

THE 14th March 1940

LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume II, 1940

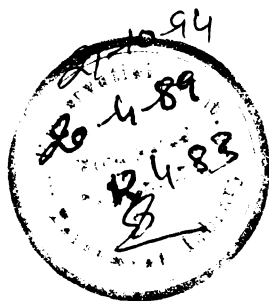
*(6th March to 26th March, 1940)*

ELEVENTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,

1940



PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI.  
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, SIMLA.  
r 1940

# Legislative Assembly

## *President :*

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

## *Deputy President :*

MR. AKHIL CHANDRA DATTA, M.L.A.

## *Panel of Chairmen :*

DR. SIR ZIAUDDIN AHMAD, C.I.E., M.L.A.

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

SIR COWASJI JEHangIR, BART., K.C.I.E., O.B.E., M.L.A.

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

## *Secretary :*

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

## *Assistants of the Secretary :*

MR. M. N. KAUL, BAR.-AT-LAW.

KHAN SAHIB S. G. HASNAIN.

## *Marshal :*

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

## *Committee on Petitions :*

MR. AKHIL CHANDRA DATTA, M.L.A., *Chairman.*

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

SYED GHULAM BHIK NAIRANG, M.L.A.

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

SIR ABDUL HALIM GHUZNAVI, M.L.A.

# CONTENTS.

## VOLUME II.—6th March to 26th March, 1940.

PAGES.	PAGES.
<b>WEDNESDAY, 6TH MARCH, 1940,—</b> Member Sworn . . . . . 957, 979 Starred Questions and Answers . . . . . 957—75 Unstarred Questions and Answers . . . . . 975—79 Publicity of the Proceedings of the Meetings of Select Committees . . . . . 979 The Excess Profits Tax Bill—Presentation of the Report of the Select Committee . . . . . 979 Messages from the Council of State . . . . . 980 The Drugs Bill—Extension of the time for the presentation of the Report of the Select Committee . . . . . 980—87 The Coal Mines Safety (Stowing) Amendment Bill—Passed . . . . . 987—92 The Agricultural Produce Cess Bill—Referred to the Select Committee . . . . . 992—1025 <b>FRIDAY, 8TH MARCH, 1940,—</b> Starred Questions and Answers . . . . . 1027—40 Unstarred Questions and Answers . . . . . 1040—42 The General Budget—List of Demands . . . . . 1042—86 Demand No. 12—Executive Council . . . . . 1043—86 Importance of initiating a decisive policy of training Indians to undertake the defence of the Country and of establishing a Defence Advisory Committee . . . . . 1043—70 Indianisation of the Indian Army . . . . . 1071—82 Forward Policy of the Government of India in the North-West Frontier Province . . . . . 1082—86	<b>MONDAY, 11TH MARCH, 1940,—</b> Starred Questions and Answers 1087—98 Unstarred Question and Answer . . . . . 1098 Short Notice Question and Answer . . . . . 1098—1100 Statements laid on the Table . . . . . 1100—04 The General Budget—List of Demands . . . . . 1104—58 Demand No. 12—Executive Council . . . . . 1104—58 Forward Policy of the Government of India in the North-West Frontier Province . . . . . 1104—17 Government of India's Policy re Recognition of Unions . . . . . 1117—20 War aims of the British Government . . . . . 1120—58 <b>TUESDAY, 12TH MARCH, 1940,—</b> Starred Questions and Answers . . . . . 1159—76 Unstarred Questions and Answers . . . . . 1176—83 Publicity of the Proceedings of the Meetings of the Select Committee . . . . . 1183—84 The General Budget—List of Demands— . . . . . 1184—1249 Demand No. 12 —Executive Council— . . . . . 1184—1237 Taxation Policy of Government . . . . . 1184—1206 Grievances of Government Employees . . . . . 1207—23 Indifferent Attitude of the Government towards the welfare of the Scheduled Castes . . . . . 1224—36 Demand No. 1—Customs . . . . . 1237

TUESDAY, 12TH MARCH, 1940,—  
*contd.*

The General Budget—List of  
Demands—*contd.*

Demand No. 2—Central Ex- cise Duties	1237
Demand No. 3—Taxes on Income including Corpo- ration Tax	1237
Demand No. 4—Salt	1237
Demand No. 5—Opium	1237
Demand No. 6—Provincial Excise	1238
Demand No. 7—Stamps	1238
Demand No. 8—Forest	1238
Demand No. 9—Irrigation (including Working Ex- penses), Navigation, Em- bankment and Drainage Works	1238
Demand No. 10—Indian Posts and Telegraphs De- partment (including Work- ing Expenses)	1238
Demand No. 11—Interest on Debt and other Obligations and Reduction or Avoid- ance of Debt	1238
Demand No. 13—Council of State	1239
Demand No. 14—Legislative Assembly and Legislative Assembly Department	1239
Demand No. 15—Home De- partment	1239
Demand No. 16—Legislative Department	1239
Demand No. 17—Depart- ment of Education, Health and Lands	1239
Demand No. 18—Finance Department	1239
Demand No. 19—Commerce Department	1240
Demand No. 20—Depart- ment of Labour	1240
Demand No. 21—Depart- ment of Communications	1240
Demand No. 22—Central Board of Revenue	1240
Demand No. 23—India Office and High Commis- sioner's Establishment charges	1240

PAGES.

TUESDAY, 12TH MARCH, 1940,—  
*contd.*

The General Budget—List of  
Demands—*contd.*

Demand No. 24—Payments to other Governments, De- partments, etc., on account of administration of Agency Subjects and management of Treasuries	1240
Demand No. 25—Audit	1241
Demand No. 26—Adminis- tration of Justice	1241
Demand No. 27—Police	1241
Demand No. 28—Ports and Pilots	1241
Demand No. 29—Lighthouses and Lightships	1241
Demand No. 30—Survey of India	1241
Demand No. 31—Meteorolo- gy	1242
Demand No. 32—Geological Survey	1242
Demand No. 33—Botanical Survey	1242
Demand No. 34—Zoological Survey	1242
Demand No. 35—Archæology	1242
Demand No. 36—Mines	1242
Demand No. 37—Other Sci- entific Departments	1243
Demand No. 38—Education	1243
Demand No. 39—Medical Services	1243
Demand No. 40—Public Health	1243
Demand No. 41—Agricul- ture	1243
Demand No. 42—Imperial Council of Agricultural Research	1243
Demand No. 43—Scheme for the improvement of Agri- cultural Marketing in India	1244
Demand No. 44—Imperial Institute of Sugar Techno- logy	1244
Demand No. 45—Civil Vete- rinary Services	1244
Demand No. 46—Industries	1244
Demand No. 47—Aviation	1244
Demand No. 48—Broad- casting	1244

PAGES.

	PAGES.
TUESDAY, 12TH MARCH, 1940,— <i>concl'd.</i>	
The General Budget—List of Demands— <i>concl'd.</i>	
Demand No. 49—Capital outlay on Broadcasting . . .	1245
Demand No. 50—Indian Stores Department . . .	1245
Demand No. 51—Commercial Intelligence and Statistics . . .	1245
Demand No. 52—Census . . .	1245
Demand No. 53—Emigration—Internal . . .	1245
Demand No. 54—Emigration—External . . .	1245
Demand No. 55—Joint Stock Companies . . .	1246
Demand No. 56—Miscellaneous Departments . . .	1246
Demand No. 57—Currency . . .	1246
Demand No. 58—Mint . . .	1246
Demand No. 59—Civil Works . . .	1246
Demand No. 60—Central Road Fund . . .	1246
Demand No. 61—Superannuation Allowances and Pensions . . .	1247
Demand No. 62—Stationery and Printing . . .	1247
Demand No. 63—Miscellaneous . . .	1247
Demand No. 64—Grants-in-aid to Provincial Governments . . .	1247
Demand No. 65—Miscellaneous Adjustments between the Central and Provincial Governments . . .	1247
Demand No. 66—Delhi . . .	1247
Demand No. 67—Ajmer-Merwara . . .	1248
Demand No. 68—Panth Piploda . . .	1248
Demand No. 69—Andaman and Nicobar Islands . . .	1248
Demand No. 70—Indian Posts and Telegraphs . . .	1248
Demand No. 71—Indian Posts and Telegraphs—Stores Suspense (not charged to revenue) . . .	1248
Demand No. 72—Indian Posts and Telegraphs—Capital outlay on Telephone Projects (not charged to revenue) . . .	1248

	PAGES.
TUESDAY, 12TH MARCH, 1940,— <i>concl'd.</i>	
The General Budget—List of Demand— <i>concl'd.</i>	
Demand No. 73—Capital outlay on Vizagapatam Harbour . . .	1249
Demand No. 74—Delhi Capital outlay . . .	1249
Demand No. 75—Commuted Value of Pensions . . .	1249
Demand No. 76—Interest—free advances . . .	1249
Demand No. 77—Loans and Advances bearing Interest . . .	1249
WEDNESDAY, 13TH MARCH, 1940,—	
Starred Questions and Answers . . .	1251—71
Election of the Standing Committee for Roads . . .	1272—73
Election of the Standing Committee for the Department of Communications . . .	1273—75
The Excess Profits Tax Bill—Discussion on the motion to consider not concluded . . .	1275—1308
THURSDAY, 14TH MARCH, 1940,—	
Member Sworn . . .	1309
Starred Questions and Answers . . .	1309-15
Unstarred Questions and Answers . . .	1316
The Agricultural Produce Cess Bill—Appointment of Khan Sahib Abdul Hamid to the Select Committee . . .	1317
The Excess Profits Tax Bill—Consideration of clauses not concluded . . .	1317—61
FRIDAY, 15TH MARCH, 1940,—	
Starred Questions and Answers . . .	1363—73
Unstarred Questions and Answers . . .	1374—76
The Drugs Bill—Presentation of the Report of the Select Committee . . .	1376
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . .	1376—1424

	PAGES.		PAGES.
<b>MONDAY, 18TH MARCH, 1940,—</b>		<b>WEDNESDAY, 20TH MARCH, 1940,</b>	
Member Sworn . . . . .	1425	— <i>contd.</i>	
Starred Questions and Answers . . . . .	1425—56	Notification re certain amendments to the Motor Vehicles International Circulation Rules . . . . .	1612
Unstarred Questions and Answers . . . . .	1456—58	The Excess Profits Tax Bill—Passed as amended . . . . .	1612—60
Statements laid on the Table . . . . .	1458—60	<b>THURSDAY, 21ST MARCH, 1940,—</b>	
Election of the Standing Committee for the Department of Communications . . . . .	1460	Members Sworn . . . . .	1661
Election of the Standing Finance Committee for Railways . . . . .	1460—65	Starred Questions and Answers . . . . .	1661—71
Election of the Central Advisory Council for Railways . . . . .	1466	Short Notice Question and Answer . . . . .	1671—73
Election of the Standing Committee for the Labour Department . . . . .	1466	Election of the Standing Committee for the Labour Department . . . . .	1674
Election of the Standing Committee for the Department of Commerce . . . . .	1466—68	Statement laid on the Table . . . . .	1674
Election of the Standing Committee on Emigration . . . . .	1468—70	The Agricultural Produce Cess Bill—Presentation of the Report of the Select Committee . . . . .	1674
Election of the Standing Finance Committee . . . . .	1470—75	The National Service (European British Subjects) Bill—Introduced . . . . .	1674
The Indian Mines (Amendment) Bill—Introduced . . . . .	1476	The Petroleum (Amendment) Bill—Introduced . . . . .	1675
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . . . .	1476—1511	The Indian Tariff (Amendment) Bill—Introduced . . . . .	1675
<b>TUESDAY, 19TH MARCH, 1940,—</b>		The Insurance (Amendment) Bill—Introduced . . . . .	1675
Starred Questions and Answers . . . . .	1513—23	The Indian Tariff (Second Amendment) Bill—Introduced . . . . .	1675—76
Election of Members to the Standing Committee for Roads . . . . .	1523—24	The Indian Finance Bill—Discussion on the motion to consider not concluded . . . . .	1676—1725
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . . . .	1524—81	<b>TUESDAY, 26TH MARCH, 1940,—</b>	
Report of the Committee on Conveyance Allowances admissible to Members of the Indian Legislature . . . . .	1581	Starred Questions and Answers . . . . .	1727—35
Appendix . . . . .	1582—84	Unstarred Questions and Answers . . . . .	1736
<b>WEDNESDAY, 20TH MARCH, 1940,—</b>		Election of the Standing Committee for the Department of Commerce . . . . .	1736
Starred Questions and Answers . . . . .	1585—1602	Message from the Council of State . . . . .	1737
Unstarred Questions and Answers . . . . .	1602—11	The Motor Vehicles (Amendment) Bill—Introduced . . . . .	1737
Statement of Business . . . . .	1611	The Indian Finance Bill—Discussion on the motion to consider not concluded . . . . .	1737—90

# LEGISLATIVE ASSEMBLY

*Thursday, 14th March, 1940.*

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.

## MEMBER SWORN

Syed Haider Imam, M.L.A. (Nominated Non-Official).

## STARRED QUESTIONS AND ANSWERS.

### (a) ORAL ANSWERS.

#### TROOPS USED OR REQUISITIONED IN CERTAIN PROVINCES.

**389. \*Sir Syed Raza Ali:** (a) In view of the exercise under the Government of India Act, 1935, of ministerial functions by the Governors of the Central Provinces, the United Provinces, Bihar and Bombay, where the Provincial Assemblies have not met for several months, will the Defence Secretary be pleased to state the number of occasions when troops were used, or a requisition for troops was received but subsequently cancelled, by the civil power of the aforesaid Provinces during each of the periods between:

- (i) July 14, 1937, and July 13, 1938,
- (ii) July 14, 1938, and July 13, 1939,
- (iii) November 4, 1939, and February 21, 1940, and
- (iv) July 14, 1935, and July 13, 1936?

(b) What was the total number of the troops used or requisitioned by the aforesaid civil power during each of the periods mentioned in part (a) above?

(c) If the figures for any particular period are noticeably large or noticeably small, will the Defence Secretary be pleased to explain the cause of such increase or decrease?

**Mr. C. M. G. Ogilvie:** (a) and (b). I lay on the table a statement containing the required information.

(c) Government are unable to suggest a reason for increases and decreases.

## STATEMENT.

(a) & (b). Occasions on which Troops were requisitioned by the Civil Authorities in the Provinces of Bombay, Bihar and the United and Central Provinces.

Date	Province	Place	Troops employed
(i) 14th July 1937 to 13th July 1938			
Troops called out			
7-2-1938	U. P.	Cawnpore	1 armoured car patrol.
8-3-1938	U. P.	Allahabad	1 company, British Troops and 1 company, Indian Troops.
9/13-3-1938	U. P.	Allahabad	1 company, Indian Troops.
17/26-3-1938	U. P.	Allahabad	Detachments, Indian Troops.
16/17-3-1938	U. P.	Benares	1/2 company, British Troops.
18/22-3-1938	U. P.	Benares	2½ companies, British Troops.
18-3-1938	C. P.	Jubbulpore	1 company, British Troops and 1 Regiment, British Troops.
10-4-1938	Bihar	Jamshedpur	Detachment, Auxiliary Force (India).
11/13-4-1938	U. P.	Allahabad	1 company, British Troops.
Troops stood to			
1/15-8-1937 (approximate).	U. P.	Cawnpore	1 company, British Troops.
1/15-8-1937 (approximate).	U. P.	Lucknow	1 company, British Troops. 4 companies, Indian Troops.
15-10-1937	C. P.	Jubbulpore	1 company, British Troops.
11/12-2-1938	U. P.	Cawnpore	1 company, British Troops.
11/14-2-1938	U. P.	Fyzabad	1 company, British Troops.
22/25-3-1938	U. P.	Benares	1/2 company, British Troops.
8/13-3-1938	U. P.	Meerut	1/2 company, British Troops. 1 squadron, Indian Troops.
14-4-1938	Bombay	Poona	1 company, British Troops.
17/18-4-1938	Bombay	Bombay	Detachment, British Troops.
22/23-4-1938	U. P.	Lucknow	4 companies, British Troops.
16/20-5-1938	U. P.	Cawnpore	Detachment, British Troops.
4/5-7-1938	U. P.	Cawnpore	Detachment, British Troops.



Date	Province	Place	Troops employed
------	----------	-------	-----------------

(ii) 14th July 1938 to 13th July 1939

## Troops called out

31-1-1939 to 1-2-1939.	U. P.	Tikraul (Saharanpur).	2 companies, Indian Troops.
3/7-2-1939	U. P.	Benares	1 company, British Troops.
11/25-2-1939	U. P.	Cawnpore	1 company, British Troops.
28-2-1939 to 3-3-1939.	U. P.	Badaun	1 company, British Troops.
2-3-1939	U. P.	Cawnpore	1 company.
4/23-3-1939	U. P.	Benares	1 company, British Troops.
3/6-3-1939	U. P.	Cawnpore	British Troops (no details available).
26/27-3-1939	U. P.	Benares	3 platoons, British Troops.
3-5-1939	U. P.	Lucknow	3/4 Bn., British Troops.
23/29-5-1939	Bombay	Sholapur	2 companies, British Troops.
19/20-6-1939	U. P.	Cawnpore	Detachment, British Troops.

## Troops stood to

15-7-1938	U. P.	Bareilly (for Pilibhit).	Detachment, British Troops.
21-8-1938	U. P.	Saharanpur (for Deoband).	1 company, Indian Troops.
18-10-1938	Bihar	Dinapore	1 company, British Troops.
14/15-11-1938	U. P.	Lucknow	2 companies, British Troops.
21/22-11-1938	U. P.	Benares	1 company, British Troops.
24-1-1939	U. P.	Bareilly	1 company, British Troops.
26/31-1-1939	U. P.	Dehra Dun (for Tikraul).	2 companies, Indian Troops.
1-2-1939	U. P.	Agra (for Aligarh)	1 company, British Troops.
12/16-2-1939	U. P.	Cawnpore	1 Bn., British Troops.
25-2-1939 to 2-3-1939.	U. P.	Meerut	1/2 company, British Troops. 1 Squadron, Indian Troops.
2/3-3-1939	U. P.	Moradabad	Detachment, Auxiliary Force (India).
6/7-3-1939	C. P.	Jubbulpore	2 companies, British Troops.

Date	Province	Place	Troops employed
8-3-1939	U. P.	Cawnpore	1 company, British Troops.
31-3-1939 to 3-4-1939.	U. P.	Lucknow	1 company, British Troops.
10/13-5-1939	Bihar	Jamshedpur	Detachment, Auxiliary Force (India).

(iii) 4th November 1939 to 21st February 1940

Troops called out

11/12-12-1939	C. P.	Jubbulpore	1 company, British Troops.
---------------	-------	------------	----------------------------

Troops stood to

10/13-12-1939	C. P.	Jubbulpore	1 company, British Troops.
---------------	-------	------------	----------------------------

(iv) 14th July 1935 to 13th July 1936

Troops called out

25-3-1936	U. P.	Agra	2 companies, British Troops.
24/25-4-1936	Bombay	Poona	2 companies, British Troops.

Troops stood to

4/7-3-1936	U. P.	Fyzabad	1 company, British Troops.
4/7-3-1936	U. P.	Meerut	1 squadron, British Troops.
1/3-4-1936	U. P.	Allahabad	No details available.

**Sir Syed Raza Ali:** May I know from the Honourable Member whether he can say which is the period during which the heaviest calls were made on the forces?

**Mr. C. M. G. Ogilvie:** The statement is a very long one, but I should say that the heaviest call was in the period July 1937 to July 1938.

**OFFICERS AND CLERKS IN THE OFFICE OF THE INCOME-TAX ADVISER.**

†390. \***Nawab Sahibzada Sir Sayad Muhammad Mehr Shah:** Will the Honourable the Finance Member be pleased to state :

- the number of officers and clerical staff (separately) in the office of the Income-tax Adviser;
- how many of them are Muslims;
- whether the orders relating to communal representation have been observed in recruiting the officers and staff in question; if not, why not;

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

(d) whether the staff of the Income-tax Adviser was shown in the returns furnished to the Home Department and if so, whether that Department pointed out the desirability of giving adequate representation to Muslims; and

(e) whether recruitment of the clerical staff was made through the Public Service Commission, and if not, why not?

**The Honourable Sir Jeremy Raisman:** (a) There are at present four officers and eight clerks.

(b) Two clerks are Muslims.

(c) Orders regarding communal representation have been duly observed in filling the clerical posts. As regards officers the persons most suitable for the work have been selected from the Income-tax Departments of the various provinces. No direct recruitment was made.

(d) The office of the Income-tax Adviser came into existence in 1939 and will be shown in the returns which are to be sent to the Home Department during 1940.

(e) The recruitment of the clerical staff was not made through the Federal Public Service Commission. The office of the Income-tax Adviser is subordinate to the Central Board of Revenue and as such is not governed by the Government of India, Ministerial Establishment (Recruitment, Promotion and Seniority) Rules.

**CLERKS IN THE CENTRAL BOARD OF REVENUE LABORATORY AT DELHI.**

†391. **\*Nawab Sahibzada Sir Sayad Muhammad Mehr Shah:** (a) Will the Honourable the Finance Member be pleased to state the number of clerical staff employed in the Central Board of Revenue Laboratory at Delhi, and how many of them are Muslims?

(b) What additional staff (clerical and technical) has been recruited for the Laboratory on its transfer from Lahore and how many Muslims have been taken in the additional staff?

**The Honourable Sir Jeremy Raisman:** (a) The clerical strength of the Control Laboratory is six out of which two are Muslims.

(b) The following additional clerical and technical staff has been recruited for the Laboratory on its transfer from Lahore:

*Clerical—*

Superintendent	1
Upper Division clerk	1
Lower Division clerks	2

*Technical—*

Instrument maker	1
Store keeper	1

Two Muslims have been taken in the additional staff.

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

### OFFICERS APPOINTED TO THE CENTRAL BOARD OF REVENUE SERVICE OF CHEMISTS.

†392. \*Nawab Sahibzada Sir Sayad Muhammad Mehr Shah: (a) Will the Honourable the Finance Member be pleased to state the number of officers appointed to the Central Board of Revenue Service of Chemists since 1934?

(b) How many of them are Muslims?

(c) Do the orders relating to communal representation apply to this Service? If not, why not?

(d) What are the minimum educational qualifications required of candidates for appointment to this Service?

**The Honourable Sir Jeremy Baisman:** It is presumed that the Honourable Member refers to the Central Revenues Chemical Service, Class I:

(a) Two.

(b) Nil.

(c) No Sir. As the posts are technical posts requiring special qualifications they have been exempted from the application of communal rules under paragraph 6 of the Home Department Resolution No. F. 14/17-B./33-Establishments, dated the 4th July, 1934.

(d) M.Sc. in Chemistry of an Indian University and special knowledge and experience in the subject for which recruitment is made.

### PROPOSED LOCATION OF THE COLD STORAGE DEPOT NEAR A SCHOOL IN THE RAWALPINDI CANTONMENT.

†393. \*Sardar Sant Singh: (a) Will the Defence Secretary please state if there is any proposal to grant Government land near Deny's High School, Rawalpindi Cantonment, for erecting a cold storage depot? If so, is the Honourable Member aware that this storage will store meat including beef and bacon?

(b) Is the Honourable Member aware that Deny's High School is an old institution imparting instructions to all communities, Hindus, Sikhs and Muslims? If so, is he aware that strong objections have been taken to the location of the cold-storage depot near this institution?

(c) Has the Honourable Member received representations and memorials against such a grant?

(d) Why is the person who has applied for the grant of land allowed to erect the cold storage depot near the school in an area thickly populated by Indians?

**Mr. C. M. G. Ogilvie:** (a) to (d). Such a proposal was received, but was not accepted. The remaining parts of the question do not, therefore, arise.

### ADMINISTRATION OF THE DELHI PROVINCE.

†394. \*Dr. Sir Ziauddin Ahmad: (a) Will the Honourable the Home Member please state whether Government have taken any practical action about the creation of a council for the administration of Delhi Province?

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

(b) Did Government ever consider the question of extending the territorial limits of Delhi Province by the inclusion of districts from the Punjab and the United Provinces?

(c) Was the attention of Government ever drawn to the inconvenient arrangements now existing in the administration of Delhi Province splitting up the administration into different departments under the charge of the members of the Executive Council of the Government of India?

**The Honourable Sir Reginald Maxwell:** (a), (b) and (c). The reply is in the negative.

#### ACQUISITION OF SOME LAND NEAR THE KHEWRA SALT MINES.

†395. **\*Khan Bahadur Shaikh Fazl-i-Haq Piracha:** (a) Will the Honourable the Finance Member please state whether the Northern India Salt Revenue Department acquired some land under Land Acquisition Act near Khewra Salt Mines belonging to zamindars of Pind Dadan Khan in 1926 or thereabout? If so, what was the object for which this land was acquired?

(b) Did Government make use of this land for the object for which it was acquired? If so, how much area was used?

(c) Is it a fact that this land is no longer required by the Salt Department for the object for which it was acquired?

(d) If the answer to part (c) above be in the affirmative, will Government be pleased to state whether they are prepared to restore the land to its original owners?

(e) Will Government be pleased to state whether the land acquired by Government under Land Acquisition Act has been given by them on long lease to a private company known as The Alkali & Chemical Corporation of India Limited? If so, were the owners of the land consulted before Government gave this land on lease to this company?

(f) Was the Commissioner, Salt and Revenue Department, consulted about the giving of this land on lease to the company mentioned in part (e) above? If not, why not?

**The Honourable Sir Jeremy Raisman:** (a) Yes: 112 acres of land belonging to zamindars of Pind Dadan Khan were acquired in 1922 with the object of preventing the land being used in a manner detrimental to the safety of the neighbouring salt mines or of the water supply and sanitary arrangements in the mines. Part of the land was also required for the development of the salt mining industry.

(b) Yes. The exact details of the area actually used for various purposes from time to time cannot be ascertained without undue expenditure and labour.

(c) No.

(d) Does not arise.

(e) Yes; part of the land has been leased to the Alkali and Chemical Corporation of India for a period of 49 years. Government own the land and it was not necessary to consult the original owners.

(f) Yes.

---

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

## UNSTARRED QUESTIONS AND ANSWERS.

**RULES GOVERNING THE TRANSFER OF SUPERINTENDENTS OF THE OFFICES OF THE DEPUTY DIRECTORS, MILITARY LANDS AND CANTONMENTS.**

**78. Sardar Sant Singh:** (a) Will the Defence Secretary please state the rules governing the transfer of Superintendents of the offices of the Deputy Directors, Military Lands and Cantonments, as regards the period to be spent at one place?

(b) Is there any bar against local residents to remain as Superintendent? If not, do Government propose to re-examine the question to introduce a bar?

**Mr. C. M. G. Ogilvie:** (a) All clerical establishments of the offices of Deputy Directors, Military Lands and Cantonments, are liable to transfer, but the period to be spent at any one place has not been fixed.

(b) The answer to the first part is in the negative. As regards the second part, Government do not propose to introduce a bar.

**EXPENSES INCURRED ON SALOONS, ETC., OF MEMBERS OF THE EXECUTIVE COUNCIL.**

**79. Maulvi Muhammad Abdul Ghani:** Will the Honourable the Finance Member please lay on the table a statement in respect of the years 1937-38 and 1938-39, showing :

- (a) the expenses incurred on saloons and reserved carriages for the Honourable Members of the Executive Council of the Governor General;
- (b) the amount spent over motor haulage for them; and
- (c) other travelling expenses for them?

**The Honourable Sir Jeremy Raisman:** A statement is laid on the table:

	1937-38	1938-39
	Rs.	Rs.
(a) Expenses incurred on saloons and reserved carriages for Honourable Members of the Executive Council of the Governor-General:		
(i) Tour expenses . . . . .	71,655*	62,529*
(ii) Interest, repairs, maintenance, and depreciation charges . . . . .	29,535	35,477
	1,01,190	98,006
(b) Other travelling expenses—		
(i) Voted . . . . .	3,808	4,658
(ii) Non-voted . . . . .	1,107	999
	4,915	5,657
Grand Total	1,06,105	1,03,663

\*Includes the cost of motor haulage. The collection of separate figures of cost on that account would involve an expenditure of time and labour not commensurate with the results likely to be achieved.

## THE AGRICULTURAL PRODUCE CESS BILL.

**Sir Girdja Shankar Bajpai** (Secretary, Department of Education, Health and Lands): Sir, I move:

"That Khan Sahib Shaikh Abdul Hamid be appointed to the Select Committee on the Bill to make better financial provision for the Imperial Council of Agricultural Research in place of Khan Bahadur Sir Abdul Hamid."

This, Sir, is an amendment designed to correct an error in the original announcement of the panel.

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

"That Khan Sahib Shaikh Abdul Hamid be appointed to the Select Committee on the Bill to make better financial provision for the Imperial Council of Agricultural Research in place of Khan Bahadur Sir Abdul Hamid."

The motion was adopted.

---

## THE EXCESS PROFITS TAX BILL—contd.

**Mr. President** (The Honourable Sir Abdur Rahim): The House will now resume consideration of the Select Committee's Report on the Excess Profits Tax Bill.

**Maulvi Muhammad Abdul Ghani** (Tirhut Division: Muhammadan): Sir, the other day I was speaking on this subject, but for want of a quorum I had to stop. I was submitting to the House that some care should be taken when preparing the Budget. I find that money is hoarded everywhere. The Finance Member said that at the suggestion of the Public Accounts Committee the probable savings have to be shown under some other heads, but I think he referred to the probable lump cut. Over and above the lump cut, I find the probable saving. However, I leave the matter here.

Now, Sir, I want to point out that a reference to the ordinary accounts will reveal to you that in some of the Departments the saving amounted to 47.78 per cent. in 1938-39 as against 33.59 in 1937-38. This shows that some more care is required in framing the Budget. My object in mentioning this point here is that if proper care is taken, then there will hardly be any deficit in the budget which has now been provided for, and there would have been no necessity for introducing this harsh measure of taxation. There is one thing I want to suggest to the House, and it is this. There was one transmigrating legislation after the Finance Bill, and now another addition is going to be made in the shape of the Excess Profits Bill. This legislation will also have to be carried on from year to year, but it should not be done. The better course will be to keep in force as long as the war is on or to keep in force even a little after the war is over, and when the necessity for increased expenditure is over, there will be no need for a measure of this kind. Another thing is, no consideration has been paid in this legislation to provide for cases in which there is actually hardship. The tax is going to be levied also on items which are to be regarded as profit on account of fluctuation in exchange rates. Owing to the fluctuation in exchange rates, the profit in some cases is regarded as

[Maulvi Muhammad Abdul Ghani.]

accrued profit, although it has not actually accrued ~~here~~. Similarly, profits made today on account of the fluctuation in exchange may actually be realised at a time when the exchange rate goes down, and in such cases the assesses shall be put to unnecessary trouble for no fault of theirs. I hope the Finance Member will see to it and suitable provision will be made to provide for all such cases.

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, I must first record my protest for holding the meetings of the Select Committee at a time when the Assembly Session was going on and we were discussing matters in which I was vitally interested. That prevented me from attending the meetings of the Select Committee. I must also record my protest for holding the meetings of the Select Committee when non-official Resolutions were being discussed, but when official Bills were taken up they never held any meetings of the Select Committee. I think this kind of discrimination against official Resolutions is not very desirable . . . .

**The Honourable Sir Jeremy Raisman** (Finance Member): On a point of fact, I think the Honourable Member made a mis-statement. The proceedings of the Select Committee, unfortunately, had to go on both during official business and also during non-official business.

**Dr. Sir Ziauddin Ahmad**: But when the official Bills were discussed they had no meeting. Anyway, the point is, I was absent from those meetings of the Select Committee and could not take part there on account of my presence in the House, and, therefore, I have a right to introduce some of the questions on the floor of the House and move the necessary amendments . . . .

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Everybody has that right.

**Dr. Sir Ziauddin Ahmad**: But I have a stronger reason for doing so. People are divided into three classes, the poor, the middle class and the rich. Now there are two sub-divisions in each class. As regards the poor, you place them under two classes, those who are beggars and have nothing to live upon and those who make the two ends meet. Then comes the middle class, and among them also there are two classes, called the upper and the lower middle class. Similarly the rich people can also be divided into two classes, one is of those who are rolling in wealth and the other is of those on whom the wealth is rolling. And we know, as every mathematician knows, that the two extremes always meet together. If you go to the positive side and also on the negative side to infinite length, they always meet, and, therefore, there is not much difference between a beggar of the lower ranks of the poorer class and the people on whom wealth is rolling, and whom I would call poor orphans.

As we have often been referring to the British Act here, I may mention that Prof. Keynes has definitely proposed—and he is also supported by a very large number of people in his view,—that the Excess Profits Tax should be 60 per cent. and the remaining 40 per cent. should be taken as a loan without interest and should be kept with the Government, and the



amount may be utilised at the time of any emergency that may arise after the war. So I lay this suggestion before my friend, Sir Homi Mody, as he has been quoting so often the practice and theories of British Acts. So following the proverb which he and Mr. Chambers have used so often—compare like with like. . . . .

**Sir H. P. Mody** (Bombay Millowners' Association: Indian Commerce): In that case there will be nobody to compare you with.

**Dr. Sir Ziauddin Ahmad:** A 60 per cent. compulsory tax should be imposed and also a compulsory loan of the remaining 40 per cent. should be raised, and this will be a fair comparison of like with like.

Now, Sir, I may assure our business friends through my friend, Sir Homi Mody, that I have read every line which has been sent to me, and I have noted down my opinion. I have before me the opinion of the Federation of the Chamber of Commerce on this measure, and I suppose it was written after the Select Committee had reported, it is dated the 11th March, 1940, and so the Select Committee's Report was out then. I think I must draw attention to one paragraph which is an exceedingly good one, and my friends, the Commerce Member and the Finance Member, should take a special note of it so that they may follow it,—that a convention should be established under which all interests which are likely to be affected vitally under the provisions of such Bills should be given an opportunity to appear before the Select Committee for submitting their points of view with regard to the probable effect of such measures on those interests. This is really a very sound suggestion. We adopted this principle in the case of the Ottawa Agreement in 1931, and I wish that principle had been adopted in a large number of taxation measures, because, unfortunately, the people who are not in the trade do not understand the significance of the measures adopted here. It is only businessmen who understand them. For example, I shall quote one instance. I shall not quote your ruling, Sir, but I shall quote some facts. A simple amendment was adopted to include the years 1938 and 1937 in the list of option, and to a layman like myself it looked to be a very innocent amendment, but I discovered that the announcement in the Radio of the adoption of that particular amendment cost certain merchants a large amount by way of speculation, because as soon as this fact became public property, it stopped speculation. The friends of the members of the Select Committee were debarred from making money. I feel the Radio has done a very great service in this matter. I shall not say anything about your ruling, but it is a matter for the Select Committee to consider what steps they should take in future to reveal or keep secret this decisions. My view is that the members of the Select Committee should be debarred from disclosing the proceedings of the Select Committee even to their friends and advisers and there is no reason why the friends of the Members who are outside should derive any monetary benefit from the proceedings of the Select Committee which are always confidential.

Then I come to the next point, and it is this, that the whole of this Bill should be reviewed on the occasion of the Finance Bill. This is a very sound suggestion and it is a very great improvement. If such things are reviewed from year to year, it will be a great help to the Legislature so that the other Members of the House will be able to express their opinions about such things.

[Dr. Sir Ziauddin Ahmad.]

Next I come to the preamble. It is said here that as soon as the war ends, then the Excess Profits Tax Bill ceases to operate. I think anything of this kind is an impossibility. You can only say that it should operate when the Legislature meets. After the cessation of hostilities, suppose the Legislature does not meet and the war also stops, and, therefore, the suggestion contained here does not appear to be reasonable.

Then I come to the next suggestion at page 4—return of capital in itself is not an income or profit. I quite understand if you return the capital, then certainly it cannot be taxed; but if any amount that has already been taxed is kept in deposit and subsequently released, it should not be taxed twice over. This I quite understand but if you keep a certain amount in a certain fund under the name of depreciation or under any other name and do not pay income-tax on it, and if it is later on transferred to some capital fund, tax will be charged on release. Therefore, income-tax should not be charged only on that portion on which income-tax was already paid but if it comes to capital, then income-tax ought to be charged.

I come now to the next suggestion.

**Mr. M. S. Aney** (Berar: Non-Muhammadan): May I point out, Sir, that the Honourable Member purports to read out from some document which is not before the House?

**Dr. Sir Ziauddin Ahmad**: I am expressing my own opinion. I do not care what these people are saying.

**Mr. M. S. Aney**: Then do not refer to the document.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair thinks the Honourable Member is reading out passages from the document to show what objections have been taken and he is going to reply to them.

**Dr. Sir Ziauddin Ahmad**: I want to reply to the points raised in this document. The other point which I should like to reply is this. Special claims of pioneer or new industries with a view to encouraging the starting of new industries particularly during the present condition when it would not be possible for some western countries to manufacture and continue to export their products to India. This point has already been taken up and we had a good announcement on the floor of the House when Mr. Chapman-Mortimer moved his motion.

The other point which I should like to emphasize is this. I understand the Honourable the Commerce Member has already taken action to organize Board or Committee of Industrialists and of scientists for the rapid development and promotion of industries. That is a very good suggestion. I hope action will be taken by the Government at once. I should like to ask on the floor of the House and I hope some Member representing the Chamber of Commerce will care to follow it up. Will you agree to follow the practice that is now being adopted in connection with railways in France, that is, the railways depositing a certain amount by which the losses of other railways are paid up? Are you prepared to deposit a certain amount by which the losses of other industries might be made up? You are not prepared to do it, but you ask the other taxpayers to make good the

losses that are being made. I hope businessmen will create a special fund for this purpose and not trouble the general taxpayer to undertake the whole trouble. . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair thinks the Honourable Member is devoting too much attention to some other document. He had better now devote his whole attention to the Bill before the House.

**Dr. Sir Ziauddin Ahmad:** What I want to express is merely this. The efforts of businessmen and other persons who are interested are not altogether lost. Any document that is sent to us or to the Government is carefully examined and in forming my own opinion; I pay due consideration to all the opinions expressed by these persons who are affected by our measures.

The main points which we have to deal in this Bill are four or five. What should be the limit of exemption? Rs. 30,000 or more? In the original Bill it was Rs. 20,000 and the Select Committee extended it to Rs. 30,000. There are several amendments to the effect that it should be raised still further. This is the first point. The second point is what should be the quantum of taxation, 50 per cent., more or less. The third point is what is the definition of excess profits which you are taxing, that is, whether you will have statutory percentage or whether you should calculate the excess by taking a particular year or a group of years to be the standard year and afterwards, calculate it. There are also certain other minor suggestions which we have to consider in connection with this point, whether relief should not be given to nascent industries and whether relief should not be given to foreign profits which cannot be brought in on account of restrictions under which any money beyond a certain sum is not allowed to be taken out, and also the difficulties in exchange variation. Supposing the profit in rupees is something like Rs. 2,000 and when the amount is brought to India, on account of exchange fluctuation it may be reduced to Rs. 1,000. The other point is what is the capital on which the standard profit should be calculated? That is one of the points which we will have to discuss.

Now, I will take up the question whether it should be 50 per cent. or less. I think there was a suggestion made by some Member of the Committee that the percentage should be a graded one from 35 to 60 per cent., or some other limit.

**Sir H. P. Mody:** I suggested 35. Nobody suggested more.

**Sir Syed Raza Ali** (Cities of the United Provinces: Muhammadan Urban): Somebody did suggest a graduated scale from 35 to 60 per cent.

**Dr. Sir Ziauddin Ahmad:** This was suggested. I did not want to support without visualising the effect of this graded cut. It is now too late in the day to introduce this graded cut on the floor of this House on the occasion of the discussion of the Bill. I would have very much liked to study the problem in the Select Committee had the opportunity been given to us as to what effect it would have on the general revenues. That is a point which should be considered later, next year, when we work out this particular thing. I think it is rather too late to introduce the system of graduated tax.

[Dr. Sir Ziauddin Ahmad.]

as we have done in the case of the ordinary income-tax. I hope the Department will consider this point and see what would be the effect on the calculation if this graduated scale is introduced. I know that this graduated scale is introduced only in one country,—Canada. In other countries it is a uniform scale. Therefore, on this occasion, I would rather support a uniform taxation and a taxation of about 50 per cent. which is less than the tax in the United Kingdom by ten per cent. This point ought to be considered.

The other point is whether the limit should not be raised from 30,000 to 36,000 or 40,000. This question is really inter-mixed with many other suggestions because, after all, you cannot have a huge cut in this Bill. It would mean taxation elsewhere. I mean you can only have a cut within certain limits. My own opinion is that I should be allowed to have all these minor concessions which are set out here which will not exceed more than 50 lakhs in the aggregate provided you may agree to remove the option given by the Select Committee, that is 38-39. That is really a big morsel on account of which we are losing two crores per annum.

The next point which has not been taken up by this Bill and which I had no opportunity to discuss in detail on account of my absence. But I had discussed it on the occasion of the introduction of the Bill. I am referring to the case of the protected industries. The case of protected industries is entirely a class by themselves. You cannot include them along with other industries. I have tabled an amendment and I do not know whether I will be allowed to discuss it on the floor of the House. I will discuss now the general principles governing that amendment.

The other day the Honourable the Commerce Member put forward two alternative schemes, whether we should have a permanent tariff board or an *ad hoc* committee. He said if we had a permanent tariff board and if it is allowed to interfere in the workings of the industry year after year, that will dislocate the industry a great deal.

**Mr. President** (The Honourable Sir Abdur Rahim): Has that got anything to do with this Bill?

**Dr. Sir Ziauddin Ahmad**: I may make this suggestion for the consideration of the Government.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair does not think the Honourable Member ought to introduce all sorts of subjects.

**Dr. Sir Ziauddin Ahmad**: This is connected with the Bill because it will affect the definition of standard profit.

**Mr. President** (The Honourable Sir Abdur Rahim): Not the establishment of the Tariff Board. The Honourable Member had better address himself to the Bill.

**Dr. Sir Ziauddin Ahmad**: Then I will make these suggestions on the occasion of the discussion of the Finance Bill later on.

One point is that in the case of protected articles their standard profit is the profit fixed by the Tariff Board and anything over and above that should be deemed to be excess profits which should be taxed. And we know that they are earning more profits than was fixed by the Tariff Board.

For example, take the case of Tatas. They sell pig iron at Rs. 85 a ton to the outside world and at Rs. 65 a ton to the Indian industrialists. So when they are charging more in the home market than from foreigners they do not need protection. On the other hand they need an export duty to keep the export price on the same level as the import price. We have given protection to Tata's to encourage our smaller industries and not to starve them at the expense of foreign industries. Again, take billets which they sell at Rs. 47 per ton to England and Rs. 65. . . .

**Mr. M. S. Aney:** How is the question of protection to Indian industries relevant to this Bill?

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair thinks the Honourable Member is rather straying a little too far from the Bill.

**Dr. Sir Ziauddin Ahmad:** I want to show that these people are making greater profits than the Tariff Board allowed them and these profits should be taxed.

**Mr. President** (The Honourable Sir Abdur Rahim): Of course, the Honourable Member can urge that what he considers excess profits should be taxed, but he cannot discuss the policy of protection now.

**Dr. Sir Ziauddin Ahmad:** I am not advocating the withdrawal of protection but I am stressing the point that they are making very huge profits which must be taken into account. In the wire and nail industry we find the same thing. They have raised the price so that they do not fulfil their obligations which they had undertaken in 1938, and they are now entering into new contracts at higher prices which is very unfair. So I urge that the Commerce Member must have some machinery to calculate the profits of Tatas and also the profits over and above what was allowed by the Tariff Board. This is a point which I will urge on the amendments that you must make a difference between ordinary and protected industries. Take textiles. A simple arithmetical calculation shows that we the consumers are putting 30 crores per annum into the pockets of the textile industry. On account of the heavy duty imposed on it the price has gone up by one anna per yard and as the cotton mills are producing 4.8 billion yards per annum it comes to 4.8 billion annas, which means 30 crores. Therefore, these two industries make enormous profits. They earn crores of rupees and spend large sums of money in propaganda, which no one can stand against. They are protected at the expense of the consumers and they are being given two crores under the new provision adopted by the Select Committee.

I now come to the new amendment with regard to the consideration of profits of 1938-39. From the figures I have given it will be clear that if we include the option of 38 and 39 the two industries to be benefited will be cotton and iron and steel; and these are the two industries which are run at the expense of the consumers on account of the high tariff wall. So they should be excluded from this option and we should apply an interest of six per cent. as allowed by the Tariff Board. In the case of cotton mills, if 100 be taken as profit in the boom year of 1928. It was 89 in 1935, 90 in 1936, 138 in 1937, 253 in 1938, Sir, the original proposal was that you can combine 1937 and 1936 so that it will come to about 100 which is fair and just. The Select Committee now combine 253 with 138 and the effect will be that your standard is raised to 195, about double of what they had

[Dr. Sir Ziauddin Ahmad.]

in the boom year of 1928. So I ask any fair-minded person who does not see through the spectacles of Sir Homi Mody and personal profit whether it is fair that these industries, whom we are protecting and giving 30 crores every year at the expense of the consumers of India, should be given this additional advantage. I ask you to be fair to the consumers of India and not be influenced by millionaires. If any Industry gets this advantage not at the expense of consumers or by means of a high protective wall, it is their luck and they get it through their wisdom and they should get that benefit. But these industries get it not by wisdom but by propaganda and the influence which they have over the Commerce Member and the Finance Member. If you will give me the permission, Sir, I would like to read one passage. . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member need not go back and read his own speeches.

**Dr. Sir Ziauddin Ahmad:** I told him then that he talks very little on the floor of the House—all his speeches are behind the curtain. I say again that if anybody wins this profit by virtue of his own skill or wisdom, he can take it; but if you derive that profit by exercising some undue influence over the Members of the Treasury Benches and by means of propaganda in press and otherwise which you can afford to do because you get 30 crores every year, then I do not think it is fair that this money should be pocketed entirely by you and the State should not get a fair and reasonable share of this amount.

Continuing the figures I was giving, I take the case of Iron and Steel. Taking the profit to be 100 in the boom year 1929: we find that in the year 1937 it was 209 and in 1938 it rose to 311: so that really we are giving them a standard profit of about 250 or 2½ times the profit which they had in the boom year. It is not, therefore, reasonable to make this particular allowance. We ought to be fair and just in giving these concessions to protected industries. We ought to give them what the Tariff Board allowed them, but we ought not to increase their profits by imaginary figures. . .

**Sir Syed Raza Ali:** Are these figures relating to the textile industry?

**Dr. Sir Ziauddin Ahmad:** They are about iron and steel. I have the latest Investors' Year Book here which gives reliable figures. Here are the profits which some of these textile mills have made. In the case of one mill, the Madura Mills Company Ltd., in the year 1929 they gave 25 per cent., then 10 per cent., then 10 per cent. and so on. The Muir Mills gave 55 per cent. in 1929, 50 per cent. in 1930, 40 per cent. in 1931, 40 per cent. in 1932, 35 per cent. in 1933, 40 per cent. in 1934, 22 per cent. in 1937 and 25 in 1938. And yet they have been clamouring all the time that they need protection. Do they want this protection for the industry or for giving huge dividends to shareholders? I want a plain answer to this question. If they want to protect the shareholders and give them high dividends, then I can understand what the Government is doing: you can go on giving 30 crores per annum to these poor orphans. I am accustomed to give charity to the poor and I am willing to give 30 crores to these poor orphans also. But if they say they want it to protect the industry, then I say they are wrong. They are accustomed to give such large sums of money

to the shareholders and keep nothing in reserve; and when a bad time comes, they come up with a cry for protection against this thing and that thing. I say that all this propaganda to boycott British goods is instigated by the millowners: it cuts both ways: they get their 30 crores per annum from the poor consumers of India, and at the same time they kill the cottage industries. I am strongly in favour of protection of Indian industries but I am not in favour of protection of sugarcane growers and investors and shareholders of these companies. I am not going to protect them. They should have their profit up to eight per cent.—though I think even six per cent. is good enough—but not the profits on the astronomical scale which I have just mentioned from this year book. . .

**An Honourable Member:** Now coming to the Bill. . .

**Dr. Sir Ziauddin Ahmad:** I am discussing the Note of Dissent which I have added here and I am enlarging on it. . .

**Bhai Parma Nand** (West Punjab: Non-Muhammadan): May I ask one question? What is this amount of 30 crores? Is it a gift by the consumers or does it include the price of cloth, etc.?

**Dr. Sir Ziauddin Ahmad:** It is a gift by the consumers as I shall explain. If protection had not been given the consumers would have had to pay a certain price. On account of this protection of 50 per cent. and 35 per cent., the price we are now paying is an additional minimum of one anna per yard. I consulted several persons who know this subject very well; and they say that it comes to  $\frac{1}{2}$  anna on certain articles, 1 anna on others,  $1\frac{1}{2}$  annas on certain others—but the average is a minimum of one anna a yard, and taking the manufactures at 4.8 billion yards, it works out at this rate to 30 crores.

Coming now to the minor points, we want relief in certain matters which we will discuss in greater detail later on; but I would like to emphasise that by the amendments made in Select Committee we have given a very big morsel of about  $1\frac{1}{2}$  crores—It will probably be two crores or more—to these two industries which are really protected industries which are not entitled to get this concession. I know that the House is very much influenced by the capitalists and I have very little chance of being heard; but sooner or later the time will come when the poor taxpayers will have some voice in matters of taxation. At present they have no voice whatever. Policy is controlled entirely by the capitalists in the country; but the time will come soon when the poor taxpayers and poor consumers will also have some voice and they will then raise a very strong protest. With these words I resume my seat.

**Sir H. P. Mody:** Mr. President, when this Bill came up before the Assembly on the motion for reference to Select Committee, I supported the motion, because I felt that if it were thrown out, it would be certified, and if that happened an irreparable injury would be done to the trade and industry of the country. I expressed my confidence that in the Select Committee the Bill could be altered very considerably so that the blow might be softened to the taxpayer, and the report which we are now considering is, if I may say so, a more or less complete justification of the attitude which in common with other friends I took on that occasion. It was a very weighty Committee, and an acute observer in the Press

[Sir H. P. Mody.]

Gallery commented upon its much benighted character. Out of a total of 14 Members, there were as many as eight Knights and only six gentlemen. (Laughter.)

We began rather badly, but very soon the sweet reasonableness which the non-official Members of the Committee showed melted the hard hearts of the Honourable the Finance Member and his official Colleagues. The result is the report which we are now considering. I do not know how exactly to estimate the gains which have been secured in the Select Committee. I have not got the mathematical head,—thank God for that,—of my Honourable friend, Dr. Ziauddin Ahmad. . . .

**Dr. Sir Ziauddin Ahmad:** But you have got the business head all right.

**Sir H. P. Mody:** . . . but he seems to think that we have secured something like 2½ crores. . . .

**Dr. Sir Ziauddin Ahmad:** Or 1½ crores minimum? (After a pause.) Yes, 2½ crores, very likely.

**Sir H. P. Mody:** You can take whichever you like. I have a great regard for my Honourable friend. I am free to admit that when it comes to a question of calculation of decimal points he can be relied upon for being accurate and mathematical, but when it comes to a question of calculation of lakhs and crores he is apt to be metaphysical, and I have often noticed that he handles his zeros rather carelessly. My Honourable friend said just now that there were only three classes of people in this country,—the rich, the poor and the middle class. It has come as a great surprise to me. I thought in the world inhabited by my Honourable friend there was only one class, and that was the consumer, and I would have been greatly disappointed if in his oration this morning he had missed out the consumer for whom he has always been standing up. If I may say so, my Honourable friend is himself a first class specimen of a consumer. I was saying that no reliance can be placed whatsoever upon the figures produced by my Honourable friend with regard to the extent of relief which we have obtained.

**Dr. Sir Ziauddin Ahmad** (interrupting from a Front Bench seat): I would like to have the official opinion whether these figures are correct or not.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member ought to be in his seat if he wants to intervene.

**Sir H. P. Mody:** It is certainly true that we have obtained more or less substantial concessions, but I am not going to be so very effusive as my Honourable friend, the Leader of the European Group. My friend seemed to bestow praise upon everything; it is the only thing a Scotsman gives away free! He seems to have liked the standard period, the percentage, and practically the whole Bill. What I would like to say to my Honourable friend is that he is one of those people who may be regarded as somewhat prematurely reasonable. The moment anything is thrown at him he rushes forward warmly to embrace it. And I must tell him that.



while I am no less appreciative of the accommodating spirit shown by my Honourable friend, the Finance Member, I certainly would not like to go the length of saying that from the Select Committee has emerged a Bill which could not be improved upon, and which will do justice to every taxpayer. My Honourable friend really takes almost a child's delight in little toys and trifles and while it may be that some of the toys in the Select Committee were of a somewhat substantial character, on the whole I should like to dispel any notion which my Honourable friends on the Treasury Benches may have formed from the speech of Mr. Aikman that we are entirely pleased and satisfied. If you want to know what is the real reaction of the industrial and commercial classes towards this Bill, I would say that they do not like this imposition at all. And I do not think that they can be blamed for not liking taxation of this character. No normally minded person likes taxation, and if my Honourable friend, the Finance Member, and those behind him on the Treasury Benches say that they do, all I can say is that they need to consult a specialist. So, with that reservation that no man likes to be taxed if he can help it, I would say that the commercial and industrial classes would not have objected to taxation of war profits if two conditions had been satisfied. It must be admitted that it is very hard upon commercial and industrial interests that very early on in the course of the war this measure should have been brought in. If time had been given for consolidation of their position, then it would have been perfectly equitable to share with the State the profits which accrued directly as a result of the war. And here, I want again to emphasise that trade and industry in this country have to encounter many handicaps. They have to face difficulties of finance, among other things, and if it is the fact that today some industries and businesses are in a flourishing condition, it is not because they have received any special encouragement or protection, but because in course of time they have been able to consolidate themselves. The other condition is that it is war profits which are really being taxed. I do grant that many improvements which were made in the Select Committee, particularly the grant of an additional optional period which I regard as of very considerable value. But I am afraid that even then there will be many hard cases. I am not saying this by way of reproach or criticism or condemnation: I am merely preparing the ground for some of the amendments which will come up before the House!

I plead for consideration of industries which are placed in the position  
12 Noon. of, say, the cinema industry whose case was heard so often in the Select Committee. The cinema industry does not depend upon the war for its profits; it depends upon popular tastes and sentiment . . . (Interruption.) For years you may not be able to produce a good picture, and in the chargeable accounting period by some stroke of luck you might strike the popular fancy. Well, that being the case with regard to this industry, I think it would be very hard if the Act was applied rigorously and without consideration of its special difficulties. There is the case of the shipping industry which has problems of its own, the case of the Sindi merchants who trade in all parts of the world and who have foreign incomes coming to them, and many other cases in which I could point out that, if the Act was not applied in the proper sort of way, it might be found, in spite of all the improvements which were effected in the Select Committee, to work a considerable amount of hardship. In particular, I would like to state the case of the new industries, industries which are of a pioneer character and which are still in the infancy

[Sir H. P. Mody.]

of their development. I must admit that in certain of the sub-clauses provision has been made for the consideration of these industries. I think their case ought to be specifically considered by the Excess Profits Tax Officers and the various tribunals that will be set up under the Act. I have accordingly given notice of an amendment which has the effect of placing before these authorities the position that new industries have got to be specially considered.

Now, I do grant that we cannot provide for all the exceptional cases; from the very beginning we recognised the difficulty of making provision for any and every case of hardship that came to our notice. If we had attempted to do so we might have produced not the report of a Select Committee but a sort of jigsaw puzzle. I grant all that. It was also obvious that Government, while they recognised the force of many of our contentions, were legislating for the dishonest as well as the honest taxpayers, and in some cases they seemed to have been carried away by the fear that the dishonest taxpayer would get away with it. Now, there might be dishonest taxpayers. I do not know about them, because I come from Bombay, but my Honourable friends may have experience of other parts of the country, and they may allow themselves to be swayed by considerations of what might happen if they allowed any loopholes through which dishonest taxpayers may be able to escape. All these considerations point in one direction, and that is that it is a matter of fundamental importance that in the administration of the Act Government should select the right type of officers. A great deal will depend upon the manner in which this Act is administered. Now, it is no reflection upon officers in the Department of the Central Board of Revenue or any other department to say that they look upon their duties in much the same way as a surgeon would look upon the prospect of removing an appendix. It is a matter of professional skill with them. It may be that some taxpayers may have no conscience, but some tax-gatherers may have still less, and it is possible that they may enter upon their duties with the idea of making as much revenue as possible. I emphasize that this is no reflection upon the officers of any department. It is their business. I would like therefore special instructions to be issued to all the officers who have got anything to do with the administration of this Act that they must administer it with a degree of forbearance and indulgence, and in all cases of doubt, they must give the benefit of the doubt to the assessee and not to the department.

Now, Sir, I know that if and when any of the provisions of the Act come to operate hardly upon any individual or any class of taxpayers there will be an opportunity to this House to set right things which we do not foresee at the moment. Many anomalies and acts of injustice may come to light during the operation of this Act, and one of the most valuable safeguards which we have secured in this Act is that its operation is in the first instance limited to the 31st March, 1941. Thereafter, the question of its continuance and of the proper percentage will come up before us. This I regard as a very valuable gain, and I am certain, though I cannot pretend to be the conscience-keeper of the Finance Member, that seeing the spirit of accommodation and reasonableness and fairness he has shown in the Select Committee, he himself will be the first to set right all the anomalies and hardships which this Act is bound to create.

My Honourable friend, Dr. Ziauddin, said that I exercise a sort of influence upon the Finance Member, the Commerce Member and other Members of Government.

**Mr. M. S. Aney:** Behind the curtain.

**Sir H. P. Mody:** That charge has been made against me before in this very House. Well, Sir, it may or may not be so. All that I do is I try and talk sense, . . . . .

**An Honourable Member:** Not inside the House.

**Sir H. P. Mody:** . . . . . and when a man talks sense and if there is also a little sense in the head of the party he talks to, then these two senses come together and harmonious results are produced.

Sir, I want that in the administration of this Act there should be the necessary humanity and the necessary skill amongst the officers of the Central Board of Revenue, so that they take from the taxpayers only what should be taken fairly and honestly from them. I think my Honourable friend should feel gratified that in spite of all the opposition which his Bill encountered in its first stage, the manner in which he met the criticisms of various interests has earned for him almost a measure of popularity. No Finance Member can hope ever to be really popular, but in the present case when the Bill was placed before the country my Honourable friend was about as popular as a dacoit! He has now the satisfaction of knowing that those associated with him in the Select Committee have appreciated his efforts, and I join whole-heartedly in the tribute which my friend, the Deputy President of the Assembly, paid to him on the spirit of reasonableness he has shown. I want most emphatically that the same spirit of reasonableness be shown in the administration of the Act, and also, if I may say so, in the consideration of the amendments which stand in my name!

**Mr. F. E. James** (Madras: European): The House has listened to a speech from Sir H. P. Mody which fitted in with his spring-like appearance this morning. Apparently, as far as the Excess Profits Tax Bill is concerned, winter has passed and spring is at hand.

**Sir H. P. Mody:** I cannot afford to wear winter clothes.

**Mr. F. E. James:** I thought, as I listened to him, that he should really sing, in the words of the poet who wrote the great ode to the spring:

*"Oh Spring, who art so sweet,  
I run my lover's arms to meet,  
And standard profits too!"*

Sir, when this Bill was first published, it gave a very great shock to the business world, and nowhere was the shock felt more than in Bombay, judging from the telegrams which most of us have received, and I must say I am reminded of the story of the Irishman who fell down a deep pit in a quarry and his friend said to him: "Are you killed entirely? If so speak", and he replied, "I am not dead, but speechless". Bombay

[Mr. F. E. James.]

business is not dead nor is it speechless. I should like to say a word or two about the Select Committee, as one gentleman to a number of others. There were fourteen members of that Committee. There would have been thirteen, which would have been a most unlucky number had it not been for the fortunate but rare appearance of my friend, Mr. Jinnah, who was successful in adding Sir Cowasji Jehangir to the Committee, and I know the Committee Members were very sorry that he could not participate fully in the meetings of that Committee. And here I am not going to incur your displeasure and I am not going to divulge at any rate what happened in the Committee but I may have a few remarks to make on what did not happen in the Committee; I take it that that does not come within the four corners of your recent ruling. First of all, we had the three Honourable Members of the Council—the Leader of the House, the Finance Member and the Commerce Member,—a very capable and competent trilogy, Faith, Hope and Charity. Charity is not the Finance Member. The Chairman—I am sorry he is not here today,—was one whose re-appointment to his high office will increase the popularity of subsequent Select Committees. One of the most valuable mementoes which my Honourable friend, Sir Homi Mody, has taken away from the Select Committee is a collection of rare stories, the Chairman had the gift of waking up at inconvenient moments. As far as the Finance Member is concerned, I do not know how to put it. Perhaps I might do it in this way. Normally speaking, his motto perhaps would be: “*Suavitur in modo, fortites in re.*” But I think after the Select Committee he would alter it to read: “*Fortites in re, suavitur in spite of Mody!*” As far as the Commerce Member is concerned, I have to be careful, what I say about him, because we both come from the same part of the world. All I will say at this stage, however, is this, that, with that rare instinct which is so characteristic of the South Indian, he was able to guess much in advance exactly what Sir Homy was trying to conceal. Then, we had those two stalwarts of the Central Board of Revenue,—my friend, Mr. Chambers, implacable, stubborn, obstinate; and my friend, Mr. Sheehy, who in comparison was the embodiment of the bowels of compassion. Last but not the least on the Government side, was our silent but popular friend, Sir Abdul Hamid,—whose “standard period” was lunch time, and he never had to carry over into the afternoon meetings any deficiency in profits. Then we had the two representatives from Bombay,—Laurel and Hardy,—Sir Homi Mody and Sir Cowasji Jehangir, as inseparable, yet as distinct as the Laurel and Hardy of film fame. They always asked the impossible: that enabled us to secure concessions: for which they, subsequently, claimed the credit!

That is the foundation of their Minutes of Dissent. Then as to my Honourable friend, the Deputy President, Sir, here again I have to tread warily, because he may be in the Chair this afternoon. All I can say is that he made valuable contributions to our discussions, more in sorrow than in anger. Then we had the two Knights of the Faith representing the Muslim League, Seth Sir Haji Abdoola Haroon and Sir Syed Raza Ali. What they did not know about the Bill is worth knowing. Dr. Sir Ziauddin Ahmad is *sui generis*; I shall deal with him quite separately. Then, as my Honourable friend, Sir Homi Mody, suggested, the only two gentlemen of the Committee were my Leader and myself; I did the talking and he did the work. I have left till the last my Honourable friend, the revered Dr. Sir Ziauddin Ahmad . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair hopes the Honourable Member is now coming to the Bill itself.

**Mr. F. E. James:** Sir, I am giving the background against which we may examine the Bill as a whole and it is impossible for this House to appreciate the value of a Select Committee Report until it has some knowledge of the personalities who drew it up. I won't tarry long but I only want to say this, that we were greatly edified by the interventions of my Honourable friend, Sir Ziauddin Ahmad, whether as a professor or as a mathematician. I may add that his presence on the Select Committee reminded me of somebody I had recently seen and I came to the conclusion that it was Mr. Chippis. I hope it will be many many years before we have to say to one who is so beloved and popular in this House, "good-bye, Mr. Chippis". I ought to say a word now about the draftsman. I have now come to the Bill, Sir. It was an exceedingly difficult Bill, highly complicated, and I think our draftsman should be congratulated upon the clear and pellucid English in which he has embodied most of these complicated provisions. As an example of that clarity, allow me to read the second proviso to Schedule I on page 14:

"Provided further that where a standard period or chargeable accounting period is not an accounting period, the profits or losses of the business during any accounting periods wholly or partly included within the standard period or chargeable accounting period shall be so computed as aforesaid, and such division and apportionment to specific periods of those profits or losses and such aggregation of those profits and losses, or any apportioned part thereof shall be made as appears necessary to arrive at the profit during the standard period or chargeable accounting period: and any such apportionment shall be made in proportion to the number of months or fractions of months in the respective periods unless the Excess Profits Tax Officer, having regard to any special circumstances, otherwise directs."

That, Sir, is worthy of Charles Lamb or E. V. Lucas or Sir Muhammad Yamin Khan.

Then, Sir, allow me to make a few references to the Minutes of Dissent. These Minutes of Dissent are, I understand on the highest authority, not given in their order or importance. Sir Homi Mody and Sir Cowasji Jehangir have both contributed weighty Minutes of Dissent. The only difference between them is this: whereas Sir Homi Mody composed his Minute of Dissent before signing it, Sir Cowasji Jehangir signed it before composing it. I would particularly commend to the attention of the House the Minute of Dissent signed by my Honourable friend, the Deputy President, as being commendably short. When I come to Dr. Ziauddin Ahmad's Minute of Dissent, then another cat is out of the bag. I understood the Honourable the Finance Member to say in the course of his speech that in order to improve the statistical records of the Central Board of Revenue, he was making new arrangements which would enable him accurately to estimate much earlier than is usual the revenue to be expected from his taxes. I congratulate Dr. Ziauddin Ahmad upon his appointment and the Honourable the Finance Member on getting such a valuable statistical expert in his Department. I would like to put to Government—whether it is in their province, I know not; if not, perhaps it is yours—this point, as to whether there is any need in our procedure for these dissenting minutes. It is not the ordinary Parliamentary practice. It has been a practice in this House, but I would strongly commend to the House the practice of the Standing Finance Committee for Railways whose Members agreed some years ago not to append any Minute of

[Mr. F. E. James.]

Dissent to their reports and always to preserve their anonymity. I think actually that would be far preferable, for, after all, every Member who wants to dissent has an opportunity of dissenting on the floor of this House and a good deal of paper and time and energy could be saved.

Now, Sir, I think we can claim that the Bill, as it has emerged from the Select Committee, has in some important directions been re-constructed and certainly its foundations have been strengthened and broad-based on more equitable principles. It can no longer be said that it is jerry-built.

Now, Sir, I come to the Bill. My Honourable friend, the Leader of our Group, has, I may claim, contributed two outstanding speeches to the discussions in this House on this subject. In his first speech when the Bill was referred to a Select Committee, he gave general support. He indicated that we should ask for amendments in regard to the "standard" period, in regard to the statutory percentage and in regard to the question of depreciation. He also indicated that we should request some provision which would ensure an annual review of the rate and the machinery under this Bill. Thirdly, he advocated that if more money had to be raised through this emergency form of taxation, there should be some additional organ set up for the control of expenditure. In the main, the points which we urged at that time have been met and we very gladly acknowledge the anxiety of the Honourable the Finance Member to meet genuine criticism without necessarily surrendering principles. It is an attitude the return of which we welcome.

My Honourable friend, the Leader, stated that this Bill should be applied equitably. If it was applied equitably, then there would be little criticism as to the actual rate of the tax. We believe that subject to a few alterations still to be made, the equitable principle has been applied throughout the Bill as it now emerges. We do not feel, therefore, that there is any justification for a reduction in the rate of the duty. After all, what matters more than any alteration in the percentage is the method in which that percentage is to be applied. And, if that method is an equitable one, allowing for hardships and special cases, then it would seem to us that the argument of 50 per cent. is almost unassailable. Of course, I know there have been arguments in the Select Committee and in the country claiming many choices of individual years as to the "standard" period. I saw one paper even go so far as to claim the best year in the last twenty as the "standard" period. I am bound to say that I was reminded—I do not know whether it was in Bombay—of a gentleman who was prosecuted under the Food Adulteration Act. He had been accustomed to make sausages out of rabbit flesh. Owing to the heavy demand upon his produce, he decided to adulterate his sausages with a little horse flesh. Eventually, he was prosecuted and his defence was that he only administered the admixture to the extent of 50:50. He was asked: "What do you mean by that?" He said: "One rabbit and one horse!" There are some who would adulterate the taxable excess profits by taking a long choice of individual years, and that, in our view, would be unfair. On the other hand, the inclusion of the year 1938-39 together with the year 1937-38 is a great concession and we recognise that. We pleaded for it because we believed that it was just. As far as the raising of the minimum from Rs. 20,000 to Rs. 30,000 is concerned, quite frankly, speaking personally, I am not happy because I believe that that takes away from the purview of this tax a considerable number of traders who in the early days of the

war did profiteering in foodstuffs of the worst possible kind. I do not know whether any Members in this House were in Germany after the war in the years 1919 and 1920. If so, they will remember public feeling against profiteers. The Germans had a word for profiteering which was not a very pleasant one. I think very often when we are talking about this matter of profit, we are apt to use false analogies and to indulge in false values. The old rhyme Honourable Members will remember:

*"The Landlord calls it rent,  
as he winks the other eye,  
The merchant calls it profits,  
as he heaves a heavy sigh,  
The banker calls it interest,  
as he puts it in his bag,  
But Bill the Burglar's honest  
He simply calls it 'swag'."*

I am sorry that on this matter the Government gave way, though I do appreciate that, probably they gave way mainly for administrative reasons.

My Honourable friend, Sir H. P. Mody, has referred to the case of businesses with branches in other countries. I support his plea that these overseas enterprises should not be handicapped more than is absolutely necessary. The case of nascent industries will no doubt be pleaded in this House and there again I trust that there may be some specific provision or direction made in the relevant parts of the Bill whereby the Central Board of Revenue or the Board of Referees as the case may be may give special consideration. I am glad that section 26 is now in the Bill. This will enable brokers, small new businesses, even the cinema producing and distributing industries to make a special case for the consideration either of the Board of Revenue or of the Board of Referees. The cinema industry was not able to convince the Select Committee as to its claim for special exemption. Perhaps that was due to the fact that the stars by which they are usually guided were not brought to Delhi. I do entirely share the view expressed by Sir H. P. Mody that a great deal will depend upon the machinery which operates this Bill. Care should be exercised in the appointment of Excess Profits Tax Officers. They should be honest and reasonable and they should be able to interpret the intentions of the Legislature with knowledge and with equity.

I should like to say a word about the Board of Referees. There again the utmost care should be exercised in the selection, particularly of the non-official members. I should like to know whether the Honourable the Finance Member has any particular method as to their selection in his mind. These appointments should not be made as rewards for political services, they should not be made to secure subservience to the Central Board of Revenue, nor should they be made to satisfy communal claims. The non-officials to be appointed should be men with knowledge of trade, commerce or industry but above all they should be men who have the confidence of the business community.

Sir, in conclusion, I would like to say just one word as to the background behind this emergency tax. I have felt from time to time that in discussing these matters we have been tempted in examining details to forget what is behind this thing. Behind it, after all, is an Empire at war. Behind the men in the army, the navy or the air force, there must

[Mr. F. E. James.]

stand fully mobilised economic and financial resources. That is how wars are fought nowadays. Money must be raised for defensive purposes. Equally industrial development, free and unhampered, is as essential to the strength of the country. A tax on new profits arising during the course of the war is fully justified, provided first of all it is levied equitably; secondly, it does not hinder unduly industrial enterprises in India or commercial enterprises abroad; and thirdly, as long as those who are to be taxed can feel sure that the taxes they are paying are being employed effectively in the prosecution of the war.

The constitutional issue has been mentioned during the course of the debate. I would only say this: I would ask Honourable Members to realise, that once the war is won, India can grasp the substance of her freedom.

**Sir Abdul Halim Ghuznavi** (Dacca *cum* Mymensingh: Muhammadan Rural): Mr. President, I am not in such a happy position as my Honourable friend who spoke just before me. I am not in a position to accent this measure, nor am I in a position to praise this measure, this side or that side. This is a war measure. I am here to represent the views of the various Indian Chambers of Commerce to this Honourable House. My first duty, therefore, will be to represent their views and oppose this Bill . . . . .

**An Honourable Member:** On principle.

**Sir Abdul Halim Ghaznavi:** I hope my Honourable friend will wait patiently and will not interrupt me. Let me make it clear. I want to oppose this Bill . . . . .

**An Honourable Member:** On principle. . . . .

**Sir Abdul Halim Ghuznavi:** Withdraw the word 'principle'. I want to oppose this Bill tooth and nail and throw it out. What I mean to say is that all Indian Chambers of Commerce are first opposed to it on principle.

Before I proceed further, let me make it clear that we are absolutely willing to help my Honourable friends on the Treasury Benches to conduct the war and to defeat Hitlerism and Stalinism.

**Sir Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): But without paying taxes.

**Sir Abdul Halim Ghuznavi:** If the money is required, India is prepared to help to raise that money, but not in the manner that the Government want it. We have been told that only three crores are required. We found really speaking they wanted eight crores. They got five crores through increasing the rates and fares on the railways and the other three crores they want to get through this Excess Profits Tax. These three crores would have been available, but they would not devise other ways and means to get it. The easiest way is to tax the infant and undeveloped industries in India which cannot afford to pay more taxes than they are paying already. What is the position today and what was the position in 1914? War was declared in 1914 on the 3rd August and this war was declared in 1939 on the 3rd September. Sir William Meyer was the then Finance Member of the Government of India and I will read his speech to



show that they wanted money and got it, not by this method but by the method which, if adopted today, we would have all approved. That war budget was introduced in 1915, and Sir William Meyer said :

"Since I last addressed the Council on Financial matters India has been, and is still, passing through a crisis which has subjected her financial and economic system to a supreme test."

That financial crisis was the withdrawal of almost all the postal deposits and sale of promissory notes for which money had to be paid and also the visitation of the Emden in Madras waters,—things which do not exist now. They wanted silver and not currency notes and what did they do? If the Finance Member today had adopted that policy of his predecessor of 1915 the whole country would have applauded him as one of the best Finance Members that we had. At the same time I must offer my Honourable friend a tribute which he deserves because he is not following his immediate predecessor. He has said that, unfortunately, within a few months of his taking office he was beset with difficulties inherent in a war of such magnitude which compelled him to introduce this measure. But my grievance is . . . . .

**An Honourable Member:** What is your tribute?

**Sir Abdul Halim Ghuznavi:** My tribute is, for one thing about which there can be no two opinions, that he has not got that Griggian temper and anti-Indian bias. He is a perfect gentleman and one who has a genuine desire to do justice to the people of this country which is the land of his adoption.

**The Honourable Sir Jeremy Raisman:** Sir, while I am grateful for the very kind remarks which the Honourable Member is making about me, I must object to his characterising my predecessor as having an anti-Indian bias.

**Mr. President** (The Honourable Sir Abdur Rahim) : The Honourable Member was not justified in making that remark.

**Sir Abdul Halim Ghuznavi:** Sir, if you want me to withdraw it, I will do so. Sir William Meyer said :

"The first method of adding to our resources which would naturally suggest itself, one indeed which we have very seriously considered, is to follow the lead of the mother country."

Sir, just what has happened this time also. The mother country has imposed an Excess Profits Tax and they want to follow in her footsteps and impose a special taxation. Continuing Sir William Meyer said :

"I have no doubt that the majority of members of this Council have been asking themselves for some time past what line we shall take on this question."

But, Sir, Members of this House did not even have time to consider what line of action our Finance Member was going to take and it came

[Sir Abdul Halim Ghuznavi.]

like an electric shock when on the 27th January the announcement of 50 per cent. Excess Profits Tax was out which upset all the markets all over India. Continuing Sir William Meyer said :

"Those who have followed my remarks on the revenue position will however have already had their anxiety relieved. We do not propose on this occasion to raise any money by increased taxation. We should not hesitate to do so to meet the deficiency in revenue which promises to be of a more or less abiding character."

That is the test, Sir, that if the deficit is of an abiding character the only way to meet that is by taxation. But that is not so in this case. Sir William Meyer proceeded :

"But the present circumstances are altogether peculiar. We know that ordinarily we can count in surpluses. India too has a very small unproductive debt and with the trade conditions depressed and the present abnormal rise in food prices in a large part of the country, we have come to the conclusion that we ought not to add to the existing taxation unless it is absolutely necessary."

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member need not read the whole speech.

**Sir Abdul Halim Ghuznavi:** I will read only two lines more which are as follows :

"We hold that this necessity has not yet arisen since the deficit of the current and coming years are, as already stated, entirely the product of special and temporary circumstances."

Sir, I lay stress on the words "special and temporary circumstances." Sir William Meyer concluded by saying :

"While as regards ways and means we see our way, in spite of these deficits, to financing all outlay immediately necessary."

Sir, that was how the war budget was financed by Sir William Meyer in 1915. A different method has been adopted in the budget of 1940-41 by the present Finance Member. This House agreed on principle and sent the Bill to the Select Committee. My friend, Sir Homi Mody, has made it abundantly clear that that was necessary, so far as he was concerned, as otherwise, if the Bill had been passed in its original form, it would have inflicted a grave injury on the industrial interests of this country. He is quite right. It would then have been a greater monster, much worse than the Bill as it has now emerged from the Select Committee. I would not like to discuss the report in a light vein as has been done by some of my friends who have spoken already. So far as we Indians and our industries are concerned this is a very serious matter. We cannot dispose of it by making jokes and giving praise and making a singsong of the wonderful achievements and improvements that my friends may see in the Bill. With our eyes we see a different thing altogether. May I inform my Honourable friend, Mr. James, what has been the effect as soon as the market found that the Select Committee had not reduced the 50 per cent. to a lower figure?

**The Honourable Sir Jeremy Raisman:** What was the effect of the inclusion of 1938?

**Sir Abdul Halim Ghuznavi:** I will come to that also. I am quoting from the *Statesman* of the 11th March:

**"IMPROVEMENT OFFSET BY REPORT ON E. P. T. BILL.**

*Market relapses once more into state of depression."*

"The improvement which followed the budget announcement has to some extent been offset by the Select Committee's Report on the E. P. T. Bill. The market expected a reduction in the percentage of standard profits and was disappointed when it learnt that 50 per cent. was to stand, and the fact that the year 1938-39 may perhaps be taken into account as well as certain other concessions of a smaller degree, seem to have carried very little weight up to date."

This is the answer to the Honourable friend, the Finance Member,— "carried very little weight." That 50 per cent. sounds like the sword of Damocles. It will take away 50 per cent. of my profit. Hardly one Indian concern in its infancy can stand this.

**An Honourable Member:** How much are you willing to pay?

**Sir Abdul Halim Ghuznavi:** I have got nothing to pay, but still you want some money from me. You have not enabled me to pay. My Honourable friend forgets that ten years of depression has ruined the markets of India. We were just recovering in 1938: and now on political grounds the Honourable the Finance Member justifies that a portion of the profits we might make because of the war should be taken away from us. I will assume that if that is so we would be prepared to pay a reasonable portion of that, but what do you mean by war profits? (Interruption) Profits in war, my Honourable friend says. Have we made any profits in the war?

**An Honourable Member:** Then you will not be taxed.

**Sir Abdul Halim Ghuznavi:** My friend on my right says "Then you will not be taxed", as also my Honourable friend to my left. But you have provided any extra profit from 1937, not due to the war, but due to the careful handling of business and expansion of business, and should it be called a war profit? I could not make any profit in 1937, but in 1938, when war was not started, I made some profit by increased exertion and expansion of business. You call that war profit. Have you defined that? If it had been left to this Board of Referees to say what is war profit and what is not war profit, then I could have understood. But here they have put in the standard period. If any business makes anything more than these standard profits, then it will be taken as war profit, though it may not have anything to do with war or war goods. What profit has the war given to India? In England for the last five or six years they were getting orders after orders for the preparation of the war which they knew was coming . . . . .

**An Honourable Member:** Not for five or six years?

**Sir Abdul Halim Ghuznavi:** Please do not interrupt me. They were preparing for five or six years. They said that in the Bill which they introduced there: they said "Yes, we enjoyed, we got the advantage", because they were preparing for the war. But what has India got? 200 millions of sandbags. 200 million bags of sandbags—that is the war

[Sir Abdul Halim Ghuznavi.]

order, that is the order on which much store was set. Honourable Members are not aware of the history of the 200 million bags of sandbags. They will soon hear it. Here it is. 200 million bags—that order was placed in Bengal, because Bengal has got the jute monopoly and the jute mills. The offer was, “Don’t make any profit on this. Give us at your cost price because it is needed for conducting the war”, and they agreed,—Indians and Europeans as well.

**An Honourable Member:** No profit?

**Sir Abdul Halim Ghuznavi:** They got a very small profit, not the profit that they would be making otherwise. We are getting a far better price from others.

**Seth Haji Sir Abdoola Haroon** (Sind: Muhammadan Rural): After calculating how much profit on it?

**Sir Abdul Halim Ghuznavi:** My Honourable friend interrupts me as to how much they calculated profit on that.

**Seth Haji Sir Abdoola Haroon:** How much per cent.?

**Sir Abdul Halim Ghuznavi:** He has left the sugar business, he is now busy with the Muslim Dominions, because he is the Foreign Secretary of the Muslim League, and he has nothing to do with Indian business or Indian concerns. He discusses political questions with the Muslim Dominions as the Foreign Secretary of the Muslim League . . . . .

**Seth Haji Sir Abdoola Haroon:** Because you were not there.

**Sir Abdul Halim Ghuznavi:** You are the Muslim League Foreign Secretary. Will you deny that?

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member will go on with his speech.

**Sir Abdul Halim Ghuznavi:** That is the only order that India got so far as the war is concerned. Then, after September, further orders for 700 million bags of sandbags came. It is absolutely a fleabite. You have no idea of the jute business.

**An Honourable Member:** A big flea.

**Sir Abdul Halim Ghuznavi:** Over one crore of bales of jute is produced in Bengal and 700 million bags require only ten lakhs of bales. How else have we been profited by the war? The huge Supply Department. We had one Supply Department already, and there is another one as if one was not sufficient to supply His Majesty’s Government with the goods that they wanted. We do not know the total quantity supplied, but I will not take up that question now today. It will come in the Finance Bill, and I shall then show how we are fleeced to maintain that Supply Department—that will be one of the subjects that I shall discuss on the

Finance Bill. The war has come, it is being fought not to benefit Indians or India but to benefit our friends sitting on the right. What profit have we got from the war up to now?

Before I go on to discuss the report of the Select Committee, I will make one more point and that is this. I am now talking of the Excess Profits Tax—foreign business. We protested against the clause in the Income-tax Amendment Bill last year, but, as is usual, our protest was in vain. That amended Act entitles the Government now to invade the income of our foreign business, but we must bear in mind that India has very little foreign business, and even the little that she has got is in its infancy. My Honourable friend's predecessor must have his pound of flesh from the Indian business men and in that decision he was helped by the Benches opposite which are vacant today. That decision entitles the Government to touch foreign business on the accrual basis, not on the remittance basis. We were ready and willing to pay on the remittance basis, but by one stroke of the pen, all Indian concerns which have their agencies abroad were penalised to pay income-tax and super-tax by adding their foreign income to the income they made in India, so that super-tax may be calculated on the total income of the business. The House will feel astonished that this system of taxing on accrual basis was not in existence even in England. It was only in 1932 that they started this practice in England when their industries, their foreign businesses had been completely developed and were in a position to stand a tax of this kind. We always compare our conditions with the conditions of the mother country, England . . . . .

**Mr. M. S. Aney:** Step-mother.

**Sir Abdul Halim Ghusnavi:** . . . . Can we do that? Are the conditions same? Nevertheless, when this Bill was introduced, it was a slavish copy of the Act of Great Britain. Everything we want to copy, forgetting that India is not England and its industries are not in a strong position. True, Government of late years have been doing their best to foster the industries of this country. At the same time, what they give us with one hand by way of a little support, they take away with the other hand. If you take away whatever support you give us, by way of taxation, how on earth can these small industries exist? How on earth can we put by some money for the rainy day, for the time when the depression will come, for it is bound to come after the war is over.

They want this Excess Profits Tax. I say—tax on what? War profits? We have made no war profits. Assuming that we have made war profits and that you are entitled on political consideration to a share of that profit, what will happen when the war will be over? Will not the industries be stranded, as was the case last time? I had huge business then. A firm of mine was one of the biggest suppliers of Government. What did we find after the war? The things that we bought at Rs. 40 per hundred-weight and which were ready for delivery to Government, Government would not take after the war. We had to sell them at Rs. 4 and Rs. 6 per hundred-weight, which was the pre-war standard price. On that price the things had to be sold and that evil day is coming this time also when all the businesses will have to suffer. Their things will never fetch the price that they brought during the war. They will immediately have a terrific blow and how are they to carry on after that blow. Has any provision been made? Will the Honourable the Finance Member give us some portion of that back? No.

**Sardar Sant Singh** (West Punjab: Sikh): A compensatory Bill will be brought.

**Sir Abdul Halim Ghuznavi:** Therefore, speaking of the foreign businesses, they are not making any war profits. Are they? Why should they penalise them? Why should they ask for excess profits tax from their business? They don't raise their little finger to assist those businesses in foreign countries, whereas they have got their own business established with all the support which they could give, but in time of war a share of the excess profits is being asked from those concerns which will never be able to recover from that shock if they have to pay—even if they have to pay half that amount which has been fixed for this country. With these empty Benches it is no use, except to ask for mercy from our friends on our left. We shall not be able to carry any of our amendments whatsoever, however reasonable they may be. The only request we can make to our friends on the Treasury Benches is to consider the position of India before they take the step of refusing all the amendments which will be brought forward at a later date.

Now, Sir, taking the report of the Select Committee, fourteen Members were the members of the Select Committee—six Government and eight elected Members of this Honourable House. Am I correct? Six from the Treasury Benches . . . . .

**Mr. S. P. Chambers** (Government of India: Nominated Official): Five.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member can 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.

**Sir Abdul Halim Ghuznavi:** Mr. Deputy President, before lunch I was speaking about the number of gentlemen who were members of the Select Committee,—five official, one nominated, and eight elected Members. Apparently it looked as if the elected Members would have their majority in the Select Committee, but to our misfortune it was converted into three; the other five joined in the chorus with the Government Members. Only three were left to fight the battle of Indian industries.

Sir, I will discuss the various Minutes of Dissent. I will take first the Minute of Dissent of my Honourable friend, Dr. Sir Ziauddin Ahmad. My Honourable friend is a soviet-minded gentleman. He wants to take away everything. He does not know the A, B, C. of business, he does not know the A, B, C. of industry or commerce . . . .

**An Honourable Member:** How do you know?

**Sir Abdul Halim Ghuznavi:** . . . . . but he will give us nothing. Our industries and everything must starve? "Give it first to the Government, the public exchequer, then to the consumer, and you live on nothing. On six per cent. you must employ all your funds, because the Government gives you a subsidy. Therefore, all the excess profit above

six per cent. Government is entitled to." But generously he suggested, "give sixty per cent. and forty per cent. as a loan without interest." That was his suggestion. Sir, I shall read the illuminating Note of Dissent of my Honourable friend, Dr. Sir Ziauddin Ahmad:

**Dr. Sir Ziauddin Ahmad:** On a point of personal explanation, Sir. The theory was advanced by Professor Keynes. It is receiving great support. There was an article in the *Statesman* and in the *Business*.

**Sir Abdul Halim Ghuznavi:** Sir, he has got hold of an Indian Year Book, which is one of the books published by Messrs. Place, Siddons and Gough, and he has taken all the figures from that book. I was wondering where he got the figures from but when he showed the book to us this morning, I discovered that it was from that book. His first grievance, as he said himself, was and this I shall dispose of in half a minute, that he was not able to give us his full weight in the discussion because it was being conducted when the non-official business was going on in this House. Sir, God is great. If he had given his full weight, God alone knows what else would have happened. Only half weight has brought us to this pass and his full weight would have finished us completely. His first remarks are: "Amendments made in the Bill are not supported by arguments", and then he proceeds—in fact he has been very helpful to my Honourable friend, the Finance Member. He shows how much Government is going to lose! He gives the figures for the amendment that was accepted in the Select Committee. He has an eye of course on the Tatas. Tatas come in every time, whenever he has an opportunity of making a speech. . . . .

**Dr. Sir Ziauddin Ahmad:** I hope you are not making money in that too?

**Sir Abdul Halim Ghuznavi:** Sir, the whole of his amendment is in support of the Government.

**The Honourable Sir Jeremy Raisman:** Is that a crime?

**Sir Abdul Halim Ghuznavi:** . . . . . and he goes further. My Honourable friend, the Finance Member questions, but if I read out the whole Minute, it will take a lot of time.

**An Honourable Member:** Go, on, read it.

**Sir Abdul Halim Ghuznavi:** No, I want to read something more sensible than what is there. I will not take the time of the House by reading all his long statements here—excepting, what he generously suggested in the last paragraph, for which our grateful thanks are due to him. Sir, I shall dispose of it by referring to my Honourable friend's Note of Dissent. He too feels that this should be conceded, and I thank him very much. "The suggestion", he says, "was also made (but not accepted by the Committee) to treat loans raised from individuals who practically act as a Bank on the same level as a registered bank." Then he goes on to point out that if this is carried out, what would be the

[Sir Abdul Halim Ghuznavi.]

loss to Government. He is very careful in pointing to that too,—he says, “look here, if you agree to this, here is the amount that you are going to lose.”

“The loss due to this concession would be nominal and it would only be 6 lakhs in the whole year and about 2 lakhs in the current year, which we can easily afford in view of the other big concessions given.”

Now, Sir, what is the principle? If a registered bank advances a loan to my concern, that is allowed and it will be taken into calculation. But the British banks do not allow any loans to the smaller industries and it is also difficult for the Indian industries to get any loan from the British banks in India. Where are they to go for money? How many Indian banks are there? Very few. In considering the extent of advances that they can give to the industries, their number is hopelessly small. What the big industries do to small concerns is that they borrow the money from moneylenders at a reasonable rate of interest. When a money-lender finds that his interest at five or six per cent. is assured, he advances his money on the security of the business. According to this Bill, that will not be taken into consideration. Advances from the registered bank are allowed but not the loans from money-lenders who do lend money nowadays on secured security. Is it not a great hardship? Is it fair at all? So far as that point is concerned, that is my concluding remark. I will make an appeal to the Finance Member to consider this point. He has agreed to the loans that are advanced by the banks and he should also agree to the loans that are advanced by private parties.

Mr. Deputy President, Sir, I will discuss your Note of Dissent, which is a very able note, later on. That would be my concluding criticism on the Minutes by the Members of the Select Committee. I now go on with the Note of Dissent by Sir Cowasji Jehangir. This is what he says in his Note of Dissent and I want the Assembly to listen to it: The Note says:

“The Assembly should not forget, while discussing each provision, the object Government have in view. It is to get a reasonable share in profits consequent on the War. In the Objects and Reasons this is stated quite clearly. But when the preamble and several of the provisions of the Bill are examined, it will be found that Government would not only share in profits resulting from the War, but also in normal profits and in normal increase of profits, which every well-managed business hopes to make.”

That is a very important point. Government hold that they are entitled to a share of profits made during the war or due to the war, that is to say, any transaction which brings in profit due to the war. At the same time, one has to bear in mind the business which was managed badly before but has now come in efficient hands and is consequently making profits. I can give you a definite instance here and now of a jute mill which I shall not name, which was in a very bad way, because of its mismanagement although the gentleman at the head of its affairs was one of the finest type of man in Calcutta. The management was so bad that they were losing heavily. The management has now been transferred to efficient hands and they will make money, not because of war, but because of the efficiency in the management. Therefore, Sir, I say that protection must be given in the Bill to such cases by making it clear that Government will be entitled to an excess profits tax from the war profits alone that a particular company has made. Here I would like to refer to the speech of Mr. Burns, who was then the President of



the Bengal Chamber of Commerce, and then I will deal with my friends, the Members of the European Group. What they say here is inconsistent with what the President of the Bengal Chamber of Commerce said in the annual meeting of the Bengal Chamber.

**Mr. A. Aikman** (Bengal: European): Why not?

**Sir Abdul Halim Ghuznavi**: Sir, before I discuss Mr. Burn's speech I would like to read only one small sentence from your Note of Dissent. You said, Sir, "There should be either super-tax or excess profits tax: not both." I appeal to this House whether it is fair for Government to have the super-tax and on the top of that an excess profits tax? That was not the case in 1919. At that time, either a man agreed to pay an excess profits tax or a super-tax, but here we are taxed for both. Still, my friends here in the European Group chime in everything is O. K. They do not find any fault with anything. Sir, that the basic theory of the excess profits tax is that it is to be a tax on the growth of profits and the political justification for imposing the tax is that the profits have grown as a result directly of the war. Will the Honourable Members see to this that when the tax collectors begin collecting taxes, they would give their attention to the firms' books and find out whether the excess profits they earn are directly due to the war or otherwise? If it is otherwise, the Government are not entitled to ask for that excess profits tax. Then, Sir, Sir Cowasjee says that in India it cannot be argued that the war had any effect on the profits of any company in 1938 with the exception of the order for a few sand bags. The President of the Indian Millowners Association, Mr. Macdonald, who has just retired, in his speech which he delivered on the 17th February in Calcutta about war requirements being met by jute mills has shown—I do not want to take much of the time of the House—shortly speaking, that after the first order of 200 million bags were received, no further orders came and the result was a tremendous depression. (Laughter.) My Honourable friend, Mr. Aikman, is laughing. Here is the speech of Mr. Macdonald and there is no use laughing. What the Mills had to do was to seal up the looms. Most of the looms had to be sealed because they were losing money. Then came the second lot of order after September. What was the result?

**An Honourable Member**: The looms were unsealed.

**Sir Abdul Halim Ghuznavi**: Yes, they were first unsealed and then again they were sealed. Unsealed once and sealed again. I am coming to that. When the order came, the looms were unsealed. Do my Honourable friends know at what price that order was accepted by the Indian mills? The mills would have sold that hessian at a much higher price outside, but the millowners preferred to sell them at a cheap price as their quota of contribution towards the conducting of the war and thereby they made only very small profit. What was the position? The contract was made that it should be delivered at a certain time. His Majesty's Government failed to carry out the contract. It was extended from April to July. Delivery was withheld. What was the result? The market collapsed. Still this Assembly thinks that in so far as the Indian mills are concerned, they are piling up money because of the war.

**Dr. P. N. Banerjee** (Calcutta Suburbs: Non-Muhammadian Urban):  
Not the entire Assembly.

**Sir Abdul Halim Ghuznavi:** Certain Honourable Members in the Assembly think that way. As I said that was the position of the market on the 27th January when it was announced that 50 per cent. of the excess profits were wanted. There was a collapse of the market. All the money that was made had gone; they vanished. There was no profit left.

**Sir Muhammad Yamin Khan:** Still 50 per cent. of the profits will remain.

**Sir Abdul Halim Ghuznavi:** I am addressing the Chair and not my Honourable friend. So I will not take notice of his interruption.

Now, in drawing up a Minute of Dissent, two Knights—Sir Raza Ali and Sir Abdoola Haroon,—submitted a joint Note of Dissent. What do these Knights say: They said:

“Speaking for ourselves we can say that we have no fault to find with flat rate of the excess profits tax being fixed at 50 per cent.”

Thank you. Indeed no fault to find with 50 per cent. But they have generously added two more sentences:

“If however, this question is reopened we would like a graduated scale varying from 35 to 60 per cent. . . .”

**Sir Syed Raza Ali:** Why don't you finish the sentence?

**Sir Abdul Halim Ghuznavi:** It would look more ridiculous if I finish the sentence. All right, I will finish the sentence it goes on:

“coupled with the raising of the standard profits to 36 thousand rupees in section 6, sub-section (4) to be substituted.”

But they dismiss it by saying:

“This would require very elaborate and careful calculations into which it is not necessary to enter at this stage.”

Because they feel that they find no fault with 50 per cent. Why should the Government be worried with all sorts of calculations, sending for various mathematicians, statistical officers and so on to find out the variations that would follow if that method was adopted?

Of course, our friends from the European Group have no Minute of Dissent because they agree *in toto*, even without any amendments, to the Bill brought forward by the Government.

**Dr. Sir Ziauddin Ahmad:** Their Minute of Dissent is incorporated in the provisions of the Bill.

**Sir Syed Raza Ali:** The meaning is that they got all they wanted.

**Sir Abdul Halim Ghuznavi:** Sir, Mr. Burn, President of the Bengal Chamber of Commerce, speaking at the annual meeting said he would support this measure provided certain essentials were satisfied. Sir, I say these have not been satisfied. They were, firstly,

“that full justification was afforded for the imposition of the tax from the point of view of the special expenditure necessitated by the war”.

I say, that has not been satisfied.

"Secondly, that the proceeds of the tax were devoted to the effective prosecution of war and to India's defence."

**The Honourable Sir Jeremy Raisman:** That also has not been satisfied?

**Sir Abdul Halim Ghuznavi:** If the expenditure of the office of the Director General of Supplies is legitimate expenditure to be supplied from this money, I do not know what to say.

**The Honourable Sir Jeremy Raisman:** What about eight crores of defence Expenditure?

**Sir Abdul Halim Ghuznavi:** Sir, we have for the last 20 years,—14 years as far as I am concerned,—cried ourselves hoarse over the huge military expenditure. My Honourable friend would have been justified in taking that eight crores by additional taxation if they had effected retrenchment and not incurred this huge military expenditure. And, recently, under this new Act, even our power to discuss the army budget has been taken away. How are we to know whether that eight crores is really necessary for the defence of India? When my Honourable friend, Sir Muhammad Zafrullah Khan, was in England recently, the newspapers gave out that he was shown all the secrets of British war methods; but here when a question was asked in the other House or some information the reply was that it was secret and the information could not be given. Then the next condition, given by Mr. Burn, was:

"That the basis of the taxation and the method of assessment were fair and equitable, that they did not penalise or impede the development of new industries and were such as to limit economic disturbances which the imposition of the tax must entail."

The House will judge whether that has been fulfilled.

**Mr. A. Aikman:** It has been fulfilled.

**Sir Abdul Halim Ghuznavi:** It has not been fulfilled, according to my humble self.

**Mr. A. Aikman:** Then the Honourable Member cannot have read the Bill.

**Sir Abdul Halim Ghuznavi:** Sir, I now come to the points raised by you, Sir, in your Note of Dissent which the Indian Chambers of Commerce completely approve. Your first point is that the chargeable accounting period should begin on or after the 1st day of April, 1940. War was declared on the 3rd September . . . . .

**Dr. Sir Ziauddin Ahmad:** Why not after the war?

**Sir Abdul Halim Ghuznavi:** That would be the correct thing to do, as was done on the last occasion. They want the industries to be hampered and strangled even from now, as the Industries cannot get any relief on the borrowed capital because they borrowed from private individuals as British banks would not advance. If they go to a British bank and ask for

[Sir Abdul Halim Ghuznavi.]

advance on deposit of stocks and shares, they would advance only 30 per cent. which is absolutely insignificant. Sir, your second point was that 'the tax should not be more than 25 per cent.' Sir, who wants to advance money to an industry when there is the risk that he may lose his all, knowing that if there is a profit, 50 per cent. would be taken away as excess profits tax? Conditions here are different from those in England; there the industries are well established whereas here they are only just starting, and now a tremendous burden is being thrown on them. At any rate 50 per cent is a prohibitive percentage. Then, Sir, you said that the Act should not apply to the banks. They surely are not going to make any war profits and nothing will come to them. So why frighten Indian banks from coming into existence? Sir, I have already dealt with your fourth point. Your fifth point was that the exemption limit should be raised from Rs. 30,000 to Rs. 40,000 and your sixth point, Sir, was the most important one and that was that the option about the standard period should be extended to the year 1938, standing by itself. It will not be disputed that Indian industries suffered up to 1938, and it is only after 1938 that they have just begun to raise their heads. Give us that year in any event, that calendar year at least if not the official year: (Interruption). I want even the calendar year 1938 alone if not the official year. Option should be given to all assesseees to choose either the standard profits or the statutory percentage. Give that option to the assesseees and do not restrict the choice. Then, there should not be joint assessment of the income of a partnership and of joint Hindu family businesses.

These are the points that I had to place before this Honourable House and when this Bill comes up for discussion, clause by clause, I hope the Honourable Members will bear in mind the points which are essential for the benefit of India and the Indian industries. I will read from the memorandum of the Western India National Liberal Association only one sentence; which says:

"A fundamental objection to the Bill is that, while in the Statement of Objects and Reasons the Government profess to secure for the Government a considerable portion of the additional business profits which accrue as a result of the conditions prevailing during the war; clause 4 of the Bill levies excess profits tax on all profits in excess of standard profits, irrespective of whether these have accrued as a result of war conditions or otherwise."

Then, again, one other point which the Federation of Indian Chambers of Commerce have made out is this. They say:

"They do not, therefore, desire to reiterate their views beyond stating that they are still not convinced of the justification for the introduction by Government of a legislative measure of such a nature at this stage of development of the war."

Again, Sir, as pointed out by Dr. Sir Ziauddin Ahmad this morning, the various important commercial bodies and industrial interests in the country were not permitted to lead evidence before the Select Committee with regard to the various important provisions of the Bill. This is a very important matter . . . . .

**An Honourable Member:** By whom?

**Sir Abdul Halim Ghuznavi:** By the Government. They did not ask them to come. The Commercial interests, Industrial interests, all wanted

to lead evidence, but Government would not take them. The Treasury Benches forget what they did when British interests were concerned; when the excise duty on matches was first levied, I was one of the members of the Select Committee, and all the European manufacturers who had their factories here were asked to lead evidence. It is on record. They gave evidence before us. This Western India Match Company came before us, and they have got a big business in India with foreign capital, established all over India. They were allowed to lead evidence. The views of the Industries concerned would have helped members of the Select Committee and would have given them an idea as to whether the industry could bear the burden which was intended to be imposed. But this time the Industries were not allowed to lead evidence. What is the use of the Chambers and Associations sending these letters, Memorials, et cetera, to us and to the Government? Their evidence would have given the Committee members a clear impression whether the industries could bear the burden which was being imposed.

Sir, I said about taxing the foreign business this morning; if the principle is that excess profits should be taken from the profits accrued during the war, why should the Government tax foreign business concerns which have nothing to do with this war? Government cannot give those concerns any help. Indian foreign concerns are in their infancy. They have already been taxed on an accrual basis. On the top of that a further tax is wanted from them as excess profits tax. As I said this morning, with the empty Benches we know, not one of our amendments will be carried. All that I have now to do, in concluding my speech, is to appeal to the Honourable the Finance Member that he may take into consideration the points that have been raised, and that when suitable amendments are moved, he may agree at least to those amendments which the unanimous demand of the Indian industries and Indian interests justifies.

**Sir Muhammad Yamin Khan:** Sir, after the very depressing news this morning of the great tragedy which happened in London, which is condemned by everybody in this country, we had this afternoon a very amusing speech from my Honourable friend, Sir Abdul Halim Ghuznavi . .

**Sir Abdul Halim Ghuznavi:** Because you do not understand.

**Sir Muhammad Yamin Khan:** It will take a long time for anybody to understand.

My friend said that Dr. Sir Ziauddin Ahmad did not understand even the ABC of business, while he called himself a businessman. I do not know, if my friend would have liked to take this compliment if he had known the definition of a businessman as given by Dr. Sir Ziauddin Ahmad the other day. Dr. Sir Ziauddin Ahmad defined a pucca businessman as a person who knows how to cheat shareholders, rob consumers and evade income-tax officers. I do not know if my gallant friend from Calcutta would like to flatter himself by calling himself a businessman after this definition . . . .

**Baba Baljnath Bajoria** (Marwari Association: Indian Commerce): Is the Honourable Member in order in giving this definition of a businessman?

**Sir Muhammad Yamin Khan:** I am quoting what another Member said when he was told that he did not know even the ABC of business. Then my friend, Sir Abdul Halim Ghuznavi, says, that Dr. Sir Ziauddin Ahmad wants people to invest their money at six per cent. interest. I wish, Sir, I got six per cent. out of my investments. . . .

**Sir Abdul Halim Ghuznavi:** You are getting more.

**Sir Muhammad Yamin Khan:** I am not getting even one per cent. now. In our village property we are not getting even one per cent.; I would be glad if we got even one-half per cent.

**Babu Baijnath Bajoria:** Per month?

**Sir Muhammad Yamin Khan:** Per year. For several years past we have been paying land revenue of these properties from our pocket. Therefore, those who have agricultural property would be jolly glad if they could get a return of six per cent. on their investments. This rate may seem to be too small for my friend the businessman from Calcutta, but to my mind when the Bank does not offer more than one-half per cent. on investments, one should be glad if he could get six per cent. on any kind of safe investment.

Then, my friend said that Dr. Sir Ziauddin Ahmad wants to support the Government. Is there anything wrong in it, in view of the fact that the principle underlying the Bill is one which has been strongly advocated by everybody in this country, except perhaps by a handful of people who do not want to pay their share for the defence of this country? During the Budget debate it was brought to light that the country has to bear eight crores defence expenditure. Where is the money to come from? Is it to come from the poor consumer who had been paying to those people who will be paying excess profits? Should he be made to pay again to the Government of India? No, certainly not; all these eight crores should come entirely from those who have made profits on account of war. That was the view of Dr. Sir Ziauddin Ahmad. I am sure everybody will agree that those rich people and mill magnates who have been making excess profits as a result of the war should pay their share out of their excess profits for the defence of this country. But what is the position? We find that these people have been very lucky in that the Government have shown very great consideration to them by taking into account only half of the extra expenditure; that is to say, they are taking only three crores out of the eight crores and they are throwing the extra burden on the other consumers who have been all along paying in various ways on account of the increased cost of living. My friend was saying that he would have opposed it tooth and nail if he could do so, and after saying that, at the last moment, as in despair, he is pleading for mercy to the Finance Member to show some consideration for the unanimous demand of the people. Who those people who have made this unanimous demand are, I do not know. At least, as far as the Assembly is concerned, there has been no unanimous demand. In fact there is no unanimous demand on any matter in the House. If there had been a unanimous demand from the country as a whole, one could have understood it, but as far as we know, only 5,000 people will be affected by this measure, and their number is really negligible considering that 36 crores of people inhabit this vast country, and if a referendum were taken, it would be found that the entire sum should be met from the excess profits.

Then my friend said whether the Finance Member will ask those people who will collect the excess profits tax to examine their account books to see whether actually profits have been made entirely as a result of the war conditions or not. He also observed that people have been losing and how such people will be taxed. The whole principle of the Bill is that it will be applicable to only those people who make excess profits, and not to others. If people have been making a loss during the last two years, and if in this year they have made a profit, that cannot be called excess profit, because there was no profit made last year. The excess profit will mean only such profit as has been made as a result of the war. The only difficulty is where people have been making a tremendous profit taking advantage of the war conditions, and the poor consumer had to pay, and the consumers now want that the extra expenditure incurred as a result of the war must be met by those people who have benefited by the war conditions, because those extra profits would not have accrued to them if the war had not broken out. Therefore, he is perfectly justified in saying that 50 per cent. should be taken out of him. I do not think that that limit is very excessive. To my mind, it is quite all right.

**An Honourable Member:** It is 60 per cent. in England.

**Sir Muhammad Yamin Khan:** I do not mind if it goes a little further, I am ready to go up to the limit of the defence expenditure.

**An Honourable Member:** To any extent?

**Sir Muhammad Yamin Khan:** Up to the limit of the defence expenditure I do not mind. (Interruption.) God helps those people whose money is taken away by those people whose draining they cannot stop, and God helps in this way that Government comes at least to their rescue. I do not think that the limit which has been raised from Rs. 20,000 to Rs. 30,000 is welcome to this House. It is not desirable. I should ask that Rs. 20,000 should stand. If a man has made Rs. 20,000 and even above that, if he calls himself a poor man, I do not know what to say. In India the average income of a person is five pice a day, he cannot get even two meals a day. That is the average income of the poor consumers in India, and if Rs. 20,000 is supposed to be a small sum, then I do not think you can find any one in this country who can support such an idea, except those who themselves get that income.

I need not repeat what I said on the former occasion. The principle underlying this Bill is welcome to the masses of this country, and they will whole-heartedly support it. They would like that people who can bear the burden should bear it to meet the extraordinary expenditure on account of the war. I do not want to repeat what I have said. I only wanted to deal with the speech of my Honourable friend, Sir Abdul Halim Ghuznavi, and that is what made me get up and give a reply so that there may not be any misunderstanding left in the country or outside this country that the public is of his view. I want to make it perfectly clear that the country is on the side of the Bill and the principle of this Bill, and nobody will like to oppose it tooth and nail like Sir Abdul Halim Ghuznavi. I support the motion.

**Mr. M. S. Aney:** Every Member who got up in this House today and yesterday to speak to the motion moved by the Honourable the Finance

[Mr. M. S. Aney.]

Member had generally to say something in praise of the work done by the Select Committee. I do not want to deny the credit which is due to the labours of the Select Committee in improving the Bill and making it somewhat less rigorous than what it was in its original form.

**Sir H. P. Mody:** Thanks.

**Mr. M. S. Aney:** I am receiving thanks from my Honourable friend, Sir Homi Mody. As you know and as Honourable Members of this House know, I was one of those who opposed this Bill on its principle and opposed the motion for referring it to a Select Committee also. I am inclined, therefore, to view it from the point of view of certain definite principles and express my views as to how far what I regarded to be objectionable features of the Bill have been obviated in the report of the Select Committee.

In the first place, the main object of this Bill has been to impose taxation upon those profits which were obviously due to war conditions. Of course, I quite agree with some of the Members who argue plausibly that it is always difficult to make a clear distinction between profits solely due to war and profits earned during the war period. That sort of distinction it is difficult to make no doubt, but one thing one has to bear in mind is, that the main object of this Bill is to take away from the people what can reasonably be shown as having been earned by them on account of war conditions—and it is also further intended to raise that money for the purpose of meeting the extra expenditure which the State has to incur on account of the prosecution of the war. It was for this reason that even the Members of the European Group, while they gave their general support, to the principle of the Bill, reserved their opinions upon certain details till the full picture of the financial position was presented to them. What was the principle underlying that statement? It was to find out what was the exact extra liability which the State would have to incur on account of the prosecution of the war, and until the precise nature of that liability was ascertained, they did not think it proper to commit themselves to any particular percentage as a proper percentage for taxation for the purpose of raising this new tax. Therefore, we have to see two things in this connection. One is, what is the total amount required for the war? An emergency tax of this nature is intended to cover the expenditure necessary on account of the existence of the emergency itself. So, it must be limited in two ways. It must be intended only to get so much approximately as is likely to be required on account of the existence of the emergency, and it must not at all go beyond the period of emergency. These two conditions are necessary and I want to see whether sufficient care has been taken to observe these two conditions which, in my opinion, ought to regulate a measure of taxation of this kind.

Now, Sir, it is admitted—and I am not going to dispute that fact because my Honourable friend, the Finance Member, must have shown to the Members of the Select Committee all the secrets which are denied to us mortals who had no access to the Select Committee—that the Finance Member may have presented them all the detailed figures showing how the estimates are made about expenditure and why he regards three crores as the possible amount that he can make out of this and so on. I accept his figure, that he is likely to get out of this three crores of rupees. I



think that is the figure which has been given out as a likely amount. I assume that he is likely to get three crores. It may be a little bit more or less. I have not got the figures to say that he is bound to get more than that but the second condition by which he is bound was that he has to make these three crores out of what we consider as war profits. Now, for the sake of finding out those war profits, one test has been provided and that was this, that a certain profit is to be taken as a standard profit and whatever is made in excess of that is presumed to be due to conditions existing on account of the war. That is known as excess profits and that excess is only to be taxed. If that is so, the one thing which I will insist on is this, that for the sake of finding out the standard profit you must allow the people to take up that year in which war was not in existence and yet they made the highest profit. The year in which they were able to make the highest profit and when there was no war can be taken as a proper year for ascertaining the highest capacity of making profits out of the industry without the aid of war conditions. Is that done here? The one point on which the majority of the speakers in this House congratulated the Finance Member on having made a very good concession is that the highest year is allowed to be used by him in this Bill. But let us see how has he used it. He has not taken 1938 by itself. He wants to couple that year with another year and strike an average and take that average as the basis for the sake of ascertaining the excess profits for that year. I want to know why. I have read the report . . . . .

**The Honourable Sir Jeremy Raisman:** Because it must be compared with an average.

**Mr. M. S. Aney:** I am not sure. The theory of average is entirely different from the theory of finding out the highest income which an industry or business has made in any particular year when the war was not in existence, because to that limit you must allow the profits made during the course of the war also as possibly made on account of its normal expansion and not otherwise. That would be the proper way of construing and looking at the thing. Therefore, if the year 1938 was a proper year, I do not want that year to be connected with the year 1939 and then strike an average. By striking an average the highest profits are not taken into account by themselves but there is an attempt to reduce those profits by a certain fraction on account of the lower profits of another year being added on to them and thus a lower figure is obtained as the basis. This is inconsistent with the very idea on which the standard profits are to be assessed. If the idea underlying is what was the average profit, why not take ten years and find out the average. There is a minimum and anything in excess of that may be called an excess profit. My position is this. Although it is an improvement upon the old situation, I do not think it is carrying out the principle of option in its proper sense if we allow the mechanism of option provided for in this case to take the year 1938-39 or 1939-40 together in order to find out the average thereof. I do not think the concession is carried out either peacefully or faithfully and a fair opportunity is given to the people to make such option as they deem proper for the sake of choosing the highest year of profit. By the acceptance of average income for two years it is not merely the excess profit that is taken into consideration, but a fraction of normal profit is also included therein. There is also another thing. If we are to take only war profits into consideration, I have not been able to understand—and no

[Mr. M. S. Aney.]

convincing reason has been given—as to why profits made by Indian residents in foreign countries should be included here unless it is really contended that those profits were due to war conditions. That is another point. In that connection there are two objections which I want to take. When the Income-tax Bill was discussed, there was a good deal of controversy over the question whether the accrual basis should be taken or the remittance basis should be taken. For the purpose of the Income-tax Act which was then passed at the instance of the late Finance Member and our Honourable colleague who is present here at least for some time, Mr. Chambers, that principle was conceded for certain reasons, because under the Niemeyer Award the income that was to be derived from the income-tax was to go into the divisible pool of the provinces who were going to be partners in that. That was a great temptation on which the Honourable Members on the Congress Benches were persuaded to accept that impracticable and, in my opinion, mischievous principle for the purposes of the Income-tax Act. But if we are to accept the accrual basis and not take the remittance basis I do not see any reason why that principle should be extended here now, because, I am sure, it has been made perfectly clear by the Honourable the Finance Member when he moved his motion for reference to the Select Committee, on some question being put by one of the Members on this side—that so far as this tax arising out of this Bill is concerned the amount of tax derived from the companies will be classed as corporation tax and that derived from individuals will be considered and treated like income-tax and the latter alone will be taken into the divisible pool and so on. It is perfectly clear that what we are going to get here is not a matter in which the Provincial Governments can have any share at all except in a small fraction which he calculated to be 30 lakhs, if I mistake not. Some figure like that the Honourable Member gave. Therefore, the principle that was recognised by this House on a certain assumption cannot be accepted by this House for all purposes. The grounds on which it was possible to secure the consent of an important section of this House, without whose co-operation it would have been impossible to pass that Act at that time no longer hold good and, therefore, I want to urge that it would be iniquitous to assess the foreign income on accrual basis for the purpose of this Act. Let it be assessed, if it is to be assessed at all, on remittance basis.

There is another reason why this point should be taken into consideration in this connection. I am told that there is an embargo on the removal of money from certain countries—the export of currency from certain countries. If that is so, whatever profits they may have been making they will not be available to the Government here, at least during the year of taxation. They may be available at any other year and when they will be so available here for purposes of taxation, probably the value of that tax, in terms of Indian coin, may not be the same when the assessment is being made. So all sorts of difficulties are likely to arise. Thirdly, as I have maintained at the very beginning, I have not been convinced, at any rate no serious arguments have been advanced by anybody and things have simply been taken for granted, that the profits which these businessmen, resident in India, are making in foreign countries have got any relation at all to the existence of the war conditions and so on. Therefore, for all these reasons the best course would have been to eliminate that source of income altogether from the income to be classed for the purpose of assessing the excess profits here.

Then, one point on which the Honourable Member was given great credit and I also concede that as improvement in the right direction though not quite up to my satisfaction, was this. We maintain here, as I have already stated at the beginning also, that this Bill should be limited only to the period of the emergency. So I would have liked the Select Committee to make a proper change in the section so as to lay down that this Bill will remain in force till the hostilities continue or something like that, with power given to the Government for its extension if necessary for a further period till all the things in connection with the war are settled and so on. Now what is now done is something which some persons think is a great gain achieved. The existence of this Act is limited now to March, 1941. Am I right? That is, for a period of one year, and it is thought that next year when the Finance Bill comes on they will have to go on again with the same provisions in the Finance Bill for extending it to the year 1942 and so on. I quite see that. But I think there is a good deal of difference between this position and the position which I have suggested. If there be a clause or provision in the Finance Bill to this effect that the year 1940 in the Act relating to excess profits should be changed into the year 1942, I am sure I will not be allowed to move any amendment in this House which comes to touch the other parts of this Act. We know the position every year and we know how it is impossible to review the entire position of the Acts referred to in the Finance Bill. At most, what will be conceded will be the rate; that may be modified by first getting the permission of the Governor General to move a suitable amendment to that clause. Even in that case the difficulty would be the same, if our amendment seeks to change or vary the rate to be imposed, probably we may require the permission of His Excellency the Governor General. My position is this. What was wanted was an annual review of the situation and of the operation of this Bill throughout the year and if that annual review required that certain provisions of this Act should be entirely changed, that the basis of Rs. 30,000 should be raised to Rs. 40,000 to Rs. 50,000, nothing could be done. There is no power given for a real and effective review of the working of this Bill during the year by the manner in which the change is brought about here. So, although it may be that for the time being we are being taxed for one year, I venture to tell you that you are being taxed for as many years as the Government of India would like to tax you in this matter. Except for a technical satisfaction, there is no real gain and I do not know why Sir Homi Mody thinks that a substantial advance is made here.

**Sir H. P. Mody:** Because the House is able to reduce the rate to say, five per cent., if it wants to.

**Mr. M. S. Aney:** I am not contemplating that extreme situation here. My point is this, that if the Government really wanted to concede the position that it was necessary to give this House the opportunity of annually reviewing this thing, then they must come out with a complete Bill next year for the sake of getting it passed or they must definitely state that they only want to keep it in force during the period of the war. That alone would give an opportunity of reviewing the whole position, and not merely by requiring the Government to make that little change in the Finance Bill. That does not satisfy me at any rate. That was not exactly the position taken up by most of the non-official Members of the House also. The third thing was this. I really do not understand why, in exempting certain kinds of loans, such as the loans given by the Banks, the

[Mr. M. S. Aney.]

loans which will be advanced by bankers who are not banks should not get any exemption here for the purpose of this tax. What the technical difference is between the two kinds of loans really passes my comprehension. I am reliably told by those who are engaged in big industries and small industries in India that it is difficult for Indians running small industries to apply successfully to these big banks with a view to getting any loans whatsoever. If that is the correct position, then I am sure we are creating a handicap on the Indian industries of the worst type during the period this act shall be in force. We are keeping those Indians who are interested in the expansion of Indian industries under a great handicap. The sources from which they are likely to get their loans are not exempted from the concession which is extended to the loans advanced by banks. What is the reason for that? In the Report I did not find any sound reasons given anywhere at all. So on this point also I feel some difficulty that due attention has not been given in the Select Committee to the claims of Indian industry in regard to this matter. Sir, I have stated that although I should be prepared to accept the principle that for the purposes of war profits such war profits should be taxed, still I would lay down one or two conditions. Firstly, you must tax those that are capable of bearing it. Secondly, your taxation must not be such as to impede the progress or the extension of Indian industries. Whether that important condition to which I at least attach importance has been duly borne in mind in making improvements in the old Bill and in preparing the report of the Select Committee, is a point that should certainly be considered, but as a result of such attention as I was able to bestow on this Report and with such knowledge of industries as I have been able to gather myself and with the help of some friends interested in industry, I have not been able to see anywhere that this point of view has been steadily kept in view in considering this Bill. Therefore, if this higher taxation which is being imposed now is retained, there is every likelihood that our industries will be greatly handicapped and the extension of industries will be seriously jeopardised.

There is one more point and I shall finish my speech. Now between the

4 P.M. old Excess Profits Act of 1919 to which frequent reference was made both now as well as in the previous debate and the present Bill there is an important point of difference. It has been rightly brought to the notice of this House and the Honourable the Finance Member that that Bill was introduced into the House *after* profits were made and earned for some years. And then it was only a matter of calculation and they took their share from it. But what is the position now? Here we are taxing the prospective gains. We expect the people to make gains on account of war conditions and yet we want them to start their business with a handicap that 50 per cent. of their gains will be diverted towards the Government treasury as a war profit. Between these two positions, from the point of view of the industry, there is a good deal of difference. When there was no such handicap, people did make money and earned profits. But when there is a handicap at the very beginning, they would not be able to expand their business in such a way as to take full advantage of war conditions which are coming into existence. Whatever natural expansion is required to take full advantage of the conditions that come into existence on account of the war will be impeded because of this handicap at the very beginning. So, taxation on prospective income and taxation on income already earned are two different things and there is a

good deal of difference between the two. You are now going to tax the prospective income and we have hardly gone through six or seven months of the war. The year is yet to expire. Now, the business would have gradually adjusted itself to take advantage of the conditions, but when a serious handicap like this is introduced at the very inception of it, I think that work is likely to be considerably disturbed and we may not be able, therefore, to get such advantage out of these war conditions as we would otherwise have got. Sir, I do not want the businessmen to disown the liability they owe to the State for making a contribution to the war. I do not want that. But, at the same time, the State must see that they make the real profits. If it is the intention of the Government that the Indian industries ought not to be able to expand during the war period in such a way as to become a menace to the industries at home, then we must oppose this Bill. The introduction of this Bill has already put down the prices of the agricultural commodities in the country.

**The Honourable Sir Jeremy Raisman:** No.

**Mr. M. S. Aney:** I beg to differ from the Honourable the Finance Member. He is an authority on this question but I am saying this from my practical experience and knowledge of the conditions of the bazaar and I know what the position today is. The cotton commodity has suffered in its price. The price of cotton commodities today are not the same at which they were being sold before the publication of this Bill. The publication of the Report of the Select Committee did not make any material change in the situation.

**The Honourable Sir Jeremy Raisman:** The items which were really affected by the Excess Profits Tax Bill recovered after the publication of this Report.

**Mr. M. S. Aney:** It would be some time when my Honourable friend will be able to explain in such a way that I should be able to understand it. For the present I cannot accept that statement as indicating a state of things as I understand it.

Sir, the one point which I urged at the beginning was that, however, you may tax these big men, they are too shrewd. I have already given a certificate to my friend, Sir Homi Mody, that they can never pay it out of their pocket.

**Sir H. P. Mody:** I cannot pay it out of the Finance Member's pocket. Can I?

**Mr. M. S. Aney:** Therefore, the only man's pocket he can touch is mine. He has it both ways. In the Select Committee he wants to touch the pocket of the Finance Member

**Sir H. P. Mody:** I am not very particular as to whose pockets I touch.

**Mr. M. S. Aney:** Sir, when I look at all these things, I do not think that the Bill has come up to that standard where I could have congratulated the Members of the Select Committee on their achievements, although they have made certain improvements I cannot congratulate the House also for a piece of legislation that is being presented before it for their approval. I, therefore, oppose the motion before the House.

**Honourable Members:** The question be now put.

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

"That the question be now put."

[While the bell was ringing, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

The motion was negatived.

**Pandit Krishna Kant Malaviya** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, I am very thankful to the Members of the Treasury Benches for not challenging a division and giving me an opportunity to have my say. It is difficult to improve upon the speeches or the debate that we have heard today. We have had a first class debate. My Honourable friend, Dr. Sir Ziauddin Ahmad, provided an excellent fare, my Honourable friend, Sir Homi Mody, brought us Poona strawberries and my Honourable friend, Mr. James, supplied us with cream and a sumptuous treat. As the day advanced and the evening approached, my Honourable friend, Sir Abdul Halim Ghuznavi, provided us with ginger, gin and bitters. I say, Sir, that my Honourable friend, Sir Abdul Halim Ghuznavi, allowed himself to be beaten by that old Abdul Halim Ghuznavi who used to be amongst us in 1904, 1905 and 1906.

**An Honourable Member:** He was wrong Ghuznavi then. (Interruption).

**Pandit Krishna Kant Malaviya:** I think he was right then and he was right today. Naturally, Sir Abdul Halim's gin, ginger and bitters went to the head of my Honourable friend, Sir Muhammad Yamin Khan. He lost his balance and he thought that Sir Abdul proclaimed to the world that we are not supporting the Government, that we do not support the principle underlying the Bill and he became most anxious with his body and soul to shout, I am the most loyal, and we are the most loyal servants. As is natural the Leader of my Party saw that his friend sitting by his side has lost his head and he provided sanity of judgment.

Sir, I was not anxious to speak. I am even now not anxious to speak for more than a few minutes. All that need be said has already been said by my Honourable friends. But I am interested in those adventurers of my country, those traders who, at the risk of their lives and property, go to foreign countries just to earn a living, earn small profits and thus add to our national wealth. While the Income-tax Bill was before the House, I fought for these friends. I am still of the opinion that these brethren of ours, who trade in foreign countries and who are not provided with any facilities or any help by this Government and who at times are put to great hardships and even ruination of their businesses, just as it happened in the case of friends trading in Abyssinia and Spain, need encouragement and special concession. I think their case stands on quite a different footing than the case of those friends who are amidst us and who have, at least, got behind them the protection of the British bayonets. I, therefore, plead and request the Honourable the Finance Member to consider the case of these friends of ours more favourably, allow excess profits tax paid abroad in non-Empire Countries to be deducted to the fullest amount and not to the extent of a half only and, at least, be guided by the

opinions of my Honourable friends, Mr. Sheehy and Mr. Chambers, who I know are inclined to be considerate so far as these foreign traders are concerned.

Let me now deal with an important question affecting foreign incomes, that is, double taxation. Clause 11 of the Bill provides that if a person pays excess tax in the United Kingdom or in any Empire country, then by virtue of reciprocal arrangement, relief is given in respect of excess tax paid in India as well as Empire countries. In such cases, Indian Government refunds half the balance of the excess tax, so that the excess tax is borne only once, but under this arrangement Indian Government make a very heavy sacrifice, because most of the relief goes to foreigners as there are very few Indians in the United Kingdom who can take advantage of the relief arrangement.

The present policy of taxing is bad. If foreign enterprise is to be encouraged, then it is necessary that the burden of taxation on foreign accounts should not be heavier than the burden on Indian incomes. Under section 49-D of the Income-tax Act, if a person pays income-tax in foreign countries, then he does not get complete relief from double taxation and he has to bear income-tax  $1\frac{1}{2}$  times more the income-tax which a person making income in India bears. I have had a talk with my Honourable friends, Mr. Sheehy and Mr. Chambers, and I only hope and trust that they will advise the Honourable the Finance Member to concede the demand of these brethren of ours and see that justice is done to them so far as double taxation is concerned.

There is another piece of injustice which the Indian traders in foreign countries have to suffer. Under clause 12, sub-clause 2, excess tax which is paid in the United Kingdom or in the Dominions of His Majesty's Government is allowed as a deduction of expenditure for purposes of income-tax. That is to say if a person has made an income of one lakh fifty thousand rupees on which he has to pay excess tax of fifty thousand, then his income for income-tax purposes is to be not one lakh fifty thousand, but only one lakh of rupees, the excess tax of fifty thousand is allowed as expenditure. The Government have not extended the same benefit to Indian traders in non-Empire countries. This is a very just and proper demand and I request the Honourable the Finance Member to see that justice is done and that these friends are allowed the same concessions which are allowed to the traders in the United Kingdom although they are trading in non-Empire countries.

Another question which has been dealt with by my Honourable friends who have spoken before me is with regard to fluctuations. We are told that this Bill is intended to tax abnormal profits and not normal profits. Now, let me illustrate how normal foreign profits also come under this Bill. Suppose a person makes an income of 66 thousand guilders in Java, in the standard period. At the rate of exchange appropriate to this period, his profits in Indian currency works out at one lakh. Now suppose he has made a profit of only 60 thousand guilders, in the chargeable accounting period, that is, he has made a profit below even his normal profit. Because sterling has gone down, the value of the guilder has gone up temporarily and his profit works out to one lakh and nine thousand; under this Bill he will have to pay excess tax of Rs. 4,500. The trader has made on the contrary less profits than his normal profit and it is inequitable that he should be made to pay excess tax on his profits. I therefore request the Honourable the Finance Member to exclude from this Bill profits which

[Pandit Krishna Kant Malaviya.]

are not excess profits, but which are fictitious profits owing to exchange fluctuation and I would request the Honourable the Finance Member to give assurance to this House that the Board of Central Revenue would in actual practice exempt cases like these from the purview of the Excess Profits Bill. I do not want to take up any more time of the House but I hope that in consideration of these questions the Honourable the Finance Member will consult my Honourable friends, Mr. Sheehy and Mr. Chambers, and if he finds that they think that ours is a just demand, he will concede it.

**The Honourable Sir Jeremy Raisman:** Sir, in replying to this debate I do not propose to endeavour to traverse all the points which have been raised most of which will, I have no doubt, be raised again on the consideration of the clauses and in connection with the various amendments of which notice has been given. I shall, therefore, confine my remarks to the more general aspects of the Bill and I should like to deal first with the repeated assertion that this measure, even in its present form, will tax not only excess profits but normal profits or, as the criticism is sometimes put, that it is a measure which will tax profits other than war profits. If what is meant is that there will be a certain category of profits which cannot be proved by a strict process of demonstration to be due to the war and that the tax will be levied on such profits, I agree that that is the case. But I am not prepared to admit that that is necessarily a serious criticism of the measure. The principle of this Bill is not the taxation of profits which can be demonstrated to be due to the war; it is the taxation of excess profits arising in war time and in war conditions, because it is based on a principle of priority of taxation, namely, that the cost of the additional defence measures should be borne in the first instance by those who in the conditions of war find themselves not worse off but better off. Now, I myself believe that the vast majority of people who find themselves better off during the war are better off because of the war. The economic conditions of modern states are so organically inter-connected that it is in my opinion impossible for so powerful a factor as war to be applied to the economy of a state without affecting every aspect of it; and I attach very little importance to the theoretical or metaphysical case which is so frequently stated of a business which is making profits in the war but without any connection whatever with the war. However, even if I granted that such a case can exist, what does it amount to? It amounts to this. You have to raise revenue in order to meet the additional expenditure which is thrust upon you and which you have to assume in war time. In looking round for the sources of your new taxation, will you refrain from taxing definite war profits because it can be argued that any measure which is devised to tax war profits will also possibly affect a small number of persons who, though they are making additional profits during the war, are perhaps not making additional profits because of the war?

Now, Sir, I come to the question of the standard period. And here I must admit that the criticism which touched me most is that of my Honourable friend, Sir Ziauddin Ahmad, because he represents a point of view which is in my opinion very inadequately represented in this House and because it is a point of view with which I have the utmost sympathy and a point of view which I believe should, undoubtedly, in any healthy state and legislature be constantly before the minds of those who are



responsible for economic and fiscal policy. Sir Ziauddin Ahmad is not satisfied with the additional option which has now been given to the taxpayer, and I understand the reasons for his disquiet. But the situation in which I found myself was this. There are certain industries, and they are important industries, in regard to which I held and still believe that they like many industries in Europe were earning substantial war profits during the period often referred to as the 'shadow war' before war actually broke out. The Bill as originally introduced in this House was devised to tax those profits as well as the profits which have accrued and will accrue after the outbreak of war. But in the course of examining this question in the Select Committee and dealing with the criticisms which had been raised I came to the conclusion that there were also a number of industries and that there was a large field of commercial activity in India which was comparatively unaffected by the quasi-war conditions which had been in existence in Europe for a year or more before the outbreak of war. I, therefore, found myself in this dilemma that if I were to adhere to my original scheme I would inevitably have laid under contribution certain profits which could not be represented as due to war conditions or even as arising indirectly out of war conditions. It was a difficult and important decision to take because, as my Honourable friend, Sir Ziauddin Ahmad, has pointed out, it involves very large sums of revenue. Nevertheless, Sir, I felt that I would be on stronger ground in basing the Bill on a broad principle of equity which would eliminate as many cases of hardship as possible rather than in concentrating at this stage on the revenue aspect of the measure. I felt in fact that it would be better that the Bill should be modified in the direction of greater equitableness and if necessary, and if our needs later on should so require it, that the incidence of the tax should be increased in other ways.

I must admit that the blithesome character of the speeches made this morning were not entirely in accordance with my own mood on this point. In fact it may be said that the history of the Select Committee is that up to a certain stage there was depression in one part of the Committee and after a certain stage that was transferred to another part of the Committee. I have asked myself whether I am in the position of that young lady who, in a certain verse familiar to many of us, was fool-hardy enough to go for a ride on a tiger : the verse says they returned from the ride with the lady inside and the smile on the face of the tiger. I asked myself several times whether I have returned from the ride in the Select Committee, which I undertook with my friend, Sir Homi Mody, inside the tiger and whether the smile on his face is not symptomatic of what has happened. But I have now explained to the House that although the advantage to certain concerns which has resulted from this very important modification is extremely substantial, nevertheless I felt that it was counter-balanced by a great improvement in the equitable incidence of this measure.

I regret that even after going so far, I have not been able to satisfy my friend, Mr. Aney, who still thinks that it would be consistent with the object of this Bill to allow the assessee to choose the highest individual year which he enjoyed for, I do not know how long. My Honourable friend has failed to appreciate that the scheme of this Bill as I have pointed out more than once bases the calculation of the excess on the difference between the average of the profits earned during the war and the actual profits of a standard period. For example, if the highest year which my

[Sir Jeremy Raisman.]

friend, Mr. Aney, would concede to the assessee showed a profit of one lakh of rupees, and if that were taken to be the normal, then, during the war if the same assessee were to earn one lakh a year for every year of the continuance of the war, he would pay no excess profit. If the war continued for three or four years and he made four lakhs which might well be two or three times the average of the income which he made in any of the previous four years of his business, then Mr. Aney would say that he had made no excess profits due to the war: Mr. Aney would say that the fact that he was able to repeat four times during the war the highest peak which he had ever attained in the last five or ten years had nothing whatever to do with the war. It seems to me that that is a serious overstatement of the case. It seems to me that in conceding the average of two years of high economic activity, we have adopted a basis of comparison which can only be regarded as exceedingly favourable to the assessee: and what is the result? The result now is that any business which will pay excess profits is to be congratulated. If my Honourable friend, Sir Homi Mody, could be told now which are the businesses which will pay excess profits, he would by wise and rapid investment in shares be able to make a good deal of money, for it is obvious that those businesses will now not only have to reach but to surpass a very high level of activity. They will have to be in a position to pay very high profits to their shareholders before I can rank for part of the dividend.

I was asked whether I could give an assurance that this measure was intended to operate only during the period of the war. I myself have indicated that the object of this measure is to secure revenue to meet the additional expenditure on defence, and I consider that that statement bears its meaning on its face. My Honourable friend, Mr. Lalchand Navalrai, put two very contradictory propositions to me. Whilst on the one hand he was anxious that this measure should be closely associated with war and with the prosecution of the war and the period of the war, he suggested on the other hand that part of the proceeds should be used for the development of industry or for some other purpose not directly connected with the war . . . . .

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): During the war.

**The Honourable Sir Jeremy Raisman:** It seemed to me that he was inviting the very danger which he wished to avoid, because once you suggest that excess profits tax should be levied for any purpose other than that of the emergency, then you really do open the door to an argument which is not without force that an excess profits tax should be levied at any time in order to provide finance for desirable State activities. I am not myself supporting that argument. I myself have based the necessity for this measure on the requirements of the emergency, on the requirements of defence; but some of my critics have actually advanced suggestions which would be dangerous, if not fatal, to their own case.

I come now to one other question which will not presumably arise during the clauses and which perhaps I may deal with now; and that is the question of the machinery to administer this measure. I realise that this is a complex and highly technical measure, and I can assure the House that the question of the machinery to carry it out has claimed and will continue

to claim my very careful attention. I realise that it is of the utmost importance that a measure of this kind should be not only efficiently administered but should be administered in a proper spirit and I hope to secure that the machinery to which the collection of this tax and the performance of the various duties under this measure will be entrusted will be suitable for its purpose.

I do not think, Sir, I should detain the House by dealing with any of the other points which have been raised, because, as I have already said, I feel that they will arise on the clauses, and that I shall have an opportunity of dealing with them then.

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

"That the Bill to impose a tax on excess profits arising out of certain businesses, as reported by the Select Committee, be taken into consideration."

The motion was adopted.

**Mr. President** (The Honourable Sir Abdur Rahim) : The House will now deal with the Bill clause by clause. The question is :

"That clause 2 stand part of the Bill."

As Honourable Members know, it is not the duty of the Chair to call on Honourable Members in whose names the amendments stand to move them, but when the clauses are called out, Honourable Members will rise in their seats and move the amendments . . . .

**Mr. F. E. James**: May I make a submission to you, Sir? Some of us have not had quite sufficient time to consider all the amendments which may be necessary to this measure, and I wonder whether the Honourable the Finance Member would be willing, with your permission, to defer the consideration of the clauses at this stage of our proceedings, till tomorrow.

**The Honourable Sir Jeremy Raisman**: I have no objection.

**Mr. Lalchand Navalrai**: Sir, some of us had applied for sanction for some of our amendments, and we have not yet got reply.

**Mr. President** (The Honourable Sir Abdur Rahim) : If it is the desire of the House that the House should defer further consideration of this Bill till tomorrow, the Chair has no objection.

The Assembly then adjourned till Eleven of the Clock on Friday, the 15th March, 1940.