

1st December 1938

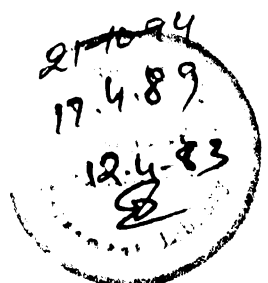
THE LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume VII, 1938

(10th November to 2nd December, 1938)

EIGHTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1938



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Legislative Assembly.

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CONTENTS.

VOLUME VII.—10th November to 2nd December, 1938.

	PAGES.		PAGES.
THURSDAY, 10TH NOVEMBER, 1938—		TUESDAY, 15TH NOVEMBER, 1938—	
Members Sworn	2845	Starred Questions and Answers	2959—3000
Starred Questions and Answers	2845—76	Unstarred Question and Answer	3000.
Unstarred Questions and Answers	2876—87	Statements laid on the Table .	3001—02
Statements laid on the Table .	2888—95	Statement of Business . . .	3002—03
Motion for Adjournment re—		The Prevention of Cruelty to Animals (Amendment) Bill—	
Constitution of the Chatfield Committee on Indian Defence—Disallowed by the Governor General .	2895	Amendment made by the Council of State agreed to .	3003—05
Late running of the East Indian Railway trains and increase in the number of accidents—Ruled out of order	2895	The Employment of Children Bill—Amendment made by the Council of State agreed to	3005—08
Messages from the Council of State	2896	The Ajmer-Merwara Municipalities Regulation (Amendment) Bill—Passed as amended	3006—18
The Indian Income-tax (Amendment) Bill—Presentation of the Report of the Select Committee . .	2896	The Indian Patents and Designs (Amendment) Bill—Referred to Select Committee	3018—23
The Indian Merchant Shipping (Amendment) Bill—Introduced	2897	The Railways (Local Authorities' Taxation) Bill—Motion to circulate negatived	3023—41
Reports of the Public Accounts Committee	2897—98	The Indian Cotton Cess (Amendment) Bill—Passed as amended	3042—46
Demands for Excess Grants for 1936-37	2899—2914	The Destructive Insects and Pests (Second Amendment) Bill—passed as amended	3047—48
MONDAY, 14TH NOVEMBER, 1938—		The Repealing and Amending Bill—Postponed . .	3048
Member Sworn	2915	The Indian Merchant Shipping (Amendment) Bill—Discussion on the motion to consider not concluded .	3049
Starred Questions and Answers	2915—53	WEDNESDAY, 16TH NOVEMBER, 1938—	
Motion for Adjournment re Murder of Mr. N. G. Mazumdar, Superintendent, Archaeological Survey of India—Ruled out of order	2953—54	Starred Questions and Answers	3051—75
Death of Mustafa Kemal Pasha	2954—57		

	PAGES.		PAGES.
WEDNESDAY, 18TH NOVEMBER, 1938—<i>contd.</i>		WEDNESDAY, 23RD NOVEMBER, 1938—<i>contd.</i>	
Unstarred Questions and Answers	3075—77	The Indian Income-tax (Amendment) Bill—Discussion on the motion to consider not concluded .	3350—94
Message from H. E. the President of the Turkish Republic	3078	SATURDAY, 26TH NOVEMBER, 1938—	
Amendments to the Ottawa Trade Agreement Rules .	3078—79	The Indian Income-tax (Amendment) Bill—Motion to consider adopted .	3395—3452
The Indian Income-tax (Amendment) Bill—Discussion on the motion to consider not concluded .	3080—3116	MONDAY, 28TH NOVEMBER, 1938—	
THURSDAY, 17TH NOVEMBER, 1938—		Death of Maulana Shaukat Ali .	3453—56
Starred Questions and Answers	3117—40	TUESDAY, 29TH NOVEMBER, 1938—	
The Indian Income-tax (Amendment) Bill—Discussion on the motion to consider not concluded .		Members Sworn	3457
MONDAY, 21ST NOVEMBER, 1938—		Starred Questions and Answers	3457—3502
Member Sworn	3177	Unstarred Questions and Answers	3503—13
Starred Questions and Answers	3177—3211	Statement <i>re</i> Draft Conventions and Recommendations adopted by the 21st and 22nd (Maritime) Sessions of the International Labour Conference .	3513—15
The Indian Income-tax (Amendment) Bill—Discussion on the motion to consider not concluded .	3211—45	The Indian Income-tax (Amendment) Bill—Discussion on the consideration of clauses not concluded .	3515—23
TUESDAY, 22ND NOVEMBER, 1938—		WEDNESDAY, 30TH NOVEMBER, 1938—	
Starred Questions and Answers	3247—79	Starred Questions and Answers	3529—70
The Indian Income-tax (Amendment) Bill—Discussion on the motion to consider not concluded .	3279—3311	Unstarred Question and Answer	3571
Martyrdom celebration of the ninth Sikh Guru Tegh Bahadur	3312	The Indian Income-tax (Amendment) Bill—Discussion on the consideration of clauses not concluded .	3571—3615
WEDNESDAY, 23RD NOVEMBER, 1938—		THURSDAY, 1ST DECEMBER, 1938—	
Member Sworn	3313	Starred Questions and Answers	3617—54
Starred Questions and Answers	3313—47	The Indian Income-tax (Amendment) Bill—Discussion on the consideration of clauses not concluded .	3654—98
Statements laid on the Table .	3347—49		

	PAGES.		PAGES.
FRIDAY, 2ND DECEMBER, 1938—		FRIDAY, 2ND DECEMBER, 1938— <i>contd.</i>	
Starred Questions and Answers	3699— 3743	Motion for Adjournment <i>re</i> Setting up of a new memo- rial of the Badli-ki-Serai Battle near Delhi—Adopted	3746—47, 3773—80
Unstarred Questions and Answers	3743—45	The Indian Income-tax (Amendment) Bill—Dis- cussion on the considera- tion of clauses not concluded	3747—73
Statements laid on the Table .	3746		

LEGISLATIVE ASSEMBLY.

Thursday, 1st 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.

Mr. President (The Honourable Sir Abdur Rahim): The Chair understands the Honourable the Finance Member and the Honourable the Home Member are engaged elsewhere. So, if it suits the House, the Chair will first go on with the questions put down for the Defence Secretary.

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

PROPOSALS TO TRAIN RESERVES OF OFFICERS AND RANKS.

1656. ***Mr. T. S. Avinashilingam Chettiar**: Will the Defence Secretary state:

- (a) whether they have any proposals to train reserves of officers and ranks to meet cases of emergency in case war breaks out;
- (b) whether they have come to any definite conclusion in the matter; and
- (c) if so, what steps they propose to take in the matter?

Mr. O. M. G. Ogilvie: (a) Adequate arrangements exist for the training in peace of the Army in India Reserve of Officers and the Indian Army Reserve (other ranks) up to the authorised establishments of these categories.

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

Mr. T. S. Avinashilingam Chettiar: The answer that the Honourable Member gave is that adequate arrangements exist for times of peace but my question was to meet cases of emergency in case a war breaks out?

Mr. O. M. G. Ogilvie: That is why these reserves are trained in peace in order to meet an emergency when war breaks out.

Mr. S. Satyamurti: The authorised strength is fixed, to which my Honourable friend has referred. May I know whether it is fixed with reference to the breaking out of war and, if so, on what scale is it being kept?

Mr. O. M. G. Ogilvie: I cannot give the Honourable Member exact details of that, but it is kept at a sufficient strength, at any rate, to tide us over.

Mr. T. S. Avinashlingam Chettiar: May I take it that nothing special has been done in this matter more than what has been done already for so many years?

Mr. C. M. G. Ogilvie: No, these arrangements have not been altered.

Mr. K. Santhanam: May I ask what is the number of the officers in these reserves?

Mr. C. M. G. Ogilvie: I think it is 1,579.

Mr. K. Santhanam: How many Indians are there in this number?

Mr. C. M. G. Ogilvie: Again, as far as I remember, there are 700 Indians.

Mr. K. Santhanam: May I ask if these officers include the Indian Medical Service Officers also?

Mr. C. M. G. Ogilvie: Yes.

Mr. K. Santhanam: How many Indian officers who are, really speaking, military officers other than the Indian Medical Service Officers are there in these reserves?

Mr. C. M. G. Ogilvie: About 450.

Mr. T. S. Avinashlingam Chettiar: Of the remaining number, how many of them are Anglo-Indians and domiciled Europeans?

Mr. C. M. G. Ogilvie: That I am unable to say.

Mr. S. Satyamurti: I think my Honourable friend in reply to a previous question said that their number is enough to tide over the situation or the crisis; may I know what is the contingency up to which they have got the officers and men trained for the outbreak of the war? Is that contingency the arrival of troops from abroad, that is, from the British Empire, for the defence of India, or the creation of a second line of defence inside the country itself?

Mr. C. M. G. Ogilvie: I am afraid I too have not quite understood the Honourable Member's question. I think he was trying to get me to delimit that word crisis. I am afraid I am unable to do so. I can only say that this reserve is trained in peace in order that we may have a sufficient number of trained officers and men to fall back upon in the event of war.

Mr. K. Santhanam: May I ask if the University Training Corps also form part of this reserve?

Mr. C. M. G. Ogilvie: No.

Mr. T. S. Avinashlingam Chettiar: In view of the fact that the Indian portion of this reserve is not more than half, may I ask whether Government propose to take any steps to increase that number?

Mr. C. M. G. Ogilvie: Steps may be taken but none are being taken at present

Sardar Sant Singh: May I ask whether the reply refers only to the army or it refers also to the Air Forces and the Naval Forces?

Mr. C. M. G. Ogilvie: It refers only to the army.

Sardar Sant Singh: May I ask if any steps have been taken to train the pilots and other necessary contingent for the protection of ports in India?

Mr. C. M. G. Ogilvie: No reserve air force at present exists.

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

FALL IN THE NUMBER OF CANDIDATES SEEKING ADMISSION INTO THE INDIAN MILITARY ACADEMY.

1657. *Mr. T. S. Avinashilingam Chettiar: Will the Defence Secretary state:

- (a) whether Government have considered the progressive fall of the number of candidates offering themselves for admission to the Indian Sandhurst;
- (b) what are the reasons for the fall in numbers; and
- (c) what steps they have taken, or propose to take, to get increasing numbers of the proper type of young men?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) and (c). The reasons are uncertain. A Committee will shortly assemble which will examine this question among others, and after Government have received its report, the necessary steps will be taken.

Mr. T. S. Avinashilingam Chettiar: May I know if the Committee that is referred to is the Committee that will be appointed in pursuance of the Resolution passed by this House?

Mr. C. M. G. Ogilvie: Yes.

Mr. T. S. Avinashilingam Chettiar: May I know whether Government have taken into consideration the amendment that was passed in connection with that Resolution?

Mr. C. M. G. Ogilvie: Not yet.

Mr. T. S. Avinashilingam Chettiar: May I ask whether the report that has appeared in this morning's papers that the Honourable Sir Muhammad Zafrullah Khan has been approached to be a member of that Committee is true?

Mr. C. M. G. Ogilvie: I am not prepared to say who has been approached and who has not.

Mr. S. Satyamurti: My Honourable friend said that Government have not yet come to a decision on the recommendation of this House that the majority of this Committee should consist of elected Members of the Legislature. At the same time, my Honourable friend has said that he cannot say who has been approached and who has not been approached. May I know whether Government have approached some people, independent of their decision on the recommendation of this House?

Mr. C. M. G. Ogilvie: I did not say I could not say. I said I would not say.

Mr. S. Satyamurti: May I take it, then, that Government are approaching some people or have decided to approach some people, without deciding the entire composition of the Committee one way or the other?

Mr. C. M. G. Ogilvie: No person has been approached officially in any way.

Sardar Sant Singh: May I know if Government propose to consult the Leaders of Parties before any person is nominated on this Committee?

Mr. C. M. G. Ogilvie: I cannot add to my previous answer on that question. It has not yet been decided whether we will or not.

Sardar Sant Singh: Will Government consider the advisability, when accepting the Resolution of this House, to consult the Leaders of Parties with regard to the selection of the personnel of this Committee?

Mr. C. M. G. Ogilvie: That is exactly the kind of thing that the Government invariably consider with very great care.

Mr. K. Santhanam: May I ask whether any person has been approached unofficially?

Mr. C. M. G. Ogilvie: With your permission, Sir, I am not going to answer any further questions about what I may or may not have done unofficially.

1658.

1659.

1660.

ALLOWANCES PAID TO ARMY OFFICERS AND SOLDIERS.

1661. *Mr. C. N. Muthuranga Mudaliar: Will the Defence Secretary please state:

- (a) the nature and number, as well as the amount of the various allowances paid to soldiers (i) British, and (ii) Indian, in the army in India, including privates, warrant officers and non-commissioned officers; and

*For question No. 1658 see page 3631.

*For questions Nos. 1659 and 1660 see pages 3625-27.

- (b) the nature, number and amount of the various allowances, besides pay, paid to officers, (i) British, and (ii) Indian, in the army in India from the rank of second-lieutenant upwards?

Mr. C. M. G. Ogilvie: (a) and (b). The required information was laid on the table of the Council of State in reply to question No. 339 asked by the Honourable Mr. Brijlal Nandal Biyani on the 19th November, 1937, and question No. 51 asked by the Honourable Rai Bahadur Lala Ram Sarau Das on the 4th March, 1937.

UNIFORMS SUPPLIED TO PRIVATES.

1932. Mr. C. N. Muthuranga Mudaliar: Will the Defence Secretary state what is the cost of the uniform or dress supplied:

- (a) to an Indian private,
- (b) to a British private,

and also how frequently they are renewed, and if any allowances are given annually for the upkeep of such uniform or dress?

Mr. C. M. G. Ogilvie: (a) and (b). The cost of public clothing, that is, a great coat, for a British private is Rs. 22 and that of personal clothing, that is, service dress, Rs. 75.

The cost of public clothing for a sepoy of Indian Infantry is Rs. 20 and that of personal clothing Rs. 48.

The public clothing of both is replaced free of cost when worn out through fair wear and tear, the standard life being seven years.

The upkeep of personal clothing is the responsibility of the soldier for which the following monthly allowance is paid:

British private	...	Rs. 1-10-0
Indian sepoy	...	Rs. 1-5-0

Prof. N. G. Ranga: Will Government consider the advisability of reducing these allowances to the British privates to the level at which Indian privates are paid?

Mr. C. M. G. Ogilvie: No, Sir.

Prof. N. G. Ranga: Why not?

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot enter into a discussion.

Seth Govind Das: What is the reason of the differentiation between the allowance which is being paid to the British soldiers and the Indian soldiers?

Mr. C. M. G. Ogilvie: Because the British soldiers are compelled to keep up a larger amount of uniform than the Indian soldiers.

Prof. N. G. Ranga: In view of the fact that both are obliged to work in the same country and under the same circumstances and conditions and also in view of the great need in this country to economise our expenditure, why is it that Government are not prepared to consider the advisability of reducing this expenditure by lowering these allowances for British privates to the level at which these allowances are given to Indian privates?

Mr. C. M. G. Ogilvie: As I explained, the reason is that these allowances are calculated upon the amount of uniform which the respective soldiers have to keep.

Mr. T. S. Avinashilingam Chettiar: The Honourable Member said that British soldiers are required to keep a larger amount of uniforms. May I know if there is a larger wear and tear for British soldiers?

Mr. C. M. G. Ogilvie: I can only inform the Honourable Member that the British Army Regulations entail the keeping up of a larger amount of uniform than the Indian Army regulations.

Seth Govind Das: Will Government consider the question of reducing the number of uniforms for British soldiers to the level of Indian soldiers?

Mr. C. M. G. Ogilvie: The Government do not propose at present to consider that.

BARRACKS FOR BRITISH AND INDIAN TROOPS.

1938. ***Mr. C. N. Muthuranga Mudaliar:** (a) Will the Defence Secretary please state:

(a) the number of barracks, with the amount of accommodation available therein, for (i) British troops in India, and (ii) Indian troops; and

(b) the amount spent annually on the upkeep of those barracks?

Mr. C. M. G. Ogilvie: (a) The required information is contained in the Accommodation Statements of Northern, Southern, Eastern and Western Commands relating to January, 1938. A copy of each statement has been placed in the Library of the House.

(b) About rupees one crore and fifty-six lakhs.

Mr. S. Satyamurti: May I know how much is spent on Indian barracks?

Mr. C. M. G. Ogilvie: No separate account is maintained.

Mr. S. Satyamurti: Is the amount spent, comparing like with like, on barracks of British troops and on barracks for Indian troops, equal?

Mr. C. M. G. Ogilvie: I am entirely unable to say.

Beth Govind Das: May I know whether the barracks allotted for British troops are more spacious than the barracks allotted for Indian troops?

Mr. C. M. G. Ogilvie: I do not see that arises out of this question.

Mr. S. Satyamurti: I want to know whether, in distributing the amount of one crore and fifty-six lakhs to which my Honourable friend referred, there is any distinction shown either in size or in the amenities provided in these barracks, as between British and Indian troops? If so, why?

Mr. C. M. G. Ogilvie: I cannot see how either the size or amenities arise out of this question. In any case, I cannot answer it. But I may inform the Honourable Member that separate accounts are not maintained.

Mr. S. Satyamurti: I submit the question does arise. The question asks "the amount of accommodation" and the "amount spent annually"?

Mr. President (The Honourable Sir Abdur Rahim): The Chair thinks the Honourable Member said that no separate accounts are maintained.

Mr. S. Satyamurti: I am asking, first of all, about the amount of accommodation. I want to know whether there is any difference in the accommodation provided on the one hand for British troops and on the other for Indian troops.

Mr. C. M. G. Ogilvie: I must again submit that that does not arise out of this question. The "amount of accommodation" in part (a) of the question clearly desires the number of persons who can be accommodated in them should be given. The Accommodation Statement which has been placed in the Library of the House gives the fullest possible information of every kind. If the Honourable Member desires to ask further questions about the differences between the accommodation for various ranks of the army, British and Indian, I shall be happy to answer them if he will give me notice of the question.

Mr. K. Santhanam: May I know if the Army Department has set up any particular standard of accommodation for British soldiers and another standard of accommodation for Indian sepoys?

Mr. C. M. G. Ogilvie: I submit that question does not arise.

✓ **Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member will give notice of his question. The Defence Secretary has already said that full information may be obtained from the publication that he has placed in the Library of the House. If he wants any further information, he must give notice.

Mr. S. Satyamurti: The question itself asks the amount of accommodation for British troops as compared with Indian troops. Our allegation is that they make racial discrimination. The Honourable the Defence Secretary can say, yes or no, to this allegation.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should give notice of this question.

MILITARY HOSPITALS MAINTAINED IN INDIA AND DOCTORS AND NURSES EMPLOYED IN THEM.

1664. ***Mr. C. N. Muthuranga Mudaliar**: Will the Defence Secretary please state:

(i) the number of military hospitals maintained in India:

- (a) for British officers,
- (b) for Indian officers,
- (c) for British troops, and
- (d) for Indian troops;

(ii) the number of doctors employed in such hospitals who are:

- (a) European,
- (b) Indian, and
- (c) Anglo-Indian; and

(iii) the number of nurses employed in those hospitals with their grades of pay, and if any of them are Anglo-Indian or Indian?

Mr. C. M. S. Gajivite: (i)—(a), (b), (c) and (d). There are no separate hospitals for British officers and British troops nor are there any separate ones for Indian officers and Indian troops. But all officers, except Viceroy's commissioned officers, are treated in British Military Hospitals which also cater for British other ranks. These number 72. Viceroy's commissioned officers and Indian other ranks are treated in Indian Military Hospitals which are 90 in number.

(ii) I refer the Honourable Member to pages 615-620(b) and 626-695(a) of the Current Issue of the Indian Army List.

(iii) The number of lady nurses employed in these hospitals is 265. 210 belong to the Queen Alexandra's Imperial Military Nursing Service, five to the Queen Alexandra's Military Service for India, and 55 to the Indian Military Nursing Service. The members of the two former services are all Europeans. Members of the Indian Military Nursing Service may be of European, Anglo-Indian or Indian parentage. All of them are either Anglo-Indians or Domiciled Europeans. There are no Indian ladies in the Service at present, because none possessing the requisite qualifications have applied for appointment to it. The rates of pay and allowances for the Queen Alexandra's Imperial Military Nursing Service and the Queen Alexandra's Military Nursing Service for India are laid down in Rules 682-684 and 687-690 of Pay and Allowance Regulations, Volume I, and Rules 15 and 17 of Volume II, a copy of which is in the Library of the House. Those for the Indian Military Nursing Service are laid down in Rules 694 and 696 of Volume I and Rule 19 of Volume II of the same Regulations.

Mr. S. Satyanaruti: With reference to the Honourable Member's statement that no Indian nurses with the requisite qualifications apply for these posts, may I know what are the minimum qualifications for entry into the first two categories of services?

Mr. O. M. G. Ogilvie: The minimum qualifications are that they should be either unmarried or widows between the ages of 20 and 40 and that they should have had not less than three years training and service in medical and surgical nursing including nursing of male patients in civil hospitals of not less than 100 beds.

Mr. S. Satyamurti: May I know what are the facilities available in India, to the knowledge of my Honourable friend, for Indian ladies acquiring the qualifications prescribed which he just now announced? Are there any hospitals here in which these Indian ladies can get themselves trained and thus acquire these qualifications?

Mr. O. M. G. Ogilvie: There are a very large number of civil hospitals in India with more than 100 beds. As regards the question about facilities for Indian ladies to become nurses, I think that question does not arise, or if it does arise, I do not propose to answer it without notice.

Sardar Mangal Singh: May I know whether any Indian medical officer is posted to British hospitals?

Mr. President (The Honourable Sir Abdur Rahim): That question does not arise.

ARRESTS AND SENTENCES IN CONNECTION WITH THE SHIVA TEMPLE SATYAGRAHA IN DELHI.

+1659. ***Mr. T. S. Avinashlingam Chettiar:** Will the Honourable the Home Member state:

- (a) the number of people arrested and sentenced in connection with the Shiva Temple Satyagraha at Delhi till now;
- (b) what steps Government have taken to bring about a peaceful settlement in the matter; and
- (c) what is the present situation in the matter?

The Honourable Mr. E. M. Maxwell: (a) On the assumption that the Honourable Member's question has reference to the Satyagraha over a disputed site in Queens Gardens, the answer is:

785 persons have been arrested since the beginning of the agitation, and of these 702 have been convicted.

(b) and (c). Satyagraha continues and the dispute is the subject of civil suits which are being heard *de die in diem* in the Courts; the ultimate settlement would appear to depend on the result of these suits.

Sardar Sant Singh: May I know if Government have taken into consideration the steps taken by the Local Government in removing all the materials and in taking the law into their hands when a civil suit is pending in the Court?

The Honourable Mr. E. M. Maxwell: I am not aware of any such action having been taken during the pendency of the civil suit.

+Vide page 3600 ante. This question was answered out of its turn at the request of the Member in charge as he was unavoidably delayed.—Ed.

Mr. M. S. Aney: Is the Honourable Member not aware of the fact that the police have removed the idol of Shiva and also other articles belonging to the Sadhu?

The Honourable Mr. R. M. Maxwell: I answered that question last Session.

Mr. M. S. Aney: Are Government aware of this fact or not?

The Honourable Mr. R. M. Maxwell: When the person on the site, that is the Sadhu, was assaulted, at that time the site became vacant and the articles left there were taken into the custody of the police and listed.

Mr. M. S. Aney: Why is it that the Sadhu was not allowed to go back to his place during the pendency of the civil suit?

The Honourable Mr. R. M. Maxwell: It is a matter for decision in the civil suit whether he is entitled to go back there or not. But, in the meanwhile, in order to preserve public peace, the site is being held vacant and no one is allowed to approach it.

Mr. M. S. Aney: Was there any aggressive act done by the Sadhu to justify the order passed against him under section 144?

The Honourable Mr. R. M. Maxwell: It depends on what the Honourable Member means by an aggressive act.

Mr. President (The Honourable Sir Abdur Rahim): These supplementaries hardly arise out of the original question.

Mr. M. S. Aney: If that is your ruling, I do not want to ask any more supplementaries.

Sardar Sant Singh: Does the civil suit pending in court relate to the title to the property in question?

The Honourable Mr. R. M. Maxwell: That will be among the issues framed in the suit. I think the decision of the case will involve some kind of declaration by the Court as to whether the Sadhu has a right to be there or not,—if that is what the Honourable Member means.

Sardar Sant Singh: Is it a fact that that very site is in possession of Government now?

The Honourable Mr. R. M. Maxwell: It has always been in possession of Government; the question was who should use it.

REVISION OF THE PAY OF THE INDIAN CIVIL SERVICE AND THE INDIAN POLICE SERVICE.

+1660. ***Mr. C. N. Muthuranga Mudaliar:** With reference to the reply given to starred question No. 1159 on 20th September, asked in this House, is the Honourable the Home Member prepared to consider, in view

+Vide page 3620 ante. This question was answered out of its turn at the request of the Member in charge as he was unavoidably delayed.—Ed.

of the falling revenues of Government, the advisability of taking up the question of the revision of the pay of the Indian Civil Service and the Indian Police Service?

The Honourable Mr. E. M. Maxwell: I have nothing to add to the information I gave on the 20th September, 1938, in answer to parts (b) and (c) of starred question No. 1159 and the supplementaries thereon.

Mr. O. N. Muthuranga Mudaliar: May I know whether the civil and police officers of the same rank in the United Kingdom get the same salaries and allowances as Indian officers get in India?

The Honourable Mr. E. M. Maxwell: Not so far as I am aware. The salaries and allowances of officers are determined by the conditions of the service to which they belong.

Mr. S. Satyamurti: May I know whether Government have, since that last answer was given, and in view of the falling revenues of Government,—one reads that customs revenues are falling and railway receipts also are not looking up,—re-examined this question in view of the financial position, present and future, of the Government of India?

The Honourable Mr. E. M. Maxwell: Government have not re-examined the question. The position is still as I stated then, namely, that the Secretary of State has decided that further examination of the question should be deferred until the conditions of the services come under general review.

†1665*.

MANUFACTURE IN INDIA OF AEROPLANES FOR THE ARMY.

1666. ***Mr. Mann Subedar:** (a) Will the Defence Secretary please state what is the total number of aeroplanes in the Air Force in India?

(b) How many were added last year?

(c) What arrangements exist at present for repairs and assembling of these aeroplanes?

(d) Have there been any consultations with any firms for the manufacture in India of aeroplanes for the Army?

(e) Have the Principal Supply Officers' Committee looked into the availability of material for such manufacture?

Mr. O. M. G. Ogilvie: (a) and (b). It is not in the public interest to answer these parts of the question.

(c) The work is carried out at the Aircraft Depot, Drigh Road.

(d) I refer the Honourable Member to the reply given by the Honourable the Communications Member to part (c) of his starred question No. 1119 of the 31st March, 1938.

(e) No.

Mr. Mann Subedar: Will the Honourable Member say what is the percentage of wastage provided in peace time and the percentage of wastage provided in war time for military aeroplanes?

Mr. O. M. G. Ogilvie: I do not think I can possibly be expected to answer detailed and technical questions of that kind in answer to a supplementary question.

Mr. Manu Subedar: Is the Honourable Member aware that in Australia a factory is being set up for the production of military aeroplanes?

Mr. President (The Honourable Sir Abdur Rahim): That will perhaps be still harder for him to answer off-hand.

Mr. Manu Subedar: Sir, I am only anxious with regard to (a), i.e., whether Government have gone into the question of possibility of manufacturing aeroplanes in this country for defence purposes.

Mr. President (The Honourable Sir Abdur Rahim): Better put that direct.

Mr. Manu Subedar: Have Government considered the possibility of the manufacture of aeroplanes in this country for defence purposes?

Mr. O. M. G. Ogilvie: No, Sir.

Mr. Manu Subedar: Will they set about and have this matter investigated?

Mr. O. M. G. Ogilvie: No, Sir.

Prof. N. G. Ranga: Why not?

Mr. O. M. G. Ogilvie: It would be a waste of time.

Mr. T. S. Avinashilingam Chettiar: What does the Honourable Member mean by waste of time? Does he mean that the question is not of sufficient importance?

Mr. O. M. G. Ogilvie: No; the time will not be usefully employed.

Mr. Manu Subedar: Is it the deliberate policy of Government to always have this country dependent on imported material so far as military planes are concerned?

Mr. President (The Honourable Sir Abdur Rahim): That is a matter of inference.

Mr. Manu Subedar: I want to know whether that is the decision of Government.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can draw his own inference.

Mr. Manu Subedar: I will vary the question. Have Government decided that all requirements of the army in the matter of military aeroplanes will be met from imported material?

Mr. C. M. G. Ogilvie: With great regret, yes.

Beth Govind Das: Is it not a fact that the raw material which is used for making aeroplanes is aluminium and the aluminium is prepared from bauxite which is exported from this country?

Mr. C. M. G. Ogilvie: It is not a question of the availability of raw material which exists, comparatively speaking, in large quantities, but of the setting up of a highly specialised and extremely expensive plant and the training of labour to deal with it and the provision of money for working such a plant or factory and avoiding turning out the small number of planes required at a wholly prohibitive cost.

Mr. Manu Subedar: May I inquire whether Government have found any inadequacy with regard to the technical labour required for repair works mentioned in clause (c)?

Mr. C. M. G. Ogilvie: No, Sir.

Mr. Manu Subedar: Then may I assume that they have found the adequate technical labour for that purpose?

Mr. C. M. G. Ogilvie: Yes, the Honourable Member may assume that.

Mr. K. Sathesam: May I know if it is a fact that His Majesty's Government is subsidising companies in Canada for the supply of aeroplanes?

Mr. C. M. G. Ogilvie: I am afraid the Government of India have no information on that subject.

Mr. S. Satyamurti: May I know if the Government of India will initiate a discussion with His Majesty's Government, with a view to doing something in this direction of making this country self-sufficient at least partially in respect of this matter?

Mr. C. M. G. Ogilvie: No, Sir.

Mr. Manu Subedar: May I know whether any arrangement has been reached with the proposed Australian company to supply military planes to the Government of India?

Mr. C. M. G. Ogilvie: I have no information whatever about any Australian company, proposed or otherwise.

CONSIDERATION OF THE QUESTION OF A CITIZEN ARMY AS SECOND LINE FOR THE DEFENCE OF INDIA.

1667. ***Mr. S. Satyamurti:** Will the Defence Secretary please state:

- (a) whether Government have considered the question of a citizen army as second line for the defence of India;
- (b) whether Government have any proposals to strengthen the territorial forces in the country for this purpose; and

- (c) what other steps Government have in mind in order to increase the defence strength of India by utilising her manpower freely?

Mr. C. M. G. Ogilvie: (a) and (b). Yes.

(c) None.

Mr. S. Satyamurti: With reference to parts (a) and (b), may I know what are the proposals which they have in mind to strengthen the territorial forces in this country, and what is their conclusion on the question of a citizen army?

Mr. C. M. G. Ogilvie: All I can say in answer to that is that proposals for a possible expansion of the territorial army are under consideration, but no conclusion has yet been reached.

Mr. S. Satyamurti: With reference to part (a), may I know whether, apart from the territorial forces, there is any consideration by Government of the question of a citizen army for India?

Mr. C. M. G. Ogilvie: No, Sir; there is none.

Mr. S. Satyamurti: May I know if Government are satisfied by the response to the territorial forces and by such other considerations in their possession that there is no need for further considering the question of a citizen army for India, apart from the question of the expansion of the territorial forces, to which my Honourable friend referred?

Mr. C. M. G. Ogilvie: I am not quite sure of the bearing of the Honourable Member's supplementary question which seemed to me of great length, but Government have no proposals other than the constitution, retention, maintenance and possible expansion of the territorial forces as a second line army in India.

Mr. S. Satyamurti: What are the main lines of expansion of the territorial forces, which Government are thinking of?

Mr. C. M. G. Ogilvie: I am afraid I cannot, as I have already said, state at this stage what the proposals are.

Mr. K. Santhanam: With reference to parts (a) and (b) of the question may I know whether Government have placed any proposals before the Chatfield Committee in this behalf?

Mr. C. M. G. Ogilvie: I am not prepared to state what proposals, if any, Government have put forward before the Chatfield Committee.

Prof. N. G. Ranga: How many more people do they expect in the territorial forces in the near future?

Mr. C. M. G. Ogilvie: I cannot possibly inform the Honourable Member.

FALL IN CUSTOMS RECEIPTS.

†1658. *Mr. T. S. Avinashlingam Chettiar: Will the Honourable the Finance Member state:

- (a) whether there has been considerable fall in the receipts on Customs;
- (b) what are the articles that have mainly contributed towards this reduction; and
- (c) what is the estimated deficit under this head?

The Honourable Sir James Grigg: (a), (b) and (c). I would refer the Honourable Member to the answer I gave on the 15th November to Mr. S. Satyamurti's starred question No. 1266.

Mr. T. S. Avinashlingam Chettiar: What is the answer to clause (b)?

The Honourable Sir James Grigg: I would invite a reference to the published returns.

Mr. S. Satyamurti: With regard to the answer to clause (c), I do not want the Honourable Member to be unduly optimistic or pessimistic, but may I know what according to his calculations is the estimated deficit in customs receipts?

The Honourable Sir James Grigg: I honestly cannot calculate because it depends on taking a view as to the future course of trade for the remaining months of the year: there are indications that things may be turning a little bit better, but until I can get more definite indications it is really quite impossible to make any calculation.

CERTAIN PARTICULARS CONNECTED WITH THE RESERVE BANK OF INDIA.

†1665. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member, please state apart from the statutory and other reports submitted by the Reserve Bank, whether Government asked the advice of the Reserve Bank Board on any economic or financial questions since its inception? If so, on how many and what were those questions?

(b) On how many occasions have Government tendered advice to the Reserve Bank Board? Is such advice tendered directly in correspondence, or, is it done through the official Director representing Government on the Reserve Bank Board?

(c) Was the issue of the exchange ratio the subject matter of any correspondence between the Reserve Bank and the Government of India?

(d) Have Government asked the Reserve Bank not to publish the report of Mr. Darling on the co-operative credit institutions at work in India?

(e) Do Government propose to ask the Reserve Bank to consider ways and means for the extension of banking in India?

(f) Have any proposals for the modification of the Reserve Bank Act, been considered by Government?

The Honourable Sir James Grigg: (a) to (f). Communications between Government and the Reserve Bank are confidential. For the rest, I

+Vide pages 3620 and 3627 ante. These questions were answered out of their turn at the request of the Honourable Member in charge as he was unavoidably delayed.
—Ed.

would refer the Honourable Member to my replies to his question No. 884 on the 22nd March, 1938, and Mr. Satyamurti's question No. 1267 on the 15th November, 1938.

Mr. Manu Subedar: I do not wish to go behind the confidentiality of the communications, but, with regard to part (e), may I ask whether it is not a fact that when the Reserve Bank was set up it was expected to devise ways and means for the extension of banking in this country, and may I ask what steps Government have taken in order to get the Reserve Bank to make adequate suggestions in this regard?

The Honourable Sir James Grigg: The Honourable Member must be aware that the Reserve Bank have published several brochures on the subject.

Prof. N. G. Ranga: With reference to part (d) are we to understand that the Darling Report is not going to be published?

The Honourable Sir James Grigg: I think that is the position. I think the figures and facts on which it is based are possibly somewhat out of date. Provincial Governments have had the reports and the Reserve Bank had the report before them in issuing its reports on agricultural credit.

Mr. Manu Subedar: Is it a fact that that report is not being published, because it is extremely damaging to the position of the Co-operative Credit Department in this country?

The Honourable Sir James Grigg: The Honourable Member is asking me to answer a question which I have only just now answered by a general refusal to answer.

Prof. N. G. Ranga: Is it a fact that the Reserve Bank is expected to submit an annual report to the Government of India in regard to its impressions of the state of rural credit in this country and what it is doing to help the supply of rural credit in this country?

The Honourable Sir James Grigg: I do not think there is any question of an annual report. They were required under the Act to submit a statutory report which they have now done. I think they have since supplemented that report by two or three further reports.

Prof. N. G. Ranga: Does that mean that their obligation in so far as the particular Act is concerned is already over, because they have submitted just one report?

The Honourable Sir James Grigg: Their statutory obligation is over but their moral obligation is certainly not over, as they have shown by following up their report.

Mr. B. Satyamurti: With reference to the answer to clause (f), may I take it that the position is that, without any proposals emanating from the Reserve Bank itself, the Government do not propose to take on hand any amendment of the Reserve Bank Act?

The Honourable Sir James Grigg: I think that is generally the position, yes.

TRAINING OF INDIANS AS PILOTS IN THE UNITED KINGDOM.

1668. *Mr. Manu Subedar: Will the Defence Secretary please state:

- (a) whether the attention of Government has been drawn to the following report from the speech of Sir Kingsley Wood, the Air Minister in the United Kingdom, in the House of Commons on the 11th November, 1936:

"He referred to the assistance received in the personnel from the Dominions, declaring that since the expansion, hundreds of young men had come to this country to train as pilots";

- (b) whether the Government of India have made any effort to secure the participation by India in all these preparations and they have called for volunteers to learn the work of pilots under the scheme in the United Kingdom;
- (c) whether any application has been received by the India Office from Indians in the United Kingdom for being allowed to learn the work of pilots under the scheme now adopted in Britain for creating a large reserve; and
- (d) whether any Indians as a matter of fact have been invited or accepted for this work in the United Kingdom?

Mr. C. M. G. Ogilvie: (a) and (b). No.

(c) and (d). The Government of India have no information.

Mr. Manu Subedar: May I inquire what steps the Government of India are taking for the training of pilots for military purposes in this country and how they compare with similar steps taken in Great Britain and referred to in the speech of Sir Kingsley Wood which I have mentioned?

Mr. C. M. G. Ogilvie: I do not think that I can give any useful comparison between the conditions which are said to have caused Sir Kingsley Wood's speech in England and those which we might consider in India. But proposals for the formation of a reserve force, which is an extremely expensive thing, are under consideration.

Mr. Manu Subedar: I merely want to know whether the Honourable Member can give us an assurance that adequate steps are taken in order to provide trained military pilots in this country in sufficiently large numbers to take care of our defence.

Mr. C. M. G. Ogilvie: In answer to that I can only inform the Honourable Member that pilots are useless without machines and that machines cost a very great deal of money.

Mr. Manu Subedar: My difficulty arises as in a previous question as the Honourable Member refused to say how many machines there were and how many were being obtained. May I know in general terms whether adequate machines are being imported and whether an adequate number of pilots is being raised?

Mr. C. M. G. Ogilvie: I am not prepared to answer that question.

**INCORPORATION OF CERTAIN EXEMPTIONS IN THE INDIAN INCOME-TAX
(AMENDMENT) BILL.**

1669. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Finance Member please state whether Government intend to incorporate the subject matters of exemptions mentioned in articles (38) and (40) of paragraph 17 of the Income-tax Manual, in the Income-tax Amendment Bill?

The Honourable Sir James Grigg: Article (38): The Honourable Member will have an opportunity of discussing this question in connection with Dr. P. N. Banerjea's amendment to section 9.

Article (40): No.

ELECTION TO THE AMBALA CANTONMENT BOARD.

1670. *Sardar Sant Singh: Will the Defence Secretary please state when the first election for Ambala Cantonment Board was held under Act of 1936, with the following particulars:

- (i) date for filing nominations,
- (ii) date for polling,
- (iii) number of seats,
- (iv) number of valid nomination papers filed,
- (v) number of persons declared elected, and
- (vi) number of seats remaining vacant and the reasons for not filling the vacant seats by election?

Mr. C. M. G. Ogilvie: The information required by the Honourable Member is as follows:

- (i) 16th March, 1938.
- (ii) No polling was required because there were only four candidates whose nomination papers were declared valid.
- (iii) Seven.
- (iv) and (v). Four.
- (vi) Three, because a by-election in such cases is not provided for in the Cantonments Act, 1924.

Sardar Sant Singh: May I know the reasons why only four valid nomination papers were filed when the seats were seven?

Mr. C. M. G. Ogilvie: Because the three other candidates failed to file valid nomination papers.

Sardar Sant Singh: May I know the reasons why so few candidates came forward?

Mr. C. M. G. Ogilvie: I cannot possibly answer that question.

Prof. N. G. Ranga: How are the other seats filled, by election or nomination?

Mr. C. M. G. Ogilvie: They will now be filled by nomination in the absence of any provision for election.

RECRUITMENTS TO ARMY AND ROYAL INDIAN NAVY AND REGULATION RATION IN THE ROYAL INDIAN NAVY.

1671. *Mr. Manu Subedar: (a) Will the Defence Secretary please state how many men were recruited in the (i) Indian Army, and (ii) Royal Indian Navy, in 1936-37 and 1937-38 respectively?

(b) How many of these were (i) Hindus, (ii) Muslims, (iii) Europeans, and (iv) others?

(c) What is the regulation ration in the Royal Indian Navy for (i) men and (ii) officers?

(d) Is beef part of such ration for (i) men and (ii) officers?

Mr. C. M. G. Ogilvie: (a) and (b). In the Indian Army, 16,470 men were recruited during 1936-37 and 18,326 during 1937-38. Of those, 14,320 are Hindus, 14,172 Moslems, no Europeans and 6,304 others. In the Royal Indian Navy, 132 were recruited during 1936-37 and 242 during 1937-38, of which 27 are Hindus, 280 Moslems, no Europeans and 67 others.

(c) and (d). I lay a statement on the table containing the required information.

Scale of ration articles admissible to officers, warrant officers, ratings (including boys), supernumeraries borne on the books of Royal Indian Marine vessels, electrical artificers and ordnance artificers.

When to be issued.	Articles.	Denomination.	To Europeans.	To Indian Warrant Officers.	To Indian ratings (including boys), electrical artificers and ordnance artificers.	Remarks.
Daily	Biscuit . . .	lb.	1	1	1	* Biscuit or atta. 1 lb. may be issued if bread is not obtainable. † Rice and/or atta 16 oz. in all may be issued. ‡ To be issued to all boys under training in the R. I. N. irrespective of their age. Milk will not be issued to R. I. N. ratings of any age.
	Bread . . .	"	1	1	1	
	Rice . . .	"	1	1	1	
	Atta . . .	oz.	1	1	1	
	Coffee . . .	"	2	2	2	
	Tea . . .	"	1	1	1	
	Sugar . . .	"	2 1/2	2 1/2	2 1/2	
	Flour . . .	"	5	5	5	
	Raisins . . .	"	1	1	1	
	Rum . . .	gills.	1	1	1	
	Ghee . . .	oz.	1	2	2	
	Salt . . .	"	1	1	1	
	Onions . . .	"	2	2	2	
	Potatoes . . .	"	2	2	2	
Condiments . . .	"	1	1	1		
Milk, fresh . . .	"	1	1	10 1/2		
Firewood or fuel . . .	As actually required in accordance with size and description of galley.					
Weekly	Vinegar . . .	pint.	1	1	1	
	Mustard . . .	oz.	1	1	1	
	Pepper ground . . .	"	1	1	1	
	Curry stuff . . .	"	1	5	1	

When to be issued.	Articles.	Denomination.	To Europeans.	To Indian Warrant Officers.	To Indian ratings (including boys), electrical artificers and ordnance artificers.	Remarks.
Daily when procurable and provided the salt meat is not likely to spoil.	Fresh met with bone 17½ per cent.	lb.	1	1	½	
	Fresh vegetables	oz.	6	8	4	
Daily when fresh meat and vegetables are not issued	Salt meat	lb.	1	
	Vegetables when procurable.	..	½	
	Salt fish (a)	oz.	..	3	..	(a) See note 4 below.
	Dall	..	2	4	..	
When procurable as substitute for biscuit.	Bread	lb.	1½	1	..	
When desired in lieu of half gill of rum.	Tea	oz.	½	½	..	
Daily for Engineers in lieu of beer in addition to that issued to all the Europeans on board.	Sugar	..	1	1	..	
	Rum	gill.	½	

NOTE 1.—The term "Fresh meat" includes beef and mutton which will be issued alternately when ships are in port and where beef is available, except in the case of Hindu ratings, to whom mutton will be supplied only; and to others, when in port, mutton may be issued in lieu of beef equivalent in quantity to the cost of 6 ozs. of beef. At sea mutton may be issued when beef cannot be carried. Fresh fish or poultry in lieu of fresh meat may be supplied at the discretion of the Commander, provided no extra expense to the State is incurred thereby.

NOTE 2.—The number of men to whom biscuits and dall were issued during the quarter should be noted in the Quarterly Victualling Account.

NOTE 3.—Indian warrant officers and ratings of the Royal Indian Navy, who are accustomed to European food, will be granted, at the discretion of the Commanding Officer of the ship concerned, rations at the European scale laid down in this Appendix except that in the case of ratings—

- (i) No rum will be admissible.
- (ii) Meat will be issued at ½ lb. instead of 1 lb.
- (iii) Bread will be issued at 1 lb. instead of 1½ lbs.
- (iv) Rice will be issued at 6 ozs. instead of 4 ozs.

NOTE 4.—Salt fish should only be issued to Indian ratings and boys when fresh meat is not available. The scale of issue will be 6 ozs. to 3 ozs. of fresh meat.

NOTE 5.—Fresh fish, when obtainable, should be issued to Indian ratings and boys, twice a week in lieu of fresh meat.

NOTE 6.—Dall 4 ozs. may be issued to Indian ratings and boys daily in lieu of 2 ozs. of onions if desired.

NOTE 7.—When fresh vegetables are not obtainable, an additional 2 oz. of potatoes may be issued to the Indian ratings and boys.

NOTE 8.—When at sea, milk tinned, liquid evaporated, may be issued to all boys under training in lieu of milk fresh. The scale of issue will be 5 ozs. of milk tinned to 10 ozs. of milk fresh.

NOTE 9.—In case it should be necessary to issue substitutes for any of the provisions above mentioned, the following scale is to be adopted :—

lb.				
(i) Biscuit	1	}	Are to be considered equal to each other.	
Flour	1			
Rice	1			

NOTE.—Rice may always be issued in lieu of biscuit if desired.

oz.				
(ii) Coffee	1	}	Are to be considered equal to each other	
Cocoa	1			
Chocolate	1			
Tea	$\frac{1}{2}$			

(iii) The 5 ozs. of curry-stuff to consist of —

oz.				oz.					
Tamarind	.	.	1	}	or	{	Chillies	.	1
Chillies	.	.	$\frac{1}{2}$				Coriander seed	.	1
Garlic	.	.	$\frac{1}{2}$				Turmeric	.	1
Turmeric	.	.	$\frac{1}{2}$				Cummin seed	.	1
Mustard oil	.	.	1				Garlic	.	1
Onions	.	.	$\frac{1}{2}$						

Mr. Manu Subedar: Is it a fact that on account of beef being a normal part of the rations, Hindu candidates are not coming forward in adequate numbers or continuing after they join?

Mr. C. M. G. Ogilvie: I understand that that is not a fact as, if the Honourable Member will look at the regulation rations, he will see that beef is not issued to Hindus who are supplied invariably with mutton in its place.

Mr. Manu Subedar: In view of the figures given, may I know if the figure of 70 per cent. of recruits in the army being Muslims as claimed by Mr. Jinnah is true?

Mr. C. M. G. Ogilvie: The Honourable Member may look for himself.

Sardar Sant Singh: May I know whether the figures include the recruitment for Sikhs and, if so, what is their number in these two years?

Mr. C. M. G. Ogilvie: The figures do include Sikhs, but they have, I am afraid, been placed along with others. I should say, however, that the majority of the others were, in fact, Sikhs.

RACIAL DISCRIMINATION IN THE MATTER OF PAY, ETC., IN THE ARMY HEADQUARTERS.

1672. ***Mr. Manu Subedar:** (a) Will the Defence Secretary please state whether it is a fact that Indians having high University qualifications start on Rs. 55 per mensem for clerkships in the Army Headquarters, whereas European clerks (British Other Ranks) start with Rs. 300 per mensem without any test by the Public Service Commission?

(b) Is it further a fact that numerous allowances are given to married British Other Ranks clerks in kind or in cash, for which Indian clerks are not eligible?

- (c) What is the total cash value of these concessions?
- (d) Why is this distinction made and continued?
- (e) Which are the offices in the Army Headquarters to which selections have been made from British Other Ranks clerks and to which no Indian clerk has been promoted?

Mr. C. M. G. Ogilvie: (a) I refer the Honourable Member to the reply given by me on the 15th November, 1938, to part (b) of Seth Govind Das's starred question No. 1261.

- (b) Certain allowances are given.
- (c) Rs. 43 p. m. for single clerks and Rs. 73 p. m. for married clerks.
- (d) Because the terms and conditions of service for Indian and British Wings of the Indian Army Crops of Clerks are different.
- (e) The collection of this information would involve an excessive amount of labour. It may, however, be stated for the information of the Honourable Member that all appointments in Army Headquarters from Officer Supervisor downwards are open to both British and Indian clerks and no distinction is made, subject to the clerks concerned being efficient and recommended for promotion.

Mr. Mann Subedar: Is it a fact, Sir, that considerable discontent exists amongst the Indian clerks of this particular office on account of the extra allowances given to European clerks and the higher places being denied to Indians, though as the Honourable Member said, they are eligible to them?

Mr. C. M. G. Ogilvie: I may say at once that there is not the slightest element of correctness in that statement.

Prof. N. G. Ranga: Will Government consider the desirability of discontinuing these special allowances and recruiting all the clerks from amongst Indians themselves in India in view of the fact that Indians have shown themselves capable of discharging much greater responsibilities?

Mr. President (The Honourable Sir Abdur Rahim): These are all arguments.

Prof. N. G. Ranga: Then will they at least consider the advisability of discontinuing these special allowances? It is not an argument.

Mr. President (The Honourable Sir Abdur Rahim): I say it is an argument.

Prof. N. G. Ranga: Sir, we are all interested in seeing that more and more economy should be adopted in all departments.....

Mr. President (The Honourable Sir Abdur Rahim): I can quite understand that, but this is not the time for discussing questions of that nature.

Mr. M. Asaf Ali: With reference to the answer to part (e) of the question, I understood the Honourable Member to say that these posts are open to Europeans and Indians alike. Can he state the proportion of Europeans and of Indians who are now in the Army Headquarters?

Mr. O. M. G. Ogilvie: I am afraid I can't say that off-hand.

Mr. M. Asaf Ali: Even an approximate idea will do quite nicely?

Mr. O. M. G. Ogilvie: I don't think I can give even an approximate idea.

CLASSIFICATION OF INCOME FROM FISHERIES FOR ASSESSMENT OF INCOME-TAX IN CERTAIN PLACES IN ASSAM.

1673. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Finance Member please state:

- (a) whether, in case of assesseees who are owners of permanently settled land in District Sylhet (Assam), occupied by fisheries, income from fisheries is classed under "Property" or under "Business" for assessment of income-tax;
- (b) whether allowance is given for "Local Rates" paid by the assessee on the fishery land; if not, why not;
- (c) whether the "Local Rates" levied by the Provincial Government for the big fisheries is on "area of land" basis or on "the basis of gains", i.e., the income which the fisheries bring to the landlord assessee; and
- (d) whether, in the case of small estates containing small fisheries, the entire estate is assessed to Local Rates on the basis of total area, irrespective of income from fisheries?

The Honourable Sir James Grigg: (a) and (b). The information is being collected and will be laid on the table of the House.

(c) and (d). Government of India have no information.

EXPENDITURE AND LIABILITIES IN RESPECT OF THE DEFENCE DEPARTMENT.

1674. *Mr. S. Satyamurti: Will the Defence Secretary please state:

- (a) the expenditure and the liabilities incurred from 1st April to 31st October, 1938, in respect of the Defence Department;
- (b) the excess expenditure, so far, over the budgeted grant during that period, and the items under which they were incurred;
- (c) how the excess expenditure has been met; and
- (d) whether any sanction has been asked for, or obtained from the Finance Department for supplementary grants for this excess of expenditure?

Mr. O. M. G. Ogilvie: (a) The total expenditure from the 1st of April to the 31st of October, 1938, is Rs. 8,10,119.

The cost of items up to the 31st of October which were not included in the original budget is Rs. 2,406. These items are expected to cost another Rs. 40,480 between the end of October and the end of March.

(b) and (c). The budgeted grant is for the whole year, and since the authorised grant for the current year amounts to Rs. 5,97,000 no question of excess has yet arisen.

(d) The sanction of the Finance Department has been obtained for all expenditure incurred to date. The question of a supplementary grant will

be taken up if and when it is known that the original grant for the whole year will be exceeded.

Mr. S. Satyamurti: May I know, Sir, if my friend's answers cover the extra expenditure on the Waziristan operations also?

Mr. C. M. G. Ogilvie: No, the Waziristan operations are not financed by the Defence Department.

Mr. S. Satyamurti: May I know whether the expenditure and the liabilities incurred in respect of the Waziristan operations are not debited to the Defence Department?

Mr. C. M. G. Ogilvie: To the defence budget, but not to the Defence Department.

Mr. S. Satyamurti: Does it mean that the Defence Department does not obtain the money, and spend it on all these operations?

Mr. C. M. G. Ogilvie: I regret I understood these questions are referring to the Defence Department of the Government of India; these are not debited to the Defence Department estimates.

Mr. S. Satyamurti: I want to know whether the Waziristan operations are being conducted by the Commander-in-Chief, who is part of the Defence Department and who is the Chief of the Defence Department of the Government of India?

Mr. C. M. G. Ogilvie: I have endeavoured to explain to the Honourable Member that I interpreted his question as referring to the Defence Department of the Government of India, and not to the defence estimates or even to the Army Headquarters.

Mr. T. S. Avinashilingam Chettiar: May I know, Sir, if two Secretaries have been appointed in this Department?

Mr. C. M. G. Ogilvie: Two new officers have been temporarily attached to that Department of the rank of Secretary.

Mr. T. S. Avinashilingam Chettiar: For what period?

Mr. C. M. G. Ogilvie: The period of one will expire at the end of December, and, of the other, no decision has yet been reached.

Mr. T. S. Avinashilingam Chettiar: What are the special activities that are now conducted or what is the special necessity just now for the appointment of these two officers?

Mr. C. M. G. Ogilvie: That does not arise out of this question.

Mr. T. S. Avinashilingam Chettiar: These are fresh appointments, and we want to know the reasons as to why these are made.

Mr. President (The Honourable Sir Abdur Rahim): Not necessarily.

Mr. T. S. Avinashilingam Chettiar: I don't understand what you mean by saying not necessarily. It may not be necessary for him to give information, but we are entitled to get this information.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had asked for the information, and the Defence Secretary has given it.

Mr. T. S. Avinashilingam Chettiar: Sir, in a supplementary question, we are entitled to ask for information on the same subject.

Mr. President (The Honourable Sir Abdur Rahim): Yes, if it arises.

Mr. T. S. Avinashilingam Chettiar: Then, say, it does not arise.

COST OF WAR PREPARATIONS OWING TO THE RECENT EUROPEAN CRISIS.

1675. *Mr. S. Satyamurti: Will the Defence Secretary be pleased to state:

- (a) the extra expenditure incurred and the staff employed in respect of certain war preparations owing to the recent European crisis;
- (b) whether any committee was appointed in this connection; if so, what its personnel and terms of reference were;
- (c) the cost so far incurred on such preparations, and what those preparations are; and
- (d) what the estimated cost of these preparations is and whether these preparations were made on the initiative of the Indian Defence Department, or at the suggestions of the War Office in England?

Mr. C. M. G. Ogilvie: (a) to (d). It is not in the public interest to reply to this question.

Mr. S. Satyamurti: Can't my friend say even the extra expenditure incurred?

Mr. C. M. G. Ogilvie: No.

Mr. S. Satyamurti: May I know, Sir, if these extra preparations are still continuing?

Mr. C. M. G. Ogilvie: That again is not in the public interest to discuss at this stage.

Mr. S. Satyamurti: With reference to the answer to clause (d) of the question, may I know whether my friend claims public interest not to answer the question whether these preparations were made on the initiative of the Indian Defence Department, or at the suggestion of the War Office in England?

Mr. C. M. G. Ogilvie: Yes.

Mr. S. Satyamurti: Public interest?

Mr. C. M. G. Ogilvie: Yes.

PERMANENT LOCATION OF THE ARMY HEADQUARTERS AND OF THE DEFENCE DEPARTMENT IN ONE PLACE.

1676. *Mr. S. Satyamurti: Will the Defence Secretary please state:

- (a) with regard to the policy of Government to retain more and more Government offices throughout the year in Delhi, whether the question of the permanent location of the Army Headquarters and of the Defence Department throughout the year in one place is being considered;
- (b) whether Government have come to any conclusion in the matter; and
- (c) whether Government have considered the question of retaining permanently the Army Headquarters in Simla in view of the large number of buildings available there for them?

Mr. C. M. G. Ogilvie: (a) No.

(b) Does not arise.

(c) No.

Mr. S. Satyamurti: May I know, Sir, with regard to the answer to part (a) of the question, does the "No" apply to both parts of the question, or it merely means, apart from the policy of the Government to retain more and more offices throughout the year in Delhi, this question has not been taken up by the Government of India?

Mr. C. M. G. Ogilvie: No, the answer is that Government having had regard to the policy of the Government of India to retain more offices in Delhi have not considered the possibility of locating the Army Headquarters and the Defence Department in the same place.

Mr. S. Satyamurti: With regard to the answer to part (c) of the question, may I know the reason why Government have not considered this question, in view of the consideration mentioned in the question, that large and imposing arrays of buildings exist in Simla for Army Headquarters?

Mr. C. M. G. Ogilvie: The reason is that the Army Headquarters cannot be entirely divorced from the Defence Department and the Government of India.

PROPOSAL TO HOLD A DOMINIONS CONFERENCE IN LONDON.

1677. *Mr. S. Satyamurti: Will the Defence Secretary please state:

- (a) whether it is a fact that Mr. Bruce, the Australian High Commissioner in London, has cancelled his projected Australian visit in the belief held in official quarters of the possibility that Britain will summon a Dominions Conference in London early in the new year to discuss international affairs and Empire defence;
- (b) whether the Government of India have heard anything in respect of this matter; and

(c) whether the Government of India propose to address His Majesty's Government to see that India also is consulted in this matter?

Mr. C. M. G. Ogilvie: (a) Government have no information.

(b) and (c). No.

Mr. S. Satyamurti: May I know what exactly the Defence Secretary means by saying, in answering question (a), Government have no information, does he mean they have not read the same in the papers, or they have no official information?

Mr. C. M. G. Ogilvie: It means the Government of India are not concerned in the matter in any way, and therefore they have no official information on the subject.

Mr. S. Satyamurti: May I ask for further elucidation, Sir. Have the Government of India no interest in the discussion on international affairs and Empire defence?

Mr. C. M. G. Ogilvie: I don't see how that arises out of this question.

Mr. S. Satyamurti: Yes, Sir; please read the question, and you will see it is worded thus: "whether it is a fact that Mr. Bruce, the Australian High Commissioner in London, has cancelled his projected visit in the belief held in official quarters of the possibility that Britain will summon a Dominions Conference in London early in the new year to discuss international affairs and Empire defence". May I know what my Honourable friend means? Does he mean that the Government of India have no concern either in international affairs with which the British Empire is concerned, or in Empire defence?

Mr. C. M. G. Ogilvie: The Government of India had no concern with the beliefs said to be held in official quarters. They are not held in Indian official quarters. If there was such a possibility, the Government of India would undoubtedly have been informed officially. At present no such information has reached us.

Mr. S. Satyamurti: Will the Government of India address His Majesty's Government, and find out if any such Conference is thought of, and find out fuller information?

Mr. C. M. G. Ogilvie: No, Sir.

Mr. S. Satyamurti: Why not, Sir?

Mr. C. M. G. Ogilvie: Because the Government of India will be informed at once if there is such an idea.

Mr. S. Satyamurti: Can my Honourable friend tell the House, since India is not treated as a Dominion in many matters, what is the basis on which he comes to the conclusion that India is sure to be summoned to a Dominions Conference?

Mr. C. M. G. Ogilvie: India has always taken part in such Conferences in the past, and in any case, if there was to be such a Conference, we should know about it. This is a mere rumour which as far as we are aware has no foundation.

PROVINCE OF PANTH PIPLODA.

1678. *Mr. Sham Lal (on behalf of Mr. Sri Prakasa): Will the Honourable the Home Member state:

- (a) the date, occasion and circumstances when the Chief Commissioner's province of Panth Piploda was formed;
- (b) the area and population of the Province;
- (c) if there was any ruling Indian chief or prince of the province before the same was included in British India; and, if so, what were the conditions under which the territory was ceded; and
- (d) the exact location of the province, and if the same is marked in any map?

The Honourable Mr. R. M. Maxwell: (a) Panth Piploda was formed as a Chief Commissioner's province with effect from the 1st November, 1928, with the object of providing a sound legal basis for a system of administration for this area.

(b) The area is 25.29 square miles with a population of 4,545.

(c) The area was ceded to the Honourable the East India Company by the Peshwa in 1817 along with all his territories and rights in Malwa, under Article 14 of the Treaty of Poona of that year.

(d) The province is distributed in five blocks interspersed with villages of the Jaora State and surrounded by the States of Gwalior, Indore, Dewas and Jaora. It is situated about 25 miles west of Mehidpur railway station on the Bombay, Baroda and Central India Railway. It is shown in the Political Map of India.

Mr. Badri Dutt Pande: Who created this province? The Secretary of State, the Crown Representative or the Governor General?

The Honourable Mr. R. M. Maxwell: The Secretary of State.

Mr. Badri Dutt Pande: What are the receipts and expenditure of this Province? Can the Honourable Member give us any idea?

The Honourable Mr. R. M. Maxwell: The total revenues of the province are about Rs. 54,000. Out of this a sum of Rs. 11,000 is absorbed by the Khandekar tribute. Out of the remaining Rs. 43,000, not less than Rs. 12,000 is required for the maintenance of the administration and the balance of Rs. 31,000 is distributed among the proprietary Thakurs.

TIME TAKEN BY INDIAN CIVIL SERVICE OFFICERS TO BE PLACED IN INDEPENDENT CHARGE OF A DISTRICT.

1679. *Mr. S. K. Hosmani: (a) Will the Honourable the Home Member be pleased to state what time it normally takes an Indian Civil Service Officer to be placed in independent charge of a district either as a Deputy Commissioner, or as a Collector, or as a District Judge?

(b) Is it not a fact as is apparent from Civil Lists, that ordinarily in *seven* years' time, such officers get a change to be so appointed in charge of districts? If so, are Government prepared to consider the advisability of enlarging this period of probation and training from seven to twelve years?

The Honourable Mr. R. M. Maxwell: (a) The strengths of cadres of the Indian Civil Service in all provinces are based on calculations intended to secure that officers should begin to officiate permanently either as Collector, Deputy Commissioner or District and Sessions Judge after completion of the eighth year of service. But the rate of promotion is not uniform, and in some provinces officers officiate continuously after six years.

(b) No. Experience has shown eight years to be more than a sufficient period of training. To increase the period of training would also involve an increase in the size of cadres and, therefore, of the cost.

LEVY OF DEATH DUTY.

1680. *Sardar Mangal Singh: Will the Honourable the Finance Member please state:

(a) whether Government contemplate levying death duty in this country; and

(b) when a Bill to that effect is likely to be introduced in the Assembly?

The Honourable Sir James Grigg: (a) and (b). The matter is under examination.

Mr. Manu Subedar: May I know whether the Lloyd delegation has already begun work on this subject? I believe that Mr. Lloyd was going to be put on special duty.

The Honourable Sir James Grigg: The delegation consists of himself and he has certainly begun work, because I have already had sent to me an extremely large and extremely technical memorandum on the subject.

Sardar Mangal Singh: May I know whether the Provincial Governments will be consulted in this matter?

The Honourable Sir James Grigg: Of course, that is the whole idea.

Sardar Mangal Singh: May I know whether any legislation will be taken in this House or in the Provincial Legislatures?

The Honourable Sir James Grigg: Legislation must be taken in this House under the Government of India Act.

Prof. N. G. Ranga: Have any Provincial Governments already asked for the co-operation of the Government of India in getting this particular duty levied?

The Honourable Sir James Grigg: No, not exactly in that way that they asked for co-operation. They have asked the Government of India to explore the question.

Sardar Mangal Singh: May I know whether the proceeds of this tax will go to the provinces?

The Honourable Sir James Grigg: The legislation under which the tax is imposed must provide for a scheme of distribution among the provinces.

GENTLEMEN CADETS TRAINED AT THE INDIAN MILITARY ACADEMY.

1681. *Sardar Mangal Singh: Will the Defence Secretary please state:

- (a) how many gentlemen cadets have so far been trained at the Indian Military Academy, Dehra Dun;
- (b) how many of them have actually joined the units as Indian commissioned officers;
- (c) how many of them have replaced British officers; and
- (d) how many of them have replaced Viceroy's commissioned officers?

Mr. C. M. G. Ogilvie: (a) 215 have completed their training excluding Indian States Forces cadets.

- (b) All of them.
- (c) Two.
- (d) 141.

Mr. S. Satyamurti: What is the reason why only two of them have replaced British officers?

Mr. C. M. G. Ogilvie: Because these officers have none of them more than 4½ years' service and they are still acting as platoon commanders.

Mr. S. Satyamurti: Have the Government of India considered any scheme by which, as recommended by the Sandhurst Committee originally, these officers will more and more replace British officers, and not Viceroy's commissioned officers?

Mr. C. M. G. Ogilvie: They will in time entirely replace the British officers and the King's commissioned Indian officers in various regiments.

Mr. S. Satyamurti: In what time, will they entirely replace the British officers?

Mr. C. M. G. Ogilvie: The Indian commissioned officers have, I think, the senior of them, only 4½ to five years' service. Normally 26 years is taken before promotion to Lieutenant-Colonel is reached, but as regards some King's Indian commissioned officers that time should be reached in about six or seven years.

Mr. S. Satyamurti: May I take it that, so far as British officers are concerned, it will take 22 years more before these officers begin to replace them?

Mr. C. M. G. Ogilvie: Before the Indian commissioned officer? No, certainly not. It will take place when they rise to be company officers or company commanders.

Sardar Mangal Singh: With regard to the answer to part (b) of the question, may I take it that so far no Indian commissioned officer has been posted to the Political Department?

Mr. C. M. G. Ogilvie: I cannot see that that arises out of this question.

Sardar Mangal Singh: It does arise, whether all of them have been posted to the units. There are some Indian officers who have been sent to the Political Department.

Mr. C. M. G. Ogilvie: They may be, but they have all joined their units in the Indian army. Some of them have left one unit and gone into another, and for all I know, too, some have gone to the Political Department, but they have at some time or other joined their units.

CANDIDATES OFFERING FOR EXAMINATION TO THE INDIAN MILITARY ACADEMY.

1682. *Sardar Mangal Singh: Will the Defence Secretary please state:

- (a) the number of candidates who offered themselves for examination at the open competitive examination for the Indian Military Academy in 1932, 1933, 1934, 1935, 1936, 1937 and 1938;
- (b) the number of those candidates who qualified in these examinations in 1932, 1933, 1934, 1935, 1936, 1937 and 1938;
- (c) the number of those candidates who got more than 400 marks in the *viva voce* examination by the interview and record board, but failed to qualify in the written examination; and
- (d) the number of those candidates who got more than 800 marks in the written examination, but failed to get 50 per cent. marks in the oral examination by the interview and record board?

Mr. C. M. G. Ogilvie: The information in respect of each year mentioned by the Honourable Member is as follows:

- (a) 274, 326, 292, 260, 215, 189 and 128.
- (b) 162, 126, 85, 74, 72, 54 and 21 excluding the October examination, the results of which are not yet known
- (c) 2, 5, 8, 8, 7, 7 and 2, excluding the October examination.
- (d) 12, 33, 81, 51, 31, 42 and 12, excluding the October examination.

PROPOSAL TO CONSTRUCT A ROAD CONNECTING SOUTH CHINA WITH BURMA.

1683. *Mr. Brojendra Narayan Chaudhury: Will the Defence Secretary please state:

- (a) whether the proposal for building a road to connect South China with Burma has been considered in connection with the eastern defences of India; and
- (b) how far the road scheme has progressed?

Mr. C. M. G. Ogilvie: (a) No.

(b) Does not arise.

Mr. Brojendra Narayan Chaudhury: Do Government mean that the road has not been constructed?

Mr. C. M. G. Ogilvie: I think I have answered the question quite clearly.

Mr. Brojendra Narayan Chaudhury: Will not the construction of such a road facilitate movement of the army up to the borders of Burma which is close to the borders of China?

Mr. C. M. G. Ogilvie: As I said, the matter has not been considered, and the movement of which army it can facilitate I am sure I cannot say.

Mr. Brojendra Narayan Chaudhury: With regard to the construction in China of a road from Tunan to Lashio on the borders of Burma, my question is, have the Government of India considered the effect of the construction of this road on the eastern borders of India?

Mr. C. M. G. Ogilvie: I do not think I can be expected to answer questions about what the Chinese Government have done.

CONSIDERATION OF THE QUESTION OF CONNECTING INDIA AND BURMA BY A MOTORABLE ROAD.

1934. ***Mr. Brojendra Narayan Chaudhury:** Will the Defence Secretary please state:

- (a) whether the matter of connecting India and Burma by a motorable road has been considered from the military standpoint, and whether the question of connecting the Indian road system to the border of Burma via Manipur, has been considered, or will be considered;
- (b) whether motorable roads afford easy, quick facilities for movement of troops and are a good substitute for Railways for this purpose; and
- (c) whether the Burma border is only about 150 miles via Manipur from the nearest point of the Indian road system in Cachar, Assam?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) Generally speaking, motorable roads, provided they conform to a certain standard, afford easy facilities for troop movement over relatively short distances.

(c) Approximately yes.

Mr. Brojendra Narayan Chaudhury: As regards the answer to part (a) of the question, if Government have considered the matter, may I know what conclusion they have arrived at?

Mr. C. M. G. Ogilvie: They have come to the conclusion that at present at any rate, it would be far too expensive a project for our financial resources.

Mr. Brojendra Narayan Chaudhury: Was any railway project for connecting India with Burma undertaken in the military interest?

Mr. C. M. G. Ogilvie: The project has not been undertaken.

Mr. Brojendra Narayan Chaudhury: Is it a fact that 80 miles of railway was constructed from Chittagong to Dohajari to connect Burma and then the proposal was abandoned? Was it undertaken in the interests of the defence of India?

Mr. C. M. G. Ogilvie: The question of building a motorable road was considered. I am afraid I cannot say anything more than that.

Mr. Brojendra Narayan Chaudhury: I am afraid the Honourable Member has misunderstood my question. I am asking about railways from Chittagong to Burma, and not about the road.

(b) WRITTEN ANSWERS.

SAVINGS DUE TO THE TRANSFER OF CERTAIN BRITISH TROOPS OUT OF THE INDIAN ESTABLISHMENT.

1685. *Mr. T. S. Avinashilingam Chettiar: Will the Defence Secretary state:

- (a) the net saving to Indian revenues because of the recent transfer of three units of British troops out of the Indian establishment in the present financial year;
- (b) how this saving is proposed to be used; and
- (c) whether this saving will revert to the general revenues?

Mr. C. M. G. Ogilvie: (a) About 20 lakhs.

(b) and (c). The saving will reduce the amount of the anticipated deficit in the Defence Services estimates of the current year.

SET BACK TO THE PROCESS OF ECONOMIC RECOVERY.

1686. *Prof. N. G. Ranga: Will the Honourable the Finance Member be pleased to state:

- (a) if it is not a fact that there is a serious slump in cotton, fall in prices of ground nut and jute, and increase in the imports of wheat and broken rice, and rice and paddy;
- (b) if there has not been a considerable set back to the slow process of economic recovery that was taking place till last March;
- (c) if Government have studied the position and considered its causes and consequences; and
- (d) what Government propose to do to minimise its rigours in India?

The Honourable Sir James Grigg: The question should have been addressed to the Honourable the Commerce Member.

IMPOSITION OF INCOME-TAX ON AGRICULTURAL INCOMES IN THE CENTRALLY ADMINISTERED AREAS.

1687. *Prof. N. G. Ranga: Will the Honourable the Finance Member be pleased to state:

- (a) if it is not a fact that the Bihar Legislative Assembly has passed an Act imposing income-tax on agricultural incomes;

- (b) if he has examined the provisions of the Bihar Act and, if so, how the rates of taxation imposed by Bihar Government on agricultural incomes compare with the rates of income-tax imposed on non-agricultural incomes by the Indian Income-tax Act; and
- (c) if he is prepared to consider the advisability of applying that Act or passing a similar Act for the centrally administered areas?

The Honourable Sir James Grigg: (a) Yes.

(b) A comparative statement is laid on the table.

(c) No.

Statement showing the rates of income-tax prescribed in the current Finance Act and the rates of agricultural income-tax imposed by the Bihar Agricultural Income-tax Act, 1938.

Total income for I. T. Act.		* Rate of income-tax. (Pies in the rupee).	Total income for Bihar Act.		Rate of Agricultural Income-tax. (Pies in the rupee).
Rs.	Rs.		Rs.	Rs.	
2,000—4,999		Six.			
5,000—9,999		Nine	5,001—10,000		Six.
10,000—14,999		Twelve	10,001—15,000		Seven.
15,000—19,999		Sixteen	15,001—20,000		Eight.
20,000—29,999		Nineteen	20,001—30,000		Ten.
30,000—39,999		Twenty-three	30,001—40,000		Twelve.
40,000—99,999		Twenty-five	40,001—75,000		Fifteen.
			75,001—1,00,000		Eighteen.
1,00,000—and above		Twenty-six	1,00,001—1,50,000		Twenty-two.
			1,50,001—2,50,000		Twenty-four.
			2,50,001—5,00,000		Twenty-six.
			5,00,001—10,00,000		Twenty-eight.
			10,00,001—15,00,000		Twenty-nine.
			Above Rs. 15,00,000		Thirty.

In the case of every company and registered firm, whatever its total income, the rate of income-tax is 26 pies in the rupee.

* In addition to these, a surcharge of 3½ per cent is levied on income-tax and super-tax. In addition to the rates of income-tax, there are rates of super-tax which rise by stages (except in the case of companies) to 75 pies in the rupee.

AGRICULTURAL AREAS IN CANTONMENTS.

1638. ***Mr. Badri Dutt Pande:** (a) Will the Defence Secretary be pleased to state the total agricultural area at present held in each Cantonment in India?

(b) What is the average rate of income per acre of agricultural land derived by the Military Estates Department in each Cantonment during the last financial year?

(c) Is it a fact that the income received per acre is more than the average Provincial revenue per acre?

(d) Is it a fact that Cantonment Agricultural lands are not let out directly to tillers of soil, but are given to middlemen, known as contractors, for short periods?

(e) Is it a fact that actual tillers of soil are liable to ejectment on every change of a contractor?

(f) Do Government grant any *taccavi* loans to cultivators?

(g) Are any remissions of rent given to actual cultivators of soil during bad years?

Mr. O. M. G. Ogilvie: (a), (b) and (c). The time and labour involved in collecting the required information would be incommensurate with the value of the results.

(d) and (e). Agricultural lands in cantonments are leased out under the Cantonment Land Administration Rules, 1937, and the tenure of the holders is governed by the terms of the leases executed under these rules.

(f) No.

(g) Government recognises the lessees only, and remissions of rent are granted to them when it is considered that the circumstances of the case justify such a course.

SEPARATION OF BRITISH CAVALRY BAZAR AND INFANTRY BAZAR FROM THE AMBALA CANTONMENT.

1689. ***Mr. Badri Dutt Pande:** (a) Will the Defence Secretary be pleased to state whether it is a fact that the British Cavalry Bazar and British Infantry Bazar of Ambala Cantonment are going to be separated from the Cantonment area and handed over to the civil municipality?

(b) Is it also a fact that recently the Northern Command called for some plans for the Cantonment Board Office of Ambala with a view to effecting such a separation?

(c) Is it a fact that non-official public opinion has not been consulted in effecting the separation of these bazars?

(d) What steps do Government propose to take to obtain the opinion of non-official elected members of the Cantonment Board, Ambala, and the municipality of Ambala Sadar, before effecting any separation?

Mr. O. M. G. Ogilvie: (a) and (b). The question of the exclusion of certain areas from the Ambala Cantonment is under consideration and no decision has yet been reached.

(c) and (d). Public opinion will be consulted in due course in accordance with section 4 of the Cantonments Act, 1924, if it is decided to exclude any area from the Cantonment.

SEPARATION OF SADAR BAZARS FROM CANTONMENT AREAS.

1690. *Mr. Badri Dutt Pande: (a) Will the Defence Secretary be pleased to state whether it is a fact that it is proposed to separate a large number of Sadar Bazars of various cantonments in India from the Cantonment areas?

(b) Is it a fact that Lieutenant-Colonel Dowland has been deputed by Government to effect separation of bazar areas from cantonments?

(c) Do Government propose to consult the non-official public opinion regarding the scheme of separation of each bazar from the cantonment? If so, at what stage?

Mr. C. M. G. Ogilvie: (a) The question is under consideration of Government.

(b) No.

(c) If and when it has been provisionally decided by Government that any area should be excised from a Cantonment, the necessary action will be taken under sub-section (1) of section 4 of the Cantonments Act, 1924.

PAYMENT OF HOUSE ALLOWANCES TO EXECUTIVE OFFICERS IN CANTONMENTS.

1691. *Mr. Badri Dutt Pande: (a) Will the Defence Secretary be pleased to state whether it is a fact that house allowance to cover rent of bungalows occupied by Executive Officers for their personal residence, out of Cantonment funds is neither allowed by the Act nor the rules framed thereunder?

(b) Is it also a fact that after the Amendment Act, the Executive Officers in some cantonments have debited house allowance to Cantonment Funds?

(c) Is it a fact that the Inspecting Officers (now styled as Deputy Directors) have sanctioned the payment of such allowances?

(d) What steps do Government propose to take to arrange the refund of house allowances paid so far out of Cantonment Funds and stop such future payments?

Mr. C. M. G. Ogilvie: (a) No. Under the Cantonments Executive Officers Service Rules, a house allowance may be granted by the Board with the previous sanction of the Central Government.

(b) to (d). The Boards in some cantonments with the sanction of the Officer Commanding-in-Chief, the Command, rented accommodation for the residence of their Executive Officers and charged them 10 per cent. of their pay, meeting the balance from the Cantonment Fund. This was done under a misapprehension that they possessed such power under section 117 of the Cantonments Act. Necessary instructions have been issued to clarify the position, and for the amounts paid to be refunded. Government are, however, prepared to consider individual cases in cantonments where it is difficult for the Executive Officer to obtain suitable accommodation within his means.

EXEMPTION FROM INCOME-TAX OF THE INCOME OF CERTAIN INDIGENOUS HILLMEN IN ASSAM.

1691A. *Mr. Brojendra Narayan Chaudhury: Will the Honourable the Finance Member please state:

- (a) with regard to Article (36) of paragraph 17 of Part III of the Income-tax Manual, the reason behind exempting income of indigenous hillmen;
- (b) whether the hillmen of the Khasi hills district or of the municipality of Shillong, which includes non-British territories, are subject to income-tax;
- (c) whether Government intend to remove the exemption from hillmen of at least, the Jowai sub-division and the Garo hills; and
- (d) whether there are "Hillmen" in other parts of Assam who are not exempted from Income-tax?

The Honourable Sir James Grigg: (a) The exemption was granted because an attempt to assess these hillmen might lead to undesirable complications.

(b) The Khasi hills district is not included in the exemption nor is the Indian Income-tax Act applicable to non-British territories.

(c) No.

(d) Government have no information.

MILITARY FORCES STATIONED IN ASSAM.

1691B. *Mr. Brojendra Narayan Chaudhury: Will the Defence Secretary please state:

- (a) whether, within the last two years, any additions have been made in the forces stationed in Assam; if so, at what stations and how many and of what class, and the reasons therefor;
- (b) whether any new expenditure has been incurred on building or extension of military stations; if so, where and how much;
- (c) whether any additions of the description given in part (a) have recently been made; if so, the nature of the additions and the reason;

(Assam Rifles is included in the connotation of the terms 'forces' and 'military' in this question);

- (d) whether anything of the nature mentioned in parts (a) and (b) is contemplated in the near future; if so, the reasons;
- (e) the number of combatant forces now stationed in Assam; of these, how many are Gurkhas;
- (f) whether Gurkhas are largely recruited from those settled in Assam; and
- (g) the distinction between a Nepali and a Gurkha; how one is sorted out from the other in recruitment?

Mr. C. M. G. Ogilvie: (a) So far as the Assam Rifles are concerned, during the last two years there has been no major change in their composition and the buildings connected with that force. As regards the military forces, the replies are as follows:

As a result of the Quetta earthquake in 1935, it was decided for administrative and economic reasons, to locate in Shillong four Gurkha training companies which were previously located in Baluchistan.

(b) Yes. Accommodation for four Gurkha training companies, and for the families of two Gurkha battalions, normally located in non-family stations, is being provided at Happy Valley, Shillong, at an estimated cost of Rs. 22,05,264. The work is in progress and is expected to be completed by November, 1939.

(c) No.

(d) No further increase to the garrison is contemplated.

(e) The active units of the Indian Army located in Assam are two Gurkha battalions.

(f) No.

(g) All residents of Nepal are Nepalis and are commonly known as Gurkhas, but Gurkhas settled in India as British subjects are not Nepalis. Both are recruited.

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

Mr. President (The Honourable Sir Abdur Rahim): The House will now proceed with the consideration of the Bill further to amend the Indian Income-tax Act, 1922, as reported by the Select Committee. Clause 9, as amended, was before the House, and the amendment under consideration was amendment No. 246* by Dr. Banerjee. The Chair understands that two more amendments have now been circulated, one by Mr. Chambers and Mr. Sheehy, and the other by Dr. Banerjee. What does Dr. Banerjee propose to do with his amendment?

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadian Urban): I want to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Abdur Rahim): There are now two amendments in respect of the same matter. The Chair understands that the one that the Government propose to move has a very large measure of support. The Chair will allow that to be moved.

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

"That in part (iii) of sub-clause (a) of clause 9 of the Bill, to the proposed clause (vii) there be added:

'or where the property is let out in parts that portion of the net annual value, after deducting the foregoing allowances appropriate to any such part which is proportional to the period during which such part is wholly unoccupied'."

*"That in part (iii) of sub-clause (a) of clause 9 of the Bill, in the proposed clause (vii), after the words 'the property is wholly' the words 'or where the property is let out in parts, partly' be inserted."

I understand that that meets the wishes expressed yesterday evening and if so, I have nothing further to add.

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

"That in part (iii) of sub-clause (a) of clause 9 of the Bill, to the proposed clause (vii) there be added :

'or where the property is let out in parts that portion of the net annual value, after deducting the foregoing allowances appropriate to any such part which is proportional to the period during which such part is wholly un-occupied'."

Dr. P. N. Banerjee: The substance of this amendment is the same as my amendment, and I have no intention to go against it. I support it in that form.

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

"That in part (iii) of sub-clause (a) of clause 9 of the Bill, to the proposed clause (vii) there be added :

'or where the property is let out in parts that portion of the net annual value, after deducting the foregoing allowances appropriate to any such part which is proportional to the period during which such part is wholly un-occupied'."

The motion was adopted.

Qazi Muhammad Ahmad Kasmi (Meerut Division: Muhammadan Rural): Sir, I move:

"That sub-clause (b) of clause 9 of the Bill be omitted."

Under the present Act, the words are:

"Provided that, where the property is in the occupation of the owner for the purposes of his own residence, such sum shall, for the purposes of this section, be deemed not to exceed ten per cent. of the total income of the owner."

By the deletion of this clause the annual value of a house is to be considered for the purposes of income-tax and if a person happens to receive by inheritance a large building in which he is living and his income may be nothing, in that case even though he has got no income he will be liable to income-tax. That is not the proper way of taxing a person who happens to live in a large house which he has inherited and this provision should be retained.

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

"That sub-clause (b) of clause 9 of the Bill be omitted."

Mr. J. F. Sheehy (Government of India: Nominated Official): Government are not prepared to oppose this amendment.

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

"That sub-clause (b) of clause 9 of the Bill be omitted."

The motion was adopted.

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

"That clause 9, as amended, stand part of the Bill."

The motion was adopted.

Clause 9, as amended, was added to the Bill.

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

"That clause 10 stand part of the Bill."

Qazi Muhammad Ahmad Kasmi: Sir, I move:

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, all the words beginning with the words 'in any case for any interest' and ending with the words 'or tax has been deducted under section 18, or' be omitted."

In proposing this amendment, I would draw the attention of the House to page 16 of the comparative list. The principle enunciated by the present Act is that any interest or any salary that is paid without British India will not be allowed to be deducted as expense from the income, unless the tax has been paid on that amount or the tax has been deducted under section 18. So what we want is that either the person who receives that interest or salary, without British India, should pay the tax on it or the person who is paying it will have to pay the tax on it if the tax is not deducted under section 18. Now this principle had to find a place in about five places. One, you will find it on page 16. Then again on page 9 we find under section 10, sub-section (a):

"any allowance in respect of a payment which is chargeable under the head 'Salaries' if it is payable without British India and tax has not been paid thereon nor deducted therefrom under section 18."

We again find a reference to it on page 23 in clause 12, sub-clause (e) and clause 12, sub-clause (c). Then again the same principle is to be found in section 9 on page 14. My idea is that instead of enunciating the same principle in various provisions of the Bill, it must be enunciated as a definite principle in a definite section and I have made a proposal which stands in my name in the list as No. 294, in which I say that:

"whoever pays any sum of money such as salaries, interest on securities or on other loan not being a loan issued for public subscription before the 1st April, 1938, for which allowance is given in calculating the income under sections 9, 10 and 12 of the Act to a person not resident in British India shall not get an allowance for such a sum or sums under the said sections unless tax has been paid on such sum or deducted under section 18."

If we incorporate this one section, then we shall be able to delete the repetition of this particular principle in five different places in the Act which only adds to the confusion. I may also submit that yesterday I had moved an amendment as regards the words "without British India" as meaning as a person not resident in British India. The clause I am suggesting now says "a person not resident in British India", but this can be suitably amended in such a form as to say that the interest is payable without British India. So it is only for the sake of simplification. I think that this, along with the other clauses, may be omitted and they should be consolidated in one section as section 12-B. That is the reason that I am moving this amendment No. 254 for the omission of this clause. I am not opposed to this on principle but I say that this clause, along with the other clauses which repeat the same

principle; should be consolidated in one place and should not be interspersed throughout the whole Act.

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

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, all the words beginning with the words 'in any case for any interest' and ending with the words 'or tax has been deducted under section 18, or' be omitted."

Mr. S. P. Chambers: Sir, I oppose this amendment although it is only a drafting amendment. The first point I would like to draw the attention of the House to is that the Honourable Member said that yesterday he moved an amendment under No. 236 but, according to my recollection and according to my record, he did not move that amendment and, therefore, these other amendments become I won't say irregular but somewhat inconsistent. May I first ask whether amendment No. 236 was moved and passed by this Assembly; if not, the Honourable Member may wish to withdraw his motion.

Mr. President (The Honourable Sir Abdur Rahim): It was not moved.

Mr. S. P. Chambers: May I ask whether the Honourable Member in these circumstances would prefer to withdraw the amendment under No 254?

Qazi Muhammad Ahmad Kazmi: Not moving that amendment would not mean that this is inconsistent with not moving it—because I may just explain that what I want is the consolidation of the principle. If it is consolidated, the other thing will go away of itself. The thing is repeated in five places; if I did not move the deletion of it in one place, I have a right to move the deletion with regard to the remaining four places.

Mr. S. P. Chambers: I will deal then with the drafting point that the Honourable Member has made. His intention is to take this principle as it is called from five places and to put it in one place, which I think is a very desirable thing if it can be accomplished without upsetting the general scheme of the Act, but the scheme of the Act is not to allow any deduction from the total income in respect of interest or other payments which are allowable but to make specific deductions in each section from nine to twelve for those sums which are to be allowed. It is, therefore, necessary I think to provide specifically in each section which sums should be allowed and which sums should not be allowed. The manner in which, if we attempt to group them together, the matter becomes obscure in the end is I think made clear in the Honourable Member's amendment under No. 294. He says there, "whoever pays any sum of money such as salaries, interest on securities or on other loans". Now, I submit that "any sum of money such as salaries" in a general clause which is intended to relate to a number of other clauses is not so clear in a taxing statute as to state specifically under each section exactly what we want to allow or do not want to allow. For these reasons I oppose the amendment.

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

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, all the words beginning with the words 'in any case for any interest' and ending with the words 'or tax has been deducted under section 18, or' be omitted."

The motion was negatived.

Babu Baijnath Bajoria (Marwari Association: Indian Commerce): Sir, I move:

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, after the words 'deducted under section 18' the words 'or in respect of which there is an agent in British India who may be assessed under section 43' be inserted."

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

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, after the words 'deducted under section 18' the words 'or in respect of which there is an agent in British India who may be assessed under section 43' be inserted."

The Honourable Sir James Grigg (Finance Member): As this is consequential on a previous amendment which the House has already accepted, I am quite agreeable, if the House so desires, that this should be accepted.

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

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, after the words 'deducted under section 18' the words 'or in respect of which there is an agent in British India who may be assessed under section 43' be inserted."

The motion was adopted.

Mr. K. Santhanam (Tanjore *cum*. Trichinopoly: Non-Muhammadian Rural): Sir, I move:

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, for the word 'firm' the words 'an unregistered firm' be substituted."

I think, Sir, that the general word 'firm' has no meaning in this particular place, because, on page 35 of the Bill, we find that:

"(a) in the case of a registered firm, the sum payable by the firm itself shall not be determined but the total income of each partner of the firm, including therein his share of its income, profits and gains of the previous year, shall be assessed."

Again, under section 16, they have given a formula for determining how to allocate the profits of a registered firm among the partners. Therefore, as a registered firm is not itself assessed, as the formula for dividing the profits among the partners of the registered firm is prescribed, there is no meaning in stating here that the interest paid to a partner of the firm should not be included. There is no meaning at all here for the word 'firm' which can have its application only to an unregistered firm. I do not want to make an elaborate explanation of it, but even now it can have application only to an unregistered firm, and I only want to make it precise and, therefore, I move my amendment.

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

"That in part (ii) of sub-clause (b) of clause 10 of the Bill, in the proposed proviso, for the word 'firm' the words 'an unregistered firm' be substituted."

Mr. S. P. Chambers: Sir, I oppose this amendment. I think the Honourable Member and I are in the same position in that we want the

same result. Here, again, the amendment is a drafting amendment. The intention is this and I think when I have explained it it will be clear that the words do, in fact, carry out this intention. First, the whole of the profits of a registered firm have to be ascertained and, in arriving at the whole of those profits, all interest paid to the partners of that registered firm is disallowed. Then, having disallowed that interest, the assessment is not made on the firm but the profit, including the interest, is then divided up between the partners and assessed on each of the partners of the registered firm separately. Well, to arrive at the gross figure to be divided, we must disallow the interest payable to the partners. Therefore, we require in this proviso the word 'firm' to include a registered firm, so that we may divide the gross amount and not the net amount. I think the only effect of the amendment which has been moved is that the interest would be given as a deduction to the firm and then the interest would have to be assessed on the partners receiving the interest as a separate source of income under section 12, and that, I think, is a much more cumbersome manner of dealing with it than the manner provided, that is to say, to take the total profits of the firm whether those profits have been divided as salary or interest and having arrived at that total profit, it can be then be divided in accordance with the terms of the partnership deed. I submit that the clause carries out that effect.

Mr. K. Santhanam: Sir, I do not want to press my amendment and I beg leave of the House to withdraw it.

The amendment was, by leave of the Assembly, withdrawn.

Maulvi Abdur Rasheed Chaudhury (Assam: Muhammadan): Sir, I beg to move:

"That part (iii) (a) of sub-clause (b) of clause 10 of the Bill be omitted."

Sir, the written down value has been substituted in this Bill in place of the original cost for the purpose of calculation of depreciation. The existing system of calculating the depreciation on the original first value has been going on for the last 17 years, and the Department and the assesses are both accustomed to this system of calculation. In the new system, which has not been explained yet, the proportion of the depreciation has not yet been fixed. So, it is very difficult to understand what the position of the amount of depreciation will be under the new system in comparison with the old system. In the general discussion, only one point has been made clear, and it is this that if the depreciation of a year is not covered by the profit of that year, then it can be carried over to succeeding years. This point has been made clear. But, Sir, what is the difference between the written down value and the original cost, so far as the calculation of depreciation is concerned, has not been explained thoroughly. I take an example to explain what I have got in my mind. Take, for instance, an assessee who has purchased a second-hand machinery for Rs. 300. Under the existing system, he will be allowed a depreciation of 5 per cent or Rs. 15 a year, and the Department and the assesses are both accustomed to this calculation. Now, let us apply the written down value system to it. Let us suppose that that machinery was purchased in the year 1930 and, during the course of the past eight years, a sum of Rs. 120 at the rate of Rs. 15 per annum had already been allowed us depreciation. Now, what I understand by this written down value is that the original cost of Rs. 300 minus Rs. 120 already allowed as depreciation will be the written down value.

[Maulvi Abdur Rasheed Chaudhury.]

Now, Sir, the proportion of this depreciation has not yet been fixed in this Act. Now, if, for instance, five per cent. is allowed as written down value, then it makes a little difference, but if the proportion is more than five per cent. or less than five per cent then it makes a great deal of difference. If the percentage of depreciation allowed is, say, at the rate of 10 per cent, then it will continue only till the year which is arrived at by dividing 280 by 28. That is, ten years. That is, at the end of 10 years, the depreciation will end. In other words, the Income-tax Department will not give any depreciation to the machinery at the end of 10 years. That means that at the end of 10 years, this machinery will have to be discarded and a new one will have to be purchased. It is certainly not advantageous to the Indian industry. Then, Sir, if the depreciation is less, say two per cent, it will affect the industries at the worst, because, the older the machinery the higher the expenses required to keep it in proper working order. If the depreciation is allowed at two per cent, on the written down value, then the machinery cannot be kept in proper working order with this depreciation. So the industry will suffer.

Another point which Mr. Chambers raised while speaking on the general discussion is that it is very difficult to calculate the depreciation on the original cost basis. He apparently meant that the calculation of depreciation on written down value will be much simpler. I for myself do not see how it will be simpler. At present five per cent. depreciation allowed is very simple to calculate. Take, for instance, if $2\frac{1}{4}$ per cent. or three per cent. is allowed as depreciation on the written down value of Rs. 280. Then, it will be much harder to calculate at the rate of $2\frac{1}{4}$ per cent² on Rs. 280 than at five per cent on Rs. 300. I do not understand how it will be simple. Then, again it has not been explained who will keep this depreciation value: whether the Income-tax Department or the assessee. If this account is maintained by the Department it will be a very cumbersome method, and it will add a good deal to the work of the Department. If it is to be kept by the assessee, that means he will have to keep a regular establishment of clerks, record room, and so on, which the assessee cannot afford. The whole matter is going to be complicated by changing the system of original cost to written down value. In this connection, I should like to read what the Indian Chambers in their Memorandum said:

"We learn that the excessively high rates required by the adoption of this basis may not be allowed. The only result will be that the aggregate allowance made on account of depreciation under the inadequate rates will fail to cover the total depreciation in value undergone by the assets. Nothing more can be so ruinous to industry as such a contingency".

So, Sir, the more I look at it from our point of view the more I find that the written down value system will be a very complicated system which will not be so much to the advantage of Indian industry as the original cost system is. Sir, I move.

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

"That part (iii) (a) of sub-clause (b) of clause 10 of the Bill be omitted."

Mr. Bhulabhai J. Doss (Bombay Northern Division: Non-Muhammadan Rural): Sir, I wish to explain the position of the Select Committee in this matter lest there should be any misunderstanding about it. The provisions of this Bill in so far as they affect the depreciation have

undergone a considerable amount of alteration during the course of the discussion in the Select Committee, and I have no desire to repeat what I said on a previous occasion during the course of the general discussion. But lest there should be any misunderstanding, I beg leave to say a few words in reference to what fell from my Honourable friend, Mr. Abdur Rasheed Chaudhury. It is not denied that if, as a mere matter of rule of thumb and simplicity, the proportion of the original cost is easy to work. That I do not at all deny. At the same time, I must confess that if the machinery worth, say, Rs. 100 depreciates in a year's time for which ten rupees are allowed, in the next year it will be a depreciated article and not the original article, so that, from the assets point of view, I cannot possibly deny the correctness of the method of written down value as to how much you should allow for the first and the subsequent years. As was stated during the course of the Select Committee and, later on, in the House, that there the rates would be so fixed as would not work any hardship. As regards what my Honourable friend said about the difficulty of getting the machinery and the cost of keeping the machinery in order as it goes on depreciating, I may point out that there is a certain amount of misapprehension about it. Of course, any ordinary repair does not come into this at all. It is the replacement value which is the objective of allowing depreciation. I am also aware that from the point of view of pure mathematics—I do not see my Honourable friend, Dr. Sir Ziauddin Ahmad, here—it is true that as the written down value becomes less and less, you do not get to the same result so quickly as you would in the case of the ordinary simple method, we shall say five per cent. each year or at the end of 20 years, you get 100 per cent. This is the other safeguard which my friend the industrialist will remember. There is a provision in the Bill whereby supposing you come to a stage where it is not worth while repairing at all and you sell it as a scrap, then the difference between the then written down value and the value of the scrap is also allowed. Therefore, the net result of this, in my humble submission, is that though the system of calculation might be simpler, there is no real or substantial loss to the industry. I do not deny that probably the other one gives them an opportunity of setting aside sufficient sum of money in perhaps a slightly less period of time than he is giving to day. That, I do not for a moment deny; but, on the whole, between the two proposals which were put forward, we had to come to some agreement, and I confess that the agreement in the light of the explanation that I have given is one which I commend to the House.

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

"That part (iii) (a) of sub-clause (b) of clause 10 of the Bill be omitted."

The motion was negatived.

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I beg to move:

"That in clause 10 (b) of the Bill, to part (iii) (a), the following words be added at the end:

'This provision shall not come into force until the 1st April, 1940.'

I do not wish to detain the House long over this amendment. The Honourable the Finance Member will recognise that this is not a mangling amendment and it does not go counter to the understanding in the Select

[Mr. Manu Subedar.]

Committee. As a matter of fact it only seeks to carry out explicitly what is provided implicitly in the Select Committee's Report. I will read from that Report which says:

"Government have given us an assurance that the new rates consequent on the changes from the cost basis to the written down basis will be discussed with the interests concerned before they are fixed and that the new provisions will not be brought into operation until the rates have been so fixed."

Now, Sir, as the Finance Member himself mentioned in his speech, the fixing of these rates is not a simple matter. It is a long schedule which affects all classes of goods. They will affect the two additional items which the Select Committee have now included. The working life of every kind of asset is not the same, and while it is not possible to exhaust them all, the income-tax authorities have to fix the rates in respect of different types of machinery in different industries working under different conditions and with different kinds of assets. This, Sir, is going to take a considerable amount of time and my submission in moving this amendment is that while this is being done, the old system should continue. In any case it will continue probably much beyond the period which I am urging. I am urging up to the 1st April, 1940, but it is quite probable that it may continue a year beyond, in which case we shall look to the assurance signed by Sir James Grigg that until the rates are definitely fixed in consultation with the industries the new system will not be brought into vogue.

Now, Sir, another advantage of interposing this period is that those who are not familiar with this type of system of working out figures will get a little breathing time when they will have to work out the running of the plant of perhaps 15 or 18 years earlier, and all this will entail on their part a considerable amount of research and activity, and I think it is only fair that this period should be allowed. Sir, I make bold to say that the Finance Member is not going to lose any money by the provision which I am urging and I, therefore, trust that he will accept this amendment. Sir, I move.

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

"That in clause 10 (b) of the Bill, to part (iii) (a), the following words be added at the end:

"This provision shall not come into force until the 1st April, 1940'."

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, I desire to support this amendment. The original provisions in the Bill were strongly objected to by industrialists because they sought to substitute the present system, which had worked very well on the whole, by a new system which it was anticipated might present considerable difficulties in working. I am free to confess, however, that the Select Committee has greatly improved upon the provisions as they were embodied in the Bill. That does not mean that we prefer even the improved provisions of the existing system. But we recognise the improvement, and all that we say is that we must be given some time for adjusting matters to the new system. It is very difficult, in practice, to arrive at the written down value of a particular piece of machinery, and

I anticipate that the Income-tax Departments in the various provinces will have to get together with industrialists and come to some sort of arrangement for assessing new units. The value at which machinery stands in our books has been based upon the system as it has obtained for all these years. Now, it may be that particular pieces of plant will have to be assessed in a particular sort of way under the new system. That is all going to take a very considerable time and it will be also a matter for discussion with the income-tax authorities. If you bring these provisions into effect immediately one result will be that you will be, in effect, giving a retrospective effect to one particular provision in the Bill; and in view of the considerable difficulty which will be experienced in working the new system I hope Government will be prepared to consider this amendment favourably. After all it is not asking for much; we are just asking for time to adjust our books and put them into proper order and see that the various calculations which have got to be made in order to conform to the new system can be made with some sort of accuracy, and can be depended upon to be fair both to the Income-tax Department and to the assesseees. Sir, I support the amendment.

The Honourable Sir James Grigg: Sir, as far as I understand it, there are two questions at issue here, and two quite distinct questions. One is, the undertaking given by Government that the new rates should in no case be fixed and brought into operation until they had been discussed with the interests concerned. The other point is a very different point and I understand both Honourable Members to raise this second point that books and machinery accounts are kept on the prime cost basis and that they have to record every individual piece of machinery as there is no block machinery account. Therefore, arriving at the written down value is a matter of some little research and so, in order that the books may be got on to the proper basis, the provision should be postponed anyhow. As far as the first point is concerned, certainly I have every intention that the pledge that I gave should be maintained, that these new rates, under the new system, shall not be introduced until the proposed rates have been discussed with the interests concerned. I propose in any case to give an assurance that if it became clear that that involves a postponement of the operation of this particular provision in the year, I will introduce an amendment to that effect in the Council of State. But I gather that is not enough. There is a question of getting the books altered and the Honourable Members want a postponement anyhow. I think there is a good deal to be said for that. I am advised, however, that the amendments which are down on this subject are not suitable for doing that, and what I suggest to Honourable Members is that they should not press their amendments here and now. In return for that I will give an undertaking that a suitable amendment shall be introduced if not here then in the Council of State. If Honourable Members are prepared to accept that assurance and withdraw their amendments I should be grateful.

Mr. Bhulabhai J. Desai: Sir, I may point out to my Honourable friend that the amendment which is now under discussion and the next amendment standing in the name of Mr. B. Das cover everything that is wanted, because, in so far as this amendment is concerned, it only seeks to postpone the operation of the method of written down value to be employed by a year. As to the next amendment also, we have come to an agreement on

[Mr. Bhulabhai J. Desai.]

that question. Anything that is not provided for up to 1939 was to be taken as the basis and be added to the next year's depreciation, and on that the percentage was to be taken. Therefore, the second amendment deals with the unprovided for depreciation. That also will be postponed by a year; but the result of both these amendments would be to exactly carry out what my Honourable friend desires; and, instead of a promise, I would rather have the fulfilment.

The Honourable Sir James Grigg: I am not a draftsman, and even if these amendments are in themselves in the most perfect of all possible forms, I understand that other amendments are required in addition, and in what place the other amendments come I am unable to say. All I say is that the principle is accepted, and I will undertake in some place or other to see that it is done.

Mr. Mann Subedar: I am thankful to the Honourable the Finance Member for the assurance, and, in view of that assurance, I beg leave of the House to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. B. Das (Orissa Division: Non-Muhammadian): Sir, I will not move my amendment in view of the assurance, but I hope the Honourable Member will consult my Leader if he moves that in the other House.

The Honourable Sir James Grigg: I will give that assurance too.

Babu Baijnath Bajoria: Sir, I move:

"That in part (iv) of sub-clause (b) of clause 10 of the Bill, after the provisos to the proposed clause (vii) the following further proviso be added:

'Provided also that in no case however the loss or profit computed in the circumstances above stated would be taken into account if the provisions of section 26 (2) are applicable thereto'."

I would like to draw the attention of the House to the proviso to clause (c) of sub-section (5) in sub-clause (c) of this clause where it is provided that the actual cost to the assessee will be the actual cost to the person succeeded in the business, profession or vocation. In view of that proviso, I think it is desirable that the predecessor seller should not be taxed on the excess value received for his plant and machinery or should not be allowed to deduct his loss arising out of such a sale if the successor buyer is to be allowed depreciation only on the cost of the seller. It is just to make the two provisions uniform and on the same basis that this amendment should be accepted.

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

"That in part (iv) of sub-clause (b) of clause 10 of the Bill, after the provisos to the proposed clause (vii) the following further proviso be added:

'Provided also that in no case however the loss or profit computed in the circumstances above stated would be taken into account if the provisions of section 26 (2) are applicable thereto'."

Mr. S. P. Chambers: Sir, I oppose this amendment, not in principle but because I think here again the words of the Bill already carry out the intention, and I do not think the Honourable Member intends anything else. Section 26 (2) of the Act, which is referred to in the amendment,

deals with succession and the section is worded so that each person whether he is in partnership or not is assessed in respect of the actual profits or losses which he himself incurs. If he makes a profit he is assessed in respect of that profit; if he makes a loss he and only he under the carry forward of losses section can carry forward the loss. For that reason I cannot, for the moment, see that this amendment has any effect at all. I think the intention is already carried out.

Babu Baljpath Bajori: In view of the explanation given by the Honourable Member, I would beg leave of the House to withdraw the amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I move:

"That after part (v) of sub-clause (b) of clause 10 of the Bill, the following new part be inserted and the subsequent parts be re-numbered accordingly:

"(vi) after clause (viii) the following clause shall be inserted, namely:

"(viii) any expenditure (not being in the nature of capital expenditure) made definitely for the benefit of the employees or the dependants of those employees;"

By this clause I want that money spent for the benefit of employees of an industrial concern should be allowable as a deduction. It is already allowed in a certain measure under sub-clause (ix) where it says:

"any expenditure (not being in the nature of capital expenditure) incurred solely for the purpose of earning such profits or gains."

Such expenditure is to a certain extent already allowed; but there is a lacuna in practice. I read from the Income-tax Manual. In that, curiously enough, if a whole school or a whole hospital is established by an employer and if money is spent in pursuance of that hospital or school, the money is allowed; but if an employer contributes towards the expenditure of a hospital which attends to the employees of his own concern, it is not allowed. Para. 64 of the Manual says:

"No contributions towards expenditure incurred by outside bodies which may benefit the employees of a company or firm incidentally with members of the general public, should be allowed, such as contributions for the support of clubs, recreation grounds, religious institutions, dispensaries, hospitals, schools and the like. If, on the other hand, an assessee maintains a school or a dispensary solely for the benefit of his employees reasonable expenditure on the upkeep of such an institution should be allowed as a working expense."

This matter has been referred to in the Income-tax Enquiry Committee's Report and they have found that this lacuna should be removed. They say:

"Para. 64 (iv) of the Income-tax Manual lays it down as a principle that whilst expenditure for the maintenance by an employer of a hospital, school, etc., provided by him solely for the benefit of his employees is allowable, no allowance is to be made for contributions by an employer for the benefit of his employees to outside bodies providing similar services. There seems to us to be no justification for this distinction and we recommend that payments made by employers definitely for the benefit of their employees or the dependants of those employees should be allowed, with of course the exclusion of subscriptions to such bodies for capital purposes."

If I may explain from actual experience. I come from an industrial area—Coimbatore—where there are many mills, big and small. But few mills have the capacity and monetary convenience to establish separate hospitals by themselves for the convenience of their employees. They can at best only contribute towards hospitals which cater to the convenience

[Mr. T. S. Avinashilingam Chettiar.]

of their employees and I do think that this recommendation of the Income-tax Enquiry Committee should be accepted and this amendment seeks only to put it into law. Sir, I move.

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

"That after part (v) of sub-clause (b) of clause 10 of the Bill, the following new part be inserted and the subsequent parts be re-numbered accordingly:

'(vi) after clause (viii) the following clause shall be inserted, namely:

'(viii) any expenditure (not being in the nature of capital expenditure) made definitely for the benefit of the employees or the dependants of those employees;'

The Honourable Sir James Grigg: Sir, I think the Honourable Member 1 P.M. has drawn a wrong inference from the passage in the Inquiry Committee's Report to which he has referred. My reading of that paragraph is, not that welfare expenditure is not allowable under the law, so that the law should be amended, but that an unusually narrow interpretation of the law has been adopted in practice by the Income-tax authorities, and the recommendation was that instructions should be issued that the Income-tax officers should adopt a more generous attitude. I can assure the Honourable Member that any general welfare expenditure for the benefit of employees is allowed, and if there is any doubt about that I am quite willing to remove the doubt or to make the assurance doubly sure, by repeating the instructions. The Honourable Member goes on and carries it a little further. Any expenditure made for the benefit of the employees or the dependants of the employees

Mr. T. S. Avinashilingam Chettiar: All the words were taken wholesale from the Report of the Income-tax Enquiry Committee.

The Honourable Sir James Grigg: But the wording in a general recommendation is not necessarily the same as a legal document, and as far as the last words—'of the dependants of those employees' are concerned, I think the amendment would go a little too far and cover expenditure which ought not to be allowed. Contributions towards family pensions and that sort of thing should be covered by an authorised superannuation fund, and such contributions are allowed if they are made to an approved superannuation fund, but I don't think we ought to go beyond that in the matter of expenditure set aside for the dependants of employees. I hope after that explanation the Honourable Member will not press his amendment.

Mr. N. M. Joshi (Nominated Non-Official): Sir, I would like to support this amendment. In India the employers are not very keen to set apart funds of this nature, but if there are any, I should like to encourage them by supporting this amendment. I don't understand what the Honourable the Finance Member said about not making allowance for monies spent for the dependants of the employees. I do not know why that should not be done. There are occasions when the dependants of employees need help, and that help should be given by the employees. He said that allowance can be given if the funds are registered or recognised or some such thing. I am in favour of registered funds, but if the funds are not registered, why should not allowance be given if the money is contributed to recognised funds in an honest manner? I, therefore, support this amendment, and I hope the House will accept it.

The Honourable Sir James Grigg: Does the Honourable Member mean, would we allow expenditure on the education of children, for providing schools for the children of workmen, and so on? That would certainly be allowed

Mr. N. M. Joshi: Pensions for widows?

The Honourable Sir James Grigg: So long as the contributions are made to an approved fund, but the wording of the mover would cover contributions to a fund which is not an approved fund, and, therefore, I think the words are too wide. As far as the real needs are concerned, they are fully met under the existing law, but they have been rather narrowly observed in practice, and I give him and the House the assurance that the practice shall be liberalised.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, there are many companies and individuals who have not got these recognised funds, but who would like to give pensions to the widows of their employees and such cases are not rare. Pensions are given to widows for very meritorious services rendered by the employees so that the widows may be maintained during the minority of their children. Does the Honourable the Finance Member mean to tell me that that would be excluded? It is not excluded till now

The Honourable Sir James Grigg: No, all I say is that contributions towards unapproved funds would be included under this amendment. I could not give a complete list of what is included or excluded. All I say is the wording goes further than is wise and that everything allowable can be given under the existing law, and we will take steps to see that it is observed liberally.

Mr. President (The Honourable Sir Abdur Rahim): Does the Honourable Member want to say anything?

Mr. T. S. Avinashilingam Chettiar: Sir, I beg leave of the House to withdraw the amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. Sami Vencatachalam Chetty (Madras: Indian Commerce): Sir, I move:

"That in part (vi) of clause 10 (b) of the Bill, for the proposed clause (zi) the following be substituted:

'(zi) such sum in respect of bad and doubtful debt as is determined in the following manner:

(a) in respect of bad debt, whenever the debt arose, there shall be deducted so much of the debt as is discovered in the accounting period to have become bad;

(b) in respect of a doubtful debt, whenever the debt arose, there shall be deducted so much of the debt as is estimated in the accounting period to have become irrecoverable:

Provided that where in any accounting period a deduction under this section is to be made as regards any particular debt and a deduction has, in any previous accounting period, been allowed in respect of the same debt, the appropriate reduction shall be made in the deduction to be allowed in the accounting period in question:

Provided further that if any amounts received or credited on account of any such debt exceed the amount of the debts as reduced by the deductions allowed under the foregoing provisions, the excess received or credited in any accounting period shall be treated as a receipt of the business in that period;."

[Mr. Sami Vencatachellam Chetty.]

Sir, let me at once tell the House that this amendment is an actual reproduction of the recommendation of the Codification Committee's Report. It will be readily conceded that one of the greatest causes of irritation between the Income-tax Department and the assesses is with regard to the calculation of bad and doubtful debts. The same has been referred to in the Income-tax Inquiry Report in para. 35. The irritation arises from the fact that the assessing officer is given unlimited powers in regard to the calculation of bad and doubtful debts. Assessors look for some improvement in this matter, but they find to their disappointment that the modifications made by the Select Committee go to strengthen the powers of the income-tax officers. For instance, if you compare the provision made in the amending Bill and that in the Select Committee's Report, you will see that the powers given to income-tax officers have been enlarged, particularly with reference to the debt being incurred in respect of that part of his business in which the debt has been shown in a previous year. That is to say, according to my understanding, if any amount has been lost in one particular kind of business, it is only when an assessee profits in that particular line of business, it will be taken into account, and not with regard to the other lines of business that the assessee may be carrying on. And also there are a few more words introduced in respect of banking and money lending business particularly. It is said that "bad and doubtful debts incurred in that part of the business, and in the case of an assessee carrying on a banking or money-lending business, such sum in respect of loans made in the ordinary course of such business as the income-tax officer may estimate to be irrecoverable." The implication of those words, that is to say, "made in the ordinary course of such business", in respect of a banking or money-lending business is not clear. I cannot understand in what extraordinary course an extraordinary debt can be incurred in respect of money-lending or banking business, and it is a matter which requires explanation from the Government. Also, as I said, if the power of determination whether a particular debt or part of a debt is bad or irrecoverable is entirely left to the assessing officer, the chances are that the assessing officer will err more on the side of severity than on the side of leniency. It may also be said that the assessee will return his debt in his own favour. But it has been stated in the Expert Committee's Report, now that you have provided for the losses to be spread over a number of years, the matter is not one which would be as severe as it would otherwise have been. But the same argument may be stated in favour of the assessee. If an assessee has over-estimated the debt, it can be discovered by the examination of his account books in a later period. Therefore, there is no chance of the assessee escaping by bloating up his bad debts or irrecoverable debts in a particular year, except perhaps to the extent that he might try to come to be assessed on a lower grade of taxation than otherwise, but that is a small difference, and it is just to avoid that kind of thing that we ought not to give large powers to a person who has no means of knowing whether a particular debt is bad, doubtful or irrecoverable, at any rate, no greater means of knowing the situation than the assessee himself. In matters of this sort it is desirable that the assessee must be entrusted with some confidence in regard to the estimation of bad and irrecoverable debts of his own concern. I am sure that the Government who are now perhaps anxious to remove the causes of irritation between the Department and the assessee will comply with their own promises by allowing the figures that may be given by the assessee to be accepted by the Department, because

there is no chance of the amount escaping tax since it has got the power of reopening the assessment in a number of years, and also finding out whether a particular debt has become really irrecoverable by a successive examination of the accounts. There is also no scope for the assessee to appeal against such calculations, because no appeal can lie with regard to the findings of fact, and if the assessing officer says that a particular duty is not a bad debt in his opinion, there is no chance for the assessee to appeal against it. Having regard to these circumstances, I desire that this amendment should be accepted.

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

"That in part (vi) of clause 10 (b) of the Bill, for the proposed clause (zi) the following be substituted:

(zi) such sum in respect of bad and doubtful debt as is determined in the following manner:

(a) in respect of bad debt, whenever the debt arose, there shall be deducted so much of the debt as is discovered in the accounting period to have become bad;

(b) in respect of a doubtful debt, whenever the debt arose, there shall be deducted so much of the debt as is estimated in the accounting period to have become irrecoverable:

Provided that where in any accounting period a deduction under this section is to be made as regards any particular debt and a deduction has, in any previous accounting period, been allowed in respect of the same debt, the appropriate reduction shall be made in the deduction to be allowed in the accounting period in question:

Provided further that if any amounts received or credited on account of any such debt exceed the amount of the debts as reduced by the deductions allowed under the foregoing provisions, the excess received or credited in any accounting period shall be treated as a receipt of the business in that period."

Mr. S. P. Chambers: I oppose this amendment, and I think I had better separate the various points made by the Honourable Member so as to clear the issue. First of all, there is the question of who should decide whether the debt is bad or not—who should estimate? That I think is the most important point made by the Honourable Member. I think there is less in that point than there appears to be at first sight.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue his speech after Lunch.

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.

Mr. S. P. Chambers: I was explaining that there were distinct points made by the Honourable Member on this amendment which is numbered 265. The first was the question as to who should estimate the debt to be bad or doubtful. The Bill, as at present before the Assembly, leaves that to the income-tax officer and it is suggested by the Honourable Member, as I understood him, that this gives him more discretion and more power than he had before. In the absence of any specific provision for the allowance of bad debts, bad debts are allowable and the only person who can

[Mr. S. P. Chambers.]

estimate it is the person making the assessment, that is to say, the income-tax officer. To that extent, therefore, there is no difference between the existing law and the proposed law. The proposed law makes specific what was inherent in the old law. Then, as to whether the income-tax officer ought to have that power, I suggest that as there is a right of appeal to the Assistant Commissioner and then in future, if the proposals for a tribunal are accepted, to a tribunal, there is very little in this point that the income-tax officer has been given excessive powers. Somebody must estimate the debt and the proper person, I suggest, is the income-tax officer. The only other person, of course, who can estimate the debt would be the assessee and the intention is, of course, that in the case where a debt is doubtful the assessee will estimate the extent to which it is doubtful and the income-tax officer will then see to what extent he can accept that estimate when he is making the assessment but the amendment is worded in a manner which would make it necessary, I think, for the income-tax officer, in every case, to accept the estimate of the assessee and that, I submit, is quite improper. It amounts to asking the assessee how much tax he wants to pay. Part (a) of the amendment reads:

"In respect of bad debt, whenever the debt arose, there shall be deducted so much of the debt as is discovered in the accounting period to have become bad."

"As is discovered in the accounting period" clearly means "as is discovered by the assessee in the accounting period", because the income-tax officer does not see this matter until the assessment is being made which of course is in the following year. That wording, apart from the objection that it gives the assessee the right to fix the amount of bad debt as high or as low as he likes, is also defective in that it suggests that in both cases [in (a) it is "discovered" and in (b) it is "estimated"] the discovery or the estimate is to be done in the accounting period. That is not, I think, even the intention of the mover. I think what he really means is that so much of the debt as is bad in the accounting period or as is doubtful in the accounting period, not that the estimate or discovery should be made in the accounting period. As worded, it is the estimate which is made in the accounting period and not the debt which is bad in the accounting period. That is merely a drafting point but at the same time, apart from drafting, there is this further objection that if the question of estimating a debt to be bad is made a question of fact, which has been done by the assessee in an accounting period, that would preclude the income-tax officer from exercising any judgment whatever and would also preclude the appellate authority from revising anything that the income-tax officer may have done on that point. That is the important point. I think on the question of estimating the position is not so severe as the Honourable Member imagines. There is the right of appeal and if either the income-tax officer or the assistant commissioner fails to apply his mind to the facts, then, there would be a right of reference to the High Court on the ground that the decision was taken without evidence. So, I think the assessee's interests are fully safeguarded in the original clause.

Then, the next point made by the Honourable Member was that the wording of the clause of the Bill is obscure. For that reason, I had better explain the wording in detail. The words of the clause are:

"When the assessee's accounts in respect of any part of his business, profession or vocation are not kept on the cash basis. . . ."

Then, there should be allowance for bad debt. That part of the clause is intended to prevent a double allowance, where it would arise if the assessee's books are kept on the cash basis. Perhaps I can give an illustration. If a merchant who is selling goods is being assessed on the amount he receives from his customers, then no question of bad debts arises and if one deducts from the amounts he actually receives the amounts of debts which he does not receive, we have a double deduction, because we have not included in the receipts or in the income of the business that part of the debt which has subsequently been proved to be bad. For that reason where books are kept on the cash basis it is not necessary to have an allowance for bad debts, because when the debt is bad the allowance comes in automatically in the non-inclusion of what otherwise would have been a receipt when the money did actually come in.

Then, there is a specific addition made in the Select Committee and the words are underlined in the Bill:

"incurred in respect of that part of his business, and in the case of an assessee carrying on a banking or money lending business, such sum in respect of loans made in the ordinary course of such business."

Mr. Sami Vencatachelam Chetty: In respect of that part of his business?

Mr. S. P. Chambers: If he has several businesses, he may keep part of his books in cash and part on a mercantile basis, as I understand is the common practice in the south of India. We are saying that in respect of that part which is kept on the mercantile basis and not on the cash basis, an allowance for bad debts shall be given. In respect of that part which is kept on cash basis, no allowance shall be given.

Mr. Sami Vencatachelam Chetty: It does not refer to different lines of business?

Mr. S. P. Chambers: The words are quite clear. That part of his business means that which is kept on the cash basis. Banking and money lending are entirely different matters and have nothing whatever to do with the words 'any part of his business'. Where a money lender keeps his books on the cash basis, then we have a set of circumstances which is very different from the circumstances which arise in the case of a man who merely sells goods and whose receipts from the sale of goods constitutes his sole income. In the case of a money lender he may bring the interest in on a receipts basis and in respect of that interest clearly no bad debt could be allowed because as in the case of the ordinary merchant the receipts do not include such part of the interest as has not in fact been received. But over and above that it is necessary to provide for loss in such cases, not only for the loss of interest but for the loss on the loan on the capital sum itself. In other businesses loans and capital sums are not allowable deductions. In the case of a bank or money-lending business, these loans or other sums represent part of what might be called trading stock of the business so that in the case of the money lender even if he keeps his books on the cash basis, allowance must be made for so much of the loans as proved to be irrecoverable. For that reason these additional words are necessary. I think I have met the chief points made by the Honourable Member. Sir, I oppose the motion.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in part (vi) of clause 10 (b) of the Bill, for the proposed clause (xi) the following be substituted:

"(xi) such sum in respect of bad and doubtful debt as is determined in the following manner:

(a) in respect of bad debt, whenever the debt arose, there shall be deducted so much of the debt as is discovered in the accounting period to have become bad;

(b) in respect of a doubtful debt, whenever the debt arose, there shall be deducted so much of the debt as is estimated in the accounting period to have become irrecoverable:

Provided that where in any accounting period a deduction under this section is to be made as regards any particular debt and a deduction has, in any previous accounting period, been allowed in respect of the same debt, the appropriate reduction shall be made in the deduction to be allowed in the accounting period in question:

Provided further that if any amounts received or credited on account of any such debt exceed the amount of the debts as reduced by the deductions allowed under the foregoing provisions, the excess received or credited in any accounting period shall be treated as a receipt of the business in that period."

The motion was negatived.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammedan Rural): Sir, I beg to move:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, in the proposed clause (xi), for the word 'incurred', occurring in the fifth line, the words 'due to the assessee' be substituted."

Sir, in the same clause which makes allowances for bad and doubtful debts, there is an error which has crept in and the language used there is not happy:

"when the assessee's accounts in respect of any part of his business, profession or vocation are not kept on the cash basis such sum in respect of bad and doubtful debts incurred in respect of that part. . . ."

If "incurred" applies to the word "sum", it is not quite proper. On the other hand the word has crept in on account of the last words "doubtful debts" in the place of the word "incurred". I, therefore, should like to introduce the words "due to the assessee" in which case it will apply to the sum which has gone in advance and which also relates to "such sum" which comes later on. This is purely formal with a view to clearing some doubts that might arise otherwise. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, in the proposed clause (xi), for the word 'incurred', occurring in the fifth line, the words 'due to the assessee' be substituted."

The Honourable Sir James Grigg: Government have no objection, if the House desires, to accept this amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, in the proposed clause (xi), for the word 'incurred', occurring in the fifth line, the words 'due to the assessee' be substituted."

The motion was adopted.

Mr. J. F. Sheehy: Sir, I beg to move:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, in the proviso to the proposed clause (xi), after the word 'debt', wherever it occurs, the words 'or loan' be inserted."

Sir, this amendment is consequential on the change made by the Select Committee in sub-clause (xi) of sub-section (2) of section 10 of the Act. The Select Committee has, in addition to the allowances to be made for bad and doubtful debts, made an allowance for irrecoverable loans in a banking or moneylending business and consequent on that change this change which we propose now should be made in the proviso which as amended provides:

"What if the amount ultimately recovered on any such debt or loan is greater than the difference between the whole debt and the amount so allowed, the excess..."

This is merely a consequential amendment. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, in the proviso to the proposed clause (xi), after the word 'debt', wherever it occurs, the words 'or loan' be inserted."

The motion was adopted.

Mr. P. N. Banerjee: Sir, I beg to move:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, after the proviso to the proposed clause (xi) the following further proviso be added:

'Provided further that if at the time a debt or loan proves bad or doubtful the business to which the said debt or loan relates is no longer in existence the assessee is to be allowed to set it off against profits of other business or incomes under other heads in accordance with section 24.'

Sir, the present rule is that bad debt claims can only be maintained during the continuity of particular business, but if the business ceases to exist then bad debt claims cannot be maintained in respect of that business. There ought not to be this distinction and the grievance which has been a long standing one should now be removed.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, after the proviso to the proposed clause (xi) the following further proviso be added:

'Provided further that if at the time a debt or loan proves bad or doubtful the business to which the said debt or loan relates is no longer in existence the assessee is to be allowed to set it off against profits of other business or incomes under other heads in accordance with section 24.'

Babu Baijnath Bajoria: Sir, I rise to support this amendment. At the present moment, there is a practice which is a very bad practice that as long as a certain business is continued then bad debts relating to that business may be allowed. But when that business is closed, then the bad debt relating to that business is not allowed to be carried forward. I do not understand how the closing of a business makes the debt bad or good. When the business is closed, then the bad debt becomes worse still because it becomes much more difficult to realise the bad debt then. Sir, in my opinion it is a very long standing grievance and this amendment will give the required relief. I commend this amendment for the acceptance of the House.

Mr. S. P. Chambers: Sir, I have to oppose this amendment also. The Honourable Member, I think, almost answered himself by saying he did not see why a loan of such a kind should not be carried forward. The answer clearly is—why carry forward separately one expense of a business distinctly from any other expense? If I incur other expenses, why can't I carry those forward. Elsewhere in this Bill there is a proposal to carry forward losses of business and I suggest that debts whether they are bad or doubtful are really on exactly the same footing as any other expenses. If the losses should be carried forward and if this House passes any amendment to carry forward the losses where the business has been discontinued, then, of course, to the extent the debts are bad they will be carried forward also, otherwise, I suggest that we only allow in arriving at the profits from any source the expenses incurred in earning the income from that source and that when a source of income has been finally extinguished, any further losses are losses of capital and cannot be allowed because there is no business or no specific item of income against which they should be allowed. I oppose the motion.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in part (vi) of sub-clause (b) of clause 10 of the Bill, after the proviso to the proposed clause (zi) the following further proviso be added:

'Provided further that if at the time a debt or loan proves bad or doubtful the business to which the said debt or loan relates is no longer in existence the assessee is to be allowed to set it off against profits of other business or incomes under other heads in accordance with section 24.'

The motion was negatived.

Mr. Badri Dutt Pande (Rohilkund and Kumaon Divisions: Non-Muhammadian Rural): Sir, I beg to move:

"That in sub-clause (c) of clause 10 of the Bill, in the proposed sub-section (5), for the words 'or books' a comma and the words 'books or scientific apparatus and surgical equipment' be substituted."

Sir, my amendment is plain enough. In the long list of allowances from pages 86 to 89 of the Income-tax Manual the words 'scientific apparatus and surgical equipment' are not to be found. The doctors are experiencing great difficulty because in paragraph 2(iii) of rule 8 optical instruments are included but surgical and scientific apparatus are not so included. The position is that some Income-tax officers make an allowance under Rule 2—machinery plant or furniture—of five per cent., but other Income-tax officers, who are very strict, do not make any allowance for them. Surgical instruments are highly susceptible to damage and, I am told, that they become useless after two or three operations. Sir, I want to say one thing about this matter which is rather serious. An Income-tax officer went in this very city to a very talented doctor for medical advice. The doctor examined him and then the Income-tax officer asked him what his fee was. The doctor said, "My fee is so much." The Income-tax officer paid his fee there and then. When the doctor went to the Income-tax officer's court, he said in the open court: "No Income-tax officer pays a fee; so you will not get any allowance, now it is my turn to assess you". That was the damaging statement which he made in the open court, here in this very city. So, I think that these words ought to be inserted in this list of allowances, and I commend my amendment to the House.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved :

"That in sub-clause (c) of clause 10 of the Bill, in the proposed sub-section (5), for the words 'or books' a comma and the words 'books or scientific apparatus and surgical equipment' be substituted."

Mr. Husenbhai Abdullabhai Laljee (Bombay Central Division: Muhammadan Rural): Sir, I rise to support the amendment but before I do so I would certainly appeal to the Leader of the Opposition to tell us kindly whether some understanding or undertaking in the Select Committee or otherwise has been arrived at with regard to this clause because I find that a very important amendment that was moved by my friend, Mr. Manu Subedar, who represents a most important constituency and which was seconded by my friend, Sir Homi Modv, was withdrawn.

The Honourable Sir James Grigg: Will the Honourable Member allow me to explain the position?

Mr. Husenbhai Abdullabhai Laljee: I am very sorry I cannot allow the Honourable Member to interrupt me because I am very serious about this question.

Mr. Bhulabhai J. Desai: On a point of personal explanation, Sir. My Honourable friend is entirely under a misapprehension. I am sorry he was not present . . .

Mr. Husenbhai Abdullabhai Laljee: I was present.

Mr. Bhulabhai J. Desai: Then I am afraid he did not understand why it was withdrawn because it was distinctly understood that the principle for which those two amendments stood was accepted by the Government. All that they pointed out was that the particular form in which it was there stated was such that it required correction and they have given a definite undertaking to this House that an amendment carrying out the principle would actually be moved by them.

Mr. Husenbhai Abdullabhai Laljee: I understood that very well at that time and I repeat again that it will be much better in the interests of the House and in the interests of the general public that an understanding that may be arrived at must be disclosed and before a Member of his own Party is asked to withdraw, the Honourable the Leader of the Opposition should make it quite clear whether he wants that amendment to be moved or not. I ask in all earnestness whether the Mover of the present amendment will be asked later on to withdraw it or whether further discussion will be allowed. I quite agree with all the arguments that have been advanced by my friend, Mr. Badri Dutt Pande, in regard to the surgical instruments but I do not agree with him and with many other Honourable Members when they level their charges against the Income-tax officers and their staff as they do. These Income-tax officers do their duty very well indeed and I am really proud of them because they do their duty so conscientiously even against the public opinion. At the same time, I do want that they may be told that what is intended is an honest way of finding out the taxes. That is all I wish to say and I support the amendment moved by my Honourable friend.

Qazi Muhammad Ahmad Kasmi: Sir, I rise to support the amendment of Mr. Badri Dutt Pande, not on the grounds mentioned by my friend, Mr. Husenbhai Laljee, but directly and to that I want to add a complaint of the legal profession that books are allowed, but the journals are not allowed.

The Honourable Sir James Strigg: Not the *Hindustan Times*!

Qazi Muhammad Ahmad Kasmi: That is a newspaper. I am talking about legal journals. I want that the law journals may also be included in this list. There is another amendment which stands in my name and it will not be proper to move two amendments separately. If the Government is agreeable to put in the law journals and the law reports also, then it will be sufficient to meet the needs both of the medical profession as well as the legal profession.

Mr. J. F. Sheehy: In regard to journals, in so far as they are in the nature of books they are allowed under the amendment, but, in so far as they are not books they are not a proper subject for depreciation.

Qazi Muhammad Ahmad Kasmi: I may just explain. I am referring to those law reports which contain decisions of High Courts.

Mr. J. F. Sheehy: We think that is covered by "books". As regards the amendment of Mr. Pande, we shall raise no objection to it provided he is prepared to substitute a comma for the word "or".

Mr. Badri Dutt Pande: I accept that.

Mr. M. S. Aney (Berar: Non-Muhammadan): Every law book becomes obsolete within three years, and so the rate of depreciation also should be carefully considered.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in sub-clause (c) of clause 10 of the Bill, in the proposed sub-section (5), for the words 'or books' a comma and the words 'books, scientific apparatus and surgical equipment' be substituted."

The motion was adopted.

Dr. P. N. Banerjee: Sir, I beg to move:

"That in sub-clause (c) of clause 10 of the Bill, in clause (b) of the proposed sub-section (5), for the word 'allowable' the word 'allowed' be substituted."

This word "allowable" was substituted by the Select Committee for the word "allowed" which existed in the original Bill, and this is a reactionary proposal so far as the assesses' interests are concerned. The object of my amendment is to enable the assessee to claim depreciation in the subsequent year in case he fails to claim it during the year. Sir, a claim for depreciation is a reasonable claim and if through unintentional omissions or through his inability to compute the amount of depreciation he does not claim in a particular year he should not be debarred from claiming it in the subsequent year. Therefore I urge that the word "allowed" be substituted for the word "allowable". Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved :

"That in sub-clause (a) of clause 10 of the Bill, in clause (b) of the proposed sub-section (5), for the word 'allowable' the word 'allowed' be substituted."

Mr. S. P. Chambers: Sir, I oppose this amendment. If the Honourable Member will look at the proviso to sub-clause (b) he will see that to the extent that any depreciation has not actually been allowed relief is given in the proviso, that is to say, to the extent to which that depreciation relates to the year prior to the first day of April, 1939. That I think deals with all the depreciation for past years where there is any legitimate claim to an allowance, because in such a case the allowance was not effectively made owing to the absence of profits. There are other cases in which the allowance is not effectively made for depreciation, but in these cases, I submit, that no allowance should be made and we should not put the assessee in a better position than the assessee who has furnished particulars and claimed a depreciation in the proper year. To the extent that we should carry forward depreciation it is provided for both in this proviso and also in the carry-forward of losses section. The amendment which the Honourable Member has now moved would have the effect of allowing a person to claim, in a later year, depreciation on a larger sum because he failed to comply with the rules in the earlier years. And that I submit is quite a wrong conclusion in this matter because it would mean that an assessee could, if he chose or if he found it suitable, fail to claim the depreciation in years in which his profits were low and wait until the year in which his profits were much higher and then claim the depreciation on the higher amount in a subsequent year. In other words, this amendment would put a premium on the dishonest or doubtfully honest assessee at the expense of the honest assessee. For that reason I oppose the amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is :

"That in sub-clause (c) of clause 10 of the Bill, in clause (b) of the proposed sub-section (5), for the word 'allowable' the word 'allowed' be substituted"

The motion was negatived.

Dr. P. N. Banerjee: Sir, I beg to move :

"That in sub-clause (c) of clause 10 of the Bill, in clause (c) of the proposed sub-section (5), for the words 'applicable to the assets' the words 'actually allowed to the assessee on the assets' be substituted."

The clause, as it stands at present, takes it for granted that an assessee has been allowed depreciation on certain assets even if he may not have claimed an allowance in the past for some reason or other. As I urged in the previous case I think that if depreciation has not actually been claimed and allowed the assessee should get it in a subsequent year, and this would be very fair and equitable. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved :

"That in sub-clause (c) of clause 10 of the Bill, in clause (c) of the proposed sub-section (5), for the words 'applicable to the assets' the words 'actually allowed to the assessee on the assets' be substituted."

Mr. S. P. Chambers: Sir, I oppose this amendment, and I do so on exactly the same grounds that I opposed amendment No. 278 and for that reason I have nothing further to add.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That in sub-clause (c) of clause 10 of the Bill, in clause (c) of the proposed sub-section (5), for the words 'applicable to the assets' the words 'actually allowed to the assessee on the assets' be substituted."

The motion was negatived.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That clause 10, as amended, stand part of the Bill."

The motion was adopted.

Clause 10, as amended, was added to the Bill.

Clause 11 was added to the Bill.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is:

"That clause 12 stand part of the Bill."

Manvi Abdur Rasheed Chaudhury: Sir, I move:

"That in part (a) of sub-clause (b) of clause 12 of the Bill, after the word 'assessee' the words 'not including supervision or inspection expenses necessary for earning such income, gain or profit' be inserted."

Sir, the object of my amendment is that personal expenditure should not be included in the return of income. Honourable Members are quite aware that in order to earn some income or gain, it is absolutely necessary that a close supervision is exercised over all operations. I was under the impression that inspection charges were legitimate expense for the purpose of assessing to income-tax, but a case just occurs to my mind in which year before last one income-tax officer refused to allow a certain railway fare to be allowed for inspecting factories lying at a distance of some fifteen miles from his headquarters. This is a very technical subject, and it is very difficult to be absolutely sure about the matter, but I think that such expenditure which is absolutely necessary for earning a particular source of income, such as a railway or a motor fare should be allowed for. I would, therefore, propose that my amendment be adopted. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That in part (a) of sub-clause (b) of clause 12 of the Bill, after the word 'assessee' the words 'not including supervision or inspection expenses necessary for earning such income, gain or profit' be inserted."

Mr. J. P. Sheehy: Sir, I oppose this amendment. I can assure the Honourable Member who has moved the amendment that railway fare, incurred for the purpose of business, is allowable and if the income-tax officer disallows it, he is wrong. The Honourable Member's amendment does not add anything to what the new section already gives. The section says that such income, profits and gains should be computed after making allowance for any expenditure not being of the nature of capital expenditure incurred solely for the purpose of making or earning such income, and the Honourable Member's amendment is going to exclude supervision or inspection expenses necessary for earning such income. That is not better than the wording of the section as it already stands, and for that reason I oppose the amendment.

Maulvi Abdur Rasheed Chaudhury: Sir, my doubt has now been removed, and I would beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment No. 282.*

Babu Baijnath Bajoria: Sir, I have given notice of a similar amendment to Mr. Kazmi's this morning. I was under the impression that Mr. Kazmi would move his, but I now find that he is not moving it. So I would like to move mine.

Mr. M. S. Aney: On a point of order, Sir, I really want to understand the meaning of the word "notice" with regard to amendments. Is notice intended with reference to the nature of the subject-matter which is to be discussed before the House, or is it intended to know who is the man that is going to discuss the question? I find that the rule is being interpreted with a view to debar men from bringing up amendments for discussion of which due notice has been given by other Members. If the subject-matter is known, then a sufficient time has already been given to the Honourable Member to consider the matter and to come prepared with what they have to say. As the matter has been before the Honourable Member for a sufficiently long time as required by the rules, I do not think it would be proper to rule out the amendment on the ground that sufficient notice has not been given. I, therefore, submit that you will kindly consider this point before giving a ruling.

Mr. Bhulabhai J. Desai: It is entirely a matter for your discretion and surely nobody can complain that on this particular matter Government is taken by surprise. It would be straining the rule rather too much to say that merely because another man gave notice of this that therefore this man should not have an opportunity.

The Honourable Sir James Grigg: Sir, I submit that it is of importance as to what is the name that stands behind the amendment. For example, there are border-line cases in which if the amendment is put down in the name of one Honourable Member, Government might wish to refuse it, if it were put down in the name of another Honourable Member, then Government might want to promise to consider it or to accept it, and I suggest that the mere question of "notice to Government" does not entirely dispose of the question.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Sir, the very argument of the Honourable the Finance Member, I submit, is in favour of notice being waived, without regard to personalities. No Government ought to be given, by a ruling of the Chair, power to refuse to discuss a matter, not on the merits of the amendment, but on the merits of the person moving the amendment; I think this House is entitled to protection at your hands. The Standing Order says that unless two days' notice has been given of any amendment, any Member may object, and if he does, it is for the Chair either to suspend or not to suspend the Standing Order, and my submission is that this amendment has been given ample notice of.

*"That part (b) of sub-clause (b) of clause 12 of the Bill be omitted."

[Mr. S. Satyamurti.]

Every section of this House knows what it is about, and simply because one Member does not move it and another Member wants to move it, it is not right that this should not be allowed. I am not saying anything on the merits now. I am merely asking that no bad precedent be set in this House for the Government Member to say that "if A moves it, we will accept it, and if X will move it, we will not accept it". I, therefore, beg of you to suspend the Standing Order.

Sir Gowasji Jehangir: Sir, if the contention put forward by the Honourable the Finance Member be correct, that Government are influenced by names of the movers and not by the merits of the case, then I submit that, if the ruling is to be that the mover is to be the important factor and not the amendment, the Honourable the Finance Member ought to lay on the table of the House the names of Honourable Members who are in his good graces and whose amendments he will accept or consider. Then, this House would be in a better position to move amendments to Bills. Therefore, Sir, I rise at this stage before you give a ruling. If your ruling happens to be that the mover is to be the most important factor, then you will also rule that such a list as I have suggested be put on the table of the House.

Mr. Deputy President (Mr. Akhil Chandra Datta): Mr. Bajoria wants to move an amendment identical in terms and substance with amendment No. 282. It is objected to on the ground that the particular amendment in the name of Mr. Bajoria was not given notice of two clear days before. It has been argued on the one side that the name is quite immaterial, as to who the Honourable Member is who gives notice, and it is argued that the matter and substance of the amendment is the real material consideration. On the other side, it is argued that the name is also material. . . .

Mr. M. S. Anay: That was said humorously.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair does not know whether this contention has been put forward seriously. If it is seriously put forward, then the Chair is definitely of opinion that the name is absolutely immaterial. The Standing Order on the subject does not make any reference to the name of the Member: it only says and that for very good reason that it should not spring a surprise upon any portion of the House and, therefore, notice should be given of the matter of the amendment. The Chair has been asked to suspend the Standing Order; but the Chair should think it is not a question of suspending at all. That question has not arisen on this occasion. It arises only when notice is not given; but in this case, notice has already been given as regards the amendment to be moved, only not in the name of this particular Honourable Member. The Chair, therefore, holds that Mr. Bajoria's amendment is quite in order.

Babu Baljnath Bajoria: Sir, it may be that I am flogging a dead horse; anyway let me see whether I can make it rise again. I beg to move:

"That part (b) of sub-clause (b) of clause 12 of the Bill be omitted."

This is an important amendment. It seeks to delete sub-clause (b) of section 12 (2) which reads:

"no allowance shall be made on account of:

any interest chargeable under this Act which is payable without British India. . . ."

I do not understand why if a person in British India borrows money from a person outside British India—say from an Indian State—and pays interest on that, he will not be allowed to deduct the amount so paid from his assessable income. It may be argued that I should deduct income-tax from the person to whom I am paying interest, but, probably, if the amount of interest is too small and if it is not chargeable to income-tax, then how will the party to whom I am paying interest agree to the deduction of the income-tax from that amount? It will also restrict credit. It will also restrict my powers of borrowing from a market where I can get money at the cheapest possible rate. Suppose I can get money from Bikaner or Travancore at three per cent. and suppose people in Calcutta or Bombay will not advance any money at less than five or six per cent., why should I be restricted from borrowing?

An Honourable Member: You are not restricted.

Babu Baijnath Bajoria: I am restricted to this extent that I will have to pay income-tax. I know there is no provision forbidding me to borrow, but it amounts to this that I will have to pay income-tax on the interest on the amount which I borrow. So, I think that in the ordinary course of business, if I borrow from any party and it is a *bona fide* transaction, that interest should be allowed to be deducted. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That part (b) of sub-clause (b) of clause 12 of the Bill be omitted."

Mr. S. P. Chambers: Sir, I oppose this amendment and I would first like to draw the attention of the House to the fact that precisely the same point was raised on clauses 9 and 10. In particular, if one looks at amendment No. 236 on clause 9, the same amendment was moved by Mr. Kazmi there and was rejected by this House. . . .

Sir Cowasji Jehangir: That was on drafting grounds: this is on merits.

Mr. S. P. Chambers: It is exactly the same point and if it is the wish of the House I will repeat the explanation which I gave then and that was just this; that where a source of income in British India is assessed in British India and payment is made out of that by way of interest, if the contract is made in British India, then the other provisions of this Bill, in particular the provisions of clause 19, provide that tax shall be deducted. If the contract is made outside British India then no tax can be deducted and it would be a very simple matter to avoid tax on income which really arises in British India by arranging for the contract to be made outside British India; and, therefore, we propose that in each of these clauses—9, 10 and 12—where the assessee makes a contract outside British India then the interest payable under such a contract shall not be allowed as a deduction. In effect we say that this income arises within British India even if it is ultimately payable to a non-resident and, therefore, some tax should be paid upon it and it is for the payer of the interest to see that matters are so arranged or rather not so arranged that tax escapes on this income arising in British India and therefore we have provided that where the contract is made outside British India, no allowance shall be made in computing the income of the payer under clauses 9, 10 and 12. For these reasons I oppose the amendment.

Mr. M. S. Aney: Sir, it is somewhat anomalous to understand this. As a matter of fact, on the one hand the law proceeds on the basis that even profits made outside British India should, in some form or other, be included in the income-tax for taxation, but if, on the other hand, there are certain liabilities to be met outside British India for income made in British India, they should be excluded for the purpose of income-tax. When you don't allow any interest which is paid out of British India to be calculated, you are in a way not allowing me to take into account the liability I have got to meet outside British India, and yet, if I make some profit in British India on the capital borrowed from outside, there are provisions here to take them into account for the purpose of taxation. It is a tax on gross profits and not on net profit or income. Sir, it is really a very anomalous position. I think the House should look at the question more carefully and I hope that it will easily see that there is more logic in admitting an amendment like this than rejecting it summarily.

Mr. J. F. Sheehy: Sir, I may say that interest on money borrowed outside British India for the purpose of business outside British India does not come under this clause, because it is not interest chargeable under this Act.

Mr. M. S. Aney: What difference does it make between interest or sums borrowed outside British India or borrowed in India for purpose of business in India.

Mr. J. F. Sheehy: Only interest chargeable will be disallowed.

Sir Cowasji Jehangir: Sir, the point that Mr. Bajoria has raised is a very simple one which Mr. Aney has emphasised. The point is this, namely, if a man is resident in India and does business in India, and for purposes of business, he borrows money in England and does business with it here, and if there is a profit out of that business which is conducted on that borrowed money, then you will charge income-tax on it, but you will give no allowance in business for the monies borrowed, because it is borrowed outside British India. The point of the Government is quite simple. It is, that if monies are used in India for which interest is paid, that interest should be chargeable to income-tax; you should be able to get your income-tax on the amount borrowed outside India and used in India. That is a very legitimate object of Government, I admit; but at the same time, it appears to me it would work as a hardship on the assessee. He borrows money and pays interest on it; you don't allow anything for that interest, because he has borrowed it outside British India. If he makes a loss on that business, it is his loss; if he makes a profit on the business from the monies borrowed from outside British India, you will charge him income-tax on his profits. Sir, it does seem rather hard when you look at it from that point of view. Monies are borrowed outside British India for business to be done in British India, and up to now all allowance was made as if that money had been borrowed in British India, and the interest that you paid on that borrowed money was given credit to in your business accounts made for income-tax purposes. To deprive the assessee of that privilege in the future does appear to be rather hard. It never struck me in that light before. I frankly admit it. It strikes me now that that is a hardship. You try to get hold of the income-tax and you also try to grab the income-tax on the interest of that money which does not belong to a resident in India, but you handicap the assessee who is a resident in India and out of whose profits you live;

the very existence of income-tax is from profits made by people on their business. I think it is a point worth considering, and I would ask the Honourable the Leader of the Opposition to devote his mind to that aspect of the case, because there may be a large number of firms who may be hit hard, firms who may be doing business and making profits in India and paying income-tax on those profits, but those profits are due to monies borrowed from outside British India.

An Honourable Member: And borrowed at a lesser rate.

Sir Cowasji Jehangir: Yes, and you will be cutting your nose to spite your face. Under these circumstances, I do think that the matter requires further consideration.

The Honourable Sir James Grigg: Sir, the point is quite a simple one. If a man in Timbuctoo lends money to a business man in India, the interest on that money arises in India, and it should be taxed; but if the owner or the receiver of the interest is abroad, it may not be possible to get at him and tax him, so that we make the borrower the agent for deducting the tax, and the machinery of doing it is not to allow him this deduction in his accounts. If he borrows in India, the question does not arise, because we can get at the receiver of the interest, but if he happens to be a receiver abroad, we cannot get at him and a good deal of interest would be lost. If you like to say that this is an inducement to people not to borrow abroad, it certainly is, and it is intended to be so.

Sardar Sant Singh (West Punjab: Sikh): Sir, I fail to understand the explanation of the Honourable the Finance Member on this point. Let us take the illustration which the Honourable Member has given, and let us suppose that a man living in Timbuctoo is an Indian, and let us also suppose that the present accrual basis scheme continues. If I borrow money from Timbuctoo from an Indian, the Finance Member proposes to charge income-tax on an accrual basis from the Indian living in Timbuctoo and yet he without giving credit to me proposes to charge income-tax from me as well.

The Honourable Sir James Grigg: You don't charge a tax on the interest in Timbuctoo on an accrual basis, but on the interest paid in India on the arising basis.

Sardar Sant Singh: Then the accrual basis should go. On the one hand you keep to this on an accrual basis, you are charging on the incomes of residents living abroad; on the other hand, when the same thing is borrowed from those persons, you charge income-tax to them. Why should you not allow the income-tax to be deducted in the case of people who borrow money from those persons?

Then, the second point which is not clear is this. If the money is to be borrowed in India at a higher rate of interest and if one can get money at a cheaper rate from abroad, the Income-tax Department stands to gain by the larger amount of income-tax that it realises from the profits of the amount borrowed. I really cannot follow the logic of those people, unless the logic is of the Jew who wants to get money either way without losing anything from his own pocket.

Mr. Bhulabhai J. Desai: Mr. Deputy President, in view of the observations made by my friend, Sir Cowasji Jehangir, I owe it to the House to explain what I understand by this irrespective of what the Honourable the Finance Member said, and why I think there can be no hardship in this matter. The deduction which is not allowed is this,—any interest chargeable under this Act which is payable without British India; in other words, the interest which is not allowed to be deducted is chargeable under this Act, but on which tax is not paid. There are two classes of cases in which interest is chargeable here, and on which it is possible to collect the tax. We know the case of a non-resident foreigner under section 43, but that applies to the case of a business connection or an agency. But suppose there is an isolated loan, you may not be able to catch the man, that is to say, the debtor in India,—to make him an agent for the purpose of compelling him to pay a tax on interest which accrues here. All that is intended to be discouraged by this is that interest arises here, but the arrangement is such that, notwithstanding the fact that it is a taxable thing in India, it is evaded by an arrangement by which alone it is chargeable here. It is payable outside, and I don't see how we can encourage such a thing. In such a case the only thing is this, that inasmuch as it accrues here, if the terms of the loan are such that the debtor will deduct the tax and pay it here, but that interest should not be hit by this Act . . .

Sardar Sant Singh: Supposing that fellow is taxed by the Indian Government.

Mr. Bhulabhai J. Desai: The issue is a very narrow one. Normally, if the case falls within clause 45,—supposing as it happened in the Desmond case in Hongkong, they have formed a company in Hongkong for the purpose of lending money in India. The terms of the loan are, each debtor to be lent through the bank in Hongkong, interest is to be paid in Hongkong and the loan to be repaid in Hongkong, the idea being that even though a crore of rupees worth of interest was accruing in India every year, we could not catch it, because it was a non-resident foreigner. In that particular case the Privy Council held that, though the debtor cannot be said logically on the construction of the Act to be the agent of the creditor so as to compel him to pay the tax on it, they strained the words "business connection" and thereby made him pay the tax. This is a classic case which everybody knows. What is intended by this particular section is to discourage this practice—that a man borrows money from outside, enabling the outsider not to pay the tax even though inasmuch as the interest accrues here, in all fairness he ought to pay the tax. Therefore, he wants to get advantage of better terms of loan, so arranged that, though the income arises here, it is not taxable. I submit, there is no hardship in not allowing such interest.

Babu Baijnath Bajoria: But if the amount of interest is not taxable?

Mr. Bhulabhai J. Desai: That has nothing to do with this. The point is that the income is taxable. I am not talking of the assessee being taxable. The interest certainly is taxable.

Babu Baijnath Bajoria: If it is only 500 or 1,000?

Mr. Bhulabhai J. Desai: That is not the issue. The true issue is, the words are, income accruing or arising in British India. Supposing you borrow from Bikaner, then interest accrues here, but you so want to arrange with the Bikaner man that he won't pay tax. Therefore, you will say, inasmuch as you are not paying tax, give me two annas less rate of interest. Why should such interest escape?

Mr. Husenbhai Abdullahai Laljee: I cannot agree with the Leader of the Opposition inasmuch as I do believe that there are many classes of business, and the most important is the class where there are mills owned by people in India but who work them in Indian States. They borrow from the Indian State and there they pay their interest to those businesses or the States who pay money. Take a mill which has been built for ten lakhs of rupees, and suppose that they have obtained Rs. 10 lakhs from the Maharajah of the place at a rate of five per cent. They have to pay Rs. 50,000 to him and suppose the profit is about a lakh of rupees. Is my Government going to tax me for 50,000 or a lakh? That is the instance with regard to the amount that I have to pay to the other side, and should I be taxed again here in India to the tune of double the amount of what I have really earned? Furthermore, as my Honourable friend, Sir Cowasji, has pointed out, we ought to encourage...

An Honourable Member: Borrowing from a foreign country?

Mr. Husenbhai Abdullahai Laljee: Nobody is going to lend you. We have to depend upon Indian States to give money for our enterprise in India, and if really we are able to make money and if we do not get those facilities in our own part of British India, why should Government not induce them. That is why I say it is a very wrong impression existing in ourselves that we have got all the industries and the only thing is to get as much money out of us as possible.

Dr. P. N. Banerjee: May I make a suggestion? If this amendment which was moved by my Honourable friend, Mr. Bajoria, be not acceptable to the Government, will the Government agree to insert a provision like amendment No. 257 which was accepted by the Government. That will remove a part of the difficulty. This would be a consequential amendment and no notice would be required.

Mr. K. Santhanam: I just want to point out that my Honourable friend, Mr. Laljee, has made a mistake. If interest accrues outside British India to a non-resident it is not interest chargeable and, therefore, the question does not arise at all. It is only when interest accrues either in India or to a resident outside India, it comes under the mischief of this clause. Therefore, his case is not covered and he need not be afraid of the particular case he has referred to. I am sorry that he does not care to follow the proceedings and then he says that we have entered into a compromise with the Government. (Interruption.) The Honourable Member takes the privilege of making remarks against us and he must be prepared for a retort. He ought not to make any such remarks. Whenever we agree with Government or we withdraw our amendments, we do so solely in public interest, without any fear or favour.

Mr. Huseebhai Abdullahhai Leljee: I alluded to two points. My Honourable Member has replied to one and to the other he has not. He has left it incomplete.

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

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

"That part (b) of sub-clause (b) of clause 12 of the Bill be omitted."

The motion was negatived.

Dr. P. N. Banerjee: I thought the Honourable Member agreed to accept my suggestion.

The Honourable Sir James Grigg: A suggestion was made, if I may say so not in a condemnatory sense, quite irregularly, that as the amendment was unacceptable we might accept an amendment similar in terms to amendment No. 257 which was accepted by us. There is no amendment on the paper and no notice has been given. Therefore, it requires your consent for it to be moved.

Mr. President (The Honourable Sir Abdur Rahim): Have you got the amendment here?

The Honourable Sir James Grigg: No. An amendment similar to amendments Nos. 240 and 257. The preliminary words require alteration.

Mr. M. S. Anoy: Very many words will have to be changed.

Dr. P. N. Banerjee: But the substance is the same.

The Honourable Sir James Grigg: The suggestion is that in this clause we should put in a provision exactly like the provision which was inserted in clauses 9 and 10 by those two amendments. I said, subject to the permission of the Chair and the House, if the Honourable Member handed in an amendment applying those words to the appropriate places, I personally saw no objection to it, but I think the Honourable Member has to hand in an amendment with appropriate words.

Mr. President (The Honourable Sir Abdur Rahim): Unless the amendment is circulated, the Chair cannot allow it to be moved now. Next one.

Mr. H. S. Town (Nominated Non-Official): Sir, I move:

"That to part (c) of clause 12 (b) of the Bill, the following words be added: 'unless it is paid out of income not brought into or received in British India'."

This is to deal with the case of the employee of a branch office of an Indian concern, if the branch office is in an Indian State. Such salary is earned totally outside British India, and is paid out of profits earned totally outside British India. "If we go on to the accrual basis the profits of the business will be taxed in British India and it is possible to argue that the salary is paid out of funds which eventually find their way into British

India. I submit that it is unfair to tax such an employee on his salary. It might be argued, however, that the salary is earned from employment totally outside British India, and, therefore, is not subject to taxation under this Act but that is very far from clear and I suggest that the addition of these words will make it perfectly clear that such salary is not taxable. Sir, I move.

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

"That to part (c) of clause 12 (b) of the Bill, the following words be added:

'unless it is paid out of income not brought into or received in British India'."

Mr. S. P. Chambers: I oppose this amendment because I think the words in the clause do, in fact, have the effect which my Honourable friend wishes. The important words are "any payment which is chargeable under the head salaries". Now, the payment of salary to a person employed outside British India in respect of work outside British India is not a payment which is chargeable under the head salary. It is only where a payment is made to a person abroad in respect of service within India that the payment is a payment chargeable under the head salaries. This sub-section can apply only in such circumstances. Therefore, the amendment which the Honourable Member seeks to make is wholly unnecessary because the type of case which he wishes to exclude is excluded by the terms of the original clause as drafted. I oppose this amendment.

Mr. H. S. Town: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly withdrawn.

Mr. K. Santhanam: Sir, I move:

"That in sub-clause (c) of clause 12 of the Bill, in the proposed sub-section (3), for the words 'an allowance in respect of depreciation' the word 'allowances' be substituted."

This amendment has to be read with amendment No. 299. It provides that where machinery is let on hire the person who lets it shall be entitled not only to depreciation allowance but all the other allowances with reference to annual repairs, insurance premia and obsolescence. I hope that the object of the amendment is so clear that no further explanation is necessary. Sir, I move.

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

"That in sub-clause (c) of clause 12 of the Bill, in the proposed sub-section (3), for the words 'an allowance in respect of depreciation' the word 'allowances' be substituted."

Mr. J. F. Sheehy: Government propose to raise no objection to this amendment and the amendment which comes after it.

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

"That in sub-clause (c) of clause 12 of the Bill, in the proposed sub-section (3), for the words 'an allowance in respect of depreciation' the word 'allowances' be substituted."

The motion was adopted.

Mr. K. Santhanam: Sir, I move:

"That in sub-clause (c) of clause 12 of the Bill, in the proposed sub-section (3), for the word and letters 'clause (vi)' the word and letters 'clauses (iv), (v), (vi), (vii)' be substituted."

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

"That in sub-clause (c) of clause 12 of the Bill, in the proposed sub-section (3), for the word and letters 'clause (vi)' the word and letters 'clauses (iv), (v), (vi), (vii)' be substituted."

The motion was adopted.

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

"That clause 12, as amended, stand part of the Bill."

The motion was adopted:

Clause 12, as amended, was added to the Bill.

Clause 13 and clause 14 were added to the Bill.

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

"That clause 15 stand part of the Bill."

Mr. J. F. Sheehy: Sir, I move:

"That in clause 15 of the Bill, in clause (a) of the proposed sub-section (2), for the words 'the amount which he is entitled to receive from the firm' the words 'his share in the profits and gains of the firm computed in the manner laid down in clause (b) of sub-section (1) of section 16' be substituted."

The object of this amendment is to bring section 15 into line with section 16 as amended by clause 17 (a) (1) (b) of the Bill, where we say:

"when the assessee is a partner of a firm then, whether the firm has made a profit or a loss his share (whether a net profit or a net loss) shall be taken to be any salary. . . ."

Thus, we define a partner's share. We now wish to put the same definition in clause 15 also. Sir, I move.

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

"That in clause 15 of the Bill, in clause (a) of the proposed sub-section (2), for the words 'the amount which he is entitled to receive from the firm' the words 'his share in the profits and gains of the firm computed in the manner laid down in clause (b) of sub-section (1) of section 16' be substituted."

The motion was adopted.

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

"That clause 15, as amended, stand part of the Bill."

The motion was adopted.

Clause 15, as amended, was added to the Bill.

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

"That clause 16 stand part of the Bill."

Mr. H. S. Town: Sir, I beg to move:

"That in clause 16 of the Bill, before sub-clause (a) the following sub-clause be inserted, and that sub-clauses (a), (b) and (c) be re-lettered accordingly:

'(a) In sub-section (1) of section 15 for the words 'by an assessee in respect of any sums paid by him to effect an insurance on his own life or on the life of his wife or in respect of a contract for a deferred annuity on his own life or on the life of his wife', the words 'in respect of any sums paid by an assessee to effect an insurance on the life of the assessee or on the life of a wife or husband of the assessee or in respect of a contract for a deferred annuity on the life of the assessee or on the life of a wife or husband of the assessee' shall be substituted'."

Sir, this is a very minor change. The Bill as it stands appears only to allow an insurance premium paid by a husband on his own life or that of his wife. If a wife pays out of her own separate income the premium on a policy insuring the life of her husband, she will not be given the allowance. The amendment seeks to give such allowance.

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

"That clause 16 of the Bill, before sub-clause (a) the following sub-clause be inserted, and that sub-clauses (a), (b) and (c) be re-lettered accordingly:

'(a) In sub-section (1) of section 15 for the words 'by an assessee in respect of any sums paid by him to effect an insurance on his own life or on the life of his wife or in respect of a contract for a deferred annuity on his own life or on the life of his wife', the words 'in respect of any sums paid by an assessee to effect an insurance on the life of the assessee or on the life of a wife or husband of the assessee or in respect of a contract for a deferred annuity on the life of the assessee or on the life of a wife or husband of the assessee' shall be substituted'."

Mr. S. P. Chambers: Sir, I oppose this amendment. Sir, I am afraid the grounds of my opposition are somewhat vague at the moment, because the amendment, as it appears on the agenda, does not relate to the right clause. I cannot quite see where it is intended to go. I must oppose it because I do not know precisely what must happen to it. All I can say is that first of all I can see in it no such restrictions to one-sixth of the total income or to Rs. 6,000 or Rs. 12,000 in case of a Hindu undivided joint family which appeared in the original section. If the Honourable Member would first of all by way of explanation say exactly where this is intended to go, I will be able to say whether I accept it or oppose it. As it is tabled, it definitely appears to be out of order. If the Honourable Member will kindly explain where it should go, I might then be allowed to continue my speech.

The Honourable Sir James Grigg: I might perhaps read out the section as it is proposed to be amended:

"The tax shall not be payable in respect of any sums paid by an assessee to effect an insurance on the life of the assessee or on the life of a wife or husband of the assessee or in respect of a contract for a deferred annuity on the life of the assessee or on the life of a wife or husband of the assessee."

That is the clause as it is now proposed to be amended;

"or as a contribution to any Provident Fund to which the Provident Funds Act, 1897, applies."

Mr. S. P. Chambers: If my Honourable friend intends that by his amendment, I have no objection to it. I understand that the intention is that this should form part of sub-section (1) of section 15 of the Act and not as tabled in the agenda as an additional sub-section.

Mr. K. Santhanam: I wish to know if the Government are accepting this amendment or opposing this amendment. If the Government are opposing it, I want to speak in support of this amendment.

Mr. S. P. Chambers: The Government are accepting it and not opposing it.

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

"That in clause 16 of the Bill, to sub-clause (a) the following be added:

'And for the words 'by an assessee in respect of any sums paid by him to effect an insurance on his own life or on the life of his wife, or in respect of a contract for a deferred annuity on his own life or on the life of his wife' the words 'in respect of any sums paid by an assessee to effect an insurance on the life of the assessee or on the life of a wife or husband of the assessee or in respect of a contract for a deferred annuity on the life of the assessee or on the life of a wife or husband of the assessee', shall be substituted'."

The motion was adopted.

Maulvi Abdur Rasheed Chaudhury: Sir, I move:

"That in sub-clause (b) of clause 16 of the Bill, the words 'one-sixth of the total income of the assessee, or', wherever they occur, be omitted."

Under the existing Act, the provision for an allowance on premium paid for life insurance is to an amount which is not to exceed one-sixth of the total income. This amended clause is retaining this provision, and, in addition, is adding another alternative, namely, Rs. 6,000 or whichever is less. Now, Sir, it is apparently meant that those whose income is over Rs. 30,000 will have this allowance and none else. This would mean that the concession which is given by one hand is taken away by the other. If an allowance is to be given, it should not be limited to those persons whose income is over Rs. 30,000. I would like to see that this allowance is given to those persons who are not so rich as to have an income of Rs. 30,000. That is why I have proposed that the words "one-sixth of the total income of the assessee, or" should be omitted. That is to say, the maximum allowances given in respect of the life insurance premiums should not exceed Rs. 6,000.

Sir, I move.

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

"That in sub-clause (b) of clause 16 of the Bill, the words 'one-sixth of the total income of the assessee, or', wherever they occur, be omitted."

The Honourable Sir James Grigg: Sir, I oppose this amendment on grounds of public policy. The Honourable Member proposes to give an allowance for insurance premium in respect of premium paid up to a maximum of Rs. 6,000 a year, whatever the salary of the insurer. Now, Sir, though I am all in favour of encouraging thrift by means of insurance policies, I do not think we should overdo it, and in this case we may give a definite inducement to a man to over-insure himself at the expense of his current expenditure and in an extreme case envisaged by the Honourable Member you will have a man subscribing the whole of his income by insuring himself and having nothing to keep himself alive. I am all in favour of looking towards posterity but not to this extent. Besides, there is another objection to it. If he does all that and pays an enormous insurance premium and starves himself to death, the mortality rate would go up enormously and the burden on insurance companies will become so heavy that the premium will have to go up and they will all go bankrupt.

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

"That in sub-clause (b) of clause 16 of the Bill, the words 'one-sixth of the total income of the assessee, or', wherever they occur, be omitted."

The motion was negatived.

Qazi Muhammad Ahmad Kazmi: Sir, I move:

"That sub-clause (c) of clause 16 of the Bill be omitted."

The reason for moving this amendment is that there is a certain system of calculation which is given in this clause and it happens to be the same system which is given in clause 17(3), and the words are quite different. So, it is not advisable to have in one Act the same system given in two different words in two different places. For this reason, I move the deletion of this sub-clause.

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

"That sub-clause (c) of clause 16 of the Bill be omitted."

The motion was adopted.

Mr. Suryya Kumar Som (Dacca Division: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (c) of clause 16 of the Bill,"

Mr. President (The Honourable Sir Abdur Rahim): Sub-clause (c) has been omitted, and, therefore, the Honourable Member cannot move his amendment.

Mr. Suryya Kumar Som: But, Sir, my amendment is not confined to sub-clause (c) only.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member wishes to omit the first part of his amendment and move the second part?

Mr. Suryya Kumar Som: Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim): In that case, the Honourable Member should begin his amendment thus:

"After the proposed sub-section (4), the following sub-section be inserted: etc."

Mr. Suryya Kumar Som: Sir, I move:

"That after sub-clause (b) of clause 16 of the Bill, the following sub-clause be added, namely:

"(c) after sub-section (3), the following sub-section shall be added:

"(4) In computing the total income of an assessee the following allowances shall be made:

- (i) an allowance of one-sixth of the income received by the assessee from salaries or business, profession or vocation subject to a maximum of Rs. 1,800;
- (ii) an allowance of Rs. 1,000 in the case of every married person;
- (iii) an allowance of Rs. 120 in respect of each child of the assessee;
- (iv) an allowance of Rs. 100 in respect of each dependant maintained by the assessee:

Provided however that when two assessee are husband and wife the allowances shall be claimed and allowed only in respect of either of them at the option of the officer."

[Mr. Suryya Kumar Som.]

Sir, I am moving this amendment, although I am not very sanguine about its result, because there is a strong feeling in the country with regard to this matter. At the consideration stage of this Bill, this matter was referred to by many speakers, and whether it is carried or not, I will voice the public opinion on this matter. Now, Sir, we hear that, of all the taxes in the world, income-tax is the most equitable one. In my childhood, I was surprised to hear this and I could not understand it at all. I thought it was a very iniquitous tax, because the Government take away a part of what I earned by my own exertions. As my knowledge expanded, I began to feel that that statement was quite right and income-tax is the most equitable tax in the sense in which it is assessed in European countries where the State takes a part of the excess income of an individual or of a family; that is, leaving aside a sufficient margin for the maintenance of the family including wife, children and dependants. And, if there is any excess, a portion of it is claimed by the State for its own necessities. There, in England, and other civilised countries, it is so arranged that the national economy, health and culture are not affected in the least. So that much allowance is made for the maintenance of the family, for educational expenses, and for good food which is necessary to keep the health of the family. After leaving aside that amount in the hands of the assessee, a part is taken from the excess. Therefore, in that sense, it may be said to be an equitable tax. Then, Sir, in the present debate, I have found the Finance Member and others on the Treasury Benches referring to the English law when replying to our arguments, particularly in the case of foreign income of Indian residents. But I only find that they apply that English analogy only when it suits them and fly away from it when it does not suit them. This is an example of that. In England, we find that in the very first instance one-sixth of an assessee's income is exempted from his gross income and the limit is to the extent of £250, i.e., about Rs. 8,250 is at once exempted. Then, I find that for a married man the exemption is £225, or Rs. 2,925. Then, for the first child . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member need not go into all these figures of other countries. He should deal with the figures in the amendment and justify them.

Mr. Suryya Kumar Som: But on the basis of the figures in other countries.

Mr. President (The Honourable Sir Abdur Rahim): That is not relevant.

Mr. Suryya Kumar Som: Then, how can I justify my argument? However, I will give the purport of it.

Mr. M. S. Aney: Sir, I submit that, in developing his argument on a point like that, you will, I think, be pleased to hold that the argument that similar things exist in other countries is a proper one. Of course, if he goes into unnecessary details, he would be out of order.

Mr. President (The Honourable Sir Abdur Rahim): He will be perfectly justified in referring to the fact that in other countries similar allowances are given, but as to what figures would be proper for this country,

the Chair does not think the analogy of other countries would apply. He can show that the figures in the amendment are the proper figures for India.

Mr. M. S. Aney: He is showing the categories under which allowances are made. As regards the figures, he will come to them later on.

Mr. President (The Honourable Sir Abdur Rahim): He can justify the figures given in the amendment.

Mr. S. P. Chambers: Sir, on a further point of explanation, it might be of interest to the House to know that the figures which the Honourable Member has given are not the figures current in the United Kingdom at the present time. Those are about ten years old.

Mr. Suryya Kumar Som: If I am wrong in my figures, that will be an advantage. But I challenge my Honourable friend to prove that these are wrong, because I am reading from a book on income-tax in England which was published in 1937.

Now, Sir, I am saying that in England a very large amount is exempted at the initial stage, and then large sums are allowed for wife, married man, children, etc. And I submit that that is also the case in America. That is, in two of the most civilized countries, these allowances are given. Moreover, if you compare the conditions of the people in England and America with those of this country, which is the poorest country in the world, I think it is doubtful whether income-tax should be levied in a country like this. But here the Finance Member says he must have four or five crores of rupees more. Yesterday, he opposed an amendment on the ground that its acceptance would mean a loss of 15 or 16 lakhs. That was the only argument. Then, what is the use of going through so many clauses? Why do you not realise money as the frontier people do? That is the spirit in which this Bill at this stage has been introduced, and the only argument advanced is, "we want money, we must get something, and you must give us money". Sir, in this country also where we pay income-tax, we should be granted these allowances. This is not kindness done to the men. It is because the patriots of those countries, who are responsible for the health and improvement and development of their country, are at the helm of the Government there, they take special care for the promotion of all social amenities, education, good health, good culture, and they set aside sufficient money for all these beneficent purposes. So, whether the income-tax is collected at a higher or at a lower rate, that does not touch the national economy and the social economy at all. Unfortunately here as regards those who manage this taxation, their intention is quite the opposite, and no provision like this has been made here. You have cited many examples of United Kingdom practice in order to stop our mouth, but why do you fight shy of introducing those other things into this country? Sir, this is a very reasonable prayer and the country has been feeling it for the last half a century whenever income-tax has been discussed in the country-side. Why should not allowances be given for our children, as in other countries? Sir, it is for this reason that I move this amendment, and I move it with full confidence, and because I feel very strongly about this, I leave it to my friends. With these observations, I move my amendment.

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

"That after sub-clause (b) of clause 16 of the Bill, the following sub-clause be added, namely:

'(c) after sub-section (3), the following sub-section shall be added:

'(4) In computing the total income of an assessee the following allowances shall be made:

(i) an allowance of one-sixth of the income received by the assessee from salaries or business, profession or vocation subject to a maximum of Rs. 1,800;

(ii) an allowance of Rs. 1,000 in the case of every married person;

(iii) an allowance of Rs. 120 in respect of each child of the assessee;

(iv) an allowance of Rs. 100 in respect of each dependant maintained by the assessee:

Provided however that when two assessee are husband and wife the allowances shall be claimed and allowed only in respect of either of them at the option of the officer."

The Honourable Sir Nripendra Sircar (Law Member): Sir, I asked my Honourable colleague, the Finance Member, whether I was to oppose or to support this amendment. I was told by him that if I supported this amendment I should be very violently dealt with. Well, I cannot, therefore, help opposing this amendment but I would like to show to the House that this amendment would have suited me very well indeed.

In the interests of a public cause I have got to make some private disclosures. Now I first get Rs. 1,800 under 4 (J),—and then, an allowance of Rs. 1,000 in case of every married person. Well, having committed, the wisdom or folly of marriage, I gain another thousand rupees. I am not sure—although that is an irrelevant inquiry from my point of view—whether it means a thousand rupees for each marriage; that is, if I have four wives, I get Rs. 4,000, but not having that advantage, I get only Rs. 1,800 and a thousand rupees on the strength of my marriage.—although that is a very old event. Then I get an allowance of Rs. 120 in respect of each child. Kind Providence has blessed me with eight and I get Rs. 1,000 straight off there, and as regards an allowance of Rs. 100 in respect of each dependant maintained by the assessee, well, I have not recently taken any census of the number of dependants but including aunts, sisters-in-law and widows of dismissed servants and so on, I put them at a very conservative figure of about fifty. I get Rs. 5,000 there; and I think in the end, if this is allowed, I shall be in a position not only not to pay an income-tax but to ask for payment from the State! That is why I said, Sir, that it is with very mingled feelings that I am opposing this amendment. Then apart from other lighter matters which will be dealt with by my Honourable friend, Mr. Chambers, and my Honourable friend, Sir James Grigg, I have some very serious matters to place before the House.

Now, it is said that there will be an allowance of Rs. 120 in respect of each child of the assessee. That raises a very difficult problem as we are situated in India. I have been reading in the papers very harrowing accounts of what will happen to us on account of over-population. We are now 353 million and it is estimated that in 1941 we shall be somewhere near four hundred million and what with the pressure on the land and our little income, and so on, I have been really very much depressed at this idea of increasing population. Some think this will be a direct

encouragement to an increase of population and that is a very serious matter for consideration. Then, as I work it out, it seems to me that no limits are given, there is no elasticity, what is given has got to be given and Rs. 1,000 must be given in each case, there will be Rs. 120 for a son, and so on. Now, it might very well be that although a man's total income is Rs. 2,000, he will be allowed a deduction of something like Rs. 4,000. That is the position. As I said, I would have very much liked to support this amendment but I am prevented from doing that, and that being the case, I strongly oppose it.

Mr. Brojendra Narayan Chaudhury (Surima Valley *cum* Shillong: Non-Muhammadian): Sir, I had no mind to intervene in this debate but the high politics introduced by the Honourable the Leader of the House in this debate, *viz.*, the over-population or the under-population of India and the evils and the remedies, is my reason for intervening now. Sir, I have been noticing in this House a tendency to exaggerate the effects of over-population, and I am afraid it seems to me there is in this House some sneaking sympathy for birth control. I think, Sir, in a matter of this kind where you are going to discuss the manner of levy of an income-tax, we might very well come down from high skies to *terra firma* and leave aside such big questions.

Now, I come to the real issue. *viz.*, whether the man who lives in single blessedness or the man who lives with one wife, having no children at all or the man who has got two children or the man who has got three, four or even eight children, like my Honourable friend, the Leader of the House, or even ten children like myself should all be treated alike in the matter of levy of income-tax. We have heard a lot in this House and rightly about legislating in such a way that the incidence or pressure of tax might fall equitably on all. That is, according to their circumstances—not only of the income but also of the minimum necessary expenditure. We must take that into consideration—the minimum necessary and obligatory expenditure of feeding and clothing children and legal dependants because that expenditure diminishes the ability to pay. A man who gets an income of Rs. 5,000 and has minimum necessary expenditure of only Rs. 1,000 is in a much better position to pay more than a man who has got the same income, but has increased minimum necessary expenditure. By this amendment the Honourable the Mover is asking for nothing more than the consideration of the principle of ability to pay. I am not at one with him as regards the details but there are several similar amendments which the House might consider. Particularly, while we are going to tax the undivided Hindu family in lump at the higher rate on its aggregate income the adoption of what is called the “family allowances” will give some relief to the big joint family though I do not say that it will go as far as may be necessary. The hardships in the case of the undivided Hindu family have been admitted in the Enquiry Committee's report. The only argument that the three worthies of the department of Central Revenues think it worth while to advance is that “it will greatly reduce our income”. I would like the House to remember that the Bill we are considering is not a taxation measure. The taxation measure is the Finance Act. If you want more money then you manipulate the Finance Bill in such a way as to get more for less money as is desired. Here, in this amendment, the only thing we have to consider is whether the necessary minimum expenditure of a man is going to be taxed and whether the burden will be felt similarly by all. This is more or less a matter of

[Mr. Brojendra Narayan Chaudhury.]

psychology. I would request the House to be sympathetic towards the married man as against the single man and the man with a large family as against both. It is not a concession, but bare justice.

Sardar Sant Singh: Sir, the speech of the Honourable Leader of the House reminds me of a statement made on oath by a witness in a case in which I myself was an accused. During those martial law days a witness came into the witness box and deposed that when addressing the public on the Rowlatt Act I was supposed to have said that by the Rowlatt Act the Government was going to impose a tax on the birth of every child, on marriages and on the death of every person. I never thought that such a thing would be believed by the presiding officer, but to my great astonishment I found that the presiding magistrate in his conviction order actually wrote that I did say those things. Therefore it is no wonder that today we find the Leader of the House saying that if these exemptions are allowed there is a danger of over-population in India. However the question should not be taken so light-heartedly. The amendment involves as a matter of fact two principles

Sir Cowasji Jehangir: How many children have you got? Tell us that.

Sardar Sant Singh: The amendment involves two distinct questions. One is the question of policy. Does the income-tax depend upon the ability to pay or on gross income without regard to the ability to pay? A single person getting an income of Rs. 2,000 and a married person blessed with half a dozen children having the same income do not have the same ability to pay. That is the point involved in this amendment. The question is, is this Legislature prepared to accept the principle underlying this amendment or not? The second point is what allowances should be given if the principle is accepted. As regards the question of principle I will submit that if we are to compare the system of income-tax in other civilised countries of the world we find that the principle has been accepted by all civilised countries. Naturally the question arises, why should not the same principle be accepted in the case of India?

An Honourable Member: You mean civilised governments?

Sardar Sant Singh: I mean civilised countries with civilised governments. The Mover of this amendment, Mr. Suryya Kumar Som, has read from some book relating to the system as it now prevails in the United Kingdom and has shown that the principle has been accepted there. I would certainly like, and the country would like, the Finance Member to state the reasons why he is not prepared to extend the same principle to this country, which he enjoys the benefit of in his own country. When he goes back to England I do not suppose he will leave behind his wife and children here: he is going to get the exemptions there from his income and may I ask him why he does not extend the exemptions to this country? Is it self-abnegation for himself or is it that a little sacrifice on his part makes us pay much more than he will ever pay while in this country? Really the question of principle is more important than the question of calculation as to what rate is to be given. We were certainly entitled to be enlightened by the members of the Select Committee on this point as to why this principle was not accepted at the time they were discussing this matter in committee. This question must have cropped up there and some light should have been thrown in the

report as to why this principle was not accepted by the members of the Select Committee. I think the Select Committee owed it to us

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot criticise what happened in Select Committee.

Sardar Sant Singh: I am only criticising the Report, not the Select Committee. I think the Report ought to contain all the contentious matters. It is due to the House that some explanation should be given as to why a certain principle was not accepted by them . . .

Mr. President (The Honourable Sir Abdur Rahim): The proceedings of the Select Committee are not before the House and we do not know whether this question was discussed there or not.

Sardar Sant Singh: May I explain myself, Sir? What I mean is that there is a Report appended to the Bill as it has emerged out of the Select Committee. I think it is due to the House and to the country at large that that Report should contain the considered opinion of the members of the Committee on this subject, and as there is no such opinion given in the Report on that point, I only wish to say that the country did expect the Report to contain something about it.

It is a matter known to everybody that the whole of the income-tax paying population has been agitating for the acceptance of this principle. Why should this principle be over-ridden? That is a point which requires a good deal of light to be thrown upon before the House can go against the principle.

As regards the calculation part of it, there may be a difference of opinion as to what amount should be conceded and how many allowances should be given. According to this amendment, the proposals are not very terrifying

Mr. N. M. Joshi: Let us have a vote on the principle, and not on the details.

Sardar Sant Singh: But unfortunately the principle and the details go together. The details may be wrong, but I should like my friend, Mr. Joshi, to place before the House correct details, and we will accept them. Therefore, after examining these details, this is what I find. An allowance of one sixth of the income received by the assessee from salaries up to a maximum of Rs. 1,800, or if a person having an income of Rs. 2,000, the exemption of Rs. 300 will be given to him. Then an allowance on Rs. 1,000 in the case of a married person would mean Rs. 80 a month; an allowance of Rs. 20 in respect of each child assessed, which would be only about Rs. 10 a month, and an allowance of Rs. 100 in respect of each dependant maintained by the assessee. Here again the question of a dependant has been ridiculed by the Honourable the Leader of the House. The word dependant has been defined in several rulings in the United Kingdom. Dependant does not mean merely the person to whom you extend your charity or hospitality. Dependants mean people who have no source of income or who are near relations and are entirely dependent on you for their livelihood. Therefore, the word is used in a limited sense, and as such, if a person is *bona fide* maintaining a dependant, a widowed sister or a brother's widow, certainly that person loses a part of his income in having to maintain them, and his savings are reduced. Therefore, my submission is that this amendment should be accepted, and I support it.

The Honourable Sir James Grigg: Sir, I am in a fortunate position in that, unlike my Honourable colleague on my left, on both interest and principle, I can go forward in opposing this amendment. I have no children and no dependants in India. Therefore, I should get little benefit out of this clause, and, therefore, I can the more easily oppose it. There are, or were, two points of order which I might have raised on this clause, and I ought to have taken them. The first is that under section 141 of the Government of India Act the consent of the Governor General is required to an amendment which varies a tax in which the provinces are interested and there is no doubt, in this particular case, the amendment will cost a very great deal of money, and, therefore, will reduce the amount of revenue which goes to the provinces. Perhaps I may be regarded as being out of time in raising that point of order now. But there is another one, and it is this,—this Bill does not seek to lay down the scale of taxation, and this amendment is, if I might say so, more appropriate to the Finance Bill when it can be considered in relation to the scale as a whole.

But, Sir, the main reason why this amendment is unacceptable is that it would cost a great deal of money and reduce our revenues. That is the most potent argument.

Then, Sir, on the merits of the case, the differentiation of family circumstances is much larger in the United Kingdom than it is here, and there is a highly developed tax machine so that the system of family allowances can be made to adapt the circumstances of individuals taxed to the tax they pay. In this country it is not possible, and perhaps I will give two reasons, one of which I will read from the report of the Income-tax Inquiry Committee's Report. It is a short paragraph:

"It has been urged that the domestic circumstances of the married assesses should be taken into account in determining the amount of tax payable by him. This, as a measure of differentiation, would be comparatively ineffective since the married state is the general rule in India, and the proportion of unmarried assesses is not great enough to justify the complications that would be involved in an attempt to differentiate in favour of the remainder. . . ."

An Honourable Member: What page is that?

The Honourable Sir James Grigg: It is at page 15:

"Further, unless the total yield of tax were to be seriously diminished, it would be necessary to counter-balance the concession of the various allowances claimed by increasing the rates of tax, with the result that the principle of differentiation would be little more honoured than at present."

Sir, I submit that in the main the adoption of the slab system for the step system does as much as we can hope for in India in the way of adapting to circumstances of individuals the tax imposed. Apart from that, family circumstances are so varied that I very little doubt that in its present state the income-tax machine is not capable of coping with a complicated system of allowances. It would require very great strengthening of the staff, the cost of collection will be enormous, and in the end the rates of tax will have to be increased very much. Sir, for this variety of grounds, I am afraid I must oppose the amendment.

Some Honourable Members: Sir, the question may now be put.

Mr. President (The Honourable Sir Abdur Rahim): The House stands adjourned till tomorrow.

The Assembly then adjourned till Eleven of the Clock on Friday, the 2nd December, 1938.