hasty abandonment of a mode of taxation to which both the people who paid, and those who collected, the tax, were becoming familiarized, which was just and expedient in itself, which now yielded about three-quarters of a million sterling, and which might, if occasion arose, yield double that sum. For the reasons which he had given, he should support the motion before the Council.

The Hon'ble Mr. Hope said he should have supposed that the assurances given by the Hon'ble Member in charge of the Bill that the Council would not be called upon to pass the measure, or even the Select Committee to report upon it, until after the Financial Statement and exposition of ways and means for the coming year had been laid before the Council, together with the announcement of considerable additional remissions to which the Government had consented, might have precluded the necessity for further debate. This, however, had unfortunately not been the case; and objections of two important classes had been brought forward. The objection which had been brought forward by the Hon'ble Mr. Paul had been described by himself as being a technical objection.

The Hon'ble Mr. Paul explained that he did not desire to be technical, though his objection was seemingly technical.

The Hon'ble Mr. Hope observed that in that case the method with which he would deal with the first objection was very considerably simplified. The objection appeared to him to amount to this, that the declarations which had been made by the Financial Member were of such an important nature, and so materially altered the measure which was before the Council that morning, as to make that measure entirely non-existent, and that in fact there was now no Bill to refer to a Select Committee, since what was now proposed was a totally different Bill. Mr. Hope was unable to see in what respects the Bill had become a totally different Bill. All that he had heard that day appeared to be declarations on the part of the Government that it was ready to make larger remissions than the Bill as introduced had provided for, and that it no longer considered it necessary to re-enact certain local laws which were at present in force. He thought that it would remain for the Select Committee to consider those suggestions and declarations; that the Committee would be at liberty to alter the Bill in accordance with the lines which had been sketched out or otherwise, and that it would be in a better position than if a new Bill embodying those suggestions were introduced, because it would not be in any way pledged to the adoption of the principles now suggested, as it might be held to be if it had given leave to bring in and had referred to Committee a new Bill. The Members of the Government on the Committee too would be themselves in a far better position to consider any objections of detail that might be made to the plan which had been sketched out that day than if they stood formally committed to them. It would thus be far more convenient, both for the Government and the Members of the Committee, and more in the interests of the public in general, that the present Bill should be considered by the Committee by the light of the remarks which had been made by the Hon'ble the Financial Member than that this Bill should be withdrawn and a fresh Bill hereafter substituted. On the other hand, there were very considerable advantages in this Bill being referred to a Select Committee on the present occasion in preference to the course which had been suggested (if he understood it rightly) of a new Bill being introduced, but not until the Budget-statement had been made. The advantages were that the Select Committee would have most ample time to consider and elaborate all the details of the Bill; it would be able to study carefully all the reports which had been received and to call for necessary statistics and information from the Local Governments which it might desire. The labours of the Committee would be purely provisional, inasmuch as it would not be called upon to report until after the Budget-statement of the coming year had been made, and it would be at liberty to make any alterations which, after full consideration of the Budget, it might think necessary. If the Council then decided that no taxation was requisite, the Bill would be dropped. If it decided that taxation was necessary, then there would be a measure complete, ready and carefully elaborated at hand. On the other hand, if the course which had been suggested of withdrawing this Bill and introducing a fresh measure after the financial exposition had been made were adopted, there would be considerable delay; the new Bill would necessarily be considered with far more hurry and in a perfunctory manner, while the actual assessment and collection of the tax would be put forward into the hot weather and the rains, and so the checks which were necessary for the prevention of fraud and extortion would be infinitely less, and the tax-payer would suffer.

The other point upon which a few remarks were necessary was in reference to the expectation, which had been expressed by two Hon'ble Members and by the Bengal Chamber of Commerce, that, if the state of the finances proved to be very favourable, the license-tax might be dispensed with. MR. HOPE was not aware that the great scheme of a special insurance against famine, which was deliberately adopted two years ago, had been in any way set aside. He had not heard any declaration which might lead him to suppose that, and he should have been greatly surprised if any such declaration had been made. Whilst that great scheme lasted, it would be obviously inequitable to remit one portion of the taxation which was necessary for the provision of that insurance while retaining another portion. If there was one thing more clear than another, it was that the Council had decided that the non-agricultural portion of the community should pay their own fair share of taxation for protection from famines. He found that in the first debate which took place upon the subject, that of December 19th, 1877, it was distinctly stated that—

"The next very numerous class, although, of course, a small class compared to that of the agriculturists, is the class of traders and artizans. Although prosperous in ordinary times, this is a class on which, when famine occurs, pressure is the first to fall, and it ought to contribute for its own protection. Not only does it now contribute nothing for this purpose, but it is notorious that, throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a share of the expenses of the State."

It was quite unnecessary for MR. HOPE to add a string of quotations to prove that position. It would be enough if, in addition to the quotation he had made, he, with His Excellency's permission, recalled what passed on January 16th, 1878, when a suggestion similar to that which had been made by two Hon'ble Members to-day was made by the Hon'ble Mr. Morgan. He having then urged, as had just been done, that the Budget-statement might shew that new taxation was not required, it was declared by Sir John Strachey that it was "an essential part" of the scheme of famine-insurance "that these new taxes should be imposed equally, as far as one can do these things equally, both upon the commercial and agricultural classes." Again, at a later period, His Honour the Lieutenant-Governor of Bengal made a remark which Mr. Hope took in the same sense:—

"There is no question that the proper principle to follow in respect to the raising of revenue for such purposes as that which has led to the present schemes of taxation is that all having a permanent interest in the welfare of the country should bear their share of its burdens. The measures now before the Council adjust the incidence of taxation upon all interests, whether trading or landed interests."

His Honour THE LIEUTENANT-GOVERNOR here remarked that he thought these quotations were unnecessary, as the Council was not now discussing the question of the principle of the tax.

The Hon'ble MR. HOPE said that he had made these quotations in answer to the remark which had fallen from some Hon'ble Members that this Bill should be withdrawn, as it might hereafter appear that this tax might be dispensed with. He was endeavouring to show that the license-tax could not be dispensed with, as this Council had decided before that it was part of taxation designed to serve as a permanent famine-insurance, and to be contributed by all classes of the people. He therefore considered that the quotations were perfectly pertinent and necessary to his point, and he should continue them unless his Lordship ruled that he was out of order.

His Excellency THE PRESIDENT thought that the Hon'ble Member's remarks were quite legitimate in reply to what had fallen from the Hon'ble Mahárájá Jotindra Mohan Tagore. Moreover, it was in accordance with the Rules to discuss the principle of the Bill on a motion to refer it to a Select Committee.

The Hon'ble MR. HOPE then proceeded to say that, on the occasion to which he had been referring, His Lordship the President had concluded with an observation exactly in the same sense as those which MR. HOPE had already quoted, namely :—

"I think, then, I may fairly claim for the measures now before the Council at least the modest merit of an equitable distribution of famine-charges between the two great classes of the community who are, collectively, best able to bear them, and on whom such charges most reasonably fall."

There was also another reason, quite irrespective of the Budget-question, why such remission of taxation as that suggested should not be made, and it was this. This Council had deliberately confirmed the condition laid down by the Secretary of State that the raiyats should not be made to pay any taxation in the shape of assessment upon the land outside the revenue-assessment, unless a similar amount of taxation were raised from other classes of the community also. Therefore, if the Budget-statement were to show that the sum raised by this tax might be dispensed with, that would not be sufficient, unless it could be also shown that the Government could dispense with the similar amount of taxation derived from the new rates on land. Whether the finances would be in such a position or not MR. HOPE was not able to say.

MR. HOPE would now turn to another and a totally different ground on which he opposed the suggestion that it might be possible to remit this taxation altogether, if the state of the finances should be favourable. He considered that constant changes of taxation to make up for minor fluctuations of income and expenditure were much to be deprecated. In England the mass of the people were accustomed to watch the commercial and agricultural prosperity of the country, competent to understand changes and causes, and able to accept with intelligent equanimity an extra penny of income-tax, or an increase of duty on some article of consumption. But in India the position was just the reverse, and such a general condition was absolutely unknown. Certain sections of the community, indeed, were able to understand and criticise the financial position as people in England could, if not better. As a rule, the people were in a totally different intellectual and moral condition. Every change which took place was a source of anxiety, of disquietude, of speculation, and of rumours which were often unreasonable and even absurd. He could imagine few conditions more economically and commercially prejudicial, if not politically dangerous, than that all India should come to be thrown annually, from December to March, into a state of doubt and speculation as to what their fiscal burdens for the coming year would be.

Moreover, if constant changes were to be avoided in taxation generally, they were especially so in the case of a direct tax such as that now in question. Whatever might be the difficulties of preventing fraud and extortion in levying such a tax, they were most materially enhanced by constant changes in the rates or by abolition and re-imposition. There had been no less than fifteen different License and Income Tax Acts in the twelve years following the time when Mr. Wilson first introduced his great income-tax, and the changes which had taken place had contributed in no small degree to the irregularities which took place in the collection and to the general unpopularity of the system. Direct taxation was nothing new in India; it formed part of the fiscal system which the British found on acquiring the country; it was still in some parts imposed by the Government in its ancient forms, such as the capitation-tax in Burma and the Pándhari-tax in the Central Provinces, and it might be seen at work in most of the Native States around us. All such taxes were most productive, and proved least oppressive just in proportion as the rates remained unchanged for long periods of time, and the system was so crystallised that the tax-gatherer found no plea for demanding, and had little chance of recovering, if he did demand, more than was notoriously and justly due.

Of course, Mr. Hope continued, fluctuations of income and expenditure must occur; but we should avoid as far as possible perpetually adjusting taxation to fit them. Small fluctuations could be easily dealt with through the various expedients which loans for reproductive public works, balances, repayment of debt and optional heads of expenditure afforded; larger ones by variations of indirect taxation, which could often be effected without the people being even conscious of increase or decrease, rather than by changes in direct taxes.

Upon these grounds, MR. HOPE trusted that, if the famine-insurance scheme was to be maintained at all, it might be maintained intact in principle. It was, further, much to be desired, though he could hardly hope for so fortunate a result, that the Select Committee would go so thoroughly into the matter as to enable the Council to decide, once for all, the vexed question of twenty years as to whether taxation of the non-agricultural classes could be suitably effected by direct methods of the income or license-tax type, and, if not, to adopt some other method of reaching those classes instead.

His Honour the LIEUTENANT-GOVERNOR said it was not his intention to discuss the principle of this Bill. To the Bill as it stood he had very serious objections, which he should have felt it his duty to urge, if it had not been that the explanations which had been made by his hon'ble friend Sir John Strachey as to the intentions of the Government had met most of his objections. He believed that there was not a single member present who did not condemn the Bill which the Council was now asked to refer to a Select Committee, and no one had condemned it more than the hon'ble Mover himself; and, therefore it seemed to him that the Council would be stultifying itself if they accepted the motion, as it amounted to this, that they were asked to refer a Bill to a Select Committee which was not the Bill which the Committee would be asked to consider. Under these circumstances he could not help feeling that the arguments of the learned Advocate General in favour of withdrawing the Bill were very strong and sound. The question before the Council was a question of procedure; the rules for the conduct of business did not contemplate any such mode of procedure as that suggested by Sir John Strachey. Rule 18 provided that when a Bill was introduced the member in charge of it should move either that it be referred to a Select Committee or that it be taken into consideration by the Council, or that it be circulated for the purpose of eliciting opinions thereon. The Council was not asked to accept either of those three courses, which were the only courses really open to it, but to accept a Bill of which they had no knowledge and to refer to a Select Committee a measure which they had no opportunity of considering. HIS HONOUR could see no reason why his hon'ble friend should not do what the learned Advocate General had suggested that he should do, namely to withdraw the present Bill and to introduce another Bill which should really set out the policy and principles which the Government desired to follow. Either the Government had determined that the License-tax should become a permanent part of the fiscal system of the country under all circumstances and without reference to the condition of the finances, or it had not, but had resolved to leave the question to be settled on the publication of the annual estimates. He understood from the remarks of hon'ble members who seemed to be informed of the intentions of the Government, that it had been finally determined to make the License-tax a permanent tax, and if that were so, he thought that the proper course for the Government to pursue was to withdraw the present Bill which they had avowed themselves unable to support, and lay before the Council a Bill which should represent the real policy of the Government. It was better to say at once what was intended, and there could be no possible object under such circumstances in waiting for the Budget. There would be nothing gained by delay, if the tax was really to be imposed without reference to the state of the finances which the Budget-statement might disclose. The Council should certainly, under no circumstances, be asked to refer to a Select Committee a Bill which it was admitted they were not really to adopt.

If, on the other hand, the passing of a law introducing a License-tax was to be dependent upon the annual estimates—HIS HONOUR gathered it was not—then nothing would be gained by referring this faulty Bill to a Select Committee of the Council, and there was great strength in the objections taken by the Advocate General. An executive Committee appointed by Government could prepare a measure to meet the views of Government, and it could then be brought in whenever it might be found convenient to do so. The question being, as he had said, a mere question of procedure, and the rules of the Council contemplating no such procedure as that suggested by his hon'ble friend, and the motion before the Council not being in accordance with any of the directions of Rule 18 to which he had already referred, he would strongly urge upon the Government the propriety of acceding to the amendment of the Advocate General, to which he had not yet heard a single substantial objection raised.

It had been pointed out by Mr. Batten and Mr. Colvin that the result of following the course of either preparing a new Bill at once, or of leaving the introduction of a Bill until the financial condition of the country should be ascertained, would be that the License Tax Acts as they now stood would remain in force, and a million and a quarter of people, who would otherwise be exempted, would continue to be taxed; that the changes proposed were all in favour of the tax-payers, and that as a consequence of not following the course proposed by the Government, a number of poor traders would remain subject to the tax for some time longer. It seemed to His Honour that there was no force or truth in that objection. It would make no difference in that respect whether this Bill was withdrawn and another substituted at once, or whether the matter was left to be reported upon a few weeks hence by the Select Committee as proposed by Sir J. Strachey. The present laws would remain in force in precisely the same degree, and the men who were now taxed under them would continue to be taxed. If the Government had determined to remit taxation in respect to the poorer classes of traders, it was open to it by an executive order to exempt them or any other classes affected by the law. That had already been done once, and the Hon'ble Mover had already explained that it was the intention of Government to do it again. The same remarks would apply to the observations which had fallen from the Hon'ble Mr. Hope: the delay would be no greater if the Bill were withdrawn and a proper one substituted than it would be if, as proposed by the Government, the presentation of the report of the Committee should be deferred till after the submission of the annual estimates. His Honour would therefore strongly impress upon the Government that it was desirable, whatever the intention of Government might be as to the permanent character of the License-tax, that it should bring in a Bill in a complete form and present it to the Council. It was surely better to bring in a Bill which should give form to the real intention of Government in such a state that the Council could examine and discuss it before it was referred to a Select Committee for consideration and report.

The Hon'ble Mr. Rivers Thompson said he could see no objection in the rules for the conduct of the business of this Council to the propriety of the course which his hon'ble colleague, Sir John Strachey, had taken in asking that this Bill should be referred to a Select Committee. The question before the Council was simply whether the Bill should be referred to a Select Committee or not, and the motion had been opposed by the hon'ble and learned members opposite on the ground, first, that the Bill as introduced was not the Bill which the Select Committee would have to consider, and secondly, that it would be much better, considering that this Bill dealt with large questions affecting the finances, that its further discussion should be postponed until the Budget-estimates for the year were laid before the Council. This Bill when introduced was called, "The Trades and Professions Tax Bill, 1879," and it was in that character only that it was proposed that it should go before a Select Committee. He did not see that there was any change or alteration in the principle of the measure since it was first brought in; but as then it extended taxation to the professional and salaried classes of the community, who had been previously exempted under the License Acts, as such it remains for the Select Committee to consider. It seemed to him that if any Hon'ble Member had taken exception to the principle of the proposal as affecting those clssses, or had raised any issue upon the question of direct taxation, this was the occasion when such an objection might have been urged. But nothing of this kind had been done. The principle which the Government asserted of the propriety and necessity of imposing a tax on trades and professions remained unaffected; and he should have thought, after the exhaustive statement which his hon'ble friend Sir John Strachey had made as regards the intentions of the Government, all in a beneficial sense, all tending to relieve the poorer classes, even to the surrender of revenue amounting to £100,000, and extending the minimum-limit of taxation to Rs. 500 a year, the concessions would have satisfied hon'ble gentlemen opposite, and left no room for objection to the further progress of the measure.

In regard to the Financial Statement, to the publication of which it was desired to postpone the consideration of the proposals now submitted to the Council, it seemed to him that the sacrifice of £100,000 was not a very large sum for the Government of a country whose revenue and expenditure were something like sixty millions a year. After the fullest consideration, the Government had decided that the License-tax was to be a permanent measure on the broad and general ground that there was every possible justification for imposing a tax on classes which had hitherto been exempt from the payment of any contribution to the necessities of the State. Whether therefore the finances were prosperous or not, or whether in a few weeks hence his hon'ble friend would still be in a position to submit a satisfactory Budget, was immaterial to a question which affected only a small portion of the income, and in view to the resolution which the Government had adopted for equalising the burden of taxation and maintaining this tax as a permanent part of the fiscal administration of the country. With regard to the intention now expressed of retaining the local Acts in force, he would only say that such a course commended itself on the ground that it left to Local Governments the procedure on all details which were suited to their circumstances and of which now they had gained some two years' experience. In some instances this desire had been expressed by Local Governments and it had therefore been decided to adopt that course. He should support the motion that the Bill be referred to a Select Committee.

The Hon'ble Sir A. Arbuthnot said that what he had to say in reply to the objection that had been urged by the hon'ble member who commenced the debate after the Hon'ble Sir J. Strachey's speech had been delivered, had been in a great measure anticipated by the remarks which had fallen from the Hon'ble Messrs. Batten and Hope, and by those which had just been made by his hon'ble colleague Mr. Rivers Thompson. But he wanted to say, with reference to the objection which had been advanced by his hon'ble and learned friend Mr. Paul, that that objection appeared to him, notwithstanding his hon'ble friend's disavowal of an intention to raise it as a merely technical objection, to be in substance more or less of the character of a technical objection. It was an objection the validity of which he should be very much disposed to recognize if the measure now before the Council, and which the Council was requested to refer to a Select Committee, were entirely a novel one. If the Government had come to the Council with a new measure of taxation, and at the first meeting after the introduction of the measure had told the Council that while they wished to refer it to a Select Committee, they proposed to make very material alterations in it—in that case SIR A. ARBUTHNOT thought that hon'ble members not in the secrets of the Government would be entitled to demand that before they consented to the reference, the details of the measure should be laid before them in a definite and clear form. But the measure now before them was in substance merely the amendment and modification of a law which had been in force nearly two years. The objects of the amendments had been fully explained to the Council. These objects were, in the first instance, to relieve from taxation a very considerable number of persons—he might say, in relation to the number of persons affected by the measure, an enormous number—from the pressure of taxation, and to bring under its operation certain classes of persons who were not now affected by it, but who, on principles of fair and equal justice, it had been deemed expedient to bring under taxation. The Government admitted that the measure was not in its present lines what could be called a complete measure; they had deferred to the objections which had been frequently raised, and which six years ago had led the Government to abandon an income-tax, but they admitted that in thus abandoning the income-tax, the Government and Legislature were placed under the necessity of exempting from taxation many classes of persons who, they all felt, ought in justice to be made liable to taxation. The question now before the Council was not whether the Bill should be converted into an Income-Tax Bill, but whether its main principle of relieving the poorer classes who were included under the existing Act, and of bringing certain other classes under the tax, should be affirmed; and it appeared to SIR A. ARBUTHNOT that it would be far more convenient, for reasons which had been very fully dwelt upon by the Hon'ble Mr. Hope, that this measure should now go before a Select Committee, than that it should be withdrawn, and a delay of some weeks should take place in framing an amended measure embodying the exact terms of the provisions which his hon'ble friend Sir J. Strachey had sketched out in his speech. It was not perhaps very important that the consequence of delaying the reference to a Select Committee would be, so far as the law was concerned, to keep the poorer classes liable to taxation; for, as had been pointed out, their exemption could be obtained by an executive order. But the amendment of the present law involved other considerations. It was a measure which, in the hands of the Select Committee, might occupy a good deal of time, and it was one in regard to which it was desirable that the Select Committee should have ample time for consideration and examination.

It would be quite open to the Select Committee, notwithstanding the announcement which had been made by the hon'ble member in charge of the Bill, not to adopt the proposal that the existing Acts should be left in force, subject to an alteration of their schedules. On further consideration it might be deemed more expedient that, as was proposed when the present Bill was introduced into the Council, the whole of the law on the subject should be contained in a single Bill. This was a point which seemed to SIR A. ARBUTHNOT to deserve the careful consideration of the Select Committee, represented as it would be by members of all classes in the Council. The Hon'ble Mr. Batten had shown that substantially it made very little difference whether the proposal to leave in force the greater part of the existing local Acts were carried out, or the Bill were retained in its present form. It was for this reason that SIR A. ARBUTHNOT ventured to designate the objection raised by his hon'ble and learned colleague as being more or less of the character of a technical objection. As he understood the arguments of his hon'ble colleague the Financial Member, the reason which had led him to suggest, and which had led other members of the Government to agree, that this Bill should not be reported upon or passed until the financial statement for the ensuing year was laid before the Council, was this; that it was yet to be determined to what extent the remissions of taxation could be made. The intention of the Government was that a Bill similar in its principles to the existing law, but comprising within its provisions the official and professional classes, and relieving the poorer classes of tradesmen, should be passed; but what the precise rates of taxation should be, and how far the proposed remissions should affect the several classes concerned, were questions which it was not expedient or convenient finally to determine, until the Government were in a position to explain to the Council and to the public the financial situation, as far as they could explain it, when the budget-estimates had been framed. As the Hon'ble Mr. Hope had pointed out, to postpone the further proceeding with this measure until the financial statement had been made, would be to cause what seemed to him (SIR A. ARBUTHNOT) a very inconvenient amount of delay. It would drive the proceedings which would have to be taken for bringing the measure into operation, into the hot weather, and would embarrass the administrative and executive officers very seriously in their work. It seemed to him that the business which in any case the Select Committee would have to do, would be better performed with ample time and leisure for consideration, for examination, and, if necessary, for reference to the various Local Governments and Authorities who were concerned in this matter. It would be open to the Select Committee if, when the financial statement was made, the majority of them should consider that there was no necessity for retaining taxation of this kind; to urge that view upon the Council, and it would be then for the collective Council to consider the measure in all its bearings, to take into account, not only the present circumstances, but the prospects and possibilities of the future, with reference to the experience of the past, and bearing in mind these prospects and possibilities, which at the present time they must all feel were possibilities of a very serious character, to determine whether or not it was necessary to maintain a system of direct taxation as a part of the taxation of India. He hoped that under these circumstances, and after these explanations, the Council would allow this measure to go before a Select Committee, in order that it should receive from that body that ample examination and consideration which was necessary, and which the Government desired that it should receive.

His Excellency THE PRESIDENT said, it had not been his intention to make any remarks upon the present occasion, because, although, no doubt the proper time for discussing the principles of a Bill was on the motion for its reference to a Select Committee, yet, as a matter of fact, he might say that since he had had the honour of presiding over this Council, he did not remember an instance in which a Bill had encountered on its way to Committee any serious opposition not indicated at the time of its introduction. The present motion, however, had been opposed by the Hon'ble Mr. Paul on the ground, as His Excellency understood it, that there was practically nothing to refer to the Committee, because the Bill on which leave was asked to go into Committee had been altered out of existence by the statements with which his hon'ble friend Sir John Strachey had accompanied his motion. HIS EXCELLENCY was unable to understand how it was possible that any Bill before this Council could be altered in its progress through Council by process of announcement. That was a procedure unknown to HIS EXCELLENCY. The authors of a Bill, whether it were a Government Bill, or a private Bill, were, he conceived, perfectly free to announce in Council their readiness to accept certain alterations of it, if such alterations were approved or recommended by the Select Committee to which it is referred: and announcements of this kind might sometimes be very convenient. But it was not customary, and HIS EXCELLENCY believed it was not possible, for a Bill to be altered in Council, before it had been considered in Committee. Hon'ble Members could reject this Bill by refusing leave to refer it to a Select Committee, but the Government would certainly oppose any motion made with that object. They could not, however, alter the Bill by the adoption of clauses which were not yet before them. Sir John Strachey had stated on behalf of the Government its intention to propose or accept in Committee certain alterations of the Bill; but, the Government had no intention of withdrawing the Bill, and no power to alter it without reference to a Committee. It would be for the Committee to recommend the alteration or retention of its present clauses; and for the Council then to accept or reject the recommendation of the Committee. HIS EXCELLENCY wished to remind the Council that the practical question involved in the consideration of this Bill was not whether fresh taxation should be imposed, but whether the existing taxation of the country should be maintained as it stood, or any portion of it remitted. His Honour the Lieutenant-Governor had observed that the Government should state its intention clearly on a point about which HIS EXCELLENCY thought the intentions of the Government had never been open to question. It was quite true that the maintenance of an additional source of revenue, or an additional charge upon revenue, which the Government had repeatedly declared that they regarded as permanent, would not be affected by the state of our finances; but the possibility or prudence of lightening the present assessment, or modifying the present incidence of a permanent tax, was a question which the Council would be better able to discuss after Hon'ble Members had heard the financial statement.

The question being put, the Council divided.

Ayes.	*Noes.*
The Hon'ble Charles Grant.	The Hon'ble G. C. Paul.
The Hon'ble G. H. M. Batten.	The Hon'ble J. Pitt-Kennedy.
The Hon'ble B. W. Colvin.	The Hon'ble E. C. Morgan.
The Hon'ble T. C. Hope.	The Hon'ble Jotíndra Mohan Tagore.
The Hon'ble Sayyad Ahmad Khán.	His Honour the Lieutenant-Governor.
The Hon'ble Rivers Thompson.	
The Hon'ble Whitley Stokes.	
The Hon'ble Sir E. B. Johnson.	
The Hon'ble Sir J. Strachey.	
The Hon'ble Sir Andrew Clarke.	
The Hon'ble Sir A. J. Arbuthnot.	
His Excellency the Commander-in-Chief.	
His Excellency the President.	

So the Motion was carried.

SUNDRY BILLS.

The Hon'ble Mr. Stokes moved that the Hon'ble Mr. Morgan be added to the Select Committees on the following Bills :—

To provide for the registration of Trade-marks.

Relating to Merchant Shipping.

To define and amend the law relating to Promissory Notes, Bills of Exchange and Cheques.

The Motion was put and agreed to.

SUNDRY BILLS.

The Hon'ble Mr. Stokes also moved that the Hon'ble Messrs. Grant, Kennedy and Paul be added to the Select Committees on the following Bills :—

To define and amend the law relating to Promissory Notes, Bills of Exchange and Cheques.

To define and amend the law relating to the Transfer of Property.

To define and amend the law relating to alluvion, islands and abandoned river-beds.

To provide for the grant of probates of wills and letters of administration to the estates of certain deceased persons.

To make further provision for the grant of probates of wills and letters of administration in non-contentious cases.

The Motion was put and agreed to.

MERCHANT SHIPPING BILL.

The Hon'ble Mr. Stokes also moved that the Hon'ble Mr. Paul be added to the Select Committee on the Bill relating to Merchant Shipping.

The Motion was put and agreed to.

FACTORIES BILL.

The Hon'ble Mr. Colvin moved that the Hon'ble Mr. Grant be added to the Select Committee on the Bill to regulate labour in Factories.

The Motion was put and agreed to.

The Council adjourned to Friday, the 9th January, 1880.

D. FITZPATRICK,
Secretary to the Government of India,
Legislative Department.

Calcutta;
The 24th December, 1879.

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