

8th December 1938

THE LEGISLATIVE ASSEMBLY DEBATES

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(5th December to 12th December, 1938)

EIGHTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1938



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9-10

Legislative Assembly.

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THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I.

Deputy President :

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MR. A. AIKMAN, C.I.E., M.L.A.

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Assistants of the Secretary :

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CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Petitions :

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MR. A. AIKMAN, C.I.E., M.L.A.

MR. M. S. ANEY, M.L.A.

SYED GHULAM BHIK NAIRANG, M.L.A.

MR. N. M. JOSHI, M.L.A.

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LEGISLATIVE ASSEMBLY.

Thursday, 8th December, 1938.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

†1953*.

†1954*.

†1955*.

REPORT OF THE UNITED PROVINCES AND BIHAR GOVERNMENTS' JOINT POWER ALCOHOL COMMITTEE.

1956. *Mr. T. S. Avinashilingam Chettiar: Will the Secretary for Education, Health and Lands state:

- (a) whether Government have received a copy and considered the report of the United Provinces and Bihar Committee on the way in which molasses can be more profitably utilised;
- (b) if so, whether the matter of manufacturing petrol out of molasses and the using of molasses for laying of roads was considered;
- (c) if so, what is the result of their consideration; and
- (d) what is the amount of molasses produced by the sugar industry at present for which an economic use has been found?

Sir Girja Shankar Bajpai: (a) No.

(b) and (c). Do not arise.

(d) Exact information is not available but approximately 364,000 tons was taken up for different purposes during the year ending 30th September, 1938.

Mr. T. S. Avinashilingam Chettiar: Apart from receiving reports, have Government considered the utility to which molasses can be put?

Sir Girja Shankar Bajpai: Questions about that have been asked previously, and I have given an answer.

†This question was postponed to the meeting, if any, to be held on the 16th December, 1938.

Mr. T. S. Avinashilingam Chettiar: Are Government aware of the news from Mysore that it is being used with petrol and found useful?

Sir Girja Shankar Bajpai: I do not know about its being found useful, but I have read reports about certain experiments in Mysore.

Mr. T. S. Avinashilingam Chettiar: Apart from all this, are Government conducting any investigations into this matter of the use of molasses?

Sir Girja Shankar Bajpai: No, Sir.

Mr. S. Satyamurti: In view of the fact that sugar is a major industry which has been built up by protection given by the consumers of this country, and in view of the fact that the increasing use of molasses is a very important factor in the economic improvement of the industry, may I know if the Government of India will start some investigations in co-operation with the Provincial Governments to increase the use of these molasses more and more, so that the sugar industry may stand on its feet?

Sir Girja Shankar Bajpai: As my Honourable friend is aware, the two provinces which produce the greatest quantity of sugar in this country are the U. P. and Bihar, from which it follows that the bulk of the production of molasses also is in these two provinces. They had a representative, and as far as I know scientifically a highly competent, committee to go into this question, and it seems to me that now that the report of that committee has been completed the best thing to do is to await the consideration of that report.

Mr. T. S. Avinashilingam Chettiar: Has the report not been published yet? It was finished long ago and submitted. What is the reason for their not having received it?

Sir Girja Shankar Bajpai: I informed the House more than three weeks ago that we reminded the Government of the U. P. early in November so that they could let us have copies of the report when printed and published.

Dr. Sir Ziauddin Ahmad: Are Government aware that experiments have been made in the Sugar Technological Department in Cawnpore and also in various universities and so far no result has been obtained?

Sir Girja Shankar Bajpai: I am grateful to my Honourable friend for that information.

Mr. Mohan Lal Saksena: Are Government prepared to give any grants for the experiments that are being carried on in the U. P.?

Sir Girja Shankar Bajpai: I submit, Sir, that that does not arise out of this question.

ECONOMIC SURVEYS BY THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

1937. ***Mr. T. S. Avinashilingam Chettiar:** Will the Secretary for Education, Health and Lands state:

- (a) the subjects on which economic surveys have been completed by the Imperial Council of Agricultural Research;

- (b) the subjects on which surveys are being made; and
 (c) the action Government have taken in consultation with Provincial Governments in matters in which surveys have been completed and the reports of surveys have been received?

Sir Girja Shankar Bajpai: (a)—(c). On the assumption that the Honourable Member means marketing surveys, I lay on the table a statement giving the information asked for.

Statement showing the Marketing Surveys undertaken by the Imperial Council of Agricultural Research.

Name and details of the surveys.	Present stage of the Surveys.	Action taken.
Marketing surveys on wheat, linseed, eggs, tobacco, grapes, milk, cattle, coffee, rice, groundnuts, bananas, hides and skins, potatoes and co-operative marketing.	Complete	<p>Action on many of the recommendations made in the all-India reports rests with the Provincial and State Governments. A Conference of Provincial Ministers and States was held here on the 29th and 30th November under the Chairmanship of Honourable Member, Education, Health and Lands Department to discuss various matters connected with development work arising out of the marketing surveys and connected questions. Further details regarding steps taken by the Central Government may be found in the annual reports of the Agricultural Marketing Adviser to the Government of India, copies of which are available in the Library of the Legislative Assembly.</p> <p>The attention of Provincial Governments has been drawn to the desirability of promoting legislative measures for the establishment of regulated markets for the benefit of producers of the principal agricultural commodities. The necessary information has been supplied to them. Standard all-India contracts for wheat and linseed have been agreed upon as a result of informal conferences between the Central Marketing Staff and representative associations of traders and manufacturers. Legislation at an early date for the standardisation of weights, which is a central subject, is contemplated. The Agricultural Produce (Grading and Marking) Act was passed in 1937 and 50 grading and marking stations for different commodities have since been established. The Central Marketing Staff runs an improved daily and weekly market news service for cereals and oilseeds.</p>
Barley, gram, maize, mustard, rapeseed and toria, coconuts, ghee and butter, sugar, cashew-nuts, markets and fairs, wool and hair, sheep and goats, fish, lac, mangoes, apples, and other pome fruits, oranges and other citrus fruits and pine-apples.	Still in progress.	

Mr. T. S. Avinashilingam Othettiar: What are the articles on which marketing surveys have been conducted?

Sir Girja Shankar Bajpai: It is a longish statement, and I think my Honourable friend will find that a perusal of it will repay him.

Prof. N. G. Ranga: What are the other commodities on which these surveys are being carried on now?

Sir Girja Shankar Bajpai: That statement gives the commodities with regard to which surveys have been completed as also commodities with regard to which surveys are in progress.

Mr. T. S. Avinashilingam Othettiar: May I have some elucidation with regard to clause (c), i.e., in what matters have they consulted the Provincial Governments and have taken any action on these reports?

Sir Girja Shankar Bajpai: As my Honourable friend will realise, the major part of the action to be taken on the recommendations made by the marketing staff is within the field of the Provincial Governments. The reports that have already been published, namely, those on wheat and, I think, linseed, have been communicated to the provinces with suggestions for action on the recommendations which concern them. Recently, as my Honourable friend is aware, there was a conference of provincial ministers and then the question of future development was also examined.

Prof. N. G. Ranga: What about the report on eggs? Has that also been communicated to the various provinces?

Sir Girja Shankar Bajpai: Yes, Sir, and I hope there will be no breakage of eggs in transit.

Mr. T. S. Avinashilingam Othettiar: Apart from the recommendations they have made to the Provincial Governments to take action, may I know whether Government propose to take any action to co-ordinate the efforts of the Provincial Governments so that effective control may be established over certain crops that are recommended?

Sir Girja Shankar Bajpai: I think the question as to whether any control over crops has been recommended I cannot answer, but as regards co-ordination, machinery already exists in the shape of a central marketing staff and these periodical conferences.

Prof. N. G. Ranga: Have Government come to any conclusion in regard to whether the central marketing department should be made permanent or not?

Sir Girja Shankar Bajpai: No, Sir; no conclusion has been reached as regards that yet.

REDUCTION IN THE EXPORT OF COTTON FROM INDIA.

1938. ***Mr. T. S. Avinashilingam Othettiar:** Will the Education Secretary state:

- (a) whether rayon is being substituted for cotton by countries, hitherto importing Indian cotton;

- (b) whether the cotton export from India has been reduced on that account;
- (c) what is the estimated stock of cotton in India today;
- (d) whether the area under cotton has increased more than in previous years; and
- (e) if so, what action Government propose to take in the matter?

Sir Girja Shankar Bajpai: (a) Yes, to a certain extent but statistics are not available

(b) The decrease in the exports of cotton is due to various causes. It is not possible to say to what extent the use of rayon is a contributory factor.

(c) and (d). A statement is laid on the table.

(e) Attention is invited to the reply given to parts (c) and (d) of Mr. M. A. Ayyangar's question No. 1758 on the 5th December, 1938.

Statement.

(c) The estimated stocks of raw cotton held by exporters, dealers and mills in Bombay on the 10th November 1938 were 670,475 bales against 544,761 bales at the same time last year, according to the figures published by the East India Cotton Association, Limited. Unsold stocks of cotton held in Karachi on the 10th November, 1938, were 132,000 bales against 83,000 bales on the corresponding date last year, on the basis of the statistics published by the Karachi Cotton Association. The figures for stocks for other centres in India are not available.

(d) According to the second cotton forecast 1938-39, which gives the area sown under cotton up to 1st October, 1938, the total area reported was 21,492,000 acres against 20,731,000 acres (revised) at the corresponding time last year, i.e., an increase of four per cent. On the average of last ten years, the area reported in the second forecast is 83.4 per cent., of the total area reported in the Supplementary (5th) Forecast. The acreage reached its peak in 1928-29 when it was 26,735,000 (excluding Burma).

Mr. T. S. Avinashilingam Chettiar: With regards to clause (d) on which the Honourable Member has laid a statement on the table, may I know whether the cotton area has increased?

Sir Girja Shankar Bajpai: As compared with last year the cropping area has increased.

Mr. T. S. Avinashilingam Chettiar: In view of the fact that substitutes have been found for cotton and those substitutes are being used in outside countries and cotton may not be in so much demand, may I know whether Government have taken any action to limit the area of cotton?

Sir Girja Shankar Bajpai: That question I have answered on previous occasions as to what action the Central Cotton Committee are taking.

Dr. Sir Ziauddin Ahmad: Have Government taken any action to dispose of the surplus stock of cotton lying at various places?

Sir Girja Shankar Bajpai: I do not think that is a matter which rests with Government.

Dr. Sir Ziauddin Ahmad: But are they aware of this fact that a large amount of cotton is now lying at various places for which there is no market, and if so, what action do Government propose to take?

Sir Girja Shankar Bajpai: That question I have answered previously. I have stated that surplus stocks do lie with certain agencies but Government do not see how they can intervene effectively to dispose of them.

Dr. Sir Ziauddin Ahmad: Can they not negotiate with some other countries in order to dispose of our cotton?

Sir Girja Shankar Bajpai: That particular point was dealt with by the Honourable the Commerce Member in reply to a question last August.

MARKING OF THE COUNTRY OF ORIGIN ON GOODS IMPORTED INTO INDIA.

1939. *Mr. Abdul Qaiyum: (a) Will the Honourable Member for Commerce please state whether the marking of the country of origin on goods imported into India is obligatory?

(b) If not, what steps have Government taken or intend to take to make such marking compulsory?

(c) Is any legislation about to be introduced on the subject? If so, when will it be introduced?

The Honourable Sir Muhammad Zafrullah Khan: (a) No, Sir, unless the goods also bear some marking which would otherwise be misleading.

(b) The matter is under consideration.

(c) I would refer the Honourable Member to the reply given to Mr. S. Satyamurti's question No. 753 on the 6th September, 1938, and its supplementaries.

Mr. Abdul Qaiyum: May I know whether it is a fact that the existing law only penalises the use of false trade marks or false descriptions?

The Honourable Sir Muhammad Zafrullah Khan: I should imagine so. If the description is correct there would be no question of a penalty.

Mr. Abdul Qaiyum: May I know if a Bill has already been prepared and circulated for public opinion?

The Honourable Sir Muhammad Zafrullah Khan: I explained that in answer to supplementaries to the question to which I have referred.

Mr. Abdul Qaiyum: May I know what action Government have taken on the opinions received—whether they intend to take any action and, if so, the reasons for the delay?

The Honourable Sir Muhammad Zafrullah Khan: Opinions have been invited and naturally Government will take action on them after they have been received.

Mr. S. Satyamurti: May I know whether Government expect to introduce a Bill at the next Budget Session of the Assembly?

The Honourable Sir Muhammad Zafrullah Khan: I am unable to say that.

Mr. Manu Subedar: Have Government received representations that United Kingdom cloth is coming into this country with devices which are used by Indian manufacturers?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir.

Mr. S. Satyamurti: May I know the reasons why Government are not in a position to introduce legislation at the next Budget Session of the Assembly, especially in view of the ever increasing danger of foreign manufacturers exploiting the well-known Swadeshi sentiment of this country and passing off their goods as Indian made?

The Honourable Sir Muhammad Zafrullah Khan: I realise the Honourable Member's anxiety, but I am unable to promise that the measure will necessarily be laid before the House during the next Budget Session.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

1960. *Mr. S. Satyamurti: Will the Honourable the Commerce Member be pleased to state:

(a) * * *

(b) * * *

(c) whether before that period Government expect to conclude a fresh agreement to replace the present Ottawa agreement; and

(d) whether, in any case, Government will terminate the Ottawa preference on or before that period?

Sir, I do not want to put parts (a) and (b) of my question No. 1960. I shall put only parts (c) and (d).

The Honourable Sir Muhammad Zafrullah Khan: (c) I would refer the Honourable Member to the answer given by me to the supplementary question put by him in connection with question No. 1231 during this Session.

(d) The Honourable Member's attention is invited to the answers given to Mr. T. S. Avinashilingam Chettiar's question No. 1763, on the 5th instant and the supplementaries arising therefrom.

Mr. S. Satyamurti: With reference to part (c), if my memory serves me aright, my Honourable friend said he was unable to say whether they will be able to conclude a fresh agreement before this period.

The Honourable Sir Muhammad Zafrullah Khan: I do not think there was any question on that aspect of the matter.

Mr. S. Satyamurti: The question is whether before that period, Government expect to conclude a fresh agreement to replace the Ottawa agreement. If I remember aright, the answer said that Government are not in a position to answer this question, one way or the other. May I know if that is the present position, or if Government can throw any further light upon it?

The Honourable Sir Muhammad Zafrullah Khan: That is the present position.

Mr. S. Satyamurti: May I know if Government's attention has been drawn to the report in this morning's papers about the agitation in Lancashire to try and force the hands of the British Government in respect of the proposed new trade agreement?

The Honourable Sir Muhammad Zafrullah Khan: I have read what has appeared in the press.

Mr. S. Satyamurti: May I know whether Government are aware of the strong public opinion in this country against the demand of Lancashire and that Lancashire's demands ought not to be met any further without an adequate *quid pro quo*?

The Honourable Sir Muhammad Zafrullah Khan: I do not know what the Honourable Member means by 'any further'. Does he mean beyond what was pressed upon them before this agitation started in England?

Mr. S. Satyamurti: Yes.

The Honourable Sir Muhammad Zafrullah Khan: I should say generally yes.

Mr. Manu Subedar: In view of this agitation, will the Honourable Member give us an assurance that he will watch developments and see that all just and proper claims of India are safeguarded, in other words that India is not to be bullied by Lancashire?

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member has no reason for making any assumption to the contrary.

Mr. Manu Subedar: I am asking whether the Honourable the Commerce Member will give an assurance on behalf of the Government of India and see that they do not yield to any unjust pressure from Lancashire.

The Honourable Sir Muhammad Zafrullah Khan: I have said that the Honourable Member has no reason to make any assumption that what he thinks ought to be done will not be done.

Prof. N. G. Ranga: Is there any truth in the assumption popularly made in this country that the Indian Government, owing to the political status of India *vis-a-vis* the British Government, will be dictated to by the British Government and that the Government of India will not be able to resist the demands made on the part of Great Britain.

The Honourable Sir Muhammad Zafrullah Khan: That is a hypothetical question.

SUBVENTION TO THE HANDLOOM WEAVING INDUSTRY.

1931. ***Prof. N. G. Ranga:** Will the Honourable Member for Commerce be pleased to state:

- (a) whether Government have come to any final decision whether or not to extend the existing Rs. five lakhs per annum subvention to the handloom weaving industry;
- (b) whether they have consulted or will consult the Provincial Governments, or the last Industries Conference, before coming to any final decision in the matter;
- (c) whether it is not a fact that during the last two years they have received numerous representations of handloom weavers from different Provinces for an increase of this subvention and for its prolongation; and if so, how many;
- (d) whether the last Industries Conference has desired its extension and also increase; and
- (e) whether this matter will be included in the agenda for the next Industries Conference?

The Honourable Sir Muhammad Zafrullah Khan: (a), (b), (d) and (e). The subvention has been specifically sanctioned for five years commencing

from the 1st November, 1934, and ceasing on the 31st October, 1939. The question was not discussed at the last Industries Conference. At the instance of certain Provincial Governments the question of continuing or increasing the subvention is likely to be discussed at the next Industries Conference.

(c) Government have received three such representations.

Prof. N. G. Ranga: In view of the fact that the Government of India propose to appoint a textile tariff board and include in its terms of reference the ways and means by which the handloom industry can be protected, will Government consider the advisability of not terminating this subvention until the Tariff Board makes its report and the Government of India are in a position to come to a conclusion on its recommendations.

The Honourable Sir Muhammad Zafrullah Khan: I have no doubt that the Industries Conference will take into consideration the suggestion of the Honourable Member.

Mr. Abdul Qaiyum: May I know when the Industries Conference will be held next?

The Honourable Sir Muhammad Zafrullah Khan: The next Industries Conference will be held in January.

Mr. T. S. Avinashlingam Chettiar: If the Provincial Governments have not been able to spend this amount within the first year or two, may I know whether they will be allowed to spend the amount over five years even after 1939?

The Honourable Sir Muhammad Zafrullah Khan: That is not a question which I can answer by way of supplementaries. I am afraid each case must be dealt with on its own merits.

Prof. N. G. Ranga: Have any representations been made by the Provincial Governments—there was a press statement to that effect recently that the expenditure of the grants made to the various provinces under the subvention may be spread out over a number of years if the expenditure had not already been incurred?

The Honourable Sir Muhammad Zafrullah Khan: I could not answer that without notice.

DEVELOPMENT OF THE HANDLOOM WEAVING INDUSTRY.

1932. ***Prof. N. G. Ranga:** Will the Honourable Member for Commerce be pleased to state:

- (a) if Government have obtained and studied the Madras Cloth License Act, which impose a license fee on all cloth shops which sell mill-cloth, in order to utilise that money for the development of the handloom weaving industry;
- (b) whether Government propose to consider the advisability of applying that Act to the centrally administered areas; and

- (c) whether they propose to place the consideration of adopting this legislation or taking similar steps for the protection of the handloom weaving industry on the agenda of the forthcoming Industries Conference to be convened at Bombay?

The Honourable Sir Muhammad Zafrullah Khan: (a) The Honourable Member is presumably referring to the Madras Regulation of the Sale of Cloth Act, 1937. Government have seen this Act, but there is nothing in it to show that its object is to provide money for the development of the handloom weaving industry.

(b) and (c). No.

VISIT OF COLONEL MUIRHEAD, UNDER SECRETARY OF STATE FOR INDIA TO INDIA.

†1933. ***Mr. M. Thirumala Rao:** (a) Will the Honourable the Leader of the House please state whether Colonel Muirhead, the Under Secretary of State for India, is touring India at the invitation of the Government of India?

(b) If not, has he been going about the country in his official capacity at the instance of the British Cabinet?

The Honourable Sir Nripendra Sircar: (a) and (b)., Colonel Muirhead is touring India privately and his visit has no political implications.

RESULTS OF ACTIVITIES OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

†1934. ***Mr. M. Thirumala Rao:** (a) Will the Secretary for Education, Health and Lands please state the total amount of money spent under various heads, including establishment and grants by the Imperial Council of Agricultural Research since its inception up to date?

(b) Have Government made any attempt to collect statistical information of the results of the activities of the Council all these years, and in what concrete and financial manner the *ryot* has gained so far?

(c) If so, will they lay on the table of the House, the information so collected?

Sir Girja Shankar Bajpai: (a) A statement showing the total amount of money spent under various heads by the Imperial Council of Agricultural Research from its inception upto 1937-38 is laid on the table.

(b) and (c). Some account of the work done by the Imperial Council of Agricultural Research is given in the annual reports of the Council—copies of which are available in the Library of the House. A scientific review of the activities of the Council both on the agricultural and the animal husbandry side was carried out in 1936-37 by two eminent scientists—Sir John Russell, F.R.S., Director of Rothamsted Experimental Station, and Dr. N. C. Wright, Director of the Hannah Dairy Research Institute, Ayrshire, whose reports have been published and are available in the Library. A precise arithmetical estimate of these benefits, whether in cash or quantum of produce is hardly possible, especially as all research does not yield its fruit according to any time table and some may end as mere experiment.

†Answer to this question laid on the table, the questioner being absent.

COMPLAINTS ON BEHALF OF INDIAN STATES UNDER SECTION 3 OF THE INDIAN STATES PROTECTION AGAINST DISAFFECTION ACT.

1935. *Mr. Govind V. Deshmukh: Will the Honourable the Leader of the House please state the years and the names of the Indian States on whose behalf complaints were made for an offence under section 3 of the Indian States Protection Against Disaffection Act, 1922, by or under authority from the Governor General in Council from 1922 to 1937?

The Honourable Sir Nripendra Sircar: The information required by the Honourable Member is contained in the statement furnished to the Assembly on the 5th February, 1930, in reply to a question by Dr. B. S. Moonje No. 233. There has been no other case since that date.

Mr. Govind V. Deshmukh: May I know whether it was customary while giving the sanction to consult the Provincial Governments in which the States are.

The Honourable Sir Nripendra Sircar: I cannot answer about the practice before 1930 without specific notice.

Mr. Govind V. Deshmukh: May I know if after the amendment of this Act in 1937, the Government of India has given full freedom to the Provincial Governments to grant this authority or have the Government of India reserved to themselves some power indirectly to interfere in the matter.

The Honourable Sir Nripendra Sircar: What does my friend mean by 'indirectly':

Mr. Govind V. Deshmukh: Moral pressure or something like that.

The Honourable Sir Nripendra Sircar: You are now charging the Government of India with having morals, which you never did before to-day.

IMPLICATIONS OF THE ANGLO-ITALIAN TRADE AGREEMENT ON INDIA'S TRADE POSITION.

1966. *Mr. S. Satyamurti: Will the Honourable the Commerce Member please state:

- (a) whether Government have examined the implications of the Anglo-Italian agreement so far as India's trade position is concerned;
- (b) whether it is a fact that the protocol of the agreement states that negotiations will be opened as soon as possible on the question of trade relations between Italian East Africa, Great Britain, India and the British colonies and Protectorates;
- (c) whether the Government of India are being kept in touch in this matter;
- (d) whether it is a fact that there is no existing Anglo-Italian clearing agreement affecting India and the respective colonies of the two countries; and

- (e) whether negotiations will be started for an Indo-Italian agreement; if so, when?

The Honourable Sir Muhammad Zafrullah Khan: (a) and (b). Government have not yet received a copy of the Anglo-Italian agreement signed in November, 1938, of which they have seen only press reports.

(c) Yes.

(d) The answer to the first part is in the affirmative. There is, however, an agreement affecting the colonies of the two countries.

(e) The Honourable Member's attention is invited to the replies given to his question No. 1301 and to the supplementaries on the 17th November and to the supplementaries arising from Mr. Avinashilingam Chettiar's question No. 1754 on the 5th December, 1938.

Mr. S. Satyamurti: With reference to the answers to clauses (a) and (b) of the question, may I know what is the normal procedure by which the Government of India get copies of such agreements or information about those agreements?

The Honourable Sir Muhammad Zafrullah Khan: I am afraid I fail to follow the Honourable Member's question.

Mr. S. Satyamurti: May I know what is the normal procedure or channel by or through which the Government of India get copies of such agreements or information about such agreements?

The Honourable Sir Muhammad Zafrullah Khan: I believe through the channel of the India Office.

Mr. S. Satyamurti: With reference to the answer to part (c) of the question, may I know how, apart from the receipt of a copy of the agreement, the Government of India are kept in touch in this matter?

The Honourable Sir Muhammad Zafrullah Khan: Certain matters included in the agreement were referred to the Government of India at certain stages.

Mr. S. Satyamurti: With reference to the answer to part (e) of the question, I want to know the time when the negotiations will be started—immediately after the next Budget Session—which is the latest date fixed by my Honourable friend for the continuance or discontinuance of the Ottawa preferences?

The Honourable Sir Muhammad Zafrullah Khan: I am afraid I could not say. The Honourable Member has raised the question on several occasions on the floor of the House and I have here a score of typed pages of supplementaries that were answered.

Mr. S. Satyamurti: In view of the fact that the protocol to this agreement contemplates the starting of negotiations with India and that the agreement is already concluded, may I know whether the Government of India have decided the order of preference with regard to the starting of

trade talks with other countries, and whether Italy occupies a very high place—in view of the fact that the agreement has been concluded and the protocol contemplated the starting of negotiations?

The Honourable Sir Muhammad Zafrullah Khan: There is no particular order of preference.

Mr. T. S. Avinashlingam Chettiar: Does any reference in the Anglo-Italian trade agreement affect the present working of the Ottawa agreement between England and India?

The Honourable Sir Muhammad Zafrullah Khan: There is nothing in it which affects the Ottawa trade agreement.

Mr. T. S. Avinashlingam Chettiar: May I know whether any of the articles for which India receives a preference under the Ottawa agreement is not affected by this Italo-British agreement?

The Honourable Sir Muhammad Zafrullah Khan: I do not think they are affected.

CHECK ON FOREIGN IMPORTS OF WHEAT.

1937. ***Mr. S. Satyamurti:** Will the Honourable the Commerce Member please state:

- (a) whether the Karachi Indian Merchants Association and the Buyers and Shippers Chamber have addressed a telegram to the Government of India asking for the immediate imposition of a duty on foreign wheat imported into India;
- (b) whether it is a fact that the prices of local wheat have suddenly dropped owing to the extensive sale of Australian wheat in India;
- (c) whether it is a fact that [all] steamers have been chartered for conveying Australian wheat to Bombay; and
- (d) whether Government propose to take any steps to check or control foreign imports of wheat into the country?

There is a mistake in the printing of part (c) of the question; it is not whether "all" steamers have been chartered", the word "all" is a mistake—probably mine.

The Honourable Sir Muhammad Zafrullah Khan: In view of the Bill introduced by me yesterday, does the Honourable Member want an answer to this question?

Mr. S. Satyamurti: No.

PROTEST AGAINST THE VILLAGE COMMUNITIES ORDINANCE IN CEYLON.

1938. *Mr. S. Satyamurti: Will the Secretary for Education, Health and Lands be pleased to state:

- (a) whether his attention has been drawn to the proceedings of a meeting held at Kandy (Ceylon) to protest against the Village Communities Ordinance reported in the *Statesman* of the 19th November, 1938, page 10;
- (b) whether the Land Alienation Act of Ceylon excludes "Indians from the category of middle class Ceylonese, though French and German subjects besides other British subjects came within the purview of the category";
- (c) whether it is a fact that out of 800,000 Indian labourers in Ceylon, only 100,000 had been placed on the voters' list for the State Council;
- (d) whether Government are aware of any proposal by the Ceylon Government with regard to Indian franchise for the State Council restricting the Indian franchise thereto;
- (e) whether there is any proposal to carry out these restrictions by way of the amendment to the present Order in Council or under the pretext of regulating the procedure; and
- (f) whether Government have taken steps, or propose to take steps, to bring to the notice of the Ceylon Government and of the Secretary of State for the Colonies the strong Indian objection both in Ceylon and India against this proposal to discriminate between Indians and non-Indians?

Sir Girja Shankar Bajpai: (a) Yes.

(b) The Honourable Member is presumably referring to the Ceylon Land Development Ordinance, 1935. So far as the Government of India are aware, the definition of 'Ceylonese' under the Ordinance does not involve distinctions of the type referred to by the Honourable Member.

(c) The number of Indian estate labour voters to the Ceylon State Council is approximately one lakh out of a total adult Indian estate population of about four lakhs.

(d) to (f). The attention of the Honourable Member is invited to the reply given by me to Mr. Ram Narayan Singh's starred question No. 1798 on the 5th of this month.

Mr. S. Satyamurti: May I know if my Honourable friend's attention has been drawn to certain questions and answers in the House of Commons, reported I think in this morning's papers, that the interests of minorities and their representation on the State Council will be amply protected, and may I know whether the Government of India are in touch with His Majesty's Government, in so far as the franchise for Indian estate labourers for the State Council is concerned?

Sir Girja Shankar Bajpai: The position of the Government of India is this: They have intimated to His Majesty's Government their desire to

have an opportunity of stating their views on all aspects of the constitutional proposals that may be under consideration by His Majesty's Government,—all aspects likely to affect Indian interests in Ceylon including the franchise.

Mr. S. Satyamurti: May I know if the Government of India have any information of the approximate time when His Majesty's Government will pass final orders, by means of an Order in Council for a new constitution for Ceylon?

Sir Girja Shankar Bajpai: All that the Government of India know is what is known to my Honourable friend, *viz.*, that the Secretary of State for the Colonies intends the publication, presumably before long of the despatches which have passed between him and the Governor of Ceylon on this question of constitutional reforms.

Mr. S. Satyamurti: May I know, if, as soon as it is published, Government will take steps to represent, on behalf of Indians in this country and Indians in Ceylon the demand which has already been made by them. *viz.*, that there should be no attempt to restrict the franchise of Indians now enjoyed for the State Council in any manner or degree?

Sir Girja Shankar Bajpai: Undoubtedly, Sir.

INDIA'S INTERESTS AFFECTED BY THE ANGLO-AMERICAN TRADE AGREEMENT.

1939. ***Mr. S. Satyamurti:** Will the Honourable the Commerce Member please state :

- (a) whether the Government of India have been informed of the terms of the Anglo-American trade agreement;
- (b) whether Indian interests have been directly or indirectly affected by the Anglo-American trade agreement; and
- (c) whether India is now free to conclude a separate bilateral trade agreement with the United States of America and whether attempts will be made to [call] such an agreement; if so, when?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes.

(b) The attention of the Honourable Member is invited to the answers given on the 5th December, 1938, to questions No. 1780 by Mr. Manu Subedar and No. 1783 by Mr. M. Thirumala Rao.

(c) The freedom of India to conclude a separate trade agreement with the United States of America is not a matter which has in any way been affected by the conclusion of the Anglo-American trade agreement.

Mr. S. Satyamurti: There is a mistake in the printing of part (c) of the question:—it should be, "whether attempts will be made to "conclude" such an agreement (not "call" such an agreement), if so, when?

The Honourable Sir Muhammad Zafrullah Khan: That, I am afraid, is a question to which I could not give a specific reply. The whole matter is under consideration.

Mr. S. Satyamurti: May I know whether Government are or are not considering, in the order of importance, in connection with the existing trade between this country and others, a time table with regard to the urgency, relatively, of those agreements? May I know whether Government have not applied their minds or will apply their minds to finding out, from the point of view of the interests of the foreign trade of this country, the relative urgency of these various agreements, and making a time table so as to observe it?

The Honourable Sir Muhammad Zafrullah Khan: I may inform the Honourable Member that so far as the United States of America are concerned the Government of India are already considering the question of concluding a treaty of commerce and navigation with the United States. The matter is actually being considered.

Mr. S. Satyamurti: May I know at what stage the negotiations are which have been started with the United States of America?

The Honourable Sir Muhammad Zafrullah Khan: It is very difficult to describe the particular stage. The matter is under correspondence.

Mr. S. Satyamurti: When do they hope to be able to announce the conclusion of the Indo-American trade agreement?

The Honourable Sir Muhammad Zafrullah Khan: It is very difficult to say. It is not an Indo-American trade agreement; what is contemplated is an Indo-American treaty of commerce and navigation.

Mr. Manu Subedar: May I know who are negotiating the treaty? Will it be negotiated directly by the Government of India with the United States or through His Majesty's Government?

The Honourable Sir Muhammad Zafrullah Khan: That I am unable to say without notice.

Mr. S. Satyamurti: May I know what is the distinction between commerce and trade? I am asking about a trade agreement.

The Honourable Sir Muhammad Zafrullah Khan: In the context in which they are used here, a trade treaty ordinarily refers to questions of tariffs; a treaty of commerce and navigation to certain general assurances on each side with regard to the treatment which the goods and merchants of each country will receive at the hands of the other.

Mr. S. Satyamurti: May I know whether the question of tariffs between India and America is not being negotiated?

The Honourable Sir Muhammad Zafrullah Khan: At the present moment, no.

PREPARATION OF ELECTORAL ROLL FOR THE FEDERAL LEGISLATURE.

1970. *Mr. Manu Subedar: (a) Will the Honourable the Leader of the House please state what kind of preparations would be necessary in order to prepare the electoral roll for the Federal Legislature?

(b) Which of these steps have already been taken and which remain to be taken?

(c) What period of time are these steps expected to occupy?

(d) Will any special machinery be required?

(e) Are the Provincial Governments going to be called upon to act as agents of the Central Government for this purpose?

The Honourable Sir Nripendra Sircar: (a) Before preparing the electoral rolls for the Federal Legislature it would be necessary:

(1) for His Majesty to declare by Proclamation that as from a day therein appointed the Federation of India shall be established, *vide* section 5 of the Government of India Act, 1935;

(2) for His Majesty in Council to bring the relevant provisions of the Act into force with effect from a date before the appointed date; and also to make the necessary prescriptions for the purposes of those provisions;

(3) for the Governor General to make the necessary rules under the provisions of the First Schedule to the Act.

(b) to (e). The Honourable Member will realise that at this stage Government are not in a position to make any statement on the points raised.

Mr. S. Satyamurti: May I know if any steps have been taken, or no steps have been taken, under the various categories mentioned by my Honourable friend?

The Honourable Sir Nripendra Sircar: That is not permissible for me to answer. Steps have been either taken or not taken, but I cannot make a statement.

Mr. S. Satyamurti: There is no inquiry into private steps,—I want to know whether any public step has been taken. The Honourable Member referred to three categories of public steps taken.

The Honourable Sir Nripendra Sircar: If they are public steps, they must be known to my friend, who is a member of the public.

Mr. S. Satyamurti: May I know if any public steps have been taken?

The Honourable Sir Nripendra Sircar: I am afraid I cannot answer that question.

Prof. N. G. Ranga: Are Government aware of the great dissatisfaction that prevails in this country and the opposition that is manifested by the various sections of public against the inauguration of the federal part of this Act and, therefore, the inauguration of this Federal Legislature?

The Honourable Sir Nripendra Sircar: I submit, Sir, that that question does not arise.

Mr. Manu Subedar: May I ask if there has been any correspondence with regard to the electoral rolls with the Provincial Governments?

The Honourable Sir Nripendra Sircar: That is covered by the answer which I have given.

Mr. Sri Prakasa: May I take it that all the heavy expenditure incurred in preparing the electoral rolls last year has been wasted?

The Honourable Sir Nripendra Sircar: What was prepared last year?

Mr. Sri Prakasa: Electoral rolls for the Indian Legislative Assembly.

The Honourable Sir Nripendra Sircar: That has nothing to do with this question.

Mr. Sri Prakasa: It has everything to do with this question inasmuch as this Assembly has become the Federal Assembly for the time being.

Mr. K. Ahmed: May I, Sir, ask a question? In view of the fact that the electors are the members of the Provincial Assemblies, it is not necessary to incur any expense by the Government of India or any Provincial Government, because the list of members are prepared in every province and the candidate seeking election may get a copy, and canvass according to his desire?

The Honourable Sir Nripendra Sircar: I confess, the question is not intelligible to me.

MAINTENANCE OF THE CENTRAL STATIONERY STORES AS A SEPARATE DEPARTMENT.

1971. ***Mr. Manu Subedar:** (a) Will the Honourable Member for Labour please state what are the reasons for maintaining the Central Stationery Stores as a separate department?

(b) Whatever the reasons were in the past, have Government considered whether it is possible now for the Indian Stores Department with its increased staff to take over the work of the Central Stationery Stores?

(c) How often do the Central Stationery Stores call for tenders?

(d) What is the price of the tender form?

(e) Has it been represented to Government that this price is excessive?

(f) On what principles is this price for the tender forms fixed?

(g) Is it a fact that this price is more than the price of tender forms for other departments? If so, what are the reasons for this?

The Honourable Sir Muhammad Zafrullah Khan: (a) and (b). The attention of the Honourable Member is invited to the reply given by me in this House on the 14th September, 1966, to parts (c) and (d) of starred

question No. 1041 and to the supplementaries thereon. No new circumstance has arisen to necessitate a reconsideration of the question of amalgamation with the Indian Stores Department.

(c) Once a year.

(d) The prices of tender forms vary from Rs. 2 to Rs. 10 per copy.

(e) Yes.

(f) and (g). The prices of tender forms are fixed so as to cover the incidental expenses connected with the tenders according to a sliding scale based on the value of the contract involved. The scale is the same as that followed in the Indian Stores Department.

Mr. Manu Subedar: May I know what is the extra cost of maintaining these two Departments and whether, in the recent retrenchment drive by the Honourable the Finance Member, this question has not been overlooked?

The Honourable Sir Muhammad Zafrullah Khan: I do not know what the Honourable Member means by the extra cost. The cost would in any case be the same whether this Department is amalgamated with the Indian Stores Department or not.

Mr. Manu Subedar: I understand that there is a very highly paid superior officer in this Department and there is a complete separate establishment, both accounts, stores, audit and so on, and I would like to know why Government have not considered the recommendation which was made by the Retrenchment Committee in 1931 on this subject and I would also like to know how much is the extra cost for maintaining this Department separately and also why in the recent retrenchment drive this matter has been overlooked?

The Honourable Sir Muhammad Zafrullah Khan: I wish the Honourable Member would confine himself to one question at a time. There was a Printing and Stationery Sub-Committee in 1932, and they came to the conclusion that amalgamation with the Indian Stores Department was not desirable and this conclusion was accepted by the Government. With regard to the extra cost, I explained on the previous occasion when questions were put that no economy could be effected by the amalgamation and the same staff would have to be added to the Stores Department.

Mr. K. Ahmed: May I ask when the office of the Central Stationery Stores at Calcutta is going to be transferred to the Imperial City of Delhi?

The Honourable Sir Muhammad Zafrullah Khan: That question does not arise.

Prof. N. G. Ranga: If this amalgamation is effected, is it not a fact that there can be some economy in the overhead charges incurred in these two Departments?

The Honourable Sir Muhammad Zafrullah Khan: No, that is not the view taken by the Department.

†1972*.

RATE WAR BETWEEN SHIPPING COMPANIES CARRYING HAJ PILGRIMS.

1973. *Sir Abdul Halim Ghuznavi: Will the Honourable the Commerce Member be pleased to state:

- (a) what action Government have taken in order to prevent a rate war in the pilgrim traffic between India and Jeddah during the current Haj season; and
- (b) whether they have issued any notification or communication in this connection and if so, whether he will lay on the table a copy of the same for the information of the House?

The Honourable Sir Muhammad Zafrullah Khan: With your permission, Sir, I shall reply to questions Nos. 1973, 1974 and 1975 together, and in doing so I shall take the opportunity of making a full statement of the action taken towards a solution of the position which has arisen in the pilgrim trade.

As a result of representations made to me regarding the events of the last pilgrim season, I intervened in the dispute between the Mogul Line and the Scindia Steamship Company, the two companies handling the pilgrim traffic, and at my suggestion they agreed that they would not charge less than Rs. 115 for a return passage from Karachi to Jeddah and that fares from other ports would be adjusted on that basis. The agreement did not contemplate the fixation of maximum fares. Whether the minimum rates prescribed by the agreement were economic rates or not is a matter on which I am unable to express an opinion, but they were rates to which the companies were prepared to adhere throughout the season. At the request of the Scindia Company I agreed to reconsider the position at the end of the current pilgrim season in the light of the data which might then be placed before me. But I made no promise that I would fix such rates as would be considered economic and would give a reasonable return on the capital invested by the companies in the trade.

2. The two companies were formally advised to put the arrangement into force from the 27th October, and an announcement to this effect was made in a press note issued by the Commerce Department on the 29th October. The agreement was a purely voluntary one and depended for its success on the spirit of goodwill and co-operation, shown by the parties to it. But hardly had news of the settlement been published in the press when complaints began to be received from both parties, each one accusing the other of deliberate undercutting in contravention of the terms of the agreement. Thereupon, I made a fresh appeal to both parties to carry out the agreement in letter as well as in spirit, and at the same time caused enquiries to be made in Bombay and Karachi into the complaints made by the two companies. Though these enquiries proved inconclusive in the sense of there being insufficient evidence of a nature which would be accepted in a court of law, yet there were grounds for concluding that some of the allegations made were not without substance. While these enquiries were in progress, there was a progressive worsening of the atmosphere of

†This question was withdrawn by the questioner.

distrust and mutual recrimination which had from the first threatened the successful working of the agreement, and on the 1st December I received intimation from the Mogul Line that they had decided to terminate the agreement as it had failed to achieve the object desired and had been strongly opposed by their Muslim friends. The breakdown of the agreement in these circumstances, however regrettable, clearly demonstrated the impracticability of enforcing an arrangement of this nature, whether by legislation or by voluntary agreement, and there was no way open to me but to inform the other company concerned that I did not wish to hold them to their obligations under the agreement and that they were free to quote what fares they liked.

Seth Haji Sir Abdoola Haroon: May I know, Sir, why Government intervened in this and took so much trouble in bringing about the agreement and fixing such high rates for pilgrim traffic?

The Honourable Sir Muhammad Zafrullah Khan: That consideration was present to Government's mind, but that is not the only consideration to be kept in view.

Mr. T. S. Avinashilingam Chettiar: In view of the fact that the using of the good offices of Government without any legal sanction has failed in this case, may I know whether the Government propose to take any legal sanction in this matter?

The Honourable Sir Muhammad Zafrullah Khan: I am convinced that the result, whether the rate was fixed by voluntary agreement or by legislative sanction, would be no better if the companies behaved, as they have behaved on this occasion.

Dr. Sir Ziauddin Ahmad: In view of the fact that this informal advice with regard to rate war between the two companies has failed, will Government think out some more definite measures by means of which these rate wars could be avoided in future?

The Honourable Sir Muhammad Zafrullah Khan: If I could be convinced that an arrangement of this kind, whether put in force by voluntary agreement or by legislation, could be carried into effect, I will be quite willing to look into the question.

Mr. Mannu Subedar: Sir, while appreciating the action taken by Government in this matter, may I ask whether Government have considered the advisability of not dropping the issue altogether, but of impressing on the two companies the necessity of appointing sole selling agents for the sale of tickets so that a similar break down may not take place again?

The Honourable Sir Muhammad Zafrullah Khan: I do not think that suggestion would be a practicable one.

Mr. Abdul Qayyum: In view of the fact that all methods of negotiations have failed, may I know why Government will not stop this objectionable practice by means of legislation which will protect the interests of both the pilgrims and the Indian shipping?

The Honourable Sir Muhammad Zafrullah Khan: That is exactly what I have been saying that whether the rate was fixed by voluntary agreement or by legislative sanction, unless the agreement is worked honestly, it will have little or no use.

Mr. N. M. Joshi: May I know, Sir, in view of the fact that shipping in the hands of private companies leads to undesirable consequences, whether Government will consider the question of taking up coastal shipping in India in their own hands?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir.

Mr. K. Santhanam: May I know, Sir, if it is the intention of Government to wait and look on till one of the companies goes to the wall?

(No reply.)

Mr. Abdul Qaiyum: May I know, Sir, why an economic rate is not fixed by Government in this case which will protect the interests of Indian shipping?

The Honourable Sir Muhammad Zafrullah Khan: That is a very large question. I do not know whether it is one of the duties of Government to do so.

Mr. K. Ahmad: Are Government aware that it would be a great advantage to Hajis going to Mecca, if Government were to take them free without any payment to Haj, because the gentlemen interested in Haj pilgrim traffic and also in certain companies will not trouble the Government for nothing?

Mr. S. Satyamurti: May I know, Sir, if Government have considered or will consider the fact that the net effect of unrestricted competition in this rate war will be that the weaker company will go to the wall, and thus they will expose the Haj pilgrims to unrestricted exploitation by the surviving company, and in view of that fact, will Government take some steps to introduce legislation, whether the parties are honestly carrying out the agreement or not, to prevent the inevitable exploitation by the surviving company?

The Honourable Sir Muhammad Zafrullah Khan: That was exactly the consideration which induced me to intervene.

Mr. S. Satyamurti: In view of that, will Government consider the possibility of enacting and enforcing legislation, whether the parties agree to it or not?

The Honourable Sir Muhammad Zafrullah Khan: As I have said, as at present disposed, I would wish to be convinced first that if such rates are fixed by legislation they would be carried into effect.

Dr. Sir Ziauddin Ahmad: In view of the fact that Government have already adopted the principle of fixing rates for motor buses and railways to prevent competition between rail and road, will they consider the desirability of fixing similar rates in the case of coastal shipping?

(No reply.)

Mr. Mann Subedar: May I know

(Several Honourable Members got up at this stage to put supplementaries.)

Mr. President (The Honourable Sir Abdur Rahim): One at a time.

Mr. Mann Subedar: Will the Honourable Member assure this House that he will watch developments and should the shipping companies get tired of the rate war and seek his good offices again, he will help in bringing about by negotiations a satisfactory settlement?

The Honourable Sir Muhammad Zafrullah Khan: Yes, I am always ready and willing to help in that way.

RATE WAR BETWEEN SHIPPING COMPANIES CARRYING HAJ PILGRIMS.

†1974. ***Sir Abdul Halim Ghuznavi:** Will the Honourable Member for Commerce be pleased to state:

- (a) whether it is a fact that minimum and maximum fares have been fixed with the approval of the Government of India and through their good offices for Haj passengers between India and Jeddah and that the minimum deck return fare from Karachi to Jeddah has been fixed at Rs. 115 and the maximum for the same at Rs. 167 with similar rates from the other two ports of Bombay and Calcutta;
- (b) whether Rs. 115 deck return fare is an economic one;
- (c) whether the attention of Government has been drawn to the statement made by Mr. Walchand Hirachand, Chairman of the Scindia Steam Navigation Company, in his speech at the Annual General Meeting of the Company's shareholders to the effect that this fare "is not an economic one" and that "the Commerce Member has been good enough to reconsider the force of our contentions and has agreed to reconsider the position at the end of the ensuing Haj season in the light of the data that may be placed by us before him, so that such economic rates in the pilgrim traffic might be fixed as would give a fair return on the capital invested by the companies in the trade"; and
- (d) whether the Haj Inquiry Committee appointed by Government in 1929 recommended the desirability of having fixed rates and suggested the fixing of uniform fare of Rs. 165 from Bombay to Jeddah?

RATE WAR BETWEEN SHIPPING COMPANIES CARRYING HAJ PILGRIMS.

†1975. ***Sir Abdul Halim Ghuznavi:** Will the Honourable Member for Commerce be pleased to state:

- (a) whether the voluntary-agreement to which the two shipping companies, namely, the Mogul Line and the Scindia Company, have consented, is being given effect to by the Companies concerned, so as to carry out the letter as well as the spirit of the agreement; and

† For answer to this question, see answer to question No. 1973.

- (b) whether Government have heard either from the interests concerned, or from the Haj authorities, or from the Port authorities at the various ports, as to the manner in which this agreement is being implemented in practice and if so, whether he will lay on the table copies of such representations and reports?

RATE WAR BETWEEN SHIPPING COMPANIES CARRYING HAJ PILGRIMS.

1976. *Sir Abdul Halim Ghaznavi: Will the Honourable Member for Commerce be pleased to state whether, Government propose to consider the question of having a single uniform rate which will be economic and in the interests of both the pilgrims and shipping, as recommended by the Haj Inquiry Committee and in the light of subsequent developments and existing conditions?

Sir Girja Shankar Bajpai: I have nothing to add to the statement which has been made today by the Honourable the Commerce Member.

COW BYRES IN NEW DELHI.

1977. *Mr. Govind V. Deshmukh: Will the Secretary for Education, Health and Lands please state:

- (a) whether some or all the Government cow byres in which milch cattle were kept in New Delhi have altogether been closed; if so, the reason or reasons why they have been closed;
- (b) whether the Municipal Committee have resolved to allow Messrs. Keventer to keep their milch cattle in the cow byres mentioned in part (a) above, if they desire to do so;
- (c) whether Messrs. Keventer are prepared to take their milch cattle to the residences of persons desiring cattle being milched in their presence, as was the practice so far; and
- (d) the objection to milch cattle being brought from outside the New Delhi Municipal limits to Government quarters for being milched in the morning and evening?

Sir Girja Shankar Bajpai: With your permission, Sir, I shall answer questions Nos. 1977 to 1979 together. I have asked for information and will supply it to the House as soon as it is available.

MONOPOLY FOR SUPPLY OF MILK IN NEW DELHI.

†1978. *Mr. Govind V. Deshmukh: Will the Secretary for Education, Health and Lands please state:

- (a) what arrangements Messrs. Keventer have made for supplying milk to the New Delhi residents;
- (b) whether it is a fact that they are obtaining a large quantity of milk from village *gowalas* near about Delhi;
- (c) whether he is aware that Indian residents of New Delhi do not believe the milk supplied to them in any other way except that milked in their presence, to be pure; and

†For answer to this question, see answer to question No. 1977.

- (d) what steps are proposed to be taken to satisfy this demand of getting the milch cattle milked in the presence of the customers?

MONOPOLY FOR SUPPLY OF MILK IN NEW DELHI.

†1979. *Mr. Govind V. Deshmukh: Will the Secretary for Education, Health and Lands please state:

- (a) the steps taken or proposed to be taken by the New Delhi Municipal Committee to facilitate the supply of pure milk at cheap rates to the Indian residents in New Delhi; and
- (b) whether the question of milking the cattle in the presence of customers has ever been considered by the New Delhi Municipal Committee; if not, why not; whether they are prepared to consider this question now?

MEASURES TO ALLEVIATE THE SUFFERINGS OF REFUGEE GERMAN JEWS.

1980. *Mr. C. N. Muthuranga Mudaliar: Will the Secretary for Education, Health and Lands please state:

- (a) if his attention has been drawn to the discussion in the House of Commons on the 20th and 21st November, 1938, on the motion of Mr. Noel Baker regarding the measures to be taken to alleviate the sufferings of refugee German Jews;
- (b) whether the question of admitting such Jews into India has been considered by the Government of India; and
- (c) whether the Government of India have reached any conclusions in the matter, and, if so, what they are?

Sir Girja Shankar Bajpai: The question should have been addressed to the Honourable the Home Member.

RESEARCHES IN THE BOSE INSTITUTE, CALCUTTA.

1981. *Mr. C. N. Muthuranga Mudaliar: With reference to the answer to question No. 1226(b), dated the 6th April, 1938, will the Secretary for Education, Health and Lands please state:

- (a) whether suitable measures have been devised to ensure a high standard of research in the Bose Institute, Calcutta; and if so, what they are;
- (b) whether any arrangement has been made to elect a representative of this Assembly to the governing body of the Institute;
- (c) whether any successor to Sir J. C. Bose has been nominated as Director of the Institute;
- (d) who is the present Director and what are his qualifications, and what are the activities of the Institute in which he has specialised; and
- (e) who made the present appointment?

Sir Girja Shankar Bajpai: (a) and (b). The question of devising a new scheme for the control and administration of the Bose Research Institute is still under the consideration of the Government of India.

(c) Yes.

†For answer to this question, see answer to question No. 1977.

(d) Dr. D. M. Bose, M.A., B.Sc., Ph.D., formerly Palit Professor of Physics at the Calcutta University, is the present Director of the Bose Research Institute. He is a well-qualified Physicist.

(e) Government have no information but have made enquiries.

Prof. N. G. Ranga: Do Government prepare this particular scheme of their own or are they doing it in co-operation with the Calcutta University and other bodies concerned?

Sir Girja Shankar Bajpai: The point which we have to consider in connection with this Institute is that they should submit for the consideration of the Government a scheme which would, *inter alia*, include provision to avoid any duplication of work which is being done at other centres.

Prof. N. G. Ranga: Has any scheme been submitted by them to Government?

Sir Girja Shankar Bajpai: Not yet, Sir.

RESEARCH IN THE BOSE INSTITUTE, CALCUTTA.

1982. ***Mr. O. N. Muthuranga Mudaliar:** Will the Secretary for Education, Health and Lands please state:

- (a) the number of research workers (students and staff) that are working in the Bose Institute, Calcutta, and the Provinces from which they come;
- (b) in what respects the Bose Institute is an All-India institution to merit an annual grant from the Government of India;
- (c) whether the Government of India propose to consider the desirability of discontinuing this grant from the year 1939-40; and
- (d) the activities which are now conducted by the Bose Institute?

Sir Girja Shankar Bajpai: (a) Enquiries have been made and the information will be supplied to the House when received.

(b) Primarily in respect of the scope of the researches which the late Sir J. C. Bose had initiated.

(c) The question whether the Bose Research Institute should continue to receive financial assistance from the Government of India in future and if so, on what conditions, is under consideration.

(d) The attention of the Honourable Member is invited to the Annual Report of the Bose Research Institute for 1937-38, a copy of which has been placed in the Library of the House.

Prof. N. G. Ranga: Can we have an assurance from the Government of India that whatever be the scheme of administration that may be sanctioned by Government, the Bose Research Institute will continue to be maintained and financed to the extent that the Government of India's finances will permit them to do so?

Sir Girja Shankar Bajpai: My friend may rest assured of this that the Government of India will continue to evince sympathy in the activities of the Institute, but the measure of their financial support will depend upon the extent to which the Institute is prepared to satisfy the reasonable conditions of Government.

Mr. Brojendra Narayan Chaudhury: Is it a fact, Sir, that the grant has been reduced?

Sir Girja Shankar Bajpai: No. Sir. it has not been recently reduced.

Prof. H. G. Ranga: In coming to a conclusion as to how much financial assistance should be given to this Institute, will the Government of India keep in mind the fact that this Institute should be considered as an All-India Institute and that research workers from every part of India would be given proper and adequate facilities for research work in the Institute?

Sir Girja Shankar Bajpai: That particular consideration is very prominently before the Government.

†1933*.

Mr. T. S. Avinashilingam Chettiar: Sir, 1933 has been postponed and so I will put 1934. But in putting this I want to make a slight alteration. In part (b) you find 'whether the result of the pact is' which is a mistake. It should be 'whether the result of the pact will be'.

EFFECTS OF ANGLO-EGYPTIAN TRADE AGREEMENT ON INDIAN TRADE.

1934. *Mr. T. S. Avinashilingam Chettiar: Will the Honourable the Commerce Member state:

- (a) whether the British Government have concluded a trade pact with Egypt;
- (b) whether the result of the pact is to close Egypt as a market for Indian yarn and clothes;
- (c) if not, whether Government have considered the effect of that pact on Indian trade with Egypt; and
- (d) in what stage their negotiations with Egypt are?

The Honourable Sir Muhammad Zafrullah Khan: (a) Government have no information.

(b), (c) and (d). Do not arise.

Mr. T. S. Avinashilingam Chettiar: May I know, Sir, whether Government are aware of a press report that a treaty has been concluded between Egypt and England?

The Honourable Sir Muhammad Zafrullah Khan: There has been some arrangement come to with regard to quotas of piece-goods, but not any trade pact.

Mr. T. S. Avinashilingam Chettiar: A quota over piece-goods?

The Honourable Sir Muhammad Zafrullah Khan: Yes.

Mr. T. S. Avinashilingam Chettiar: Will this arrangement have the effect of shutting out or lessening the import of piece-goods to India.

† This question was postponed to the meeting, if any, to be held on the 16th December, 1938.

The Honourable Sir Muhammad Zafrullah Khan: Now the Honourable Member has changed his question. I have answered these questions on previous occasions.

Prof. N. G. Ranga: Will Government also keep in mind the necessity of reducing the import of Egyptian cotton into this country when they are carrying on negotiations in regard to this trade pact with Egypt?

The Honourable Sir Muhammad Zafrullah Khan: There are no negotiations for a trade pact.

Mr. T. S. Avinashilingam Chettiar: I have not changed my question. In part (b) I have asked: whether the result of the pact is to close Egypt as a market for Indian yarn and clothes?

The Honourable Sir Muhammad Zafrullah Khan: Apart from the question whether the Honourable Member has altered the question or not, I may remind the Honourable Member that I have distinctly stated on previous occasions that the result of the action taken in Egypt by the Egyptian Government has affected the exports of Indian piece-goods and yarn to that country.

Mr. S. Satyamurti: May I know if the Government of India have started or propose to start some negotiations with Egypt in order to protect our interests to the extent to which they can be, consistent with any arrangement which Egypt may have come to with England?

The Honourable Sir Muhammad Zafrullah Khan: I have explained that the matter is under correspondence with the Egyptian Government.

Mr. S. Satyamurti: May I know whether the Government of India were consulted in respect of this arrangement in regard to piece-goods and cotton between England and Egypt, in so far as that arrangement will have an adverse effect on the Indian export of cloth and yarn to Egypt?

The Honourable Sir Muhammad Zafrullah Khan: The Government of India were kept informed as to what was happening in Egypt and the Government of India took up the question with regard to their own piece-goods and that matter, as I have said, is under correspondence.

Mr. S. Satyamurti: Did the Government of India represent to the British Government that this arrangement may have an adverse effect on Indian exports of piece-goods and yarn to Egypt, and did they ask for any protection being given to them?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir. The effect upon Indian exports of piece-goods and yarn is not the result of any arrangement that Lancashire has come to with Egypt, it is the result of tariffs which have been introduced by the Egyptian Government.

Mr. S. Satyamurti: Will the Government of India ask the Egyptian Government to lower the tariffs in respect of Indian exports to the extent to which they have been reduced in regard to British exports to Egypt?

The Honourable Sir Muhammad Zafrullah Khan: They have not lowered their tariffs with regard to British imports into Egypt at all.

IMPORT OF AUSTRALIAN WHEAT IN INDIA AND ABSENCE OF CUSTOMS DUTY ON IT.

1935. *Mr. Sri Prakasa: Will the Honourable Member for Commerce state:

- (a) if there is no customs duty on wheat imported in India from Australia or other foreign countries;
- (b) the amount of Australian wheat imported in India since April 1, 1937;
- (c) the prices of Australian and Indian wheat respectively at Calcutta;
- (d) if the price of Indian wheat has gone down in consequence of the imports from Australia;
- (e) the effect, if any, on the production of wheat in India of such imports; and
- (f) if it is a fact that Rumanian wheat is also coming into the Indian market?

The Honourable Sir Muhammad Zafrullah Khan: (a) An import duty of Rs. 1-8-0 per cwt. has come into force with effect from yesterday.

(b) The total imports of wheat from Australia during 1937-38 were 19,618 tons. The quantity imported during the current year up to the 23rd November was 57,000 tons.

(c) The prices of Australian and Punjab wheat at Calcutta on the 25th November, 1938, were Rs. 2-7-0 and Rs. 3-2-0 per maund, respectively.

(d) I would refer the Honourable Member to the reply I gave today to part (b) of Mr. Satyamurti's question No. 1967, which was not read out and which if the Honourable Member likes, I can read out.

(e) Government see no grounds for supposing that imports of foreign wheat have had any effect on the production of wheat in India.

(f) No, Sir.

Sardar Mangal Singh: What is the reply to part (f)?

The Honourable Sir Muhammad Zafrullah Khan: No.

Mr. Sri Prakasa: Will the Honourable Member kindly read out the answer to part (d)?

The Honourable Sir Muhammad Zafrullah Khan: I referred to the answer to part (b) of question No. 1967. The answer I gave to that question was that the prices had gone down in sympathy with world prices.

Mr. Manu Subedar: Have Government examined the position of the wheat cultivator with regard to the basis of valuation in this country?

The Honourable Sir Muhammad Zafrullah Khan: That does not arise out of this question.

Mr. Manu Subedar: The Honourable Member just spoke of world prices and that is why I ask whether the effect of the Indian basis of valuation is not victimising the producer of wheat in this country?

The Honourable Sir Muhammad Zafrullah Khan: Merely because I used in the previous answer the expression 'world prices', it does not make the Honourable Member's question relevant.

Mr. Sri Prakasa: When did Government discover this danger to Indian wheat trade? Has there been any avoidable delay in introducing the Bill during this Session?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir.

Seth Haji Sir Abdoola Haroon: Can Government give the figures for the quantity of wheat imported from Australia during the current year?

The Honourable Sir Muhammad Zafrullah Khan: I have given those figures: 57,000 tons.

ARCHAEOLOGICAL SURVEY OF VILLAGE SAPTAGRAM NEAR CHINSURAH IN BENGAL.

1936. *Mr. Brojendra Narayan Chaudhury: Will the Secretary for Education, Health and Lands please state:

- (a) whether any representation has been received by the Government to undertake an archaeological survey of village Saptagram, near Chinsurah, Bengal;
- (b) whether some ancient mosques and tombs there are "preserved monuments"; and
- (c) whether Government intend to explore this area, because of the possibilities of discoveries throwing additional light upon the ancient history of India, and whether Government are aware that Saptagram was the capital of West Bengal under Hindu and Muslim kings and once a major port, and ruins such as an ancient fort, etc., are still visible there?

Sir Girja Shankar Bajpai: (a) Yes.

(b) Yes. A mosque and tombs are protected under the Ancient Monuments Preservation Act.

(c) Government recognise the importance of Saptagram and are aware of the fact that it was one of the important cities and a part of South-West Bengal under Hindu and Muslim kings. The question of exploring the area will be considered when funds become available.

Prof. N. G. Ranga: Are we to take it that there is no retrenchment campaign in regard to excavations that are carried on by the Archaeological Department.

Sir Girja Shankar Bajpai: That is a question which I cannot answer.

CONFIRMATION OF A HINDU CLERK OF THE SIMLA CENTRAL DIVISION, CENTRAL PUBLIC WORKS DEPARTMENT.

1937. *Masivi Muhammad Abdul Ghani: Will the Honourable Member for Labour please state:

- (a) whether he is aware of any rule or circular issued by the Government of India in September-October, 1938, asking various departmental heads not to confirm any Government servant till further orders; if so, when it was received by the Chief Engineer, Central Public Works Department; and

- (b) whether it is a fact that a Hindu clerk, serving in the Simla Central Division of the Public Works Department has been confirmed in his appointment in the month of November, 1938; if so, whether there has been any deviation in the recent rule or circular on the subject?

The Honourable Sir Muhammad Zafrullah Khan: (a) No order or rule was issued precluding the confirmation of any Government servant in a permanent vacancy until further orders. The second part of the question does not arise.

(b) The answer to the first part of the question is in the affirmative; the second part does not arise in view of my answer to part (a) of the question.

CARETAKERS IN THE CENTRAL PUBLIC WORKS DEPARTMENT AT SIMLA.

1938. ***Maulvi Muhammad Abdul Ghani:** Will the Honourable Member for Labour please state the names and educational qualifications of the caretakers serving in the Simla Public Works Department, Central Division of the Government of India?

The Honourable Sir Muhammad Zafrullah Khan: (1) Mr. Amar Nath—Matriculate.

(2) Mr. Shiv Charan Bisht—non-Matriculate.

APPOINTMENT OF HEAD CLERK IN THE SIMLA CENTRAL DIVISION, CENTRAL PUBLIC WORKS DEPARTMENT.

1939. ***Maulvi Muhammad Abdul Ghani:** Will the Honourable Member for Labour please state:

- (a) whether it is a fact that a non-Matric non-Muslim clerk serving in the Simla Central Division of the Public Works Department of the Government of India in the grade of Rs. 60—175, including Simla allowance, was appointed as Head Clerk in the Simla Central Division, Second Circle of the Central Public Works Department on Delhi new scale of pay *plus* Simla allowance during 1933-34; if so, whether the said officer was recruited in Delhi, or has ever been transferred to New Delhi; and
- (b) whether such change in the scale of pay has ever been made in the case of any Muslim employee; if not, whether Government propose to extend the same concession to Muslim employees in future?

The Honourable Sir Muhammad Zafrullah Khan: (a) The facts are not as stated by the Honourable Member. The clerk is a matriculate and was second clerk in the Simla Central Division in the grade of Rs. 75—175. As he entered Government service prior to July, 1931, he is entitled to the old scale of pay for Head Clerks, *viz.*, Rs. 95—200. He has not drawn any Simla allowance either before or after confirmation in his present post and was recruited in Simla in 1919 where he has remained ever since.

(b) Does not arise as no special concession has been granted to the Hindu clerk in question.

UNSTARRED QUESTIONS AND ANSWERS.

REPRESENTATION *RE* ABOLITION OF THE SALE OF TODDY IN MALAYA.

144. Mr. O. N. Muthuranga Mudaliar: Will the Secretary for Education, Health and Lands be pleased to state :

- (a) whether Government have received a copy of a memorandum submitted by the Central Indian Association, Malaya, to the Agent of the Government of India in Malaya on the subject of toddy;
- (b) whether it is a fact that successive Agents to the Government of India in Malaya have pointed out the evils of drink and recommended the abolition of its sale on estates in the interests of the poor labourers; and
- (c) what action Government propose to take in this respect?

Sir Girja Shankar Bajpai: The attention of the Honourable Member is invited to the replies given by me on the 3rd March and 6th September, 1938, to Mr. K. Santhanam's question No. 606 and his question No. 770, respectively, and to the supplementaries arising out of them.

PROPOSAL TO OPEN A CENTRAL VETERINARY COLLEGE IN IZATNAGAR.

145. Mr. O. N. Muthuranga Mudaliar: Will the Secretary for Education, Health and Lands please state :

- (a) whether Government had recently under their consideration the opening of a Central Veterinary College in Izatnagar for improving the standard of veterinary education in this country;
- (b) whether it is a fact that they have provided for a capital outlay of nine lakhs and a recurring expenditure of two lakhs for this purpose;
- (c) whether Government are aware that the Madras Veterinary College and the Lahore Veterinary College have recently increased the course of studies in their respective colleges and have also provided for improved standard of teaching; and
- (d) whether the Government of India are prepared to consider the advisability of providing adequate funds to the Provincial veterinary colleges and abandon their proposal to open a Central Veterinary College at Izatnagar?

Sir Girja Shankar Bajpai (a) Yes. The proposal is still under consideration.

(b) No.

(c) Government have no detailed information but understand that such proposals have been considered in Madras.

(d) The Government do not consider this a practical proposal.

IMPORT OF HORSES INTO INDIA.

146. Mr. C. N. Muthuranga Mudaliar: Will the Honourable the Commerce Member be pleased to state:

- (a) whether it is a fact that at present race horses in India are debarred from being shipped to Empire countries like South Africa and Australia;
- (b) whether it is a fact that large numbers of horses are being annually imported into this country from South Africa, Australia and other countries; and
- (c) whether Government propose to take steps to secure reciprocity of treatment in the matter of export of horses from this country to Empire countries; if not, whether Government propose to consider the advisability of imposing a ban on the free import of horses into India from such Empire countries as refuse to show reciprocity of treatment?

The Honourable Sir Muhammad Zafrullah Khan: (a) No.

(b) The Honourable Member is referred to the Annual Statement of the Sea-borne Trade of British India, Volume I, a copy of which is in the Library.

(c) Does not arise.

THE INDIAN INCOME-TAX (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim): The House will now resume consideration of the Bill further to amend the Indian Income-tax Act, 1922, as reported by the Select Committee.

The Chair understands that it is the general desire of the House that we should now go back to clause 4. Government have put in a number of amendments to clause 4. But we have first to dispose of the amendment which has been moved to omit clause 4 altogether. The Chair may just point out to Honourable Members—it is hardly necessary though—supposing the House decides to omit clause 4, then, of course, no question of amendments would arise. But supposing the House negatives that motion, that will in no way affect the amendments that are going to be moved by the Government, that is to say, the amendments will be dealt with by the House on their own merits apart from the fact that the motion to omit clause 4 has been negatived. It appears, eight Honourable Members have already spoken on this amendment No. 66.

“That clause 4 of the Bill be omitted.”

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhammadan Rural): Sir, I have already spoken on this motion, but in view of the turn the events have taken, I owe it to the House to state the position of my Honourable friend, Mr. Jinnah, and myself, as regards the agreement we have arrived at, on the remodelling of clause 4. I do not wish to go into the merits of the matter, that I shall discuss when the proper amendments are moved. But at this stage I wish to make it clear that it is in view of those modifications that we do not intend to press the motion for deletion of clause 4.

Mr. M. S. Aney (Berar: Non-Muhammadan): Of course the motion has been moved by an Honourable Member on the Congress Benches. But it is not for him to say whether he wants to press the motion for division or not. It will be for the House to decide whether it wants to press that motion for division or not.

Mr. Bhulabhai J. Desai: We cannot possibly support the motion for the reasons I have given. That is all I can say. I cannot prevent the House from dividing on the motion. But let the House be under no misapprehension that merely because at one stage we moved the motion, circumstances have not materially altered so as to entitle us to say that it will stand as modified.

Mr. M. S. Aney: On the statement of his attitude, he was all right. But so far as the question of pressing the motion to a division is concerned, it is for the House to say whether it wants to divide or not.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 4 of the Bill be omitted."

The Assembly divided.

AYES—10.

Abdur Rasheed Chaudhury, Maulvi.
Aney, Mr. M. S.
Bajoria, Babu Baijnath.
Datta, Mr. Akhil Chandra.
Jehangir, Sir Cowasji.

Lalchand Navalrai, Mr.
Laljee, Mr. Huseinbhai Abdullabhai.
Malaviya, Pandit Krishna Kant.
Parma Nand, Bhai.
Sant Singh, Sardar.

NOES—51.

Abdoola Haroon, Seth Haji Sir.
Abdul Ghani, Maulvi Muhammad.
Abdul Hamid, Khan Bahadur Sir.
Ahmad Nawaz Khan, Major Nawab Sir.
Ahmed, Mr. K.
Ayyar, Mr. N. M.
Bajpai, Sir Girja Shankar.
Bartley, Mr. J.
Bhutto, Mr. Nabi Baksh Illahi Baksh.
Chambers, Mr. S. P.
Chanda, Mr. A. K.
Dalal, Dr. R. D.
Dalpat Singh, Sardar Bahadur Captain.
DeSouza, Dr. F. X.
Essak Sait, Mr. H. A. Sathar H.
Fazli-Haq Piracha, Khan Bahadur Shaikh.
Ghiasuddin, Mr. M. M.
Ghulam Bhik Nairang, Syed.
Gorwala, Mr. A. D.
Grigg, The Honourable Sir James.
Hardman, Mr. J. S.
Ismail Khan, Haji Chaudhury Muhammad.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Jinnah, Mr. M. A.
Joshi, Mr. N. M.
Kushalpal Singh, Raja Bahadur.

Mackeown, Sir J. A.
Maxwell, The Honourable Mr. R. M.
Menon, Mr. P. A.
Menon, Mr. P. M.
Metcalf, Sir Aubrey.
Mukerji, Mr. Basanta Kumar.
Nauman, Mr. Muhammad.
Nur Muhammad, Khan Bahadur Shaikh.
Ogilvie, Mr. C. M. G.
Rahman, Lieut.-Col. M. A.
Row, Mr. K. Sanjiva.
Shahban, Mian Ghulam Kadir Muhammad.
Sheehy, Mr. J. F.
Sher Muhammad Khan, Captain Sardar Sir.
Sircar, The Honourable Sir Nripen-dra.
Sobha Singh, Sardar Bahadur Sardar.
Spence, Mr. G. H.
Stewart, The Honourable Sir Thomas.
Sukthankar, Mr. Y. N.
Sundaram, Mr. V. S.
Talukdar, Mr. J. N.
Umar Aly Shah, Mr.
Yamin, Khan, Sir Muhammad.
Zafrullah Khan, The Honourable Sir Muhammad.
Ziauddin Ahmad, Dr. Sir.

The motion was negatived.

Maulvi Abdur Rasheed Chandhury (Assam: Muhammadan): Sir, I move amendment No. 76*.

The Honourable Sir James Grigg (Finance Member): May I point out, Sir, that this requires the previous sanction of the Governor General, which has not been obtained.

Mr. President (The Honourable Sir Abdur Rahim): It extends the scope of taxation, and, therefore, the sanction of the Governor General is necessary.

Sir Oowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, this refers to 2B. I want to move No. 87, but it refers to something which is quite different. Mr. Aney's amendment on List No. 15 ought to come in first. I want to move amendment No. 87 after Mr. Aney has moved his amendment.

Mr. President (The Honourable Sir Abdur Rahim): The Chair won't say anything now, the Honourable Member will have to take his chance.

Sir Oowasji Jehangir: Then I will move, but I may point out to you, Sir, that the other amendments ought to come in first. If Mr. Aney moves his amendment first, then I will move mine.

Mr. President (The Honourable Sir Abdur Rahim): What the result of that amendment will be, the Chair cannot say.

Sir Oowasji Jehangir: If it is negatived, then mine comes in; if it is passed, then mine does not come in, and so I suggest that Mr. Aney should move his amendment first. . . .

Mr. M. S. Aney: Sir, I move. . . .

Mr. F. E. James (Madras: European): Sir, may I rise to a point of order? I understand that my friend is to move amendment No. 4 on Supplementary List No. 15, and notice was only given of this and all the other amendments on this list this morning, or in some cases late last night. In my own particular case. . . .

Mr. President (The Honourable Sir Abdur Rahim): This is not an amendment to any amendment of the Government. This is an amendment to the clause itself.

Mr. F. E. James: Exactly the same objection applies to that also.

Mr. President (The Honourable Sir Abdur Rahim): The notice was circulated yesterday, the Chair understands.

Mr. F. E. James: I got it only this morning. May I also point out, Sir, that there are a large number of amendments down on list No. 15? If they are going to be treated in the way that a great many amendments have been treated, namely, not moved, then there is no point in the objection, but if

*"That in clause 4 (a) of the Bill, in clause (b) of the proposed sub-section (1), for the words 'if such person is resident in British India' the words 'whether such person is resident or domiciled in British India or not' be substituted."

all these amendments are going to be moved,—and some of them refer to the amendments of Government,—then I suggest that the House ought to have longer time to consider them. I do not want unnecessarily to delay proceedings, but these amendments deal with vital clauses in the Bill, and if they are all going to be moved, then I suggest that the House ought to have longer time to consider them.

Mr. President (The Honourable Sir Abdur Rahim): It is impossible for the Chair to anticipate what amendments to the proposed amendments of the Government are going to be moved, but the particular amendment in the name of Mr. Aney was circulated yesterday, and the Honourable Member got it only this morning. . . .

The Honourable Sir James Grigg: May I explain, Sir, that this amendment is a flat negating of the accrual basis and a return to the remittance basis, and so, in this case, there can be no objection?

Mr. President (The Honourable Sir Abdur Rahim): So far as this amendment is concerned, the Chair does not know whether Mr. James presses his objection. Here it is the same question practically which was raised before.

Mr. F. E. James: I won't press my objection as long as I reserve to myself the right to raise the same objection on the amendment referring to the previous amendment.

Mr. President (The Honourable Sir Abdur Rahim): Yes.

Mr. M. S. Aney: Sir, I move:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed subsection (1), for the word 'or', occurring at the end, the following be substituted: 'and are brought into or received by him in British India during such year'."

Sir, this amendment raises a specific issue on which I, unfortunately, happen to differ not only from the Honourable the Finance Member but also from the Honourable the Leader of the Opposition. If the amendment is embodied in this clause, the clause will read thus:

"Subject to the provisions of this Act, the total income of any previous year of any person includes all income, profits and gains from whatever source derived which—if such person is resident in British India during such year, accrue or arise or are deemed to accrue or arise to him. . . . without British India during such year and are brought into or received by him into British India during such year."

It means that the income in foreign countries of a person who is not resident in British India cannot be included in the total income for the purpose of taxation unless that is brought into British India or received in British India. That is the point. Evidently it negatives the purpose with which this clause is incorporated here. The object of the Finance Member is to include in the total income all the income which accrues in foreign lands of the person concerned. I only want that portion of the income which is remitted into this country or brought or received here by him to be included for the purpose of taxation. Thus, the issue that is raised here is whether for the purpose of income-tax the income of a person carrying on business in foreign lands should be calculated on accrual basis or a remittance basis. That is the main issue that is raised by my amendment. It is unfortunate that I find myself almost single handed to carry on this fight for the remittance basis.

An Honourable Member: You have got your Party with you.

Mr. M. S. Aney: Yes, I speak for my Party and not as an individual here. I would not be moving this amendment if I had not my Party behind me. The situation was all of a sudden changed. When this clause was first moved, it was pretty clear that the whole House was against the accrual basis and it wanted to vote down clause 4. The speech which the Honourable the Leader of the Opposition made, as well as the speech of the Leader of the Muslim League Party, my friend, Mr. Jinnah, made it perfectly clear

(Mr. Jinnah rose to interrupt.)

I have not yet said what you said. If I mistake not, in the speeches which my friends, the Leader of the Opposition and Mr. Jinnah made, I find that the opposition was not merely to the principle of discrimination which finds place in certain provisos of this clause but also to the principle of the accrual basis itself.

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): No. That was what I wanted to say when I was bracketed with the Leader of the Opposition. I never expressed my opinions with regard to the principle of accrual basis. I merely said that I cannot support clause No. 4 in the form in which it stands in the Bill.

An Honourable Member: Very guarded expression.

Mr. M. S. Aney: I stand corrected. I myself stated: "If I mistake not". Mr. Jinnah is known for his guarded expression in this House and outside. My point is this—as a principle of taxation of foreign income, which of the two is more equitable? That is the point which I want the House to discuss and decide on merits. I take it, Sir, that the right of taxation which every Government possesses is not an unqualified right. It is not that Government may tax anything it likes or anybody it likes. The right arises out of certain obligations which the Government is expected to fulfil and, therefore, although it is a very wide right it has got to see whether in taxing any particular thing it really exceeds the ordinary expectations which are formed of Governments, in the matter of taxation, by the people at large. When the foreign income of our traders trading in foreign lands is being taxed, we have first to see how far this Government has been able to render any real assistance to those persons who have shown enterprising spirit and go out of the country and carry on trade. The history of our countrymen's conditions overseas is pretty well known to Members of this House and no section of the House has been more determined in its denunciation of the attitude of Government towards Indians abroad than my friends who sit behind my friend, the Leader of the Opposition, and, very rightly too. Their story is one of misery and invidious treatment at the hands of the Governments under whom they have got to live. All sorts of handicaps are created and they have mainly to rely on their own resources. Only once the condition of these traders deeply stirred the Government of India and that was in the time of Lord Hardinge who declared for a policy of retaliation on a certain occasion, when discriminatory treatment was meted out to Indians in South Africa. I do not mean to say that the Government of India have never shown any sympathy towards these men but somehow or other it is not in a position

to give adequate protection to them whenever they are in serious difficulties. I know my friend, Mr. Joshi, referred to the story of the little achievement in the case of the Muhammad Ali firm.

Mr. N. Joshi (Nominated Non-Official): I believe they got £200,000.

Mr. M. S. Aney: That is the only solitary instance in the history of so many years when a firm has been saved on account of the intervention of the Government of India. We have recently adopted the policy of appointing our trade agents and commissioners in foreign lands. My point is this, that these agents and commissioners will not be able to afford any material assistance to our countrymen when an adverse attitude is being taken up by the self-governing or other dominions in which they trade. We will have to rely mainly upon our own resources. We find that in other countries enormous efforts are being made to enable their countrymen to develop their foreign trade through their own nationals. It is, in my opinion, the duty of the Government to take every step they can and to afford every assistance they can to the nationals of India who have gone out and who, on their own initiative, started enterprises and are seeking to have a little footing there in the markets in different countries. As my Honourable friend, Mr. Husseinbhai Laljee, has rightly stated, the foreign trade of India is in an infantile condition and stands in need of protection. What do we get here? Instead of getting any assistance we find that a worse handicap is being created by imposing upon them a duty on the accrual basis. Apart from the other difficulties our legislation will give rise to, the mere fact that a heavy duty like that will be imposed upon them is itself, in my opinion, a handicap. Sir, they are doing their business over there not as a sort of monopoly, but they are carrying on their business in the teeth of keen competition from the people there. So, before any duty of that kind is sanctioned by this House, it is necessary for us as representatives of the people of India to inquire into the fact whether those traders who are carrying on a trade in such foreign countries and who will be affected by this measure are likely to be put to a disadvantage as compared with other traders with whom they have to compete in those various countries. I am sure, if a measure like that was brought forward in England, the Houses of Parliament would have demanded a searching inquiry to find out all the detailed facts in order to ascertain exactly the position of their merchants and traders in different countries and the comparative effect it would have produced upon them by the imposition of a heavy duty of that nature. A mere *ipse dixit* or a mere statement of assurance coming as it may from however high a personage would not suffice for anybody in considering whether it is not likely to create a greater mischief and difficulty. Even at present we do not know how many persons of this country are carrying on business and in how many countries. The matter has been discussed in the Select Committee but up to this time no facts have been placed before this House to enable it to know as to the number of persons likely to be affected by this measure and what is the relative position of those persons as compared with others with whom they have to compete in different countries, what advantages they have or what disadvantages and disabilities they are labouring under. So it is all being done solely for one purpose, *viz.*, what is the best way of making more money? I can understand the difficulties of the Government of India and their efforts to get more money from the people so as to bring their finances to a better condition. But in any proposals for taxation we must see whether it is likely to affect our trade adversely or not. If any tax that may yield us a larger

[Mr. M. S. Aney.]

amount for some time is going nevertheless to affect our foreign trade adversely and is going to hit our nationals very hard, I think it is adopting a short-sighted policy which will not be paying in the long run. On the other hand, I feel that no doubt there are certain improvements that have been made in the original proposals. I do not discuss those proposals now because I will have to speak something about them when they will be placed before the House for discussion, but one point I want to make out. There are countries where it is not possible, on account of the laws existing there, for our countrymen trading there to remit the money to this country, and they have got no facilities of any kind for double taxation relief or anything of that kind.

How is it possible for these people in those countries with whom the Government of India have not entered into any arrangement with regard to double taxation relief to compete with the rival traders? What would be their position? You will find that our traders will get a relief much less than what the foreign traders in respect of whom there is some kind of arrangement are likely to get. For example, I am sure that European traders in those countries, with whom England has got an arrangement with regard to double taxation relief, will get a half of their taxes remitted in both countries, while in our case, a half of the tax will be remitted here but as regards the country where he is to pay the tax he has to pay the whole tax. Ultimately, he will be put to a disadvantageous position. We ought, therefore, thoroughly to acquaint ourselves with all the facts before we can give our consent to a proposal of this kind, and we ought also to know how many difficulties a proposal of this kind is likely to create, what is the criterion for the income-tax officer to find out, what is the actual income which accrues to an Indian merchant in a foreign land? We have to rely on account books which will have to be sent for from those places or to adopt some arrangement which will prove very unsatisfactory and I fear that this will lead to a very wide latitude to the income-tax officer which will work prejudicially to the interests of those persons. The third thing which I object to is this. On account of this accrual basis it became necessary for the Honourable Member to make a distinction between a resident, a non-resident, an ordinary resident and an extraordinary resident in India. Nationals are being created with a view to upholding a system which is entirely novel to this country. There is an "ordinarily resident"—that is not very good English, that expression is used here, as we shall find when the amendments will be moved. Anyhow an ordinary resident and one who is not an ordinary resident of India are to be distinguished from a resident of India also: so we have got so many varieties of Indians residing in India.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): Like people in Berar.

Mr. M. S. Aney: I would like my Honourable friend to come and settle with me there.

Some new laws and new statutory provisions are embodied in this Bill. As I pointed out, there is already a partnership registration Act but that won't hold good or serve any purpose here. There must be a special registration for the purpose of income-tax legislation and a special nationalisation for the purpose of income-tax: so that is the situation to which we are reduced. The advantages which might have actuated my Honourable friend, the Leader of the Opposition and my Honourable friend, Mr. Jinnah,

to countenance these proposals with a good deal of favour are such as may not to my mind bring in what they anticipate they are likely to get out of it. I am sure, in the country where tax-dodging has reached the dignity of science as my Honourable friend, Mr. Vencatachelum Chetty, said the other day, some method will be found to get round all the ingenious devices devised in this Bill in order to avoid taxation under this Act. New small companies may take the place of old big companies. Therefore, there is no doubt at all that our business men in foreign countries will be taxed. But these provisions may not enable us to have an access to the income which these foreign companies are making and their total income in the world may go practically untaxed. These are the very serious difficulties which we have to contend with. It is probably the lure of getting in some more money from this source, which the Government is reluctant to contribute, that has impelled some of our friends to give their consent to what is, undoubtedly, going to be an evil to our own countrymen who are trading abroad. The other gain is likely to prove problematic and, therefore, here we are chasing after some phantom and running into a pitfall where we are likely to stumble and fall. That is the difficulty which I see in this amendment. I, therefore, feel that if my amendment is accepted, the basis of taxation of foreign income of our nationals trading outside the country will be reduced to the remittance basis. It is being worked like that for so many years.

One more difficulty which this clause has got is this. The agricultural income of our nationals outside this country which was, hitherto, naturally untaxed is now being taxed. That is a matter of accident on account of the new Government of India Act being passed. For example the agricultural income of many Indians who are living in Burma was till the separation exempt from income-tax. Now, Burma has become a separate country and we want to tax the agricultural income of an Indian there on the accrual basis. My friends maintain that it is a matter of calamity, no doubt, but it is a calamity which they share along with many other persons. I am quite sure if a new Act is passed by the Parliament giving us some powers, they will see that in the exercise of those powers we shall do nothing to affect the vested interests of their countrymen which have already been created. We thought that it was better for us not to have anything to do with the Round Table Conference and with the negotiations that were going on. The interests of Indians in Burma was a matter which it was necessary for us to consider before giving our consent to the separation of Burma. But those of us who represented us there did not care for them. Now, here we are making a law to create this difficulty in their case. No period is mentioned to adjust their relations with them and the whole agricultural income will be included in the total income. I find, therefore, that purely with a desire to make more money we are ignoring all considerations of equity and justice.

Mr. M. A. Jinnah: I think a reference is made to those who were in the Round Table Conference and that they consented to the separation of Burma. It is not quite accurate. The position taken up by some of us—and I speak for myself particularly—was this that the question of the separation of Burma must be determined by the wishes of the people of Burma and if they wanted to separate, we would not be justified in opposing it. In that we consented.

Mr. M. S. Aney: To that extent my statement is inaccurate. But the point is this that we did not oppose the separation of Burma. Those of us who were in a position to oppose did not oppose.

* **Sir Gowasji Jehangir:** I think the Honourable Member is not quite correct. It was opposed but we could not persist in our opposition.

Mr. M. S. Aney: Any observation that I have made on this point which is likely to affect the members of the Round Table Conference, I withdraw. My remark was not intended to be a reflection on them at all. My main point is this that when a question of that magnitude was being considered, the interests of our nationals who were to be handed over to the charge of another country ought to have been protected and some due provisions should have been made in the arrangement of the separation and also in the Government of India Act. No such thing was done. Now, what we find is this. Government is taking advantage of that position and want to make more money and we, the representatives of the people, for the sake of satisfying our tentative needs of money here and there—either in the Centre or in the Provinces—, are also prepared to ignore all those considerations. I consider this as inequitable. Therefore, considerations of equity and practical difficulties that will arise in the realisation of this amount on the accrual basis are matters which this House should take seriously into consideration before giving its consent to the principle embodied in clause 4. I, personally think, that the Government of India may be able to get more money if they allow our foreign trade to develop, but they should not take any step which is likely to stifle the development of the foreign trade. It is something like killing the goose that lays the golden egg. If you help the Indians to develop their foreign trade, naturally there will be larger amounts of remittances to this country from those who have left their motherland. That is the proper way and therefore everything that they could do to develop that trade is the only method to make more money out of that business. But they want to rid themselves of all responsibility in the matter of rendering any help to our nationals who are in foreign lands and want to take advantage of the position as it exists to make as much as they can. I think this is an inequitable way of dealing with our people and making money. I, therefore, submit that the amendment which stands in my name be approved by the House and passed.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed subsection (1), for the word 'or', occurring at the end, the following be substituted:

'and are brought into or received by him in British India during such year'."

The Honourable Sir James Grigg: Sir, I hope the Honourable Member and the House will not think it discourteous of me if I refrain from answering his allocation at any great length. Just as he has entirely failed to convince me, I have no hope of ever being able to change his views in the matter. Therefore, as I am going to fail, I might as well fail in a few minutes.

Mr. M. S. Aney: The sooner the better.

The Honourable Sir James Grigg: I am glad of that.

I do not gather that the Honourable Member raised any arguments of principle against the accrual basis. He produced a particular number of cases of hardship, a certain number of cases, as he thought of discrimination between one interest and another. In so far as the two latter categories are concerned, the cases of hardship and the cases of discrimination, I think

they have all been to the most practicable extent removed by the amendments which have been put on the Order Paper and, therefore, Sir, as I myself have been unable to discover in the Honourable Member's speech any arguments of principle against the accrual basis and as we have, as I say, removed both discrimination and hardship, I did hope, I am bound to say, that he would have repented, but he has not repented and I have nothing more to say except that Government must oppose his amendment.

Mr. Husenbhai Abdullabhai Laljee (Bombay Central Division: Muhammadan Rural): Sir, I rise to support the amendment moved by my Honourable friend, the Leader of the Congress Nationalist Party.

Sir, it is always important to find out the estimates and the basis of income and to find out the facts before we try to tax people. I ask, in all earnestness, the Honourable the Finance Member to tell us how many Indians are trading outside India for business purposes? Being one among such traders, I have made enquiries and I have not been able to get accurate figures about the number of merchants that are trading outside India and, I am sure, that our Government also are not able to find out the number of merchants that are trading outside India. Therefore, in the very first instance, if I am correct here, we are asked to tax a class of persons the number of whom we do not know. If we do not know how many merchants are trading outside India, that in the first instance shows the carelessness on the part of the Government and it proves to the hilt as to what great care the Government are taking in Indians trading abroad. If I may say so, we do not know anything about our own children, and where they are. The other day I protested against the insinuation that was made that in our own country we do not know our children. I said it may be a fact so far as outsiders are concerned, but with regard to our business people, I am ashamed to say, I have to agree that we do not know where our children are. It is all very well for my Honourable friends, on the Opposition Benches, to consider lightly this question. But those who have been outside India and who are their own countrymen do feel that there is nobody in India who knows anything about them or who care about their welfare. Yet we are asked to tax them. What is the protection that has been given to them when we do not know their existence.

The Honourable Sir James Grigg: I have to interrupt the Honourable Member by pointing out that a man is not taxed at all unless he is a resident in India.

Mr. Husenbhai Abdullabhai Laljee: Up to now, the Honourable the Finance Member has not got any far less correct figures. I challenge him to contradict my statement. Does he know the number of Indian people trading in East Africa, or even the number of people trading in Aden which, until recently, was a portion of India. Not even knowing the number of persons trading or their volume of business, he wants to tax them. This is the way by which we are going to tax the people. This is the care we are taking, this is the estimate and data and the basis on which we are asked to go on taxing in the hope of getting something about which we do not know. Some people have said that we have got our Trade Commissioners. But may I ask whether anywhere we have got Indian Consuls? We have certainly got British Consuls. But we have been invariably told—let the House mark this—that outside India the

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British Consul is to be satisfied that we will be loyal to the British Government and that means to the British Government at Home in England. We have not got a representative of our own to represent our case. It is a pity that the Government propose to tax a class of persons for whom no protection whatsoever is offered by this Government. If at all any one is entitled to ask a share of profits from the income earned by Indians abroad, it is the British treasury which at times supplied the services of British Consuls for some little protection, not our Trade Commissioners, one or two of them, who have no right whatsoever to deal in politics except to write to our Government of India. Even our Agent in South Africa has got no right whatsoever except to write to the Government of India. What is the position of the Government of India? It has no right over foreign affairs except to write and appeal to the British Foreign office. Who can claim, therefore, if at all, as a right to levy income-tax, except the British Treasury? It is not the Indian exchequer which can claim any income-tax from Indians trading abroad. In all fairness, the Government of India are not entitled to any share of the profits in trade outside India. Look at the other side of the picture. Without knowing even the number, without knowing the quantum of business, without giving any protection, and without doing anything, the Government of India are prepared to tax our people abroad. Taking the instance of East Africa, may I ask my Honourable friends on the Treasury Benches whether there is any income-tax in East Africa? No, none at all. There has been often a deficit budget in East Africa and efforts were recently made to impose an income-tax, but the Government of Great Britain said, 'no, it has not yet been colonised sufficiently, our traders have not been so well established and stable there so as to justify us to make them pay income-tax'. Thus they did not impose any income-tax. This is the condition that prevails with regard to businessmen in East Africa, in Nairobi, in Uganda and in other places: there is no income-tax there.

The Honourable Sir James Grigg: You have one in Kenya.

Mr. Husenbhai Abdullabhai Laljee: The Honourable Member does not know. Compare this with the treatment that the Government of India is meting out to Indians trading abroad. They have been there for nearly 50 to 70 years working hard and trying removing all obstacles without any help. Of course, they are now doomed because to make room for the german Jews who are being persecuted in Europe. With all this upto now they have not got to pay any income-tax and as for British businessmen there they will not be liable to any income-tax unless and until the British Government is satisfied that their trade there has reached such a stage as could safely bear the imposition of an income-tax.

Mr. N. M. Joshi: You are exploiting the natives there.

Mr. Husenbhai Abdullabhai Laljee: Let the Honourable Member read 1 P.M. the Speeches and follow Mr. Gokhale whose disciple he claims to be. What has been the condition of Indians and of the colonials and the policy of the British Government and what is the present policy of the Government of India. I should like Mr. Joshi and others to consider and let my friend, Mr. Joshi, then refer to all sorts of things. Let him study fully the conditions of Indians abroad. If he is a real follower

of Mr. Gokhale I feel he must feel for the miserable condition of Indians outside, and must feel sorry for what he has said or is being said without ascertaining true facts and without any care. I fail to see how, under these circumstances, it is at all fair, leaving aside for the moment the question of treatment of Indians abroad, to pass this Bill and impose a tax for whatever object it may be without knowing what revenue we are going to derive. Nobody knows it and yet how are we going to impose the tax and make this accrual basis? What do we expect? In one case which we all now know it was estimated at 80 lakhs and we got only 2½ lakhs. I do not know how much has been estimated here and on what basis. Only they want to tap all the sources now or soon hereafter without caring whatever about consequences and result. Are we going to be a party to it? Has there ever been a case where taxation has been imposed without knowing in the first instance anything about what income is likely to be derived and what is the data or basis for it? Let my people know what we will get into the country. The other day I asked a question here and my Honourable friend, Sir Girja Shankar Bajpai, told us that he could not find out the condition of Indians overseas in foreign countries and added the time and labour would not be commensurate with the results. That is to say, Government do not think of any good to find out the condition of Indians in foreign countries. Can they then come forward under the circumstances and say that they have any data or basis? And my people here also unfortunately want to tax them without any data or basis. So, Sir, before our friends agree to it let us have some idea as to the number of Indians in different places, their quantum of business, their income and what is expected of them. Let us also know from Government, if they choose to tell us, how many British colonies are there where there is no income-tax and why and how long the British traders have been there. Let these facts be given so that my people may see whether there is any justification for this tax. With regard to Indians trading abroad there is no protection as far as our overseas trade goes. Even in our own country, I ask, have we any bank or any one to give export facility for less export credit? Nobody is out here to help in the least a trader to do foreign business. In fact there is no financial help, no credits, no shipping companies, no subsidies or anything. It is a well-known fact that in most countries goods that are sold for Rs. 10 in the country itself are sold at Rs. 8 for export purposes. That is done to get from the export everything possible, that is to say, they consider that thirty per cent. is at least the labour charges which must be got under any circumstances, as otherwise more unemployment, doles, old age pension and other things must be provided by the State. Look at the state of things here. Famine stricken people who cannot get enough food to eat, most of the people dying at the age of 55 or 60, and we are asked to go out to tax the people who bring some little money without help from outside. This is the true comparative position. In fact, as I have pointed out they charge more to their own people for their own goods and supply the goods at a cheaper rate outside to get money from outside, let alone force and influence. That is what Government should do before they try to tax sources and specially when they have done nothing. What is now going to be the condition of agriculture? My Honourable friend, the Commerce Member, has to come forward and say that a tax has to be put on wheat coming into this country. How does it come? How is it sold cheaper even after paying freight when we are growing wheat in this country? The very fact that . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is straying very far from the subject under discussion.

Mr. Husenbhai Abdullabhai Laljee: The point is that whenever you want to put a tax you have got to do something to justify it. And I also want to make a comparison between conditions outside and in my country. At the same time

Mr. President (The Honourable Sir Abdur Rahim): That matter has been fully discussed.

Mr. Husenbhai Abdullabhai Laljee: The only thing, Sir, that I wish to say now is that before we become parties to taxing our people abroad we must find out their condition and what we are going to get and at what cost we are going to get that, and whether that paltry sum is going to help the agriculturist and trade and the provinces in whose name it is being levied. If all the facts are placed before the Provincial Governments and they realise that agricultural interests are being sacrificed in order to get a few lakhs of rupees, I am sure they will never be a party to it. For these reasons, Sir, I support the amendment moved by my Honourable friend, Mr. Aney.

Maulvi Abdur Rasheed Chaudhury: Sir, I rise to give my ungrudging support to this amendment. The Honourable the Finance Member has been telling us that the object of his Bill is to rope in tax-dodgers and give relief to the poor taxpayers at the expense of the rich. But when we come to clause 4 and examine it closely we find the real purpose of the Bill. All tall talk about tax-dodgers and relief to the poor seems to be futile; the Honourable the Finance Member only wants money and he expects to get 60 lakhs of rupees from clause 4 alone. That is to say, he wants to squeeze out more money from the Indian taxpayers although he knows that India is paying as high income-tax as other people are doing. At the preliminary stage of the Bill the Finance Member put the House into confusion by talking national income of the country and the income-tax paid for comparison. He knew full well that India is a poor country and that the proportion of national wealth and income-tax paid would appear low. If national revenue was taken into consideration it could be easily shown that India does not pay less income-tax as compared with Britain. But if it is considered a bit, it can be shown that national income is a fictitious figure and cannot be taken for comparison. If he had taken the actual revenue and the proportion of income-tax paid, it can be easily shown that the idea that India pays less income-tax is much exaggerated. I want the indulgence of the House to show how the total revenue compares with income-tax so that this may be compared with that of Britain. Once I show that India pays as much income-tax or nearly as much as Britishers are paying, I would be able to prove it to the House that there is no justification for squeezing out more money from us. I will take up only a short time of the House by giving the figures in order to explain my point.

From the report of the Inland Revenue Commissioner for 1935-36 we find that the gross revenue of Britain in that year was £8,372 millions and the actual revenue was £2,709 millions. The amount of income-tax paid was £229 millions, the percentage of the income-tax to the total actual revenue being 8.5 per cent. Now, let us see what we pay here.

From the Report of the Central Board of Revenue for 1936-37, the gross income is 189 crores: deduction eleven crores for collection charges and the net actual income is 178 crores. The income-tax received was 13 crores or 7·4 per cent. of the actual revenue. I ask the House to consider this proportion in order to understand whether India has got any more capacity to pay. It is argued that this Bill is based on the principle of British income-tax

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must bear in mind that this has been discussed in the general discussion on the Bill by everybody and again on the motion for the deletion of clause 4. He cannot go on repeating the same thing.

Maulvi Abdur Rasheed Chaudhuri: I have shown that we here pay as much in income-tax as the people in Britain pay. If the deduction allowances and all that are taken into consideration then Indian proportion will be higher than the British proportion. If this point is borne in mind then we find that there is no justification for squeezing out more money from us as income-tax

Mr. President (The Honourable Sir Abdur Rahim): Will the Honourable Member finish now or after lunch?

Maulvi Abdur Rasheed Chaudhuri: I have not spoken half of what I have to say. I will take some time more.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Maulvi Abdur Rasheed Chaudhuri: Sir, I have shown that we, in this country, do not pay less income-tax. All the Chambers of Commerce have agreed that taxation is high in India, and they have all advised, including the Bengal Chamber of Commerce, that the substitution of Slab system for the Step system should not be made the ground for squeezing out more money from India, but, Sir, the Honourable the Finance Member would not listen to anybody. He, in his autocratic way, wants to squeeze out as much money as he can, and in his greed for more money, he has proposed to tax foreign incomes on an accrual basis. I submit there is no precedent for it. It has been conclusively proved that Britain charges foreign income on remittance basis: In their own country they do not tax foreign incomes on accrual basis, and so what is the justification to tax India's foreign incomes on accrual basis? My Honourable friend, Mr. Chambers, in his speech tried to show that in their country they make several divisions of foreign income. He took up class D and O, that is, the classes which relate to business which is controlled from Britain and also business which is not controlled from Britain, and, so far as I could understand the position, they tax foreign income on a remittance basis, and not on an accrual basis. So, Sir, he could not quote precedent of his country to tax us here on an

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accrual basis. I do not know if there is any such precedent anywhere else in the world except perhaps in a corner of Australia as pointed out by my friend, Dr. Banerjee.

Then, Sir, let us see what justification he has found out for taxing foreign incomes on an accrual basis. The Government of India do not encourage foreign trade; they don't care to inquire what happens to our traders in foreign countries: they don't even sympathise with our traders who are doing business abroad, but now the Government of India want funds, and so they want to squeeze out money which is earned by our people by trading abroad. Sir, I sympathise with the Honourable the Finance Member in his difficulties for want of funds, but I also sympathise with my countrymen because they have no money to pay these heavy taxes. The Government of India have never encouraged trading by Indians either in this country or in foreign countries. Their policy is, as I have shown in my preliminary observations, to administer this country not for the purpose of production and accumulation of wealth. Their policy is responsible for the present shortage of funds. If they had been inspired by a broad policy, they would not have felt the difficulty of funds now. Now, Sir, the Government of this country not only do not encourage foreign trading so far as Indians are concerned, but they throw cold water and occasionally they do a great disservice to the traders of this country who have settled abroad. Sir, the other day Burma riots took place, and the incidents connected with these riots are still green in our memory. A number of our people are trading there. For no fault of theirs, the Burmese *Phoongis* fell on our people and killed them like cats and dogs, and, I believe, over 500 people have been killed in Burma ruthlessly. Now, what has our Government done for the redress of the families who have lost their bread earners or earning members? If such a thing had happened in any European country, probably in place of 500 people who have been murdered, five millions would have been killed by this time by way of retaliation, or probably there would have been a war, but our Government have taken no action whatever although several hundred Indians have been killed in the streets of Rangoon, Mandalay and other places in Burma. Now, Sir, when you don't encourage our trade abroad, when you don't sympathise with our trading abroad, what justification have our Government to squeeze out more money from the little money that our enterprising business people make by going abroad? How can the Government expect to get a share of their money when they do not in any way interest themselves in their welfare? Therefore, on this ground also there is no justification for the Government to tax our foreign income on an accrual basis.

Now, Sir, what is all this money wanted for? The Honourable the Finance Member said that it is wanted to assist the Provinces. In his entire regime of the last five years, only last year he gave some two crores of rupees, by way of relief, to the Provinces. Probably it was intended to satisfy this House and to show that he is sincere and that out of the money he will receive by way of income-tax by this amending Bill, he will help the Provinces. But, Sir, in the same speech, he also said that for the next three years the Provinces will get a substantial portion, but after that, for the first five years the Provinces will get 70 lakhs and the next five years 50 lakhs. Now, how much does my Honourable friend expect to get by this amending Bill? According to his own calculation, it will bring in about 1½ to two crores of rupees. Where will all that money go to? Certainly it will not go to the Provinces to carry on the beneficent activities on which they

are now engaged, but it will go to mechanise a few more units of the army, it will go to bring out a few more experts from his country, and all this will ultimately add to the burden of this country. In my preliminary speech, Sir, I showed by adducing facts and figures that this country has got a drain, according to some account, of about 165 crores a year, and according to another account, it is some 220 crores a year, that is to say, they are taking out of this country, according to one account, 165 crores, and according to another account 220 crores a year. . . .

The Honourable Sir James Grigg: Who is taking away?

Maulvi Abdur Rasheed Chaudhury: You.

The Honourable Sir James Grigg: 220 crores a year?

Maulvi Abdur Rasheed Chaudhury: Yes.

The Honourable Sir James Grigg: Your figures are wrong. They are seven times too much.

Maulvi Abdur Rasheed Chaudhury: No, I speak on authority. This has been going on for more than a 100 years, and you can understand what a huge sum of money they have taken out of this country and how they have made us poor and made themselves rich at our expense. My point is we have got a heavy drain from this country and the main politics of India is to stop this drain. I do not care whether the Congress administers this country or the Muslim League. All I want is that this drain should be stopped. By coming to an agreement on this point with the Finance Member, we are creating new drains. Over and above what they take, we now give them more. I do not want to give a pie more to this irresponsible government. All the well-wishers of the country and their representatives in this House should unite and not give a pie more to this executive. I appeal to Muslims, non-Muslims and every one else to unite and see that there is no more drain in the resources of this country. So far as we Muslims are concerned, we have got a particular grievance. With this money our brethren are being bombed in the Frontier, and with this money Palestine has been reduced to what it is now. Ever since the Muslim League was formed in this country, its policy was a subservient policy to the British Government.

Syed Ghulam Bhik Nairang (East Punjab: Muhammadan): I resent this remark.

Maulvi Abdur Rasheed Chaudhury: There are eight crores of Muslims in this country who owe allegiance to the Muslim League, and if the League would have changed its policy and formulated a Muslim-like bold programme by which for every Muslim killed they would have taken the lives of ten Britishers, there would not have been any more trouble in the Frontier and John Bull, being hard hit, would have quitted India's frontier and

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Palestine long ago. I want to make it clear that the tax paid by Indians is as high as that paid in Britain. I have made it clear that the Government of India do not encourage foreign enterprise and, therefore, there is no justification for taxing their income abroad. I have shown that there is already a huge drain and no more money should be added to this drain to impoverish this country any more. On these grounds, I appeal to the House to support this amendment and defeat the Government on this issue.

Mr. Bhulabhai J. Desai: Sir, I get up to explain the position which I commend to this House which, after a great deal of anxious care, is now represented by the agreement which is embodied in the amendments about to be moved. I have no desire to speak on each of these amendments yet. But I owe it to my Honourable friend, Mr. Aney, and his colleagues, who take a different view, to place before them and also, out of deference to my friend, Mr. Abdur Rasheed Chaudhury, and to the many millions whose representatives he would find in a very large proportion here, our position. We have not done this out of light heartedness or at all events not out of folly. I do not pretend that, standing in the position of the Finance Minister, I would have done what I have accepted as an agreement. That I frankly confess. But in human life recognition of one's own political and other positions becomes a factor of prudence, and not all the time of valour. It is only for these reasons that I beg the forbearance of the House to explain fully after what plus and minus I have, after full deliberation, agreed to the course in which my Honourable friend, Mr. Jinnah, in his own independent judgment, also concurred. There was some misapprehension in the mind of Mr. Aney when he distinguished between the position of my friend, Mr. Jinnah, who was quick to contradict him and mine in the speeches that at all events I made during the course of the debate when the motion for consideration was made, and I make no apology for reading out to him three or four sentences which will clearly show that at that stage my mind was perfectly open on the question whether or not the accrual basis was right or wrong. I wish also to point out that it is no question of ethics at all. The words equitable and other words which are used have undoubtedly a certain amount of bearing, I do not deny, in the sense of justice between citizen and citizen, but whether you would tax a resident in India, after a certain period of time having business here and business abroad on the income abroad, is not a matter that lies in the realm of ethics. I submit to the House humbly that it is entirely a matter of fiscal policy for the time being. You have to look at it from the requirements of the State for the time being, not forgetting that it is in the hands of those whom I am unable to control adequately or perhaps at all and at the same time the incidence of taxation both on the citizen residing at home and doing business abroad. It is these considerations which I want to weigh before we come to a hasty judgment on a question of this kind. I have myself given anxious consideration to the question of the disabilities of Indians abroad. My friend referred to those who are sitting behind me. I wish he had added that I was of those who were even more conscious than those who sit behind me.

Mr. M. S. Aney: I never wanted to exclude the Honourable the Leader of the Opposition, but he is, of course, included.

Mr. Bhulabhai J. Desai: The first matter to which I wish to call his attention is this—and I am reading from a printed speech:

"Clause 4 of the Bill is one on which there is bound to be a considerable amount of controversy. But for the moment, it is my desire only to point out the alternative grounds"—and mark the words—"for either of opposition or modification of that clause which might possibly command themselves to the House and in order that our friends here may be ultimately able to come to a decision."

At that moment I had no prophetic vision of the manner and the circumstances attending the offer made by my Honourable friend dramatically in this House, and yet I did some how anticipate a position in which it was not unlikely that a modification of that clause was still within my contemplation at the time. It is only for that reason that I took the trouble of reading the speech to the House that at no stage would I be quoted against myself on this question of sheer, stern, uncompromising opposition. I will read to my Honourable friend another passage:

"It is a question for consideration whether it is a distinction which is justifiable on any principle, namely, the taxation of foreign income as between a domiciled resident and a non-domiciled resident."

If further quotations were required, I can only ask my Honourable friends to look into again to see that at no stage during the course of that debate did I ever say or intend to say or could ever have conveyed to the House that I was not prepared for a modification of that clause. I frankly confess that at that moment I saw nothing to encourage me in that belief. That is a fact. Coming, therefore, to the point in issue now—and inasmuch as the matter is not one of ethics, so far as I am concerned—the rights and wrongs, as I said, must entirely depend on weighing the pros and cons and the losses. There is one other matter which would make the position still more clear, that in the taxation of foreign income, would be included, broadly speaking, two classes of income,—one from trade, and the other from investments. It is a distinction which it is important to remember, because most of my friends who made speeches entirely disregarded and lost sight of that large item of source of foreign income. And I may also remind the House that from all quarters including the Indian Merchants' Chamber, if my memory does not serve me wrongly—I was informed from time to time that if income on foreign investments were taxed, it would be a perfectly proper measure in the interest of the country at large, and the ground on which they pressed it upon me was that this would prevent what they called the flight of capital outside the country. I referred to that also in the speech on this debate to which I call respectful attention, so that, I think, for an infinite variety of reasons, sometimes people come to the same conclusion—and people who are not common friends easily combine as merely common opponents. That is not the way in which to judge matters of this kind. I would like this matter to be regarded in the manner in which at all events it appeals to me and the way in which I have attempted to discharge the responsibility that was laid upon me. I had less difficulty in so far as the income on foreign investments was concerned in coming to a conclusion at all, for, so far as that was concerned, I thought it was desirable and I think everyone of our friends will agree that it would be better to induce our capitalists to invest their capital here rather than outside. It is a point which has been pressed upon us, times without number, that this country is going to require more and more capital for its growth, and unless we are allowing others to have a further inroad upon us, at all events initially, every rupee of investment

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ought to find investment in this country. Large sums of money have been invested by different bodies even in what you may call Indian sterling loans and otherwise and many other securities that I know of. It is quite unnecessary to tell my Honourable friends that: I was not so ignorant, as they imagined, of the manner in which this country's wealth is invested abroad. I do not pretend that I have got the actual figures in so many lakhs actually to the last four or five lakhs, but I am fully conscious of the fact that as far as that part of the capital is concerned, inasmuch as their income is based upon this country, it would not be such a great hardship as might be imagined.

Coming next to the other branch of what is called trade, there again you must divide trade into two parts, and I will lay before you at all events what consideration weighed with me, because I wish to be judged, not merely by this House on the merits, but by those who appeal outside to the country at large that we have not done the right thing. Trade may be divided into two parts,—what you may call the ordinary shop-keeper, the small pedlar, and the large classes of persons who have emigrated from different parts of India and parts also from my part of the country. There are many small tradesmen from many parts of Guzerat spread over as far as Java at one end, and as far as South Africa at the other end, and I am not unmindful of the fact that they have by their grit and enterprise done themselves better than they would have done in their own land, poverty-stricken as it largely is, and I would presently point out, during the course of the debate, that that is the man whom we have never forgotten.

Then, comes the very large business man. As to him, I wish also to point out as to what extent the protection that is needed he has got. Then, again, I was told—for instance one of the points which were made by my Honourable friend, Mr. Aney, related to the point whether included in the foreign income was included the income from agricultural land in Burma. I know it was an astute point to make. I do not for a moment deny it, but I wish to read to him a passage which also finds a place in the speech I quoted from:

"It is a point on which opinions may easily differ but it is a point which I must leave at this stage because land, which is an ancient possession in India, may easily stand on a different footing from land acquired merely as a part of money-lending business."

It is a distinction which I hope will be remembered while weighing the pros and cons of a burden which, as part of a bargain, as a whole, we might have been obliged to impose and which we might otherwise have intended to relieve. I only make these statements as a preliminary part of an argument in order that there may be no room for mistake that, first and foremost, every consideration and attention has been paid to the different classes of interests which legitimately are entitled to fight for their own individual exemption. Of course, the House cannot expect listening to every case that is presented and every concern that wants to protect itself, to protect every concern in the manner in which each interest desires to escape its burdens. That is impossible at the hands of any person whose interest and whose duty it is to regard this matter from the point of view of the country as a whole. It is, Sir, in this way that I ask the House to regard the agreement or the compromise that we have arrived at. In so far as the elements of that compromise are concerned, and in so far as I am able to understand it, and I can only speak for myself and for those

whom I have been able to persuade, the first principle to which I objected as a matter of principle, as I read from that speech, was the distinction between the domiciled and non-domiciled, and because a large number of Europeans remain in this country, the strongest illustration of which was Sir Alexander Andrews, who spent 40 years in this country, and yet the House of Lords held that he was not domiciled in India. So, they come here and live in this country all their lives and make their fortunes and then retire having or owning no obligation to the country in which they practically lived the best part of their lives and where they made the best part of their fortunes. It is that kind of distinction which we believed was, at all events, the legal consequence, if not the intention of the distinction between domicile and non-domicile. That distinction we wanted to abolish and, so far as I am able to understand, that distinction is, in fact abolished.

I may tell my Honourable friend, Mr. Aney, that though he may or may not be aware, and I believe he said it more as a joke than as a serious argument, that you cannot distinguish between a resident and an ordinarily resident person, it is not a mere compromise of art. Those are not words which in themselves are merely intelligible. That is to say, one may say: What is the difference between a resident and an ordinary resident? I can tell him that it is possible to have two classes of people, and I shall presently come to the distinction as made in the amendments to which we have agreed, what you may call a casual resident and an ordinary resident. My Honourable friend is aware that in many Statutes, including the Civil Procedure Code, you will find the expression "who ordinarily resides", so that my friend cannot be so ignorant as to ask the House to believe, "Oh, these are some new-fangled things and some ideas which are naturally unknown to law, to jurisprudence and to commonsense". I am quite certain that he knows that you may distinguish for a particular purpose between the man who may be deemed to be an ordinary resident, that is, who has lived so long and with such continuity that he must be treated as an ordinary resident and the man who has lived so little and with such discontinuity that he may be called a resident but not an ordinary resident. Now, that is the distinction which lies behind the amendments which are going to be moved. Having said this, at all events, from the point of view as it appealed to us, I have got rid of the distinction

Mr. M. S. Aney: What do you mean by an ordinary resident?

Mr. Bhulabhai J. Desai: The man who ordinarily resides in the country and who carries on business here. All I say is this that what we wanted was that those who reside here, without technically changing their domicile long enough and with sufficient continuity, ought not to get away with a plea that nonetheless their domicile is some part of England. That is the real point at issue. In other words, if you must coin phraseology for the purpose of conveying ideas, I think it is a compliment to originality rather than a matter of criticism. If we once got an idea that we want to tax one class of people and not the other class who are not sufficiently continuous here and who are not sufficiently long resident here and on whom it would be a hardship to tax, then my Honourable friend will acknowledge that even if I was obliged to borrow from anywhere, even from the other end of the world, a phraseology, I would do so. But less than that, it is

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now common in most of the countries where you begin by defining the terms after getting definite ideas as to what you intend to convey by them for that particular act, so that I am not really very much embarrassed by the fact that the English is good or bad or my English is good or bad, or that there are new inventions. All I want to convey is that these two words "resident" and "ordinarily resident" are merely technical expressions by means of which you intend to represent all the qualifications of one as distinguished from the other. That is the only purpose of it. But it serves one important purpose from the point of view of the objective which I had, namely, it gets rid of the issue of domicile of origin, as the constitutional law would have it. The domicile of origin is England at his birth although he may remain here for 50 years. He is still able to say, during the interval and even after his death, that his domicile still remains England. That was the main purpose that I had in view.

There was another purpose which is also achieved by another amendment which is going to be moved. A company, which is registered in England, might ordinarily be regarded as resident in the United Kingdom, and we were up against a problem there. That problem was attempted to be met by saying that irrespective of the place where it is registered and irrespective of the place from where it is controlled—for my Honourable friend, Mr. Aney, is familiar with a large number of decisions which were given in British and even in Indian Courts, immediately after the War and during the War, on the nationality of numerous corporations which were either operating in England and France on the one hand, and Germany and other places on the other. In all these cases, questions have arisen as to whether the place of registration should be taken or the central control should be taken, and so on. Ultimately, we began to realise that some method must be found in order to be able to attract, for the purpose of taxation within the scope of the Act, such companies which technically, that is, in a legal sense, might be resident, that is, might be registered, but whose central control is in the United Kingdom, but the bulk of whose business—and in this case 51 per cent of their profits of the year—is here. After all, you can only draw a line somewhere and we had to draw a line, and the line that we have drawn is that any company, whatever its place of registration, whatever its place of central control, whose world profits in the proportion of 51 per cent in any year are made in this country, will come within the scope of the Act and will have to pay the tax accordingly. Therefore, shortly stated, what we attempted to do was this, without attempting to be technical: Firstly, that we should abolish all distinction between domicile and non-domicile and, thereby, everybody, who made his fortune here in a substantial sense and remained here and continued to do so, should be protected. That applies to individuals. As regards the companies, as I have already stated, we judged that not so much by central control or even by its place of registration, as by the fact that the bulk of its fortune was being made from year to year here. I think my Honourable friends would concede that, in getting rid of one distinction and in bringing within the scope of this Act all companies in the way in which amendments show, I cannot pretend that it was only I who was able to do it, but that I had the advantage of my Honourable friend, Mr. Jinnah, who is, I quite agree, a little more experienced and a little more astute in these matters than I am. It is no empty compliment. He was a great strength. One would be

able to judge of the bargain that he is making, not by oneself, but always with reference to a friend who looks at this issue from the same point of view, from the broad national point of view. We thought that we were making a bargain which was worth making.

Then, I must come to the other part. Of course, if you merely accumulate grievances as a matter of language, then it is difficult to meet them. In some cases, it is not language when it corresponds with facts. I do not dispute for a moment that we have such disabilities of the immigrant Indians in other countries that this Government ought to be ashamed of itself. I do not withdraw a single word of that. But that is a different proposition to the question which we are considering now.

I now come back to business or trade whichever you may call it and the two parts of it. When you come to the small trader, as I call him, the amendments will clearly show that any trader, who is not ordinarily resident at all, does not come within the scope of the Act at all. That is, the man who has left India and who is away in, say, Africa all the time and who has been many years away, who has not even perhaps a dwelling house or even a thatched roof in a village. For such a man the Act does not provide. For him clearly there is no question of taxation at all. He remains there, he has made it his home, and, therefore, no question of Indian income-tax arises in his case. If he begins to be resident here, then only the question arises at all. A non-resident Indian does not come into it at all.

Then, as regards resident Indians, we have taken a further step, and my Honourable friend, Mr. Jinnah, insisted upon that point more than once that our social habits and our ways are different. Notwithstanding the fact that we may be in foreign countries, we come back here for observance of ceremonies including death, marriage, etc., and, therefore, we have provided that a man would not become ordinarily resident even though roughly, I am talking of the average case, it is 24 months in seven years and that is a little more than three months every year, the man comes to India and resides. That man is a non-resident and does not come within the provisions of this Act. Though he resides every year for three months in India, he is not within the Act. I should like to know what better line of exclusion could have been drawn from the point of view of meeting everybody whom we were bound to protect.

Then, comes the man who operates from India with business here and elsewhere. It is that man who has been talking loudly. It is that man undoubtedly whom we want to catch. It is our desire that such a man ought to be caught, not again in the ethical sense, but as the result of the agreement that we have arrived at. The man who has part of his business here, who has a part of his business outside, who chooses to retain still India as his home, it is such a man that is caught. Now, we ask ourselves: is there anything that is serious if the type of European that I mentioned also paid on the foreign income? It is not merely the businessmen. They might have small investments abroad, made their fortunes here and invested them abroad. If it is a long one in the case of one, it is also a long one in the case of the other. If the European who makes his fortune here ought to pay, if the European, having 50 per cent profits, ought to pay, is it so very atrocious that an Indian, who makes his fortune here and invests abroad, should pay? Certainly, so far as I am concerned, it did not strike me as anything so very atrocious.

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Then, we were up against other smaller issues. Issues, like exchange restriction, and so on. For that, again, provision has been made, and so elastic, that except that you want to escape, the man could not possibly say that he has not got all the protection he needs. The amendment under that head is that, if there is total restriction, he pays no income-tax until the prohibition is withdrawn. If there is partial prohibition, he pays the tax only in proportion to the amount of the money that he is allowed to bring in. Now, at first sight it appeared to be wrong. Supposing his foreign income is Rs. 30,000, he is allowed to bring in a third, then the only basis of tax is his one-third, not the whole of his income. Then, in countries, where there are no relief arrangements, only half the tax is to be levied. On the top of that, we have further, at all events, as part of the agreement, provided that a sum of Rs. 4,500 in addition to the exhibited income in India should be made tax-free. Supposing a man has income both in India and in foreign countries, then, out of his slab of foreign income for the purpose of calculating the tax, a sum of Rs. 4,500 would be deducted. In other words, a man up to the time he makes an additional income of Rs. 400 a month in foreign income, he is not taxed. After all these limitations, it would be a very very hard heart if I cannot persuade him 'o see as I see the bargain. I do not deny for a moment that I *would have liked* it to be better.

Mr. Husenbhai Abdullahai Laljee: Do something to help them before you tax them?

Mr. Bhulabhai J. Desai: I have done all that I can. If my Honourable friend has not paid attention, I can only regret that he is going to remain unconvinced for ever, because I cannot take up the attitude which my Honourable friend does. He can afford it, but I cannot afford it. I must try and persuade him even where the mind refuses to listen to me or attend, I must make another attempt to do so, because, I, as a popular representative, will take any amount of interruption. In fact, I would like these interruptions having been trained in the legal profession where interruption is the rule of the day, but there is the other point, sometimes the opponent generally gets the worst of it. But that is not the point. I have stated the affirmative part of it.

Then, there is the other alternative which at all events I weighed, whether my Honourable friend weighed or not. I do not know. The alternative that I weighed was this: I took my Honourable friend's statement in the House to be sincere, not only in this sense that that was the limit of his authority, but sincere in the other sense also that, if clause 4 were deleted altogether, he, according to his instructions, would be obliged to withdraw the Bill. I cannot possibly say that it was merely a question of getting into a huff: all right, take it away. It is not any personal satisfaction or desire in the matter. I began to weigh, apart from what has now been secured, as to what might have been lost. After all, whether my Honourable friends like it or not, and whether all the provisions of the Civil Procedure Code apply or not, there is a tribunal consisting of a Judicial Member and an Accountant—an appeal which hitherto was unknown in so far as income-tax law was concerned. I think it was a substantial gain. There was section 60 which gave the executive Government the right practically to abolish this Act in reference to any person or

class of persons whom they liked, and they have acted with a certain amount of restraint in some directions, and they have run amok in certain other directions. They had some 49 notifications where the power of the Central Government was to exempt any class of income or any class of persons from any class of income. Can you have it any wider than that? I do not know why they used so many words. They could have simply said "exempt any person or any income", and there the matter would have ended. They did not like to name so many people in the Schedule. It is easier to call it a class and be done with it. That existed in the Statute, and one of the amendments of the Select Committee—and it is part of the bargain—was that that section will go from the Statute. My Honourable friend may or may not actually weigh in the same scale in which I weigh the gain of the abolition of that section—I give credit for the executive Government, even though irresponsible, for not misusing it. But how can one say? There is the political pressure, there is the diplomatic pressure, there is the pressure from their masters in England, and you can never say. Among the illustrations, I can give you one instance. As part of the bargain this was agreed to. Hitherto, leave pay and allowances were exempt from taxation, income arising here for services rendered here and yet exempt from taxation. That was the use to which section 60 was put. My Honourable friend saw the decency of making an offer to the House that that notification will be withdrawn as part of his bargain.

Mr. Suryya Kumar Som (Dacca Division: Non-Muhammadian Rural): The notifications which have already been issued are to see that a large number of persons or class of persons are exempt. What will be the effect after this Act comes into force? Will this Act affect the already existing notifications? I am afraid they have exhausted the list. Very few remains to be notified.

Mr. Bhulabhai J. Desai: The section, as it now stands, is this, that the power for the future is entirely abrogated so far as issuing any new notification is concerned; but the only power that is preserved is a power for the purpose of revoking the existing notifications. Now, nobody can seriously say that such a power should not exist. I quite agree that there was a more drastic way of dealing with it, namely, abolish all the notifications, and, therefore, leave no power to revoke the existing notifications. But we were unable to get such a drastic change. We were able to agree that three of the important notifications should be withdrawn immediately; and, as to the others, as I said, there are matters in which other considerations enter, and, therefore, immediately we were unable to get them to withdraw it. But the only power that exists now is the power to withdraw the subsisting notification, there being no power in future to issue any notification for exemption. Now, it was, in fact, a surprise to me how the executive Government of a country was vested with such wide powers as if the Act did not exist at all. I thought it was a gain. And, I quite agree, my Honourable friend was going to tell me that that statement was made before, but it was a statement accompanied with this offer . . .

Mr. M. S. Aney: It was a threat.

Mr. Bhulabhai J. Desai: Call it a threat if you like. It was accompanied with a counter offer that if the Bill were not substantially passed as

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offered to the House,—apart now from the modification which is the result of subsequent dramatic events,—he would not then stand by that offer. In other words, section 60 would have remained, the notification would have remained, the power of issuing further notifications would have remained.....

Mr. M. S. Aney: My Honourable friend was ready to submit to these disabilities on the day the motion for consideration was made.

Mr. Bhulabhai J. Desai: I do not suggest that. But what could I do? I had no other alternative.

Mr. M. S. Aney: All these things were known to the Honourable Member on the day on which the amendment for deletion of clause 4 was moved; and the Honourable Member made a speech. All these conditions were there, and the Honourable Member knew that these disabilities would remain in case this clause was passed. The Honourable Member was prepared for it on that day. The new bargain has nothing to do with it.

Mr. Bhulabhai J. Desai: Now, my Honourable friend has got the key to the speech I made, and I call attention to what I am going to say. That is the reason why I say, I am putting before the House whether it would be an opposition or modification of clause 4. That is the key to the word "modification", because I was not prepared at least to come to a decision other than that, weighing the *pros* and *cons*, the only stern course I will take will be that of opposition. I may have been driven into it by force of circumstances. That was the reason why we moved the clause. I did not then hope for it, but sometimes unexpected events occur; sometimes the force of opinion tells, sometimes frank recognition of responsibility tells, sometimes candour tells; sometimes people recognise obligations sooner or later.

An Honourable Member: Sometimes anxiety to co-operate with Government.

Mr. Bhulabhai J. Desai: I do not propose to answer any more questions. So far as I am concerned, I am trying to give the facts. If my Honourable friends have either pen or pencil and paper or a tablet of their brain, it is a much more useful matter to write upon. But the point at present is about the gains. I am not submitting that my Honourable friends would regard the gains in the same manner as I do. I may be entirely wrong, but I am one of those who thought that, considering the advantages which were gained and considering the probabilities of the loss that would occur, this was the best to be done. For instance, take the taxation on life insurance. It has nothing to do with this settlement; but it might have happened that, had I forced the issue, that part of the settlement would also have gone. So far as life insurance companies were concerned, they were taxed on an entirely erroneous basis. We were able to make good that point during the course of the Select Committee proceedings. As a result of that, we arrived at a compromise by which a life insurance company would be taxed, roughly speaking, a third less than it is now, and I thought it was a great relief to the life insurance business in this country. In addition to all that, in my humble judgment, with regard to

other provisions of the Act, the harshness had now disappeared, because clause 42 was gone, and the rest of the provisions, to the extent to which they were tightened up, would certainly make that man pay who, it was intended by the Act, should pay. All these things had some value in my eyes. I am not expecting that every man here would weigh the value in the same way in which I did; but if a man has a responsibility put upon him, he can only discharge it to the best of his honest judgment. And all I can say is this that, weighing what has occurred, mitigating every hardship that it was reasonable to do, gaining every advantage that it was possible to gain except at a breaking point, there is nothing at least that in my mind weighed against entering into the agreement that I did. And to those of my countrymen here or abroad, who have to bear any incidence of this additional taxation, I can only make this appeal that, after all is said and done in every system and form of taxation, a certain amount of burden does fall on some individuals; and we should see whether the burden in this case has not fallen on those who probably have just enough and perhaps a little more than on those who have none at all. It is in that spirit of large-heartedness to bear a part of the country's burden to the exclusion of the poorer, that this was done. Assuming even that the others who are being taxed are poor, that cannot be because 4,500 of foreign income is exempt, non-residence is exempt, not ordinarily resident would take some time to be. Considering all these circumstances, if those whom nature and God have endowed better and who, in the language of those whom we believe and follow, should be trustees of the excess which they have got will take it in that spirit. I hope and trust that, even if my Honourable friends differ from me, they will give me credit that I have done my best in most difficult circumstances and come to a decision in the larger interests of the country.

Mr. M. A. Jinnah: Sir, I think I owe it to the House as well as to the country outside that I should explain the position of my Party. In the first instance, I thank the Leader of the Opposition for having paid me a compliment for what little I may have done in the course of our negotiations. Secondly, he has dealt with the whole question so fully that there is not very much to be said on the merits except on one or two points to which I should like to refer. The first question that he had to consider was this,—and here I refer to my Honourable friend, Mr. Aney. Ever since I arrived to take part in the debate in this House, every now and then it was said that the accrual basis is a question of principle. If you substitute accrual basis for remittance basis, he says it is a question of principle. I may be right, I may be wrong, but I really do not see where is the principle involved either in the accrual basis or the remittance basis. In a sense, a principle is involved, no doubt, as to the method: which is the method we should adopt? But there is no abstract principle involved in one basis or the other

Mr. M. S. Aney: Nor did I ever mean that it ever involved a moral principle or a religious principle to which we must adhere for all time.

Mr. M. A. Jinnah: It is really, therefore, a question of method. Then, the question is this. We have tried the remittance basis, and for many years. The question arises, is this basis not one which has given a great deal of loophole for those who wish to escape paying income-tax? And, in

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what way? I think my Honourable friend must know that there are people who do not pay income-tax anywhere at all. If I was to invest my money in Great Britain, and I say to my bank: "Invest 25 lakhs or 50 lakhs of rupees"—I do not need them, because I am worth a crore or three-quarters of a crore, and 25 lakhs is enough for my business and my requirements in this country, and I do not need the remaining 50 lakhs here—I say to my bank in Great Britain: "Invest 50 lakhs." I do not pay tax there, because I am a non-resident, and I do not pay tax here, because I do not remit

Sir Cowasji Jehangir: What about English income-tax?

Mr. M. A. Jinnah: You are not assessed if you are not a resident.

Sir Cowasji Jehangir: You are.

Mr. M. A. Jinnah: No: excuse me, you are not.

Sir Cowasji Jehangir: Ask Mr. Chambers.

Mr. M. A. Jinnah: Excuse me. You have got to certify that you are a non-resident, and you are treated on a very different footing. You know it better than I do.

Sir Cowasji Jehangir: May I tell the Honourable Member that he should try his experiment and invest his 75 lakhs or 50 lakhs that he proposes to do in shares in England and see the result?

The Honourable Sir Nripendra Sircar (Law Member): May I put in a word? If my friend will give me the 75 lakhs, I will put them in income-tax free securities.

Sir Cowasji Jehangir: That is quite another point. Mr. Jinnah was talking of investments. Let him invest in shares. Of course if he invests in the Funding loan that yields $2\frac{1}{2}$ per cent. or $2\frac{3}{4}$ per cent. in sterling, he may not have to pay tax; but if he instructs his banker to invest in the best investments that can be found, he will find that he will be taxed in England.

Mr. M. A. Jinnah: I certainly bow to the Honourable Baronet, because he is an expert in arranging these matters. But, taking his own statement, it was a clear exposition that there are methods which the Honourable Baronet can adopt by which he can escape tax from both countries. But I do not yet agree with him as to my proposition. There are concessions made if you certify that you are a non-resident in Great Britain. However, I do not wish to go into all these controversial details. My point is a very simple one, that a man, under the present remittance basis, can escape the tax in this country unless he remits. Therefore, the next question arises: a man who considers that this country is worth his while to live in and that it gives him certain benefits and advantages, if he is escaping making a contribution to the revenue, are we not justified in adopting some other method? So far as the accrual basis is concerned, therefore, it is, as I said, a pure question of method.

Now, I come back to the events that took place after the amendment was moved by Mr. B. Das to delete clause 4. When that amendment was moved, the position was this: that the clause, as it stood, with all the advantages which existed either in the way of modifications or alterations or concessions that were made in the Select Committee or with regard to the offer of the Finance Member about the notifications exempting certain classes from paying income-tax which he said would bring in something like 16 lakhs of rupees, if I am correct—the clause, as it stood, with that offer and with all the advantages which were secured in the Select Committee by the labour of those Honourable Members who served on it and by the Leader of the Opposition,—we were face to face with that clause 4 with all the concessions and the advantages which we took into consideration, and in saying as I did in my speech that we were not able to support the amendment, I made it clear that we had considered all the pros and cons and all the advantages that were there up to that moment, and that we would support the amendment. I pointed out also generally some important matters. The Leader of the Opposition has made it very clear in his elaborate speech that the first question was distinction of domicile and non-domicile, and the Bill, as it stood, undoubtedly gave a *de-facto* exemption to the non-domicile. That was one of the most important questions which we had to consider. The other question was that it would involve an enormous amount of hardship on a large body of Indian nationals who have been trading abroad all over the world. I do not want now to go into the past and stir up the stormy waters again, but when the Finance Member made the offer that he was willing to meet the Leaders of Parties and come to some settlement with regard to clause 4 and make some modification, I think I was the first to welcome it and I tried my very best, in the most dramatic and tragic atmosphere of the House which was really most electrified, to see that this conference did take place. The conference did take place, and I congratulate the Honourable the Finance Member, and I think I should equally congratulate my Honourable friend, the Leader of the Opposition, that he also at that moment was not in any way actuated by any other consideration than the best interests of the country. The result was that we met. We spent hours, and we have placed this now before the House. Sir, in a compromise, in a settlement, no party gets sixteen annas in the rupee. I don't say that this compromise or settlement satisfies me completely. I am quite sure, the Honourable the Leader of the Opposition is not satisfied with it completely either; I am equally sure that perhaps the Honourable the Finance Member also feels the same

An Honourable Member: He has got everything.

Mr. M. A. Jinnah: From the point of view of Government.

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): What about the *bona fides* of the House?

Mr. M. A. Jinnah: It is fully established.

Mr. Manu Subedar: Let the Finance Member withdraw what he said about the *bona fides* of the House.

Mr. M. A. Jinnah: My friend, Mr. Manu Subedar, does not know that when it is proved that your *bona fides* are established, we don't want anybody to withdraw what was said about *bona fides*.

Mr. S. Satyamurti (Madras City: Non-Muhammadian Urban): It was never in doubt.

Mr. M. A. Jinnah: We need not go further into that matter.

Now, I am quite sure, even my friend, Mr. Aikman, the Leader of the European Group, is not satisfied with the settlement,—perhaps he is more dissatisfied than any one of us, but there it is. Now, what have we secured? I want my Honourable friends to appreciate that. It is not really a reasonable argument to advance and say that thousands and lakhs of our countrymen, who are trading abroad, will be cruelly treated under this Bill, it will ground them down like a steam roller. That argument cannot hold water for a moment. Now, let us see what will happen. All the Indian nationals in different parts of the country would not necessarily come under the definition of residents. If they don't come under the definition of residents under this Bill, and if they don't carry on any business here, as a good many don't, then they won't come under this Bill at all. But, then, who will come under this Bill? Which Indian national, who is carrying on business abroad, will come within the scope of this Bill? It will be an Indian, who is a resident within the meaning of the definition of resident,—not otherwise. Well, if he is, if he considers that this country is worth his while to live in, and if he comes under the definition of resident, may I know why such a man should not make his contribution to the revenues of the State?

Sardar Sant Singh (West Punjab: Sikh): Why does not an Englishman do it?

Mr. M. A. Jinnah: He does.

Sardar Sant Singh: Not fully.

Mr. M. A. Jinnah: I say, why should he not make his contribution to the revenues of the State if he considers this country worth his while to live in and benefit by all the advantages which this country offers him?

Now, we took care to modify this clause as it stood before, about maintaining a house or having a family, and so on. If he had a house and if he had a family here, and if he came here only for even one day, then, under the original Bill as it was, he would become a resident. Now, he would not become a resident unless he lives in this country for full two years in the course of seven years or unless he lives here for six months. Therefore, Sir, really, to all intents and purposes, he is in the same position as any one of us. And why should he not be assessed on his total world income?

Then, Sir, we were not unmindful of the small traders, and I think we have really got a fairly substantial concession of those small favours, as my friend, Mr. Bhulabhai Desai, explained, in that they are exempt to the extent of Rs. 4,500 straightaway,—they are not liable to be assessed on their foreign income. We also secured some concession in regard to double income-tax; where there is no reciprocity, in those countries where the

foreign Government imposes a tax, we secured a clear advantage for them,—they will get a refund as if the foreign country, where there is no reciprocity, had a dominion status.

Then, we solved the difficulties about sending money out from a particular country where there is prohibition or restriction.

Then, we had to consider two more questions. One was the loss in exchange, and the other was the question of books, sending of returns, so on and so forth, which are matters of detail. We were not unmindful of all that. We tried to see whether we could bring all that on the Statute-book, and we felt that it was not possible to embody all those things in Statutory provisions, but the Finance Member, I believe, partly gave certain assurances when these clauses were discussed, and I have no doubt in my mind that,—after all he will not be interested so much, nor the Government nor the administration or the machinery of the Income-tax Department in unnecessarily harassing those people.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

After all, what do the Government hope to get out of these small traders? Very little. What we want to rope in are the millionaires, be they Indians or Europeans or of any other nationality, and if you don't rope them in, if you don't enable the Finance Member,—not that I have any sympathy for him,—the Government exists as it is, the Finance Member exists as he is,—if you don't enable the Finance Member to get a substantial revenue which he expects to get by means of this Bill, what will happen? Supposing you don't enable him to secure this revenue, what will happen? Believe me, you will have to pay this money. If there is a deficit, if money is required, who will pay? We shall have to pay. Whether the melon falls on the knife or the knife falls on the melon, it is the melon which is cut. Do I want to take the risk that this poor melon should be cut in that part which it can bear the least touch of knife?

An Honourable Member of the European Group: It is melancholy.

Mr. M. A. Jinnah: I know your position is very melancholy, and I sympathise with you fully.

Now, what have we done with regard to our European friends? Under the Bill, as it was presented to us, the position was this. Very ingenious and clever drafting it was. There were two classes of Europeans, and they were both outside the scope of this Bill as it was drafted originally. One class are the service, official or non-official. They could never have come within the scope of this Bill unless they carried on business, profession or vocation, and the services in this country do not carry on business as a rule—there may be some exceptions. Nor do they carry on any profession or vocation. Therefore, the whole of this service was *de-facto* exempt. We have now roped them in to this extent that if any of them resides here for nine out of ten years, then this Bill will begin to operate on them.

Now, I come to the millionaire friends of the companies and there are a very large number of them and I shall certainly be looking forward to see how many crores the Finance Member gets out of them. Now, these companies were given *de-facto* exemption in a very ingenious way. If the

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control was abroad, then they were exempt, although they make their money here. Now, that has gone. Now, it does not matter where your control is. If your profits in India exceed more than 50 per cent., if it is 51, then you are liable to tax. Once that position is reached, these companies will have to disclose their whole volume of business and income, and they will be assessed on that. As Mr. Desai rightly pointed out, we have done away with the question of domicile and non-domicile. It is a question of resident and non-resident. We have gained on principle, and besides we have gained in roping in under this agreement, if it goes through, those who are best able to pay the burden of taxation. We have given the utmost possible relief to those Indian nationals of ours who are small traders and after all remember that they are not at all residents within the meaning of this definition unless they choose to come in. This agreement is a compromise. We cannot get all we want under a compromise. In conclusion, I will only say this, that my Honourable friend, Mr. Desai, and myself were only actuated by one consideration and one consideration only, and it was this, that having regard to the constitution of the Government that we have to face, having regard to the powers of this House, and having regard to all the conditions, don't forget that, we thought that this opportunity should not be allowed to slip away from our hands and that we were making a fairly good bargain, and I hope that the House will support us and the country outside will approve of our action.

Pandit Krishna Kant Malaviya (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, it is very difficult to carry conviction after two finished speakers have so wonderfully pleaded their cause in their own defence. As pointed out by the Honourable the Finance Member in one of his speeches, our difficulty is that we have been discussing the whole thing from two different premises. Even today, after so many discussions, we find that my friends on my right and friends on the left have been arguing their points of view from two different premises. Nobody denies that there has been substantial improvement in the Bill and like clever lawyers and advocates, the Leader of the Opposition and the Leader of the Muslim League have only played their cards too well in simply hammering the points that they have gained and proving to the House that the losses would have been greater but for the agreement that they have arrived at. Much has been talked and said about principles. The Honourable the Leader of the Opposition brought in the question of ethics. I am sure nobody in this House raised the question of ethics at all. The Honourable the Leader of the Muslim League talked of principles and the Honourable the Finance Member, while he was replying to the speech of the Leader of our Party said, that he did not lay down any principles or he did not find any principles in the speech of Mr. Aney. I wish we were guided by some principles. I wish there were some principles involved in our methods. I wish the friends sitting on the right or those sitting on the left on the Treasury Benches had some principles to lay before us and claim that their argument was based on this or that particular principle. So far the income-tax law is concerned, will any of the Members enamoured of principles point out if there is one principle which is being followed all over the world? Will any of the Members point out whether the principle followed in England is the principle which is being followed in Canada, Australia or South Africa? What is this talk of principle then? The real principle is this—what helps your country, what is in the interest of your

country, and what is going to prove beneficial to your country is the real principle, and is the guiding principle by which every country is always being guided. If we talk of principles, well, South Africa, Canada and Australia have their own origin basis. England has the residence basis. I want to know then—what principle are we following? It is the origin basis or the residence basis or it is a basis of compromise so as to arrive at some settlement by which we can achieve something for our country? Where is the principle? Sir, the less we talk of principles, the better. We have been told and I was surprised to hear it from the Leader of the Opposition that, placed as we were, with the conditions which are prevailing in this country, and weighing the pros and cons and the offer of the Honourable the Finance Member, combined with the threat that if we do not arrive at some settlement or some agreement he would be pleased to withdraw the Bill, his agreement was the best possible thing to do. I wish we had followed this principle for the last fifteen years in this country. I know that there are times when it is desirable in the interest of the country to arrive at some sort of settlement but there are also times when it is advisable and desirable that no compromise should be arrived at and when the only principle is to stand by a principle, act up to it, and then suffer for it.

Mr. K. Ahmed: Follow the principle of Hitler.

Pandit Krishna Kant Malaviya: The principle of Hitler would be to order Mr. K. Ahmed to sit quiet in his seat.

It has been argued, Sir, that we have done everything for our nationals. No doubt much has been done and we are grateful to our Leaders for having achieved what they have achieved. No doubt, our small traders have been helped. No doubt those whose income does not exceed Rs. 4,500 stand to gain, but the real question is whether it is proper, whether it is justifiable to tax people whom we do not protect. The mere fact of want of our capacity to protect them who are trading outside British India ought to make us hesitate. After all, there ought to be some reciprocal arrangement between people who want to tax them and those who will thus be taxed. If this is not a principle, I do not know what other principle can be pleaded, on behalf of those who are going to be taxed and, at the same time, who derive no help from this Government. It has been argued, Sir, that our European friends and Indian friends stand on the same footing. I wish they were so. I wish the words would convey more than they would convey in cold point in every-day life. I want to point out that the proviso requires that one should be regarded as a resident who remains in this country for nine years out of ten. Well, I want to tell my friends that every single man, who after three years goes on six months' leave and comes back and earns money in this country will escape this tax. Moreover, it is said that if 51 per cent. of the world income accrues in India, then the receiver of this world income would be deemed to be a resident of India. Well, take the case of a man trading in Canada, trading in America, trading in Jamaica and trading in China, Japan and half a dozen other countries. Does it stand to reason that his income from Indian business will be fifty one per cent. as compared with his income of the rest of the world? I tell you that European business man must be a fool who allows his income to be fifty-one per cent. here as compared with the rest of the world. I could have understood if the provision had been that if the income was 51 per cent. as compared to any one other single country in which he trades, he would be liable to tax here. This would have been some gain but the provision that Europeans would be

[Pandit Krishna Kant Malaviya.]

liable to tax only when their Indian income exceeds their world income leads us nowhere. We might as well have declared that Europeans would not be taxed. These are the defects and these are the loop-holes by which these European friends, if they want to dodge this tax, will do so, and no amount of words printed in our Statute-book will ever be able to realize a pie from them. The speakers who preceded me had recourse to special pleadings and we need not take notice of all that they said. We do not deny that there has been some improvement in the Bill. Nobody says that there has been no improvement. But the fact remains that according to any principle in this world, India being a poor country, India being an exporter of raw materials, India having a nominal foreign trade, should not have been allowed to adopt an accrual or a cruel basis for its income-tax law. We are, therefore, opposed to this agreement. We want the accrual basis to be given up and we hope, hoping against all hopes, that even now good sense will prevail and we will vote for the amendment of Mr. Aney.

Mr. A. Aikman (Bengal: European): Mr. President, I only wish to make a few brief remarks. As my Honourable friend, the Leader of the Opposition, explained, there is no question of ethics involved in the question as to whether the accrual basis be accepted or not. He has also shown that no really hard and fast line can be drawn between the accrual basis, on the one hand, and the remittance basis on the other. These phrases have come to mean certain bases of taxation, but by themselves they do not have any distinct meaning. As my Honourable friend, the Leader of the Opposition said, the exact meaning in each case must inevitably depend upon the arrangement that is made. In other words, whichever of these bases is adopted, it may be modified by the exact scheme of income-tax law which is adopted by the country which levies the tax. Now, Sir, whatever our views were on the original proposal—and none of us have approached it, as the Leader of the Opposition said, from exactly the same angle—in the proposal which will shortly be put before the House a certain measure of agreement has been arrived at. My Honourable friend, the Leader of the Congress Nationalist Party, does not agree with it and he has stated his case in a manner which, I think, we all admire and respect. But I would like to suggest to him that he has achieved his object. At any rate, he has given the House an opportunity of hearing the Leaders of the two largest Parties in the House state their case and how the compromise was arrived at. Although I hope that the firm which was established in Simla is not dissolved and will not be dissolved, I regret I am unable to support him on this occasion.

Several Honourable Members: The question may now be put.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the question be now put."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed subsection (1), for the word 'or', occurring at the end, the following be substituted:

'and are brought into or received by him in British India during such year'."

The Assembly divided :

AYES 12.

Abdur Raahed Chaudhury, Maulvi.
Aney, Mr. M. S.
Bajoria, Babu Baijnath.
Datta, Mr. Akhil Chandra.
Jehangir, Sir Cowasji.
Lalchand Navalrai, Mr.

Laljee, Mr. Huseenbhai Abdullahbhai.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Parma Nand, Bhai.
Sant Singh, Sardar.
Som, Mr. Surya Kumar.

NOES—94.

Abdul Ghani, Maulvi Muhammad.
Abdul Hamid, Khan Bahadur Sir.
Abdul Qaiyum, Mr.
Abdullah, Mr. H. M.
Ahmad Nawab Khan, Major Nawab Sir.
Ahmed, Mr. K.
Ayyangar, Mr. M. Ananthasayanam.
Ayyar, Mr. N. M.
Azhar Ali, Mr. Muhammad.
Bajpai, Sir Girja Shankar.
Bartley, Mr. J.
Basu, Mr. R. N.
Bhutto, Mr. Nabi Baksh. Illahi Baksh.
Chambers, Mr. S. P.
Chanda, Mr. A. K.
Chaudhury, Mr. Brojendra Narayan.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Venkatachalam.
Chunder, Mr. N. C.
Dalal, Dr. R. D.
Delpat Singh, Sardar Bahadur Captain.
Das, Mr. B.
Das, Pandit Nilakantha.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Deshmukh, Mr. Govind V.
DeSouza, Dr. F. X.
Eesak Sait, Mr. H. A. Sathar H.
Fazl-i-Haq Piracha, Khan Bahadur Shaikh.
Gadgil, Mr. N. V.
Ghiasuddin, Mr. M.
Ghulam Bhik Nairang, Syed.
Ghuznavi, Sir Abdul Halim.
Gorwala, Mr. A. D.
Grigg, The Honourable Sir James.
Gupta, Mr. K. S.
Hans Raj, Razizada.
Hardman, Mr. J. S.
Regde, Sri K. B. Jinaraja.
Hosmani, Mr. S. K.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Jedhe, Mr. K. M.
Jinnah, Mr. M. A.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khushalpal Singh, Raja Bahadur.
Lahiri Chaudhury, Mr. D. K.
Mackeown, Mr. J. A.
Mangal Singh, Sardar.

Maxwell, the Honourable Mr. R. M.
Mehr Shah, Nawab Sahibzada Sir Sayad Muhammad.
Menon, Mr. P. A.
Menon, Mr. P. M.
Metcalf, Sir Aubrey.
Mia, Pandit Shambhu Dayal.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi Qazi.
Mukherji, Mr. Basanta Kumar.
Murtuza Sahib Bahadur, Maulvi Syed.
Nauman, Mr. Muhammad.
Nur Muhammad, Khan Bahadur Shaikh.
Ogilvie, Mr. C. M. G.
Paliwal, Pandit Sri Krishna Dutta.
Pande, Mr. Badri Dutt.
Rahman, Lieut.-Col. M. A.
Ramayan Prasad, Mr.
Ranga, Prof. N. G.
Row, Mr. K. Sanjiva.
Saksena, Mr. Mohan Lal.
Santhanam, Mr. K.
Satyamurti, Mr. S.
Snahban, Mian Ghulam Kadir Muhammad.
Sham Lal, Mr.
Sheehy, Mr. J. F.
Sheodass Daga, Seth.
Sher Muhammad Khan, Captain Sardar Sir.
Siddique Ali Khan, Khan Bahadur Nawab.
Singh, Mr. Gauri Shankar.
Singh, Mr. Ram Narayan.
Sircar, The Honourable Sir Nripendra.
Sobha Singh, Sardar Bahadur Sardar.
Spence, Mr. G. H.
Sri Prakasa, Mr.
Stewart, The Honourable Sir Thomas.
Subedar, Mr. Manu.
Sukthankar, Mr. Y. N.
Sundaram, Mr. V. S.
Talukdar, Mr. J. N.
Umar Ali Shah, Mr.
Varma, Mr. B. B.
Yamin Khan, Sir Muhammad.
Zafar Ali Khan, Maulana.
Zafrullah Khan, The Honourable Sir Muhammad.
Ziauddin Ahmad, Dr. Sir.

The motion was negatived.

Sir Cowasji Jehangir: Sir, I beg to move:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed sub-section (1), for the word 'or', occurring in the second line, the following be substituted:

'except any part of the income which accrued or arose to him without British India between 1st April, 1933, and the commencement of this Act'."

Sir, when the Income-tax Act was amended in 1933 and the receipt basis was brought into existence, it was provided:

"Provided that nothing contained in this sub-section shall apply to any income, profits or gains so accruing or arising prior to the 1st day of April 1933, unless they are income, profits or gains of a business and are received in or brought into British India within three years of the end of the year in which they accrued or arose."

This later part is now not operative. In ordinary language, it means that if anybody had sent any money out of India before 1933, and if any interest or profits had been accumulated outside India up to the 1st April, 1933, then such interest or profits were to be added to the capital for all purposes of the Act, and it could be brought to India without being charged to income-tax. In other words, there was a clean slate to start with in 1933. The amendment I have placed for the consideration of the House is to adopt the same principle with the present Bill; that is to say, that all income derived from business or investments outside British India, which has not been brought into India between the years 1933 and 1938, should be allowed to be taken as capital and can then be brought in as capital into India without being charged to income-tax.

Now, Sir, the reasons for my asking the House to consider this proposal is, that if the Bill is passed as it is, there will be double income-tax. At present, all the amount, that is being accumulated from interest or profits outside British India between the years 1933 and 1938 and invested outside British India, will be earning interest or profits. That income will be taxed whether it is brought into India or not by the accruing basis; at the same time, if interest or profits, accumulated between 1933 and 1938, are brought to India, they will also be liable to income-tax at any time in the future. Therefore, there is a chance of there being double income-tax of a certain amount if not brought into India immediately. If it is brought into India immediately, of course, you will have to pay income-tax on it, because it is accumulation of income between 1933 and 1938. But if, business people choose to keep that money outside British India and choose to use it for their business purposes earning income on it, then the income derived from the income collected between 1933 and 1938 will be charged to income-tax whether it is brought into India or not. My Honourable friend, Mr. Jinnah, says it is no more income. But it is income according to this Bill. As the Bill stands, it remains income, because it became income between 1933 and 1938, and will be liable to income-tax if brought into India. If it is not brought into India, it will naturally be invested and the income derived therefrom will be liable to income-tax whether brought into India or not. That is one reason for asking for this concession. The other reason is that with the accruing principle, people in business will be more tempted to bring money to India. Up till now, people hesitated to bring money to India and the interest that they earned on it, because it would be liable to income-tax. But if this income earned between 1933 and 1938 is still left outside India and is still liable to income-tax if brought into India,

it will be difficult to ascertain which is the capital and which is the interest in the account books of big companies. Big companies have already experienced that difficulty. When they wanted to bring out their capital to India, the Income-Tax Department contended that it was income and was not capital that was being brought back to India, and was chargeable to income-tax. It took a great deal to prove and great detail in account books to prove that it was capital that was being brought back and not income. That was one of the reasons why a clean slate was provided in 1933. In order to avoid that difficulty, now that the accruing principle has come into existence, I feel that the Finance Member should allow a clean slate on the present occasion and let us begin *de novo* and allow all moneys invested in business abroad to be considered on the 1st April, 1938 to be capital, and in the future all interest or profits earned on that capital will be chargeable to income-tax whether brought into India or not. I quite realise that this is not quite easy to understand, but I have tried to put it as clearly as I can, and I would ask this House to give this proposal its serious consideration. Now that the accruing principle is practically an established fact this will go far to help business men and companies, who trade outside India, with regard to their accounts and with regard to the adjustment that they will have to make in view of the new accruing principle. They have already experienced difficulty and they will experience much greater difficulty in future with regard to the separation in their books between capital sent from India and the interest that has accrued or the profits that have been made between 1933 and 1938. I would ask the House to give its serious consideration to the proposal I place before them. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed subsection (1), for the word 'or', occurring in the second line, the following be substituted:

'except any part of the income which accrued or arose to him without British India between 1st April, 1933, and the commencement of this Act'."

The Honourable Sir James Grigg: Sir, the principle of the 1933 legislation, as I understand it, was that all foreign income was to be taxed if remitted whenever remitted. In other words, that foreign income had attached to it a contingent liability to taxation which lasted for the rest of time. That was the principle of the 1933 legislation. It gave a clean slate, as the Honourable Member says, up to 1933 but then the contingent liability became attached to all income which accrued after that date, and it was made fully taxable whenever it was remitted, however distant the time was. Now, Sir, the accruing principle is being adopted and it may happen that the income which accrues in the year "X" is taxed in the following year on the accrual basis, and also that if some of the income which has a contingent liability attached to it is remitted in the year "X" that should also be taxed in the following year on the remittance basis.

Mr. S. Satyamurti: Under clause (iii)?

The Honourable Sir James Grigg: Yes.

Sir Cowasji Jehangir: It will have to be deleted, if my amendment is carried. It is consequential.

The Honourable Sir James Grigg: It may happen that in this year we are dealing with, more than one year's income may be taxed. The Honourable Member calls that double taxation, but it is not. It merely means that two blocks of taxation in respect of different years' income accrue in the same year; but that is a concomitant of this principle which was adopted in 1933 of attaching contingent liability to certain blocks of income; and, when the Honourable Member points out the difficulty of accounts and knowing which is income and which is capital as for the last five years, this income has had this contingent liability attaching to it and it must have been separately recorded and so I do not think there is anything in the account book point. The simple question is when you are adopting the pay as you go basis for taxing foreign income, whether income which has accrued abroad and not been remitted and to which a contingent liability is attaching for tax, a liability indefinite in time,—whether the adoption of the new basis should frank that income for all time. I can see no logic in that contention. I may be dull of understanding, but I am unable to see why the adoption of the pay as you go basis should destroy the contingent liability attaching to previous income. That is how the matter strikes me, at any rate for the present.

Mr. Mann Subedar: May I put a question to the Finance Member? Will there be any difficulty with regard to insurance companies who, in the course of their business, have to put large blocks of their capital abroad, when they bring back capital as capital, is there any liability to taxation of that capital? Is there any chance of that being mixed up?

The Honourable Sir James Grigg: Am I to understand that the insurance company is carrying on business in India?

Mr. Mann Subedar: Yes; an insurance company in India which has under the laws of other countries, such as America, to leave in those other countries a large amount of capital.

The Honourable Sir James Grigg: I do not understand that that case can possibly arise, because if the concern is carrying on business in India and the business is life insurance. I do not see how it can fail to be taxed on its whole income at any time. In any case if there is any question of capital investments abroad by insurance companies and bringing them back at any time, I am quite sure that there is no question of taxing the capital as income.

Mr. Husenbhai Abdullabhai Laljee: May I know on what scale the income-tax will be levied if five years' income be brought together? Would that be taken as income for one year?

The Honourable Sir James Grigg: Yes. The amount remitted of this contingent liability income *plus* the income subject to the accrual basis—the taxpayer will be taxed on the sum of the two.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, the arguments of the Honourable Member from Bombay, the Mover of this amendment, seem in a nutshell to be this: I have kept my 100 rupees in a foreign bank: out of this I get five rupees a year which is liable to taxation whenever it is brought; but because I am earning on this five rupees also some interest on which you will in future charge

me income-tax on the accrual basis, therefore do not charge any income-tax on this five rupees which I have got there: although I may bring it later on, now they may have accumulated for the last five years—I was liable under the Act of 1933 to be taxed whenever I brought it into India; but because you have changed it into the accrual basis, therefore this income of five rupees has accumulated for five years to 25 rupees and the whole has now become 125 rupees; and, as income will be derived in the bank on this 125 rupees, which you will charge me: therefore, do not touch this 25 rupees: but if five bring this 25 rupees into India, I would have invested it here on which I would have had to pay tax. That would have been a great disadvantage to me; but since you are asking me on the accrual basis, give me at least this little concession.

Sir, this is the whole argument, and I do not think it has got any foundation.

Mr. Bhulabhai J. Desai: Sir, there is one consideration which I want the House to bear in mind. I do not deny for a moment that the income between 1933 and 1938, which is the subject of discussion, would, apart from this Act, whenever brought into India, have been taxed. That my Honourable friend cannot deny. All that he can say at its highest is that inasmuch as the basis of taxation was remittance, in order to evade it, he kept it and now he has accumulated it; and in future he would have to pay whether he brings it into India or not. That is an advantageous basis, because now capital will now begin to move more freely than it did before. It is an advantage which I forgot to point out among the numerous other points which I made; but being in itself small, I did not make it. Now, there is no inducement merely for the purpose of escaping tax to keep capital in a foreign country. It will, therefore be more easily movable. Therefore, all the five years' income or the bulk of it would come at the same time, and it is only that hardship that he wants mitigated in consideration of the advantage that in future he will pay on all income whether he brings it or not; and that is the only one I want the Honourable Member to consider. It is a real point of hardship; it is not as if legally he could have escaped it.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 4 (a) of the Bill, in part (ii) of clause (b) of the proposed sub-section (1), for the word 'or', occurring in the second line, the following be substituted:

'except any part of the income which accrued or arose to him without British India between 1st April, 1933, and the commencement of this Act.'"

The motion was negatived.

Mr. S. P. Chambers (Government of India: Nominated Official): Sir, I move:

"That in clause 4 (a) of the Bill, in the second proviso to the proposed sub-section (1), for the words 'resident but not domiciled' the words 'not ordinarily resident' be substituted, and for the words 'business, profession or vocation' the words 'business controlled in or a profession or vocation set up in India' be substituted."

Sir, as the Honourable the Leader of the Opposition has explained this matter so clearly, I think it is really unnecessary for me to do more than move this formally.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 4 (a) of the Bill, in the second proviso to the proposed sub-section (1), for the words 'resident but not domiciled' the words 'not ordinarily resident' be substituted, and for the words 'business, profession or vocation' the words 'business controlled in or a profession or vocation set up in India' be substituted."

Mr. A. Aikman: Sir, the amendment before the House alters the second proviso to clause 4. It removes the old distinction between domicile and non-domicile and replaces it with a distinction between residents on the one hand and those who are not ordinarily resident on the other hand, that is to say, all persons who normally reside and work in this country will, in the matter of taxation, be treated on the same footing. As I understand it, Sir, to that extent, these new proposals will commend themselves to other parties in this House and have the support of my Group.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 4 (a) of the Bill, in the second proviso to the proposed sub-section (1), for the words 'resident but not domiciled' the words 'not ordinarily resident' be substituted, and for the words 'business, profession or vocation' the words 'business controlled in or a profession or vocation set up in India' be substituted."

The motion was adopted.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I move:

"That in clause 4 (a). . . .

Mr. M. S. Aney: Sir, may I submit, before that amendment is moved, I should be permitted to move mine, that is No. 7, on list No. 15, as it is more comprehensive. If that is defeated, then my friend can move his amendment.

Mr. President (The Honourable Sir Abdur Rahim): It covers the same ground, the Chair takes it.

Mr. M. S. Aney: It is more comprehensive than my friend's amendment.

Mr. President (The Honourable Sir Abdur Rahim): Very well.

Mr. M. S. Aney: Sir, I move:

"That in clause 4 (a) of the Bill, after the existing provisos to the proposed sub-section (1), the following further proviso be added:

'Provided further that the agricultural income accruing or arising in British Burma and Indian States during such year shall not be included in the income, profits or gains for a period of five years from the date on which this law may come into force.'

I don't want to make any speech in support of this amendment, because I have spoken already before. Therefore, I only commend this amendment. In my speech I exhausted all the arguments that I wanted to use, and if my friends had listened to my speech, then, there is nothing more

for me to add to what I have already said. I state here that the agricultural income accruing or arising in British Burma and Indian States during such year shall not be included in income, profits or gains for five years, because I consider that a period of five years should be a reasonable period to adjust their interests. That is the meaning of my amendment.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 4 (a) of the Bill, after the existing provisos to the proposed sub-section (1), the following further proviso be added:

'Provided further that the agricultural income accruing or arising in British Burma and Indian States during such year shall not be included in the income, profits or gains for a period of five years from the date on which this law may come into force.'

The motion was negatived.

Mr. Akhil Chandra Datta: Sir, I move:

"That in clause 4 (a) of the Bill, after the proposed provisos to sub-section (1), the following further Proviso be inserted:

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

This amendment does not propose anything new.

The Assembly then adjourned till Eleven of the Clock on Friday, the 9th December, 1938.