

25th March , 1933

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

1933

FIFTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1933



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M97LAD

Legislative Assembly.

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THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E. (Upto 7th March, 1933.)

THE HONOURABLE MR. R. K. SHANMUKHAM CHETTY. (From 14th March, 1933.)

Deputy President :

MR. R. K. SHANMUKHAM CHETTY, M.L.A. (Upto 13th March, 1933.)

MR. ABDUL MATIN CHAUDHURY, M.L.A. (From 22nd March, 1933.)

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

SIR LESLIE HUDSON, KT., M.L.A.

MR. MUHAMMAD YAMIN KHAN, C.I.E., M.L.A.

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RAI BAHADUR D. DUTT.

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MR. R. K. SHANMUKHAM CHETTY, M.L.A., *Chairman*. (Upto to 13th March, 1933.)

MR. ABDUL MATIN CHAUDHURY, M.L.A., *Chairman*. (From 22nd March, 1933.)

SIR LESLIE HUDSON, KT., M.L.A.

SIR ABDULLA-AL-MAMÜN SUHRAWARDY, KT., M.L.A.

MR. B. SITARAMARAJU, M.L.A.

MR. C. S. RANGA IYER, M.L.A.

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LEGISLATIVE ASSEMBLY.

Saturday, 25th March, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Mr. R. K. Shanmukham Chetty) in the Chair.

MEMBER SWORN:

Mr. A. Raisman, M.L.A. (Government of India: Nominated Official).

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 24th March, 1933, agreed without any amendments to the following Bills which were passed by the Legislative Assembly at its meetings held on the 20th and 21st March, 1933, namely:

A Bill to amend the Cotton Textile Industry (Protection) Act, 1930, and

A Bill to extend the operation of the Wheat (Import Duty) Act, 1931."

STATEMENTS LAID ON THE TABLE.

Mr. G. R. F. Tottenham (Army Secretary): Sir, I lay on the table the information promised in reply to supplementary question to starred question No. 513, asked by Mr. Gaya Prasad Singh on the 25th February, 1933.

THEFT COMMITTED IN FORT WILLIAM, CALCUTTA.

*513. The Court of Enquiry was of opinion that the loss was due to a theft by certain persons who forced an entry into the garage through a grille opening on to the compound of a disused magazine. The loss was reported to the police authorities who have not yet made any arrests.

2. Since the theft occurred, steps have been taken to strengthen all the outer windows and grilles on the perimeter of Fort William.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 154 asked by Sardar Sant Singh on the 8th September, 1932; and
- (ii) the information promised in reply to starred question No. 376, asked by Seth Haji Abdoola Haroon on the 20th February, 1933.

DISMISSAL OR DISCHARGE OF PERSONS FROM STATE RAILWAYS.

*154.

Statement showing the total number of subordinate inferior and workshop employees communitywise retrenched on the State managed Railways up to 15th September, 1932, due to the economy campaign.

Railway.	European.	Anglo-Indian.	Indians.	Total.	Remarks.
Eastern Bengal . .		24(a)	1,439	1,463	(a) Includes Europeans.
East Indian . . .	112	189	12,319	12,620	
Great Indian Poninsula.	45	133	5,475	5,653(b)	(b) Excludes retrenched staff who have been re-employed.
North Western . .	2	22	9,229	9,253	
Burma . . .	1	13	2,385	2,399	

SURPLUS STAFF DUE TO THE TRANSFER OF SOME ACCOUNTS WORK TO THE CHIEF ACCOUNTS OFFICER OR OTHERWISE ON THE NORTH WESTERN RAILWAY.

*376. (a) Yes, five.

(b) None, because it was found possible to employ them usefully in other capacities.

(c) and (d). One surplus clerk has been utilized in a lower post and two have been retained surplus to the cadre.

I understand that the North Western Railway Administration have hoped that normal wastage and voluntary retirements would eliminate the surplus before long.

The question is being further investigated.

(e) Yes, there are two, one in the Operating Branch who has been officiating in grade VI since the 4th October, 1929, and the other in the Personnel Branch who has been officiating since the 31st October, 1932, in a leave vacancy. None of the clerks referred to above could have been suitably replaced by the surplus accounts clerks.

(f) Yes, but these posts were created long before the clerks in grade VI were declared surplus.

(g) Yes.

(h) Subject to the provision that surplus clerks can fill with efficiency any of the posts which are held by staff in officiating capacity, efforts are made to absorb the surplus clerks in those posts and revert the officiating or temporary incumbents.

THE SALT ADDITIONAL IMPORT DUTY (EXTENDING) BILL.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The House will now resume consideration of the following motion moved by the Honourable Sir George Schuster on the 23rd March, 1933:

"That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, be passed."

Mr. Gays Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muham-madan): Sir, when I was last speaking, I attempted to show that the action taken by the Government supported by the Committee appointed by this House had resulted in a substantial displacement of foreign salt from the markets of India. This, Sir, is a move in the desirable direction, and, in support of my contention, I will just refer only to the Report from the Superintendent of Salt Revenue, Karachi, dated the 7th January, 1932, in which he supports this view. He says:

"I have the honour to say that the effect of the imposition of the additional import duty on foreign salt in stimulating the development of the Indian industry is obvious from the fact that the Karachi manufacturers were unable to dispose of their salt exported to Calcutta at a reasonable rate and, as a result, it remained stored in the *godas* until the additional duty came into force."

Later on, he said:

"that the additional import duty has helped the manufacturers considerably and has enabled them to compete with foreign salt."

In the Report of the Salt Industry Committee which was appointed by the Legislative Assembly, the effect of the imposition of the additional import duty on foreign salt has also been sufficiently indicated. This Committee is a representative Committee appointed by this House, and, in their Report issued in February, 1932, they say:

"The facts reported to us show that the methods adopted in the Salt (Additional Import Duty) Act, 1931, which was passed into law a year ago on our recommendation, have been remarkably successful in achieving the particular object of stabilising the price of white crushed salt at a level which would encourage the substitution of Indian for foreign salt and, at the same time, would avoid laying on the consumer a burden larger than was necessary to secure that object."

Sir, I need not read any more quotation on this point. I was somewhat amused to find my Honourable friend, Mr. Morgan, basing his amendment on the contention that the Liverpool salt should be exempted from this import duty, on grounds of Imperial Preference.

The history of the introduction of English salt into this country has been told on the floor of the House on previous occasions, and I will not go into details on that subject. It is only necessary for me to say, Sir, that the history of the entry of Liverpool salt into the markets of India is a history which is not creditable either to the Government of the day or to the foreign importers. It has been contended that the taste of the people of Bengal and of Bihar and Orissa is for white crushed salt which comes from foreign countries, and that the salt produced in India does not come up to the mark. In this connection I will only refer to the fact that in the year 1832, when a Select Committee of the House of Commons was appointed to report on the affairs of the East India Company, they referred

[Mr. Gaya Prasad Singh.]

to this aspect of the matter, and in their Report they state at page 89 as follows :

"As the manufacture of salt by private individuals would thus endanger the security of the revenue, it does not appear expedient to interfere with the existing regulations on that head; but it is desirable to adopt means for encouraging a supply of salt by importation in lieu of the manufacture by the Government."

Now, Sir, there was another Parliamentary inquiry which was held in 1853, when a representation was made to the authorities of those days on behalf of the Cheshire manufacturers of salt. In that representation it is stated :

"That on an average of several years past, not less than six lakhs of tons of salt had been annually made from brine and rock salt in the salt districts of Cheshire, giving employment by land and water to at least five thousand able-bodied men.

That a constant supply of salt of good quality and at reasonable prices is of the utmost importance to the extensive population of British India, particularly the lower classes, but at present they are almost entirely dependent upon the article manufactured in that country, which is impure in quality, uncertain and insufficient in supply, and costly in price. That if the salt manufactured in England could be imported into India upon the same terms as other goods, a sufficient quantity could be sent from the salt districts of Cheshire to meet the wants of that country, pure in quality, certain and sufficient in supply and low in price."

Reading between the lines, it indicates that a determined effort was made by the foreign manufacturers of salt in England to crush the indigenous salt industries of this country, and the allegation is made that the salt then manufactured in this country was not quite up to the mark, and that it was impure and mixed with dirt. Now, my contention is that the foreign salt, which they imported at that time, was deliberately mixed with dirt and then palmed off as pure quality in India. That I am not drawing upon my imagination will be borne out by the report of the Board of Revenue to the Government of Bengal in 1852. In that report the Board of Revenue stated as follows :

"Besides the reaction consequent upon the extensive clearances of 1849 and 1850 the Board think that this further diminution of quantity may partly be attributed to the increase in the importation of Liverpool *pungah*, which is of so fine a quality that it is usual to mix with it earth and other impurities in order to adapt it to the taste of the consumers, who have been habituated for ages to the use of a substance of very different appearance, and are strongly prejudiced against the undisguised foreign article."

Now, when my Honourable friend, Mr. Morgan, asked a question of my Honourable friend, the Finance Member, as to the desirability of holding an inquiry whether the Liverpool salt was in any way interfering with the manufacture of indigenous salt, the Finance Member very readily consented to undertake the inquiry as suggested. I do not allege that there was any sort of private understanding between my Honourable friend, Mr. Morgan, and my Honourable friend, the Finance Member; but the ready way in which he undertook to make an inquiry into the matter shows that the Government have still a soft corner in their hearts for the continuance of the importation of foreign salt in India. I should strongly deprecate any attempts being made to put up the theory that the Liverpool salt was not interfering with indigenous manufacture, and that it should continue to be imported into India, whether into the markets of Bengal or Bihar and Orissa or elsewhere. Sir, I take it as uncomplimentary to my countrymen, whether inhabiting Bengal or Bihar and Orissa, to say that our *tastes*

have been so vitiated that we cannot do without foreign salt. In the days of the Swadeshi agitation in Bengal, when the whole country was flooded with a wave of nationalist sentiment, the people of Bengal tried to put a ban on the importation of foreign salt by taking to swadeshi salt, along with other indigenous articles. Referring to that, the then acknowledged leader of Bengal, Mr. Surendra Nath Banerjee, later on Sir Surendra Nath Banerjee, speaking from his seat in the old Imperial Legislative Council, stated as follows:

"My memory carries me back to the days of the Swadeshi movement when we eschewed foreign salt. We vowed not to take any foreign salt. We made that vow in our mosques and in our temples and many of those who took the vow have observed it. Therefore, Sir, under a strong swadeshi impulse, which I hope will revive with the growth of responsible government we may discard the very clean salt that we are in the habit of consuming. Things are changing rapidly in India. Tastes will also change."

I, therefore, think that it is a calumny on our friends of Bengal or Bihar and Orissa to say that our tastes are so vitiated that we object to the displacement of foreign salt by indigenous manufactured salt. In this connection I should like to refer to the fact that while the gates of India have been flung wide open to the importation of salt from other countries, salt manufactured on the continent of India—it may be in Indian States—is not allowed to enter all parts of India on the same terms as foreign salt. I took this matter up with my Honourable friend, the Finance Member, and the reply which I received—I have not got a copy of it here just now—was that it was due to certain treaty engagements with States in Kathiawar. I was referring at that time to the salt of Okha and other ports of the maritime States in Kathiawar. My submission is that India possesses exceptional facilities for the manufacture of salt in this country. It has got a very salubrious climate with plenty of sunshine; and it is surrounded on most of its sides by sea and it has also got salt lakes. It is, therefore, a country which is peculiarly fitted for the manufacture of salt; and Government have been remiss in their duty hitherto in not making determined efforts to stimulate the manufacture of salt in this country, and continuing to import salt from other countries. Now that I observe that at the instance of my Honourable friend, the Finance Member, a lead has been given in this connection, I agree that the additional duty which was imposed last year should be continued for the next year as is the proposal of the Government at a reduced rate, and that it will result in the displacement of foreign salt from the markets of India without imposing any undue burden upon the consumers, and I would again, in conclusion, repudiate any suggestion that the people of my province—Bihar and Orissa—and I take it the people of Bengal also—will demur to the consumption of indigenous salt and will continue to import salt from other countries. With these few words, as I thought that the name of my province Bihar had been constantly mentioned on the floor of the House, I welcome this opportunity of stating my views and of supporting the Government in their proposals. Sir, I conclude.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): Sir, I do not propose to take up much of the time of the House. I only want to bring one fact to the notice of the House, and especially to the Members from Bengal, that in supporting this motion for passing this Bill, they will not be doing any harm to their own province. Bengal

[Mr. B. V. Jadhav.]

has not got any right to ask that they should get salt much cheaper than other provinces of India which manufacture salt. Bombay manufactures her own salt and uses it. But what are the people of Bombay required to pay? At the salt pans the manufacturers charge something between eight to twelve annas a maund for labour and interest on investment. That amounts to between Rs. 50 and Rs. 75 per hundred maunds, and besides this price the merchants who purchase from the salt pans have to pay cartage and other incidental expenses. So, the salt that comes from the salt pans of the Bombay Presidency costs something like Rs. 60 to Rs. 80 in Bombay besides the salt-tax: while Bengal is getting her salt, even with this additional duty, at the rate of Rs. 55 to Rs. 60, and Bengal is getting her salt much cheaper than either Bombay or Madras does, and, therefore, I think the Bengal people have not got any just grievance. The duty is imposed in the interests of the whole country and in order to preserve and advance the salt industry of the country, and in order to support the principle that a nation like India ought to be self-supporting in the manufacture of this necessary article. Therefore, any real sacrifice which Bengal has to make is asked in the interests of the country and, at the same time, we ought not to lose sight of the fact that even with this sacrifice Bengal is getting her salt much cheaper than the sister provinces which are manufacturing their own salt. I, therefore, support this motion.

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): Sir, I rise to support this motion. I quite agree with what my friend, Mr. Jadhav, has said that even in the Bombay City, though she produces enormous quantities of salt, it cannot be had cheaper than it can be got in Bengal. Speaking about Karachi, Sir, there are salt pans only at a distance of about six or seven miles, and even there we cannot get salt for anything less than Rs. 37 to Rs. 40 per 100 maunds.

Sir, I may tell this House that I am one of the members of the Salt Committee, and since last year I find that the Bengal and Bihar Governments are trying to abolish the salt duty, because the people are complaining that they are getting salt dearer on account of the import duty on foreign salt. But if you will go through the rate of salt prevailing in Calcutta, during the last 25 or 30 years, you will find that they are not able to get salt anything under Rs. 90 to Rs. 100 per 100 maunds. At present, on account of the depression all over the world and also on account of the reduction of prices of many other commodities, the price of salt is also reduced. I know there is a complaint from Bengal that they are paying about Rs. 88 lakhs or so on account of this new import duty on foreign salt, but when this duty was fixed, we also fixed the rate of Rs. 66 per 100 maunds, but, on account of competition even among Indian manufacturers of salt, the price has been brought down to Rs. 55, and today we are fixing the prices after the complaints from Bengal and Bihar, at Rs. 54-12-0, whereas we have also reduced the import duty from Re. 0-4-6 to Re. 0-2-6. Considering all these things, I think Bengal might get this year not more than Rs. 50 per 100 maunds of salt delivered at the Calcutta harbour. Therefore, we are giving only a little help to Indian and Aden industry. If Honourable Members will go through the import of salt from different places, they will see that within the last two years

Karachi alone has improved her salt industry and there has been an increase in the production of salt from 11,000 tons to 34,000 tons last year, and this year we expect to ship about 60,000 tons. In the same way, Kathiawar and other ports have also increased their output of salt. If Bengal refuses to support the Indian industry and if this sort of provincial jealousy is imported into this economic question, I do not know where we shall all be. Today if you will go through the export figures of rice, so far as Bengal is concerned, you will find that Aden and the Red Sea coast ports alone are purchasing from Bengal rice, jute and tea in large quantities. These ports are purchasing not merely Bengal products, but also the products of Bihar, and if Bengal refuses to support this industry, I do not know what the economic condition of these Aden and Red Sea ports will be, or how they can consume more rice, tea and jute from Bengal. We are merely trying to give a little assistance to this indigenous industry which has just been started in different ports. Therefore, I appeal to my Bengal friends that they should not oppose this measure. This is only an experimental thing to last for one year, and if we find that, as a result of this measure, Bengal is suffering, we can reconsider the matter next year. With these words, I support the motion before the House.

Mr. C. C. Biswas (Calcutta: Non-Muhammadian Urban): Sir, I did not wish to say anything, but the remarks which have fallen from my friend, Seth Abdoola Haroon, make it necessary that I should offer a few observations. It is all very well to say that Bengal is very selfish, that Bengal does not wish that other provinces should thrive, that Bengal does not wish that the Aden industry should thrive, but what has been the attitude of my friends from Karachi and other places?

The House will remember that last year as a result of the report of the Assembly Committee it was decided to hold a Conference of salt manufacturers in Simla for the purpose of considering whether a system of allotment by quotas could not be arranged. When that was done, what was the attitude taken up by our Bombay and Karachi friends? They said: "Look here, cut down the Aden supply as much as possible, give it all to us in Karachi". That was the attitude they took up. The position is this. As a matter of fact, Aden had been supplying salt to Bengal for a long time, and the one reason why Bengal has to depend upon Aden for her salt is this, that rightly or wrongly, the salt of the quality which the people of Bengal are in the habit of consuming can be had in Aden. If Bengal could take the salt produced in other parts of India, the situation would have been much easier, but we are not concerned with the question as to whether or not Bengal could be made to change her taste, as my friend, Mr. B. Das, would want it,—that is a different question altogether. For present purposes, we have got to accept this that Bengal has been accustomed to a certain quality of salt, and the question is whether it is possible to get that quality from India. The continent of India could not supply that quality, and, therefore, we had to turn to Aden. But Bengal's objection has been against the high prices which she has to pay for such salt, whether it comes from Aden or from any other source. The point which I wish to make is this. Bengal cries out, because she is hard hit, and when she cries, my friends on the other side turn round and say: "Oh, what a sorry spectacle that Bengal should thus be pitting herself against the rest of India, when it is a question of fostering the home

[Mr. C. C. Biswas.]

industry!" When, on the other hand, our Karachi friends are faced with competition, what is the attitude they take up? "Give us all, the whole of it we will supply. Cut down the other sources"; and these merchants went even so far as to say that Government should abandon the policy of developing Khewra. You remember, Sir, the main purpose of the policy which this House had accepted was that the northern Indian sources of supply should be developed, and ultimately we should have to turn to Khewra for the bulk of our supply in Bengal. So unselfish, so philanthropic, and so disinterested were my friends of Karachi that they solemnly suggested that Government should give up that policy altogether! Khewra must go, Aden must go, and only Karachi should remain—that is their attitude, Sir. Well, Bengal is not the only selfish province, but wherever self-interest is touched, there is this cry of "save us". And the cry of helping the home industry comes with ill grace from those who were not scrupulous enough to forgo unholy gains.

I do not speak of Karachi now, I turn to Aden. What did the merchants of Aden do? In 1931, the freights were actually lowered by Rs. 9 or Rs. 10 per 100 maunds. Still did Aden give to Bengal the benefit of that reduction? No, nothing of the kind. As a matter of fact, that had been overlooked at the time the Assembly Committee submitted its report. They took the figure on the basis of which the Tariff Board had worked it out. But the Aden merchants knew very well at that time that strictly speaking the prices should have been reduced by at least Rs. 9 or Rs. 10 per 100 maunds. They did not do it, they enjoyed the benefit of the reduced freights all the time. It was only when two new ports on the Red Sea started sending out supplies that the prices fell,—not as a result of internal competition as my Honourable friend, Seth Haji Abdoola Haroon, has suggested, but only because these two new ports which were not as rapacious as the older merchants of Aden,—it was only when they came in that my friends became somewhat generous and brought down the prices. Sir, every one is acting from self-interest, but it is only when Bengal cries out, because she is so hard hit, that my friends take up that high and lofty attitude! That is the position.

Pandit Ram Krishna Jha (Darbhanga *cum* Saran : Non-Muhammadan): I beg to support this motion. So far as my province goes, no Bihari will be found willing to give preference to Liverpool salt. We are all for indigenous salt, and I hope that every Indian and every official will be true to his salt. My Honourable friend, Mr. Gaya Prasad Singh, has already given all the reasons which I wanted to advance in support of this motion, and so I have nothing more to say. I support the motion.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural): I should like just to say a few words because the question of Bengal has arisen again. My Honourable friend, Mr. Jadhav, has said, and I think he is correct, that the consumers in Bengal are not paying any higher prices for salt than the consumers in other parts of India. I have made enquiries from several of my friends in this House, and it will not be correct to say that Bengal consumers are really paying a higher price than what prevails in other parts of the country.

As regards the contention of my Honourable friend, Seth Haji Abdoola Haroon, I do not see anything wrong, if Bengal cannot produce her own salt, Karachi should not supply the whole of the salt that is necessary for Bengal. I certainly desire, and in that effort I hope my Honourable friend, Mr. Biswas, will help me,—I certainly desire that there should be an attempt made in Bengal to produce the salt that she requires. But if we fail in that effort, then it is in the interests of the consumers themselves that we should not say anything against Karachi trying to supply the Bengal market.

In the Salt Committee when the question of Liverpool salt was raised, the Honourable the Finance Member took up the right attitude, because except Mr. Morgan it was nobody else's case that we should bring cheap imported salt even if it is from Liverpool. But I was a little surprised that the Honourable the Finance Member so easily acceded to the request for an enquiry. I hope that before he yields in any way to the imported Liverpool salt being free, he will allow this House an opportunity of putting their point of view. If that is conceded, I do not think we should grudge any part of India supplying our needs in Bengal unless we can produce ourselves the quantity that is necessary for us. On these grounds, I support the motion.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): I do not wish to join in the internecine war on the parochial question of salt, but what I wish to say here today is that the Italian and other foreign Governments are helping their salt manufacturers financially. It is a matter of pity that our manufacturers in this country are not so backed by our own Government. In this third Report of the Salt Committee which was a Committee of this very House, they say that the provincial representatives considered that:

"as a result of the consideration of Mr. Pitt's report, the development of local production of salt in their own provinces on an economic basis and on any substantial scale cannot be regarded as a reasonable probability."

But the Assembly Committee differ from that opinion. Yet I submit that this Report deserves very great consideration. The Committee do not also agree with the view that the development of the Northern India inland sources supply on an economic and competitive basis is possible. But, my submission is that if the Government of India give some help towards the development of the salt industry in this country, then every thing will become possible.

The Honourable Sir George Schuster (Finance Member): Sir, I should have had nothing to say on this third reading debate, because the general opinion expressed has been in favour of the motion. I only want to say one word on the question of the enquiry to which reference has been made. I am sure, the House will accept it from me that nothing has passed between me and Mr. Morgan except what took place in the Committee and on the floor of this House. I have had no private conversation with him about it at all. The question of enquiry arose, because the other day in the course of the debate I gave, as one of my reasons, why the Government would have to oppose Mr. Morgan's amendment, the fact that there had been no enquiry into the position and that obviously a proposal which raised very important issues could not be accepted without the fullest possible enquiry. When my Honourable friend then said "Will the Government inquire into the matter", I naturally agreed that there was no

[Sir George Schuster.]

objection to an inquiry being made. I should have taken the same attitude to that suggestion if it had come from any quarter of the House. I want to make it quite clear in this matter what my own view would be. The only consideration which could influence us in considering the suggestions made would be the consideration of the interests of the consumer. Whatever one's private feelings may be in the way of sympathy for British interests, so far as our official action is concerned in this particular case, we could only look at the matter from the point of view of the interests of the consumer. I conceive that it is possible that it might be established that in the interests of the consumer who requires a special quality of salt there was no object in imposing a duty on that particular salt. I only say that it is *possible*, and it is in view of that possibility that I agreed that we should departmentally inquire into the position. There is no suggestion of any elaborate inquiry. The Central Board of Revenue will try and collect evidence on the matter, and record that in their report. This report will come before the Assembly Committee on salt, and no action will be taken except after full consideration in that Committee. Nor would any action be taken except after full discussion in this House, and I feel sure that my Honourable friends opposite will appreciate the point that I have already made several times, that in this question of dealing with salt policy we have throughout merely tried to follow what we understand to be the wishes of the majority of the representatives of the public in this House. That, Sir, will continue to be our policy in this particular matter.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The question is:

"That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, be passed."

The motion was adopted.

THE INDIAN FINANCE BILL—*contd.*

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The House will now resume consideration of the Indian Finance Bill, clause by clause.

The question is that clause 5 stand part of the Bill. **Mr. S. C. Mitra.**

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhamadan Rural): Sir, I move:

"That clause 5 of the Bill be omitted."

Clause 5 of the Bill runs thus:

"With effect on and after the 1st day of July, 1933, and for three years thereafter, the Indian Stamp Act, 1899, shall be deemed to be amended in the manner specified in the Second Schedule."

With your permission, I like to move item No. 87, because it deals with Schedule II which is an integral part of this motion.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): If clause 5 is omitted, then automatically Schedule II will go.

Mr. S. C. Mitra: In that case, I move amendment No. 33 only. Clause 5 of the Bill deals with the stamp duty on cheques. There was such a duty on all cheques, but after mature consideration Government agreed that this duty should be abolished and even in the present case it is proposed only as a temporary measure. That shows that even now Government are not sure about the justice of putting any duty on cheques. In this connection I like to read from the recommendations of the Indian Central Banking Inquiry Committee where they have dealt with this matter, after considering all the relevant evidences. It appears on page 446, paragraph 668. They say:

"The increasing use of negotiable instruments of credit is a certain indication of the growth of the banking habit. The most important of such instruments is the cheque. Evidence is forthcoming from all directions of a substantial increase in the number of cheques which daily pass through the Clearing Houses. The recent abolition of the stamp duty on cheques appears to have contributed materially to a more extensive use of the cheque not only in the Presidency towns and other big commercial centres but also in the mofussil. The co-operative banks also recorded a rise in the number of new accounts opened and the cheques issued by them. There is, however, still a large portion of the population to whom the cheque system is a mystery. It has yet to understand and appreciate the facility and the security a cheque currency affords both to the drawer and the payee."

In the next paragraph, they go on to say:

"One of the most serious obstacles that impede the growth of the cheque habit in this country is the illiteracy of the people. The cheque system presupposes a certain degree of literacy which is lacking in this country. Even amongst the literate classes only a few can correctly draw up a cheque in the English language in which the cheque-books of most of the banks are printed. A single erasure or a mistake vitiates the instrument. There is, therefore, a general demand for the use of the vernacular in this and other departments of banking and we have referred to it in the chapter on Commercial Banking."

The last quotation will go to show that if there is a stamp to be affixed on each cheque in the case of these illiterate people, it will be a matter of further hardship. It is admitted that we are not accustomed to commercial habits and that our agricultural population is gradually acquiring these habits and so there should not be anything to impede it. It has been very truly said by the Honourable the Finance Member that precious metals like gold and silver are not eatables. Though it is a truism, it required more than a century for people in the West to understand this simple thing. Though the main purpose of precious metals like gold and silver is merely to serve as a medium of exchange and that people really understanding the credit system should use anything else and even mere paper, to serve as medium for barter or exchange, yet, not to speak of India, in the western countries as well, there is a hunger for these precious metals. We all wish that the time will come when people will be actuated by purely scientific ideas and that the purpose served by the precious metals may be served by paper. But that is a far off day, and anything that could be done here to accustom our people to acquire banking habit should be encouraged and the system of issuing cheques on Banks which is now getting more into vogue, should not be any way discouraged by asking people to affix a stamp of one anna on cheques; and further, the income expected from this is only rupees seven lakhs and if it is to be divided between a dozen provinces, it will be a few thousand rupees only for each province. So, from the financial point of view also, I think, there cannot be any objection from the Treasury Benches to the omission of this clause. Sir, with these words, I move my motion.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Motion moved:

"That clause 5 of the Bill be omitted."

Mr. F. E. James (Madras: European): Sir, it is a happy circumstance that finds me in agreement with my Honourable friend, Mr. S. C. Mitra,—and I hope that it may indeed be one of many occasions in the future when he and I will see eye to eye. (Hear, hear.) I desire, Sir, to support this motion for the deletion of clause 5. I would remind the House of what the Honourable the Finance Member said when he announced this particular proposal in the course of his Budget Speech. He referred to the recommendation of the Currency Commission of 1926, he referred to the Indian Central Banking Enquiry Committee to which also my Honourable friend, Mr. Mitra, referred this morning, and he went on to say:

"We, therefore, felt that we had no strong grounds on which to resist the demand which has been pressed upon us by various Provincial Governments that the stamp duty should be reimposed in order to help their revenues, and we have accordingly though somewhat reluctantly agreed to propose the re-imposition of the duty for a limited period of three years."

Now it is quite obvious to anyone reading that speech that, first of all, the Finance Member was subjected to pressure from various Provincial Governments; secondly, that he only yielded to that pressure most reluctantly; and, thirdly, that the measure of his reluctance is shown, first of all, by the smallness of the duty and, secondly, by the fact that it is limited to a period of three years. Now, I would like to make it clear that my objection to this proposal is to its principle. It may be urged by Honourable Members that as the amount is very small, yielding in a full year only Rs. seven lakhs spread over the whole of British India, it cannot bear heavily upon people in a particular province. Sir, to my mind that argument is quite beside the point. The whole principle is involved as to whether taxation should be levied on a particular form of transaction such as is represented by the cheque, and here I would place two points before the House.

My first point is that this will be definitely, at the present time particularly, a bar to the spread of the cheque habit. It cannot be beyond the knowledge of the Honourable the Finance Member that at the present time, owing to economic circumstances in the country, Banks which have in the past given their services very liberally, have had to curtail the amount of services which they have given to their constituents. He cannot be unaware, for example, that in some parts of the country Banks have been obliged to charge discounts on cheques of small amounts. Naturally, one can understand their point of view. They have had to curtail their expenses, and therefore, they have been anxious not to encourage an enormous number of small cheques coming into their offices. It is for that very reason that at this time I object to a further imposition of a burden upon a habit which should be encouraged rather than discouraged at the present time.

My second objection to this is that it involves an additional burden on business and trade, at a time when business and trade cannot bear even the smallest extra burden. I do not refer to the burden in its present incidence; I refer to the burden on principle. Once the provinces have begun to feel even a small benefit from this small levy on the cheque, the Honourable the Finance Member will be subjected to the same kind of pressure to

which he has now reluctantly yielded for an increase in the amount, and, therefore, I cannot allow this proposal to go by without objecting to it on principle. Now, I know that it may be urged that some provinces desire extra money, because they are in deficit, and we may be appealed to on the Biblical principle that we should bear one another's burdens. That may be all right in Biblical times and under Biblical conditions; but, at the present time, the provinces are bearing unequal burdens in the matter of local taxation.

Now, I represent my own community in the Madras Presidency. I do not think the Honourable the Finance Member can be fully aware of the tremendous increase in local taxation which has taken place in my Presidency during the last five or six or seven years, particularly in the taxation under municipalities and district boards. This taxation is based upon transactions. In district boards and district municipalities there is now a tax and a fairly heavy tax on companies either in respect of profits according to the Income-tax Acts, or in respect of business turn-over. In the Madras City, there is also a tax upon the paid-up capital of companies, so that a company operating through a small branch in the Madras City, whose headquarters are in Bombay, where it may have a capital of 85 lakhs, pays in the Madras City on the total amount of its capital which is held in Bombay for the whole of India. Therefore, it is not surprising that one representing business or trading (or at least a portion of it) in a province like Madras should feel that this proposal cannot be agreed to at the present time. The whole purport of the Honourable Member's Budget Speech (as he says in the last paragraph of that speech,) is that it is a great disappointment for him that he has not been able on the occasion of the last Budget of his five-year term to take for the first time the pleasant path of relaxing burdens of taxation, and that he felt it necessary to take the harder path of budgetary solvency and of retaining such taxes as were necessary to bring that about during the current year. But, Sir, reluctantly I am sure, under the most severe pressure from some provinces—who are not named in his speech, but whose identity one can guess, he has not merely stood by his previous plan, but he has subjected this kind of transaction to additional taxation. It does not affect his own Budget, and, therefore, I would appeal to him to leave this for the time being. We on this side of the House believe he is absolutely right when he says that the great need for the finances in India today is to maintain a balanced Budget; and if we were pressing anything which seriously threw that out, we should be going against our own principles. But what we say is that this does not affect central revenues at all; it affects only provincial revenues and to a very small extent. But it is the principle to which I object and I hope the House will reject this proposal by a large majority so that the responsibility of agreeing to this reluctantly may be taken off the shoulders of the Finance Member and he may reply to those Provinces which subjected him to pressure to this effect: "I did my best, but this irresponsible Assembly prevented me from carrying out your wishes and I am sorry I have not been successful." Sir, I support the amendment.

Sir Oowasji Jehangir (Bombay City: Non-Muhammadan Urban): Will the Honourable the Finance Member give his views and then again reply to the debate. It will curtail the issue.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I have also given notice of a similar amendment and I have great pleasure to associate myself with what has fallen from my Honourable friends, Mr. Mitra and Mr. James.

[Mr. K. P. Thanipan.]

Sir, the effect of this new imposition of stamp duty on cheques will not be felt in the banks working in big towns like Delhi and the Provincial Capitals like Bombay, Madras and other places, but it is in the small towns that its effect will be felt. In a comparatively small bank in my place the number of current accounts that were kept before the stamp duty was abolished was 46 while it has now gone up to 262. This clearly shows that the abolition of the stamp duty has justified itself and fostered the habit of keeping accounts in banks. I am sure, if this imposition is made, there will be less inclination among middle class people to send the money to the banks. Many banks do not give interest for current accounts, and if the cost of stamps is debited from the deposit money, it will be a deterrent indeed. Some of us are accustomed to issue cheques for small amounts like Rs. five, and when one has to pay one anna more in addition to the money one has to give, the inclination is to keep the money at home and not to send it to the bank. In this connection, I have received representations from Malabar, Madras and even from Bombay urging on me that this stamp duty should be opposed. I will not take up the time of the House by reading them all, but, with your permission, read only one telegram which I have received from our colleague and friend, Mr. Jamal Mohamed, who is unavoidably detained at Madras. He says:

"Southern India Chamber protest against restoration stamp duty on cheques. It is contrary to report of Central Banking Committee and will positively discourage banking habit."

I need add nothing more. I heartily support the motion before the House.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Does the Honourable the Finance Member wish to say anything at this stage?

The Honourable Sir George Schuster (Finance Member): I think the debate had better take its normal course.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, it is rather difficult to be enthusiastic or eloquent over the subject of cheques particularly in a thin House.

Mr. Gaya Prasad Singh: It is only on cotton that you can speak.

Mr. H. P. Mody: That is a very fascinating subject and you have not yet heard me fully. I was going on to say, Sir, that I would speak very briefly on the amendment more so as I feel that my Honourable friend may not offer any strenuous opposition to it. In a moment of weakness he has succumbed to the importunities of Provincial Governments. He knows very well that this money is not going into the coffers of the Government of India. He will have to pay it out to the Provincial Governments, and, therefore, he will be disposed to be more sympathetic towards this amendment than he would ordinarily be. I would only hope that this weakness that he has shown in dealing with Provincial Governments he would sometimes show to us also when we are suggesting something which is equally reasonable as what the Provincial Governments from their point of view have suggested.

The case for the abolition of the stamp duty has been put before the House in three speeches already and reference has been made to what the Banking Inquiry Committee has said on the subject. I would like to go back a little further than that and read to you what the Hilton-Young Commission on Indian Currency and Finance has stated in this connection which, I think, is of greater importance, because it deals with the whole issue, not from the narrow point of view as to whether more cheques will be issued or less, but what the abolition of the stamp duty would really achieve in the matter of changing the economic habits of the people. This is what the Hilton-Young Commission have stated :

"Of the other measures which are understood to be under consideration, one which appears to us likely to be particularly fruitful is the abolition of the present stamp duty on cheques. This charge is undoubtedly an obstacle in the way of the development of banking in the country. It probably tends to restrain many people from opening current accounts and so making payment by cheque instead of cash. A similar duty was at one time in force in the United States of America. It was found to be an unsatisfactory restraint upon the use of cheques and upon economy in the use of currency, and was abandoned. The abolition of the duty in India would hold out some prospect of a ready and wide adoption in the bazaars of cheques as a means of payment. This would be an appreciable step forward in the development of banking, and might well prove an important factor in bringing about a profound and still more widespread change in the economic habits of the masses."

Thus it is not a question of a few lakhs of rupees, neither is it a question of a few more cheques or a few less cheques, but it is a question of trying to bring about a profound and widespread change in the economic habits of the masses. From that point of view, the proposal of the Finance Member is a positively retrograde one, particularly in view of the fact that the Banking Inquiry Committee has made many other recommendations which have not been adopted. Instead of following them up, here is the Finance Member actually proposing to go back upon a view point on which they laid a very great stress. The Banking Inquiry Committee said that the stamp duty on bills of exchange usance bills, and the like should be done away with. In this connection, I would like to ask my Honourable friend what the use of these Committees and Commissions is. We seem to live in an age when Committees and Commissions are poured down upon us in a steady stream. When these Committees are set up, there is a mild scramble for seats on them, and they career about the country at a great expense to the tax-payer. Then they submit long reports which are accompanied by dissenting notes equally long and the Government of India print these reports and everything is finally pigeon-holed. Sometimes I wonder whether the Government Members themselves read these reports. I do not mean the whole of the Cabinet, because that is entirely out of the question. I mean the Member in charge of the Department concerned with the subject on which the report has been issued. I would very much like to put an examination paper to my Honourable friend, the Finance Member, as regards the report of the Banking Inquiry Committee. The only trouble is that I have not read the whole of the report myself. (Laughter.) But of this, I am sure, that, if my Honourable friend was set a test paper on the report of the Banking Inquiry Committee, he would egregiously fail. I think the amendment really requires no strong advocacy. It is one which the Finance Member must report as very reasonable, and I hope he will not offer any opposition to it.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Mr. President, if there is one proposal of the Government

[Diwan Bahadur A. Ramaswami Mudaliar.]

with reference to the Finance Bill which has received the universal condemnation of the country, it is the proposal to revive the duty on cheques. Indian and European concerns, Indian commercial bodies and European commercial bodies, banks run by Indians and banks run by Europeans have deluged the Members of the Legislative Assembly during the past few weeks with telegrams asking them not to support the special duty proposed.

My Honourable friend, Mr. Mody, referred to the Banking Inquiry Committee and I think the House will agree that he has not carefully studied that report. So far, at any rate, he has been perfectly frank. The Banking Inquiry Committee laid a great deal of stress on the issue that there may be no duty on cheques. They pointed out that instead of levying a duty on cheques, the cheque habit should be extended as far as possible, that Government should receive the land cess and other taxes that are paid by the people in the form of cheques and should not insist on money being conveyed to their treasuries either locally or from the headquarters and that by these means will the people be encouraged in using banks.

Now, Sir, the Finance Member at some stage or other, when that stage will come we do not know, proposes to introduce a Bill with reference to the Reserve Bank. If I understand the purpose of the Reserve bank properly, it is primarily intended to see that the trade external of this country is regulated by those policies which you know much better than I do, Mr. President, the policy of discounting in the first place and the policy of regulating the amount of trade external which goes out and comes into this country. One of the greatest helps to the Reserve Bank to function successfully is to see that the banking system of this country is linked up properly, that outside the banking system of the country there is as little volume as possible; and one of the greatest difficulties that will face any Reserve Bank is, because there is credit outside the banking system. If that credit is not to exist, it can only be by the promotion of the banking habit amongst the people and one of the things that affects materially the promotion of that habit is the practice of having current accounts in banks. A man, who has a current account, naturally tries to have his securities also in the bank, to invest in securities, so that he may have overdrafts and all that sort of investment which goes to help the Reserve Bank. Now, it seems to me that the levy of this duty will not promote that object we have in view. Sir, there is a fundamental objection which I see with reference to this duty, not that the duty has been imposed, but that the proceeds have to be distributed to the provinces. If this duty were imposed for the sake of the Central Government themselves and it was only for a short period, perhaps the objection would not be so serious as it is today. Now, what does it come to? It means that the duty has been imposed for the benefit of the various provinces under pressure from those provinces, so that when the Central Government want to remove this duty, the Central Government will not be in a position to do so. The pressure will still continue; the pressure will grow. As my friend, Mr. James, pointed out, the duty may have to be enhanced even and when the Government want to remove the duty, there will be protests from the various Provincial Governments that it ought not to be done. Therefore, the way in which the Finance Member proposes to deal with the proceeds is even more objectionable

from my point of view than the levy of the duty itself. Secondly, Sir, the reason that the Finance Member has given is that the Provincial Governments will feel that they get some relief for their overburdened provinces. It seems to me the proceeds are so small that this cannot be seriously considered. There is a story told by Addison in one of his essays in the "Spectator" that, at a time when there were many earthquakes in Ireland, he went about the streets of Ireland and found a pedlar selling pills, and Addison asked him what the pills were. And the pedlar said: "They are to prevent earthquakes". It seems to me that the financial pedlars from these provinces, which will not be named, want these pills to save themselves from financial earthquakes. The remedy is just as sure to be sound as in the case of the Irish pedlar. It seems to me, therefore, that the Finance Member does not have any case at all for the imposition of the duty. Its imposition is bad, its distribution is worse. On both these grounds, I strongly oppose this particular duty.

Sir Cowasji Jehangir: Sir, I support this motion of my Honourable friend, Mr. Mitra, on other grounds than those advocated by my Honourable friends. One of the grounds put forward is that since this money is intended to go to the provinces, the Finance Member need not put up a real fight, that the opposition should be less than it otherwise would be. I refuse to accept that argument. I take the Honourable the Finance Member, sitting as he does in the Central Legislature, to be as great a watchdog of the Provincial Budgets and the provincial purse as he is of the Central purse. After all, Mr. President, the Provincial Budgets are connected with the Central Budget. When there are deficits in the Provincial Budgets, the provinces do look to the Centre for assistance, and, therefore, to appeal to the Finance Member to be lenient with regard to the opposition case, simply because the money is not going to the Central Government but to the Provinces, is not only placing the Finance Member in an awkward position, but is taking up a line which some day the opposition may have to regret. Sir, I desire that the Finance Member should look at our point of view on its merits, and we do not bring it forward simply because the money is going to the Provinces. There may be occasions on which we may urge the Finance Member to turn his eyes towards the Provinces more seriously than he is doing at present. There are many Provinces which are in deficit; but I do agree that the amount is so small that it is an insult to offer it to some of the Province which are in need of much greater assistance. Therefore, the other arguments raised by my Honourable friends completely outweigh the argument that the provinces require assistance at this time. And looking at it from that point of view I do suggest that the Finance Member should accept the motion and close the debate.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Sir, the only object with which I rise is to invite the Finance Member to explain a few statements that he made in his speech six years ago while supporting the abolition of the duty on cheques.

An Honourable Member: That was his predecessor.

Mr. K. C. Neogy: Yes, it was his predecessor. The Honourable Member if he turns to that speech, will find that it was first of all pointed out that the loss involved was so small that the Provinces could easily be

[Mr. K. C. Neogy.]

expected to bear it. In the second place, it was further pointed out that as the Provinces concerned were being given relief by way of a substantial reduction of the provincial contributions, this particular loss should be cheerfully borne by them; that is to say, one of the conditions on which the provincial contributions were reduced in that year was the acceptance by the Provinces concerned of the loss involved in the surrender of the stamp duty on cheques. Then, the further point that was made by the Honourable Member's predecessor was that this loss would in any event be a temporary one, because he hoped to be able to bring forward proposals for a division of the head stamps into Central and Provincial, coupled with a revision of the Devolution Rules which would fully make good to the Provinces what they would give up under the head Stamps. I should like to know from the Honourable Member whether any attempt was made for the purpose of amending the Devolution Rules and giving relief to the Provinces in another direction. Then, Sir, in the present Budget Speech, the Honourable Member has said that he has to make this proposal for the reimposition of the duty as a result of the pressure that has been brought to bear on him by the different Provinces. But I find that, while seeking to give relief to the Provinces, he is incidentally going to confer some amount of benefit upon himself, because, if the Honourable Member were again to turn to the speech of his predecessor six years ago, he will find that in that very speech he admitted that the cost of abolishing the duty on other bills of exchange payable on demand will fall to Central revenues. And if the Honourable Members will turn to the Statement of Objects and Reasons of the present Bill they will find the effect of the proposed amendment set out there, as comprising not merely stamp duty on cheques, but also the re-imposition of the duty on bills of exchange which are payable on demand. If, therefore, Sir Basil Blackett was right in what he said about bills of exchange, it cannot be said that this amendment is being sought in the sole interest of the Provinces. And, then, again, I should like my Honourable friend to explain what he means when he says that the proceeds of this tax will be distributed among the Provinces. Does he intend that the proceeds not merely of the tax on cheques, which certainly do belong as a matter of right to the Provinces, but the proceeds from the duty on other bills of exchange payable on demand which, according to Sir Basil Blackett, belong to the Central Government, also are to be distributed among the Provinces? These are the various points on which I seek some enlightenment.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): Sir, in rising to support this motion, I shall assume that the Honourable the Finance Member is being pressed to put forward this proposal at the instance and for the benefit of the Provinces, and I shall further assume that if left to himself the Honourable the Finance Member would have adhered to the proposal made and accepted by this House as far back as 1927.

Honourable Members here have pointed out that the proceeds from the cheque would amount to a small figure of seven lakhs of rupees and distributed as it would be in the eleven odd Provinces, the distribution that will go to the share of each Province would be a dust in the balance. Now, compared to the advantage, the insignificant advantage, that the Provinces would get from the levy of this tax, we have to place on the other pan of the scale the inconvenience that would be caused to the public if this tax

is re-imposed. Sir, when the Honourable Sir Basil Blackett moved for the remission of this duty on cheques, he was inspired by the hope that the banking habits in this country would be greatly facilitated by the free use of cheques, subject to no taxation, and my friend, the Honourable Mr. Thampan, has pointed out that the beneficent effect of the remission of this duty on cheque has been felt not only in the towns but in the remote hamlets and that small banks have grown up and small depositors from the countryside have commenced to make free use of cheques.

Now, Sir, it is a well known fact and this fact is recorded in the pages of books on economy that the world is looking forward to the day when almost all the transactions between nations and men would be through the medium of cheques, and, so far as the Government of India are concerned, they could not be oblivious of the fact that the more the cheques, the less the currency in use, the more cheques, the less bank notes, and the more cheques, the less deterioration of their currency. Therefore, the Central Government are directly interested in fostering the banking transactions through the medium of cheques. Furthermore, the more the cheques, the less is the work for the taxing officers, because if a man brings in to a bank a bag of Rs. 2,000 or Rs. 3,000, the amount of counting, that has to be done, is a waste of so much public time; whereas, if a cheque is given payable to the Imperial Bank, the creditor is satisfied, the debtor is satisfied and the man who sits at the counter is able to utilise his time for other public work. That, I submit, is a gain to the public, a gain to the Government and a gain to the Treasury. I, therefore, submit that it is these cumulative reasons which inspired the Government of India to remit the duty on cheques. Consequently, no pressure from the Provinces alone should have sufficed to induce the Honourable the Finance Member to sponsor his proposal; his reluctance should have been far greater than what he has displayed in the speech to which we have listened and I, therefore, submit that the remission of duty on cheques, made as far back as 1927, and the beneficent effect of it, as is being felt throughout the length and breadth of the country, should continue. Honourable Members will remember that the two Expert Committees dealing with this question have blessed the proposal of the free use of cheques and I submit that time and experience have fully vindicated the anticipations that they gave expression to. I, therefore, submit that the Honourable the Finance Member should accept the motion of my Honourable friend, Mr. S. C. Mitra.

Mr. Nabakumar Sing Dudhoria (Calcutta Suburbs: Non-Muhammadan Urban): Sir, in rising to support the amendment for the entire deletion of clause 5 of the Bill, I am actuated by quite a logical and reasonable attitude in the matter. I am not concerned whether the proposal is to benefit the provincial revenues or the Central.

The stamp duty on cheques was abolished, as we all know, in 1927, on the recommendation of such a body as the Currency Commission of 1926, presided over by that eminent financier, Sir Hilton Young with the abolition of the duty, it was expected that there would be extensive use of cheques, leading to the growth of the banking habit on the part of the people. But I cannot subscribe to the view that has been adopted in the matter that the results have belied expectations, and that wider use of cheques did not actually take place. My experience is quite otherwise. The use of cheques did increase by leaps and bounds, and large numbers of people became constituents of banks than before. So long trade and commerce flourished in the land, there was no diminution in their number

[Mr. Nabakumar Sing Dudhoria.]

or decrease in their banking habit. But no sooner the decline in industries, trade and commerce came about than there was a falling-off in the number of bank constituents, and naturally along with that decrease of cheques too. Unfortunately, the Indian Central Banking Enquiry Committee took a survey of the situation just when that decline had intervened and things were getting rapidly from bad to worse, and naturally, therefore, their findings are what they could not have been otherwise in the circumstances. But the illiteracy of the people—if it is meant thereby ignorance of English on their part—did not really stand much in the way of discouraging the cheque habit, as many banks accepted entries and signatures in vernaculars along with the abolition of the cheque duty, in order to take advantage of the situation thus created to have an increase of their constituents, and also to foster the use of cheques on their part. So the theory that the cheque habit has fallen largely into disuse, notwithstanding the abolition of duty thereon for any fault on the part of the people, falls to the ground, as there is no unwillingness or cussedness on their part to use cheques, provided they have funds in banks to draw upon. Cheque habit still stands good—as good as before—and as soon as monetary conditions of the generality of the people improve, cheque habit will revive by leaps and bounds. But, Sir, it is quite another matter if Provincial Governments have pressed upon the Central Government to revert to the imposition of the duty for the sake of raising a revenue. For getting an insignificant income of seven lakhs only, which is again to be divided among the Provinces, the greater portion thereof going to Bengal and Bombay, you make up your mind to scrap up an existing arrangement, which has found universal favour with people for the last five years and has subsisting so many banks. Seven lakhs could easily have been raised from some other source, or by partially restricting the bloated expenditure, of either the Foreign, or the Political or the Military Department, where seven lakhs is merely a drop in the ocean. I would urge, therefore, that the duty should not be re-imposed and things should be allowed to remain as before, only in the interests of the very many banks, which are having an indifferent existence of late.

With these words, Sir, I beg to support the amendment and request the House to accept it, as otherwise we shall antagonise not only a large class of people, but the very many banks as well, whose welfare the Government should also look to.

The Honourable Sir George Schuster: Sir, I did not accept the suggestion which was made at an earlier stage by my Honourable friend, Sir Cowasji Jehangir, to attempt to cut short this discussion, because I was very anxious to hear what Honourable Members had got to say on the matter. I think that we may now feel that we have heard views from all sides of the House.

My Honourable friend, Mr. Mody, who has just come in, said that the subject of cheques was one on which it was very difficult to wax eloquent. But I think the House will agree that the natural ebullience of my Honourable friend's temperament or the uncheckable velocity of his tongue, got the better of him in the matter and, in spite of the subject, he has indulged us with a stimulating flow of eloquence. I think that my general feeling, listening to the discussion, is that if anything the arguments on the other side have been overstated. I fully recognise that there are arguments on the other side, but I am anxious myself to put the position before the House as I see it without any form of over-

statement on either side and as fairly as I can. The Government's view on this question, after going into it very carefully, was that although the proposed change was in principle undesirable and although in a sense it could be regarded as a retrograde step, nevertheless, on the evidence, we could not feel that we could take our stand on the ground that to re-impose the duty would administer a serious set back to the banking habit. We do not seriously believe that it will make very much difference, and, that being so, we felt that we were not on strong ground in resisting the representations which had been made to us by the Provincial Governments which are interested in the proceeds. That particular position has been the subject of some quite interesting remarks, and I have been thinking myself, as I listened to what was being said, particularly what was said by Sir Cowasji Jehangir, that we have today a sort of example, a prophetic example of what may happen very frequently under the new Constitution; because, according to the provisions as regards finance which have now been sketched out, it is very possible that a Finance Minister in the Federal Government of India will have to get up and propose all-India legislation imposing taxation at uniform rates for the whole of India, the proceeds of which will all go to the Provinces. There are a large number of taxes which have been included in what is generally known as Class III taxes which will have to be imposed by Federal legislation, but the proceeds of which will be entirely Provincial; and when proposals of that kind come forward, I presume that the representatives of the public will look at the matter partly from the point of view of the interests of India as a whole and partly from the point of view of the particular Provinces from which they come; and there may be difficult occasions when the two points of view may be in conflict. But I hope that when discussions of that kind come up, the case will always be examined on its merits and that the Federal Finance Minister will not be charged with weakness in bringing forward proposals of that kind. I must repudiate any suggestions of weakness in this matter. I confess that, as far as I am concerned, the balance in my own mind between the various considerations is an even one, and that my natural inclination is to do nothing which would discourage the banking habit. But, at the same time, one had to try and take an entirely impartial view and to consider the legitimate interests and claims of the Provincial Governments. As I have said, I feel that the practical effect of this will not be to administer a serious set back to the banking habit. I feel that the factors which in India are operating against development of this habit are different factors: that there are other factors which have very much more importance. There is, of course, the factor to which I referred in my own Budget Speech and which was referred to in the report of the Central Banking Inquiry Committee, the general illiteracy of the people. That undoubtedly is the most serious impediment to the development of the banking habit, but there are other points, and I was interested to hear what Mr. James said when he referred to the practice of many banks of charging a discount on cashing small cheques. I am quite convinced that, if that practice is widely followed, that must be a very much more serious deterrent to the development of the cheque habit than the imposition of a one-anna stamp duty on cheques can possibly be; and I believe that there are a good many other practices of that kind which are keeping India back as a banking country and the more that can be done to eliminate those practices the better. I do not believe that the imposition of a one-anna stamp duty is likely of itself to have an effect comparable to practices of

[Sir George Schuster.]

that kind. That is really our case. I need to say very little more about it. I certainly do not wish to indulge in the eloquence of an advocate in this matter. I want the House to consider the issues calmly and coolly on their merits. This particular proposal, as it has been pointed out, has no effect on our own budgetary plan. The rejection of this proposal will not upset our general financial scheme in any way. But that, I submit, should not make the House deal with the matter light-heartedly. I fully endorse what was said by my Honourable friend, Sir Cowasji Jehangir, in that matter that we must consider the interests of the Provinces and not throw this out light-heartedly, because we feel that it has no direct bearing on the business which is before us, namely, the balancing of the Central Budget.

Now, there are certain things which I have been asked to do and which, I am afraid, I cannot do. The first of them is that I cannot explain or reconcile with my present position everything that was said six to ten years ago by my predecessor. But I want to point out one inaccuracy in the remarks which were made by my friend, Mr. Neogy. He suggested that under this proposal we were going to get certain revenue for the Central Government. I was not quite able to follow on what grounds my friend had arrived at his conclusion or at his suspicion if I may put it in that way

Mr. K. O. Neogy: May I interrupt the Honourable Member for a minute? I was merely quoting the speech made by the Honourable Member's predecessor where he stated distinctly that the cost of abolishing the duty on other Bills of Exchange payable on demand will fall on the Central Government in contradistinction to the loss which will fall on provincial revenues in respect of the stamp duty on cheques. What I find is that by this Bill the Honourable Member proposes to re-impose not merely the stamp duty on cheques, but also the stamp duty on other bills of exchange referred to by Sir Basil Blackett.

The Honourable Sir George Schuster: Well, Sir, as I say, I am not able to explain off hand all that was said in that speech, but the position is that the whole proceeds of these stamp duties are provincial, and any benefit which is derived from this measure will all go to the Provinces. That, at least, is a position on which I can give definite information. There is no chance of any benefit from this proposal coming to the revenues of the Central Government. I hope, Sir, that at any rate will relieve my friend of one suspicion.

Then, Sir, another thing which I do not propose to do is to tell the Provinces, as was suggested by my friend, Mr. James, that if this measure is thrown out, that if this amendment is successful, that has been the result of the work of an irresponsible Opposition. I trust, Sir, that after they have listened to what I have said, the Opposition or any other Parties in the House will not act in an irresponsible manner. I trust they will try and record their vote in accordance with their carefully considered judgment as to what is the right course of action, and that, Sir, is all I have to say. I put this proposal before the House, and I want the House to decide upon it. Speaking for the Government, we have arrived at a certain conclusion embodied in our proposals, and I have heard nothing to weaken my own adherence to that conclusion; but Honourable Members, as I say, must vote as they think right on this matter.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Order, order. The question is:

"That clause 5 of the Bill be omitted."

The Assembly divided:

AYES—38.

Abdoola Haroon, Seth Haji.
Abdul Matin Chaudhury, Mr.
Anwar-ul-Azim, Mr. Muhammad.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Chandi Mal Gola, Bhagat.
Dudhoria, Mr. Nabakumar Sing.
Dutt, Mr. Amar Nath.
Fox, Mr. H. B.
Ghuznavi, Mr. A. H.
Gidney, Lieut.-Colonel. Sir Henry.
Gour, Sir Hari Singh.
Harbans Singh Brar, Sirdar.
Jadhav, Mr. B. V.
James, Mr. F. E.
Jehangir, Sir Cowasji.
Jha, Pandit Ram Krishna.
Krishnamachariar, Raja Bahadur G.
Kyaw Myint, U.
Misra, Mr. B. N.
Mitra, Mr. S. C.

Mody, Mr. H. P.
Muazzam Sahib Bahadur, Mr.
Muhammad.
Mudaliar, Diwan Bahadur A. Rama-
swami.
Murtuza Saheb Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. C.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Ranga Iyer, Mr. C. S.
Sadiq Hasan, Shaikh.
Sarda, Diwan Bahadur Harbilas.
Scott, Mr. J. Ramsay.
Shafee Daoodi, Maulvi Muhammad.
Sitaramaraju, Mr. B.
Suhrawardy, Sir Abdulla-al-Mámün.
Thampan, Mr. K. P.
Wajihuddin, Khan Bahadur Haji.
Ziauddin Ahmad, Dr.

NOES—51.

Abdul Hye, Khan Bahadur Abul
Hasnat Muhammad.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Amir Hussain, Khan Bahadur Saiyid.
Anklesaria, Mr. N. N.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bhuput Sing, Mr.
Biswas, Mr. C. C.
Clow, Mr. A. G.
Dalal, Dr. R. D.
Dutt, Mr. G. S.
Dutt, Mr. P. C.
Grant, Mr. C. F.
Gwynne, Mr. C. W.
Haig, The Honourable Sir Harry.
Heslett, Mr. J.
Ibrahim Ali Khan, Lt. Nawab
Muhammad.
Iahwasingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur
Sardar.
Lal Chand, Hony. Captain Rao
Bahadur Chaudhri.
Leach, Mr. A. G.
Mackenzie, Mr. R. T. H.

Metcalfe, Mr. H. A. F.
Miller, Mr. E. S.
Mitchell, Mr. D. G.
Mitter, The Honourable Sir
Brojendra.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Puri, Mr. Goswami M. R.
Rafuiddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Rastogi, Mr. Badri Lal.
Rau, Mr. P. R.
Roy, Rai Bahadur Sukhraj.
Ryan, Sir Thomas.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Seaman, Mr. C. K.
Shah Nawaz, Mian Muhammad.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna, Prashad.
Tottenham, Mr. G. R. F.
Vachha, Khan Bahadur J. B.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The 1 p.m. question is:

"That clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The question is:

"That Schedule II stand part of the Bill."

The Assembly divided:

AYES—43.

Abdul Hye, Khan Bahadur Abul
Hasnat Muhammad.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Amir Huseain, Khan Bahadur Saiyid.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Clow, Mr. A. G.
Dalal, Dr. R. D.
Dutt, Mr. G. S.
Dutt, Mr. P. C.
Grant, Mr. C. F.
Gwynne, Mr. C. W.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur
Sardar.
Lal Chand, Hony. Captain Rao Baha-
dur Chaudhri.
Leach, Mr. A. G.
Mackenzie, Mr. R. T. H.

Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Mitchell, Mr. D. G.
Mitter, The Honourable Sir
Brojendra.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raiman, Mr. A.
Rau, Mr. P. R.
Roy, Rai Bahadur Sukhray.
Ryan, Sir Thomas.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Seaman, Mr. C. K.
Sher Muhammad Khan Gakhar
Captain.
Singh, Mr. Pradyumna Prashad.
Smith, Mr. R.
Tottenham, Mr. G. R. F.
Vachha, Khan Bahadur J. B.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

NOES—48.

Abdoola Haroon, Seth Haji.
Abdul Matin Chaudhury, Mr.
Abdur Rahim, Sir.
Anklesaria, Mr. N. N.
Anwar-ul-Azim, Mr. Muhammad.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Sing, Mr.
Biswas, Mr. C. C.
Chandji Mal Gola, Bhagat.
Dudhoria, Mr. Nabakumar Sing.
Dutt, Mr. Amar Nath.
Fox, Mr. H. B.
Ghuznavi, Mr. A. H.
Gidney, Lieut.-Colonel Sir Henry.
Gour, Sir Hari Singh.
Jadhav, Mr. B. V.
James, Mr. F. E.
Jehangir, Sir Cowasji.
Jha, Pandit Ram Krishna.
Krishnamachariar, Raja Bahadur G.
Kyaw Myint, U.
Misra, Mr. B. N.
Mitra, Mr. S. C.
Mody, Mr. H. P.

Muazzam Sahib Bahadur, Mr.
Muhammad.
Mudaliar, Diwan Bahadur A. Rama-
swami.
Murtuza Saheb Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. C.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Puri, Mr. Goswami M. R.
Rajah, Rao Bahadur M. C.
Ranga Iyer, Mr. C. S.
Rastogi, Mr. Badri Lal.
Reddi, Mr. T. N. Ramakrishna.
Sarda, Diwan Bahadur Harbilas.
Scott, Mr. J. Ramsay.
Sep, Pandit Satyendra Nath.
Shafee Daoodi, Maulvi Muhammad.
Shah Nawaz, Mian Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Suhrawardy, Sir Abdulla-al-Mamūn.
Thampan, Mr. K. P.
Wajihuddin, Khan Bahadur Haji.
Ziauddin Ahmad, Dr.

The motion was negatived.

Mr. C. C. Biswas (Calcutta: Non-Muhammadian Urban): What is the effect of this amendment on clause 5?

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The effect of the decision of the House on Schedule II will be that clause 5 is rendered nugatory and Government will take the necessary steps to rectify the matter if they want to do so.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): On a point of order. May I ask whether the Assembly is entitled to give two decisions on the same point, one after the other?

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Chair does not think there is anything in that point of order.

Mr. C. C. Biswas: Is it not open to the House to act responsibly one moment and irresponsibly the next!

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): It is always open to the House to revise its decision at any stage.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The question is:

"That Schedule III stand part of the Bill."

There are certain amendments for the omission of certain items in Schedule III. The Chair proposes to take those first. No. 98, Mr. S. C. Mitra.

Mr. S. C. Mitra: Sir, I move:

"That in Part I-A of Schedule III to the Bill, entry (1) be omitted."

Entry No. 1 is:

"When the total income is Rs. 1,000 or upwards, but is less than Rs. 2,000, Rate—Four pies in the rupee."

The object of my motion is to make the assessable minimum for income-tax, Rs. 2,000 and not Rs. 1,000 as it is obtaining for the last few years. My purpose is that the poor middle class people whose income is between Rs. 1,000 and Rs. 2,000 a year may be exempted from the operation of the Income-tax Act. Now, the man whose monthly income is Rs. 83-5-3 is only exempted and, if my motion is accepted, a man whose monthly income is about Rs. 166 in round figures will not be brought within the mischief of the Income-tax law. It is well known to you and to all Members of the House what an income of Rs. 166 a month means. It can hardly cover the bare daily necessities of a poor family. Though the income-tax is levied from one man, the amount covers the expenditure of a family consisting of several members. The expenses for the sick, the educational expenses of the children and other expenses have to be met from this income. From that standpoint alone, there is very good ground why the assessable minimum should be at least Rs. 2,000. If this motion is accepted, I know there will be a loss to the Government of between 60 and 70 lakhs of rupees and we further know that, in collecting this sum, nearly Rs. 10 lakhs are spent. So the net loss will be not more than 60 lakhs.

It has been argued that some four or five hundred men who are now working in the Income-tax Department will be thrown out of employment, but we must also consider the great hardship this income-tax entails on the

[Mr. S. C. Mitra.]

whole community. These people, who pay the lowest rate of income-tax are generally very poor, have very little education, and, when they are served with notices from the income-tax officers, they cannot, even when their income is below the assessable minimum, properly represent their case so as to get themselves excluded from the operation of this Act. Sir, I understand, even *tongawallahs* in this City of Delhi are harassed by the income-tax authorities, because it is said that their income in some months may go up to more than Rs. 100. The small shop-keepers in towns and even in village-marts are all served with these notices, and a great amount of hardship is inflicted when these people cannot even fight out their true case before the income-tax authorities and this alone should be considered a very good reason why the Honourable the Finance Member should accept this motion. If it is said that in such a nicely-balanced Budget it will be difficult for the Government to accept any motion of reduction of any tax, I can only say that if the Finance Member is genuinely anxious to meet this side of the House, there will be no difficulty about his balancing the Budget.

Sir, I myself gave notice of a motion for raising the excise duty on petroleum so that Government might have a large income which now really goes into the pockets of the Burma Oil Company. Sir, permission has been refused by His Excellency the Viceroy, so I have no comments to make, but I do not know why the Honourable the Finance Member did not take it into his own head to suggest some such measure. I may refer to a speech of the Honourable Sir George Rainy on another occasion where I find that he also agrees with my views that there should not be any difference between the excise and import duty on kerosene, because the price of kerosene is fixed by the price of imported kerosene, and if there is any difference, really it does not relieve the poor consumer, but it goes into the pockets of the Burma Oil Company. My friend, Mr. Gaya Prasad Singh, might be angry with me when I talk of raising the excise duty on kerosene, but I must tell him that my first attempt had been to reduce the import duty on kerosene to the level of the excise duty, so that the poor consumer could get some relief. There, on some technical objections raised by the Honourable the Finance Member, I was not permitted to move my motion. I hoped, however, Sir, that Government would not stand on these technicalities when these questions about poor consumers are raised and that he, knowing full well my purpose, would have waived that objection, but that was not to be and then the only alternative left for me was to propose to raise the excise duty on kerosene to the level of the import duty. By that means certainly, without any burden upon the consumer, that the Government could get a few lakhs, and if they care to take money from people who can afford to pay, they can surely give relief to persons who direly need some assistance in these hard days. Sir, with these words, I commend my motion for the acceptance of this House.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Motion moved:

"That in Part I-A of Schedule III to the Bill, entry (1) be omitted."

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. President (The Honourable Mr. R. K. Shanmukham Chetty) in the Chair.

Khan Bahadur Haji Wajihuddin (Cities of the United Provinces: Muhammadan Urban): Sir, I support this amendment. The victims of this limit of Rs. 1,000 are generally those who are ignorant and cannot keep an account to show that their income is not taxable to the satisfaction of the income-tax officer. The people who generally come under this category are owners of tongas, carts, *pan* and *biri* sellers, hawkers, soda stall keepers, cycle and watch repairers, other small shop-keepers and also small commission agents. It is evident that it is not easy for people of such small amounts to keep regular accounts which may satisfy the officers concerned that their income does not come under that limit. The income-tax, being a direct tax, is itself unpopular, but the lowering of its limit is no doubt felt very much by those who are affected simply for not being able to keep proper account of their income on account of very small transactions which they do. As, in the majority of cases, they cannot prove their exemption plea, so they get victimised in this direction. Since the minimum limit has been lowered, I find there is great discontent among the people who are taxed in this country. During these times of unprecedented depression, a large number of people who used to earn over Rs. 1,000 per year do not earn even half the amount and are taxed, because they cannot keep proper accounts. Sir, I understand the net income from this tax is not much. It comes to only about 17 lakhs and causes a strong resentment and harassment to the very large number of people the majority of whom are those who are called helpless people in every respect. I, therefore, feel it my duty to support the just cause of the people of my country. With these few words, I support the motion.

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan): Sir, I also rise to support this motion. The motion seeks to take off the income-tax from persons who are having an income of Rs. 1,000 or upwards, but less than Rs. 2,000. I quite agree that this income-tax works as a hardship upon the poorer classes of the people. Only a few minutes back, when the question of the imposition of stamp duty on cheques was raised, we found big guns thundering forth in eloquence. We found men like my Honourable friend, Sir Cowasji Jehangir, Mr. Mody, Diwan Bahadur Mudaliar, and Sir Hazi Singh Gour joining hands with my friends like Mr. James and others in condemning the proposal. But now I find many of them are conspicuous by their absence, with the exception of my Honourable friends, Diwan Bahadur Mudaliar and Sir Cowasji Jehangir.

Sir, I think that this imposition of income-tax works as a greater hardship upon the poorer classes of the people, and is a worse evil than the imposition of one anna stamp on cheques which affects the comparatively richer class. I still wait to see whether my Honourable friends will be able to persuade my friends of the European group to vote on this motion, as they voted with them on the motion for the abolition of stamp duty.

Mr. S. C. Mitra: They may.

Mr. Gaya Prasad Singh: I am glad to hear that. We shall then be able to rescue this House from the reputation which it is steadily gaining that it is the capitalist House, and it caters more for the requirements of big people

[Mr. Gaya Prasad Singh.]

than of the smaller people. When proposals for the removal of taxes on things like kerosene, salt and postcards are defeated in this House, we find that the motion for the abolition of stamp duty on cheques has been successfully carried out. I quite agree that this imposition of stamp duty on cheques was also an evil, but the greater evil from the poor man's point of view is this income-tax which has been imposed upon them.

In England, there is an exemption in the case of persons who are married, and have children, and so on, but in India there is no such exemption. The English law makes that sort of salutary distinction, but the Indian law does not. There is another anomaly which exists in the Indian Income-tax law. Suppose, for instance, the income-tax free limit is Rs. 1,999—I am speaking of the former figure. Up to that limit, a man is exempt from income-tax. If his income exceeds the limit, say, by Rs. 200, then the tax is imposed not on the increased amount, but on the whole income. Now, Sir, I should like to ask, why was this exemption granted in the case of persons having an income of Rs. 2,000 or of Rs. 1,000 as at the present moment? It was granted on the ground that this sum is exactly needed for his personal and family requirements, and, therefore, no tax should be imposed on it. That I can understand to be a case of justice and equity. But when his income exceeds that limit, say, by Rs. 200, then in that case justice and fairness demand that the income-tax should be levied on the excess amount, i.e., Rs. 200 only, and not the whole amount, because the former sum was exempted on the ground that it was required for his personal and family purposes. This is a flaw which ought to have been remedied. With these words, I support the motion of my friend, Mr. S. C. Mitra.

Mr. K. P. Thampan: Sir, I have also given notice of an amendment for the same purpose and I have great pleasure to support the motion moved by my friend, Mr. Mitra. Before doing so, I may be permitted to say that some of my friends have the bad habit of unnecessarily abusing each other in the House and thereby alienating their sympathies. There was absolutely no need for my friend who sat down just now to have taken to task the so-called big guns and their thundering, because according to him, they did not sympathise with the cause he had at heart. This way of treating one's brother Members of the Assembly is not conducive to goodwill among us and is not sound. I certainly do not like it and strongly deprecate it. I now come to the subject under discussion.

The minimum of income for the purpose of income-tax was raised in the year 1931 when the country passed through extraordinary and abnormal circumstances and was intended only to meet that emergency. Along with this, several new kinds of taxes were imposed. There was the surcharge on customs and income-tax; the postal rates were increased and other fresh taxes were also imposed. Retrenchments were effected in all Departments and the salaries of Government servants were also reduced by ten per cent. We tided over the situation. Now that the state of affairs has improved and we have been able to balance our Budget, it is highly desirable to take a fresh stock of the situation and introduce remediable measures. Not only that; Government have restored five per cent. in the salary cut. If I remember aright, the Finance Member had distinctly

promised to take into consideration the revision of all these emergency taxes along with the restoration of the salary cut. Inasmuch as at least half the salary cut has been restored, it is time to see in what other respects we can give relief. The raising of the income-tax to the old minimum of Rs. 2,000 is the first item that deserves our consideration. That is the most important affecting as it does a very large number of low paid employees. Sir, you can take from those that have, and not from those that have not. Unfortunately, the policy of the Government has been to take mostly from those who have not. People whose income is only Rs. 2,000 are generally clerks and other people who are engaged in business. They do contribute their mite to the Exchequer of the State by indirect taxation. Their wants and requirements are more than those of the poorer labourers, and as every article of necessities of life are subject to tax in one form or other, they contribute their share according to their means.

If you will permit me, Sir, I will quote here from a letter that I received recently from a friend of mine who is a clerk getting Rs. 85 a month in Madras. It deals with his financial difficulty. He is employed in a workshop and has three small children, only one of whom he has to educate. If he had more grown-up children, his expenses would have been greater. He spends about Rs. 75 every month out of a salary of Rs. 85. He has to pay Rs. 13 for house-rent and has to maintain a widowed mother to whom he sends Rs. 8 a month. We need not go into the details. The rest is all spent on his household expenses, and the balance of Rs. 10 is paid into a chit fund as a provision for the daughter's marriage. His children have not even got any trinkets. If only you will look at such people, with lean and unhealthy appearance, the necessity for giving relief to them will be brought home to you. As my friend, Mr. Gaya Prasad Singh, said, income-tax in India is so framed that it does not give any kind of allowance for personal expenses and other things; it is very rigid in its application. In England, I am told, the income-tax law is very generous and gives credit to several allowances. In the *Sunday Times*, answers to income-tax queries are a regular feature, and in its issue, published on the 19th February, 1933, in answer to certain correspondent, it says:

"A single person with earned income of £125 per annum does not pay tax because he can claim the following allowances: (1) Earned income relief, one-fifth, £25; (2) Personal allowance, £100.—total, £125. Similarly a married man earning £188 pays no tax as he can claim earned income relief, £38, and personal allowance, £150. With one child the limit becomes £250 and with two children £300."

So a man with three children has not got to pay any income-tax even on £300 which is equivalent to about Rs. 4,000, while here, in India, one with a dozen children must pay his tax on an income of Rs. 1,000. In its issue of the previous week, i.e., the 12th February, I find the following instructive and interesting answer:

"Your liability to tax is: Pension, £181 less one-fifth earned income relief (£36) and personal allowance (£145) leaving nil; balance of personal allowance (£25) can be set off against net annual value of house. If you or wife were over 65 on April 5th you can claim age relief, which is further reduction of one-fifth of net annual value of house."

[Mr. K. P. Thampan.]

Then, in answer to another correspondent, it says:

"Dependent relative allowance can be claimed in respect of relative (1) who is maintained by you, (2) who is incapacitated by old age or infirmity from maintaining himself (unless widowed mother or mother in law), (3) whose income does not exceed £50 per annum. In your case you can claim allowance for mother-in-law, but cannot claim it for sister-in-law unless you can prove she is incapacitated by old age or infirmity, in which case you can also claim dependent relative allowance for her. The question of residence does not affect the matter."

That is the law in England. Sir, they are very generous in respect of essential deductions and I cannot see why Government here cannot also adopt that principle and give few allowances to those poor classes of people whose income is below Rs. 2,000, unless Government are bent on penalising and fleecing them. Sir, I have great pleasure in supporting this motion.

Sir Cowasji Jehangir : Sir, I think my Honourable friend, Mr. Gaya Prasad Singh, gave a very timely warning to Honourable Members who sit on the Opposition Benches when he reminded us that several of us were not in our places. For the last two days we have had certain experiences which go to show that many of my Honourable friends take their duties rather lightly, and if they have taken the trouble of coming all the way to Delhi, I would remind them that this House is just as pleasant a place as other buildings or houses in this Capital City of Delhi. Now, Sir, as to my Honourable friend's remarks, may I point out that he had better look a little nearer home than refer to the benches on which we sit? For the last three days I have not had the pleasure of seeing his honoured and revered Leader in his place for more than two or three minutes at a time. So much, Sir, for our presence in this House. And I would again repeat that for as many of us as happen to be in Delhi our real place is, if not in this House, at least in the lobby.

Now, Sir, coming to the question before us, I have great pleasure in supporting the motion moved by my Honourable friend, Mr. Mitra. I have no doubt that the Honourable the Finance Member desires to get all the money he can, and nobody denies that there was never a time when he needed it more. But after all it is our duty to see that the men who can least afford it should not be burdened with taxation which we can afford to relinquish. The man earning between Rs. 1,000 and Rs. 2,000 was never a wealthy man and today I venture to suggest that he is poorer than ever for a reason which, I am sure, will appeal to this Honourable House. There is only one lucky class of people in India today and they are Government servants. They have only got a five per cent. cut in their salary

The Honourable Sir George Schuster: What about their income-tax?

Sir Cowasji Jehangir : I will come to that. But there are thousands and thousands of working men who, if they have not been sacked, have had a reduction in their salary up to 50 per cent. Now, Mr. President, many of those who are earning Rs. 2,000 today were, three or four years ago, earning much more and paying income-tax on that higher amount. They have come down in the world. It is all they can do to live, to keep body and soul together at salaries ranging between Rs. 1,000 and Rs. 2,000 per year. Therefore, you are putting a tax on men who have already

suffered a considerable loss on account of depression in trade, who were liable all their service to pay income-tax, but who, although their incomes have been reduced, still unfortunately find themselves continuing to pay that tax due to the limit having been lowered to Rs. 1,000. That is my main contention for asking for the sympathy of the Honourable the Finance Member and his Honourable colleagues. Even men of that type who are earning between Rs. 1,000 and Rs. 2,000, when prosperity returns or even when normal conditions prevail in this world, will again be earning more than what they are doing today and will again pay the tax. But they have not come back to the wages which they were earning four or five years ago; when they will at least get to that level, they will again begin to pay income-tax even if the limit is raised to Rs. 2,000. Therefore, I do plead for the men who have been hard hit in more than one direction. Take the petty shop-keeper. Can it be contended that his earnings today are as much as they were three or four years ago? It may be that if we succeeded in raising the limit to Rs. 2,000, they may get off their income-tax, but I am certain that they will only be too anxious to get back to a state of affairs when the law will compel them to pay income-tax due to a rise in their incomes.

Somebody this morning was referring to the *tonga-man* in Delhi, I think. The *tonga-man*, the taxi driver and all of that class are undoubtedly earning much less than they were before. They were accustomed or got accustomed, fortunately or unfortunately, to a higher standard of living. Suddenly they find themselves come down in their earnings; and, on the top of that, they find that, by an amendment of the Act, they still have to continue paying income-tax, while, during the days of their prosperity, men, who were earning the same income as themselves today, were exempt. That is a hard state of affairs, Mr. President, and I do think that they deserve our sympathy. It is all very well for us here to say that all classes of people or most classes of people should come under the thousands of eyes of my Honourable friend, Khan Bahadur J. B. Vachha. But searching eyes as he and his Departments all over India may have, he is not going to get all that he should from this class of people. It is not an easy matter, and what has been pointedly brought to my attention by my Honourable friends, with whom I have discussed this question, is what they call the harassment, the trouble, the petty tyranny to which these men are subjected. I have no facts of my own to relate to this Honourable House, but when you try to collect taxes from men earning between Rs. 1,000 and Rs. 2,000, you will never succeed in doing it, unless you do resort to measures which they will call harassment and which in fact may be harassment and which may be necessary if you are to collect all the taxes that you should. Therefore, if a tax, for its collection in full, requires these measures and these steps which the poor cannot help thinking and believing to be harassment, I would rather wipe out that tax and do without it. You cannot blame, Mr. President, the Income-tax Officers for doing their duty. They have got to get their taxes. It is not the fault of the Income-tax Officers. It is our fault for imposing upon them a duty, which they cannot fulfil to the Government and to this country without harassment in the measures they adopt. Looking at it all round, from all points of view, I think the wisest step we can take is at least to make a bold attempt to get rid of this limit. Then, my Honourable friend, the Finance Member, will naturally turn round and ask us: how is this gap to be made up? The loss is 60 lakhs

[Sir Cowasji Jehangir.]

of rupees, I believe. The tax comes to 70 lakhs. The savings in the collection charges come to 10 lakhs, making a net loss of 60 lakhs of rupees. I believe that these are correct figures. Well, Sir, I admit, that will leave a deficit of about 18 lakhs. It is not a very big sum, and considering that the Budget is based on a very safe foundation, I would be prepared to take the risk of having a small deficit at the beginning of the year, hoping and fully believing that that deficit will be converted into a surplus as the year goes on. We may be all wrong. If we are, and if times are, worse than we believe they are, or will become worse, then, at this time next year, we shall have to consider the whole position and be prepared perhaps

for a greater extent of taxation. But as things stand today, 3 p.m. I earnestly appeal to the Benches opposite that they should agree with us that the demand we make is just and legitimate and shows on our part no sense of irresponsibility, which has become a well-known phrase now, not only on Government Benches, but the infection goes abroad and sometimes we are told in England that the Assembly, of which they have only heard, is likely sometimes to be irresponsible. My answer is, that if we are irresponsible today, we are irresponsible, because there is no responsibility on our shoulders; but I would like my Honourable friends who criticise us in that manner to cast their eyes around other Legislatures in Europe who are supposed to have had much greater experience than ours; and if they can conscientiously say that those Legislatures, with all the experience they have gathered, are more responsible in their actions with regard to finance, with regard to law and order, then, I will stand corrected. But we read in the papers every day of irresponsible actions of Legislatures and peoples in Europe, peoples who have had wide experience of Government and Legislatures. Why always continually blame us, irresponsible people as we are, of behaving irresponsibly? But, Mr. President, my contention is that in this one particular cut that we propose, we are not acting irresponsibly; we are acting responsibly to the constituencies that have sent us here: we are acting on behalf of the poorest of the poor, who are paying income-tax and, therefore, we are making a just demand, a demand that we expect every Honourable Member on this side of the House to support; and, if any of them are absent, we shall see that their constituencies know it. We have got quite accustomed to this sort of irresponsibility on this side of the House by now, and I do trust that it will cease. We have to learn to organise (Mr. Gaya Prasad Singh: "Hear, hear") and, the sooner we begin, the better; and, the sooner my friend Mr. Gaya Prasad Singh, begins to organise also, the better. With these words, I will not only appeal to my Honourable friend, the Finance Member, but I would also appeal to my Honourable friends on this side of the House to support this motion with the full belief, and with the conscientious belief that they will be acting rightly and legitimately. (Cheers.)

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Mr. President, as one who has given notice of a similar amendment, I have great pleasure in supporting the motion moved by my friend, Mr. Mitra. In doing so, I have got two very substantial and irrefutable grounds and I have also got some general grounds to urge.

In the first place, when this taxable minimum was raised from one thousand to two thousand rupees, this Assembly considered the whole question and, by a very large majority, threw out the Government proposal, and it was only with the certification of the Governor General that this has been enacted and the limit has been lowered. That is one very important ground which this Honourable House has got to consider, *vis.*, that this same House has already expressed its opinion very strongly. Then, the other substantial ground is that, in the year 1926, the Taxation Inquiry Committee had gone into the very question of incidence of income-tax and, after careful enquiry, they came to the conclusion that two thousand rupees was the proper minimum for taxation.

Then, coming to the general grounds, as the Honourable Member who spoke just before me, pointed out that the income which the Government derive from lowering this minimum is about 70 lakhs, and, to get this 70 lakhs, they have to spend over 10 lakhs. So I say that the income is not commensurate with the expenses and labour they have to incur to collect this amount. My next ground is this: generally the persons who are supposed to get incomes between one and two thousand do not keep any accounts: they do not have big shops or firms where regular accounts are being maintained: they have usually some petty shops where one generally does not maintain any regular accounts; and so the Department, in their anxiety to collect as much income-tax as possible, try to rope in all sorts and kinds of people. The tax officers ask them to produce their accounts. If they do not produce any accounts, they impose taxation: and, once the taxation is imposed, it is always there. As my Honourable friend says, many people do not have any accounts at all and, once the taxation notice is issued, it is confirmed and thus many innocent people, many people who have not really got any income which would enable them to pay, are also roped in. My next ground is that in India, on account of the joint family system which prevails, it is usually one member who earns and he has to maintain so many dependants, so many brothers and brothers' children and widows and others: he has to maintain the whole family and the income he gets will not be enough to maintain the family, much less to pay any additional income-tax. Again, though the Indian Income-tax Act is framed on the lines of the English Act, yet they do not adopt all the good features of the English Act: The English Act is always humane in its application in the matter of making allowances for the family or for any dependent relations and for children. But the Indian Act does not take any such considerations into account; and not only that. The Indian Income-tax Act does not provide for carrying forward the losses of the previous year. If a person has sustained any loss in the previous year in his petty trade or petty shop, it will not be taken into account in the next year when he gets an income of over a thousand rupees: while, in England, that is not the case. The law enables to carry forward losses for over three years and the assessee has to pay tax only for the balance of the profit, if he has got any.

The Honourable the Finance Member might say that this is not the only occasion when income-tax has been imposed on incomes of Rs. 1,000. As a matter of fact, till the year 1919, the minimum assessable income was only Rs. 1,000, and so my friend will say that we are merely going back to that old taxable income. But, Sir, circumstances have changed considerably and the standard of living of the people has also considerably

[Mr. T. N. Ramakrishna Reddi.]

changed. The wants of the people in 1919, particularly of the poorer classes and the middle classes, were very few; the generality of that class were not giving education to their children in those days; they were mostly dependent on agriculture, on lands, and so on; but, now, on account of the poor yield in agriculture, many people are educating their children, many are depending for their livelihood on earnings from clerkships, from business as petty shopkeepers, and so on, and thus people have to spend more money for the maintenance of their family. I must also point out that people now-a-days have taken to a decent method of living, and, suddenly, when the economic situation in the country has become very bad, it is not possible for them to go back to their old standard of living. Therefore, Sir, it is not a good argument to say that, because, originally the minimum assessable income was Rs. 1,000, we can now safely fix the figure at that.

There is another difficulty in regard to these small earning people. Supposing, a *tongawalla* gets Rs. 3 a day,—and this class of people have also been assessed—and his total income comes to Rs. 90 a month, and, therefore, he has to pay income-tax according to the present minimum assessable income. The question is, does he save all this Rs. 90 a month? Does he have money with which to pay the income-tax at the end of the year? No, because he has to spend these three rupees daily to meet his current expenditure, and, at the end of the month, or at the end of the year, he does not have a single pie, and when the income-tax people come round at the end of the year, he is called upon to pay Rs. 40 or Rs. 50. Now, where does he get that amount from? He has to go to the *bania* and borrow money at a very exorbitant rate of interest, and especially for these small sums I think the rate of interest is somewhere in the neighbourhood of 18 and 20 per cent. In many cases when these small people are not able to repay the loans to the *bania*, interest is accumulated and thus many people become insolvents. In the case of the salaried people, the income-tax is deducted at the source, with the result that they are able somehow to adjust their daily life, but there are many small shopkeepers, bus owners and such people who have to spend away their daily earnings on their necessities of life, with the result that at the end of the year they do not possess anything to meet the demands of the income-tax people.

Then the Honourable the Finance Member might say that the prices have come down, and so a man, who earns a thousand rupees, is in a better position to pay the income-tax. My point is, if the prices have fallen, the wants of the people have increased. Again, the Lee Concessions were given at a time when the prices were very high, but now that these prices have fallen, may I ask why these Lee Concessions should not be withdrawn by Government? If Government really take into consideration the fall in prices, certainly they ought to consider the question of withdrawing the Lee Concessions, and, if they do so, they can get lakhs and lakhs of rupees which will go some considerable way to meet their deficit. Even though the Assembly rejected this lower taxable minimum, the Finance Member then said that he could not surrender the revenue which he would get by lowering this amount. Now, Sir, the prospects are brighter, and if there is a will, the Finance Member can also find a way. As I have pointed out, he has unnecessarily made a provision

of nearly 80 lakhs for paying interest on war loan, even though the British Government have not asked him to pay interest now. Not only has he provided for payment of interest for this year, but he has also provided for December instalment of the previous year. In these days of economic depression, when the whole world is suffering, I do not see why the Finance Member should make this provision. Instead of making this provision, he could have easily accepted this amendment which would have given some relief to hundreds of people. Not only that. We also expect some relief by way of capitation charges, and, if only the Finance Member wants to give relief, he can easily do so. With these few words, I have great pleasure in supporting this motion.

STATEMENT OF BUSINESS.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Honourable Sir Brojendra Mitter will now make a statement with regard to the course of business next week.

The Honourable Sir Brojendra Mitter (Leader of the House): With your permission, Mr. President, I would like to make a further statement regarding the course of business next week. The programme we had hoped to work to has been delayed and some re-arrangement has become necessary. Government must press on with the Finance Bill and we shall resume its discussion on Monday and proceed till the Bill is disposed of in this House. At the same time, Government wish to go, as far as possible, towards meeting a desire, expressed by many Honourable Members, that the discussion on the White Paper should be continuous. We shall, therefore, put down the Demands for Supplementary Grants (which must be disposed of in the current financial year), immediately after the conclusion of the Finance Bill. If both these items of business are disposed of on Monday, the House will have Tuesday, Wednesday and Thursday for the White Paper. If, however, these two items are not finished on Monday, then, I am afraid, that the non-official day for Resolutions on Friday will interrupt the discussion of the White Paper.

THE INDIAN FINANCE BILL—contd.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I am glad that my friend, Mr. Gaya Prasad Singh, and in a more forceful manner Sir Cowasji Jehangir too referred to the empty Benches which listen to the speeches of Honourable Members, for this reason that when a few weeks ago I spoke upon one of those Bills which is not particularly popular with a certain section of the House, I was twitted with the fact that there were only empty Benches listening to my speech. I hope those gentlemen who said that will now reconsider their position and will apologise to me and say that that is generally the habit that obtains among those Benches and, therefore, it had nothing to do with my speech. I hope that at least hereafter there will not be empty Benches yawning upon Members who desire to speak.

[Raja Bahadur G. Krishnamachariar.]

Sir, I most wholeheartedly support the amendment moved by my friend, Mr. Mitra. The grievances of the income-tax payer with a small income I have repeated over and over again, and I do not want to trouble the House with one more statement regarding the same. But, Sir, there is one thing to which I would particularly invite the attention of this House as well as of the Honourable the Finance Member and it is this. I entirely agree with him when he said in one of his speeches that he made that this was not the time to look back, but that we should keep together all the available resources at our disposal, because we are not yet completely out of the wood. There is one little point that I would submit for due consideration, and that is that, in spite of that caution, in spite of that warning, my Honourable friend has been able to reduce the cut in salaries from ten to five per cent. If you can do that in one respect, why not try and do it in another respect in the case of persons who are not overflowing with resources and who are put to all those troubles that my Honourable friends have been reciting here,—I say if you can do it in respect of one matter, why could you not do it in respect of the other? My Honourable friend, Sir Cowasji Jehangir, rightly said that the Finance Member will turn round and say: "Where shall I get the money from?". I have always been holding that it is no business of mine to find out the resources from which Government could make it up. All that I want is, in the old vernacular saying, to eat the mango. It is no business of mine to count the seed. I want the mangoes to be given to me, so that I might eat them. The rest of it is the business of the person—in charge of the garden—to count the number of seeds, to see how many mangoes have been given and how many have not been given, and how many of them were useful and how many were not useful. Apart from that, I think I might submit one consideration and that is, in such a huge Budget it is not impossible to find out a few lakhs here and a few lakhs there, so as to make up this amount by which the poor man would be greatly benefited and would consequently convey his blessings to the British Government so that the seasons and other conditions may change and the Government may be faced with a better position and that the Finance Member may not be put to any very great difficulty. I am not speaking the language of flattery when I say that it is a cruel fate that has ordained my Honourable friend, the Finance Member, to be in charge of the finances of this country at a time when it is going through such a serious depression. He is by nature a philosopher; he is by nature so temperamentally that, if possible, he would bring in relief to the class of persons for whom I am pleading. I would, therefore, ask him to bring his mind to bear upon the Budget as a whole, and, when he does that, as I said, it is not impossible for him to find out the money. But whether the sources that I have indicated or the sources that I have not indicated are the proper sources or not, it is for him to find them out, but it is for me to ask for relief. In addition to the disadvantages that these small men are labouring under, the fact that the income-tax officer is really the autocrat of the situation at the present moment—those decisions that were quoted in this House when Sir Hari Singh Gour moved his Bill to amend the Income-tax Act would have convinced every one that the man who has got the best of the situation is the Income-tax Officer. As has been pointed out, these small people have not got any account, and, if they are not able to produce any accounts, what does the Act say? The Income-tax Officer shall proceed to assess the man to the best of his information and belief. Now,

he has no information, he has not any belief except his whim and he fixes a certain amount. And I should very much like to see the face of that man who could show to me or who could show to anybody that there is any provision either in the Act or in the decisions that govern the provisions of the Act, that the income so assessed by the Income-tax Officer is revisable by anybody. There is a right of appeal, there is a right of revision, there is a right to demand that the case be referred to the High Court. So far as the right of appeal or revision is concerned, you might just as well wipe out the provisions from the Act, and as for reference to the High Court it is hedged in by so many conditions that it is absolutely impossible for the man to ask for it or to get it. Why for that matter he might fling down the amount of income-tax and be done with it rather than begin by depositing Rs. 100 and then loafing about the office of the Income-tax Commissioner in a Presidency Town for months together, probably only to be told that he had no case which could be referred to the High Court. I would, therefore, submit, first because of the trouble that these men would be put to, next because he really needed relief, and lastly because another class of men have been given a certain amount of relief—I say upon these grounds that the relief that we ask for should be granted to this class of people.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I was really surprised at the announcement of the Leader of the House that we can have only one day to finish the second reading and the third reading on this Bill and the supplementary grants. Of course, we can raise the entire issue of the White Paper on the occasion of the Finance Bill and, after seven days' discussion, we can divide on the Finance Bill not on the merits of the Bill, but on the White Paper. We should not like to take that line and I hope that the Honourable the Leader of the House will not compel us to follow that course. Let us discuss the Finance Bill in the ordinary manner, and we will try to finish it as early as we can possibly do so.

Now, coming to the amendment under discussion, this morning when I got up,—and I usually get up at about 4 o'clock—there was a man sitting on my bed and he began to argue with me about this income-tax. I immediately began to lecture him and drew all my arguments from philosophy, from economy, and from every other branch of science and tried to convince him that, in these days of depression, when every country is making sacrifices, it is the duty of every individual to make some sacrifice and he, on his part, should also make a sacrifice and be willing to pay this small amount of income-tax into the coffers of the Honourable the Finance Member. He said: "Here is my income. Please prepare my Budget, and, if there be anything left of this, I am willing to pay it in the shape of income-tax or in any other form as my contribution to the State." He said that his income was Rs. 100 a month, and this represents the income of a very respectable gentleman in India. Rs. 100 is a good income and the man who gets it really mixes in good society. On an average, his family consists of himself, his wife, and about four children, and either a sister or mother, or a sister-in-law, or two or three other persons, whom he has got to support. So his family consists of ten persons. The budget for that family was this. House rent Rs. 10 at ten per cent. This is possible in Upper India, it is not possible to get a house on Rs. 10 a month in Bombay or in Calcutta, but at any rate I put down Rs. 10 for house rent.

Mr. B. V. Jadhav (Bombay Central Division : Non-Muhammadan Rural) : Not even one room.

Dr. Ziauddin Ahmad : I am told by my Honourable friend, Mr. B. V. Jadhav, who is a great authority, being an *ex-Minister* in Bombay, that not even one room can be obtained in Bombay for this amount. So, the case would be hopeless in Bombay. Barber, washerman, water carrier—Rs. 10 a month. The man must have a servant to cook his meals and look after his cow,—Rs. 10. Clothing I put down at Rs. 5 for 10 persons—it is the very minimum that you can put down. Food for 10 persons Rs. 45, medical attendance Rs. 3, then he has three children attending school, Rs. 10, and Rs. 2 is left over for his miscellaneous expenses, his travelling and social expenses. And then he asked me : "Please find money out of this for paying income-tax". I thought over the matter very carefully and tried to divert his attention and take out items here and there to pay income-tax. Then I told him that I would approach the highest authority in India, that is the Finance Member himself and ask him how to balance his Budget, so that it may not be a deficit Budget.

My Honourable friend, the Finance Member, has got methods for approaching the pockets of other people, but these poor people cannot approach the pockets of others without being guilty of moral turpitude. It is very difficult in these hard days for a man whose income is between Rs. 1,000 and Rs. 2,000 to make both ends meet. He has practically to borrow the money for his social expenses, marriage ceremonies, travelling and other things. I appeal to the Honourable the Finance Member to look into the cases of these men in a more generous spirit and see whether these men can really pay the income-tax which is demanded of them. In addition to this direct tax, they are required to pay many indirect taxes.

My Honourable friend, Sir Cowasji Jehangir, has pointed out that the loss of income under this head is a very trifling amount. It is in the neighbourhood of 50 lakhs. What is this amount compared to a total Budget of 124 crores. Now, Sir, bright days are dawning on the world and there are great prospects before us. I was reading a paper from England the other day. They say that the gloomy days are coming to an end and a new era is about to begin. In order to mark this new era, I would appeal to the Honourable the Finance Member to give this as a gift to these poor people who cannot afford to pay this income-tax.

Pandit Ram Krishna Jha (Darbhanga *cum* Saran : Non-Muhammadan) : He is appeal proof.

Dr. Ziauddin Ahmad : My friend says that any appeal to the Honourable the Finance Member is useless. Of course I do not remember any single occasion during the last five years when he cheerfully consented to forgo even one pie of his income, but I would appeal to him on this occasion to show his generosity and let these people have some bare luxuries so that they may not be driven to the necessity of borrowing this money in order to make both ends meet.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : Sir, we in this House have luxurious seats to sit upon. We have luxurious fans and we talk of the pay to the high officials. We talk of crores and lakhs and thousands, and so on, but we do not think

of the poor man outside. We find that when we talk of thousands, it means that our pay to the high officials should be retained. When we talk of lakhs, we think of custom houses and the pay of custom officers, but the case of the poor man is absolutely different. When we spread the amount of salary of Rs. 1,000 to Rs. 2,000 to 365 days we find that it comes to Rs. 2-8-0 a day in the case of Rs. 1,000 income; and, it comes to Rs. 4-0-0 when we take the 1,500 income and, when we take Rs. 2,000, it comes to Rs. 5. That is the maximum of the daily income of an individual and that poor man is asked to pay income-tax on this income of Rs. 2-8-0, Rs. 4 and Rs. 5 per day.

From the figures given by Dr. Ziauddin, you will find the suffering that a man earning Rs. 2-8-0 per day is put to. The instance of the *tongawalla*, the motor driver and people of that type has been cited. You will find that they do not earn more than Rs. 2-8-0 or Rs. 4 or Rs. 5 per day. It is very easy for us who drive motor cars to pay Rs. 2-8-0 or Rs. 5 or Rs. 10 for our petrol as we earn enough, but the earning of these poor people with large families is only Rs. 2-8-0 or Rs. 4 or Rs. 5 per day. How could they meet the expenses of illness, education, marriages, deaths, house-rent, municipal taxes, and so on. Their only course is to go to the *bania* or the *mahajan* very often. The House knows what is the condition of indebtedness of the whole country. If the poor cultivators and the labourers cannot make both ends meet, how will the new Constitution work in this country? We have to provide for the budgetary condition not only of the Government, but also of these poor people. These people have got to pay not only towards the income-tax, but they have also to pay indirect taxes like the taxation on salt, kerosene oil and other necessities of life. So I appeal to you, not only as a Member of this House, but also in the name of humanity, to consider the case of these poor people who work from morning till evening.

Major Nawab Ahmad Nawas Khan (Nominated Non-Official): What is the definition of a poor man?

Mr. Muhammad Ashar Ali: My definition of a rich man is, my friend sitting over there, and my definition of a poor man is his servant who earns Rs. 2-8-0 a day; and if my friend cannot distinguish between the two, it is not my fault. It will be the fault of every intelligent man who cannot distinguish.

The Honourable Sir George Schuster: Sir, this is a very important amendment and I am afraid that it is rather an empty and tired House. But as I regard this as one of the key-points in the debates which we are likely to have on the Budget, I must ask the House to listen to me while I state what I consider to be the essential features of the case to them.

My Honourable friend, Sir Cowasji Jehangir, when he was speaking, took up the point on which a good deal has been said in the course of these discussions as to the irresponsible nature of the Opposition. I am sure, my Honourable friend would at least concede to me that I have never dealt with the Opposition as though it had acted in an irresponsible manner. My whole desire is to convince them on the merits of the case as to what is the right course. I trust, therefore, that they will listen to me on this particular matter, if possible, with open minds. Sir, if I had had the idea put into my head, I should certainly have taken the occasion to sit on the

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bed of my friend, Dr. Ziauddin Ahmad, at 4 o'clock in the morning and take him through my own Expenditure Budget (Laughter), and ask him item by item how he proposed to cut it down, and then, again, take him through the revenue side and ask him item by item whether he thought he could put my estimates up. If I had done so, I am perfectly certain, I should have convinced him that, in the present case, we have not asked for too much money.

Now, Sir, there are a number of practical considerations I want to put before the House in connection with this amendment. The first practical point is this,—and I admit it has nothing in itself to do with the merits of the case, but in connection with what I shall have to say on the merits of the case I think it is of great significance,—if the low limit of income-tax is raised to Rs. 2,000, it will mean throwing out of employment something like one thousand Government employees. Now, that is an important practical consideration. I quite agree, of course, that if the tax is wrong and the tax has got to go, we must face that, but if there is anyone who has doubts on the question. I do submit, it is a very important consideration. It means a tremendous administrative change: and, before the House decides on this matter, I want to ask them to consider very carefully whether they are right in making that change just at the present moment. Now, the general line of argument which has been put before the House is that the tax is not a justifiable burden. Well, now, on that point I have already had occasion, in connection with other motions, to remind the House of certain facts, and I am afraid I must be guilty of repetition, and I go through those points again.

The low limit originally, as Honourable Members know, was Rs. 500 per annum, which was, after a number of years, raised to Rs. 1,000 per annum, and it was only because the general level of prices rose by 200 or 300 per cent. that in 1919 it was decided to raise the low limit to Rs. 2,000. Now, it has been said that this tax falls on the poorest of the poor. But surely those Honourable Members opposite who sympathise with the poor in India, and who often stress the point of the extremely low standard of living which prevails in this country, when they talk like that, they cannot have in mind the people with incomes of Rs. 1,000 to Rs. 2,000 per annum! Sir, in the course of the debate the other day when we were dealing with the general burden of taxation, I had occasion to remind the House of certain estimates of the national income of this country. Those were based—and I do not think any Honourable Member questions the fact—on an estimate of the average income in India at Rs. 80 per head per annum. Well, in relation to that, surely a man getting from Rs. 1,000 to Rs. 2,000 per annum is in a comfortable position. I am not arguing that there are not hard cases. There may be many hard cases, and I am quite certain that the friend who sat on Dr. Ziauddin Ahmad's bed and talked about his own family budget was one of those hard cases. But there are sufficient lawyers in this House to know that well-known saying: "hard cases make bad law"; and it would be very unwise for this House to take its ideas as to what is the proper measure of taxation at present and in times of great emergency, from a consideration of a certain number of exceptional hard cases. Now, since the low limit of income-tax was raised in 1919 from Rs. 1,000 to Rs. 2,000, there has been a tremendous fall in prices, and it is just those people in whose budget the cost of food plays so large a part who have had some benefit out of

the fall in prices. Thus, if a man getting Rs. 100 a month chose to spend Rs. 60 on daily necessities in the past, I do not think it is an unfair estimate to say that he now only has to spend about Rs. 30 per month on those same necessities; and, if that is the case, then surely there must be some margin. I would remind the House also that on an income of Rs. 1,000 a year, the tax is only about Rs. 20 a year, or about Rs. 1-12-0 per month. I know that people, who are living on a very narrow margin, find even a small sum like that difficult to find. But I do think it is an exaggeration to speak of it as a crushing burden. Now, I particularly want to ask the House to consider who are the people that pay this tax. We happen to have, dating from 1917, a fairly close analysis of the classes that actually pay this tax, and I am told by the Income-tax Department that the following percentages give a pretty accurate idea of where the tax falls. No less than about 50 per cent. of those who are assessed between these two limits are the small village money-lenders or village *banias* who are also money-lenders. Now, we have heard enough even in the course of this discussion to make it clear that that class of person is not one which commands the sympathies of the House. We know that that class of money-lender is the money-lender who advances a few rupees at a rate of interest which is calculated generally on the basis of an anna or more than one anna per rupee per month. Now, those are the people who really are acting as the greatest burden on the poorer classes of this country (Hear, hear), and I do not believe that the House wishes to exempt people of that kind from any share—any share at all—in the direct taxation which the tax-payers of this country have to bear. (Hear, hear.) Sir, I have the figures to show that 50 per cent. at least of the assesses between Rs. 1,000 and Rs. 2,000 are that class of individual. Then, another 25 per cent. are salary-earners, about ten per cent. are professional men and 15 per cent. are others—small pensioners.

Now, let us consider the position. At present an agriculturist, however small he is and however poor he is, has to pay a direct return to the State in the form of land revenue. It does not matter how small his income is. He may be making no net profit at all, yet he has to pay that form of direct taxation. All that we are suggesting in this measure is that the man who is not engaged in cultivating the land, but who is engaged in business should pay a direct tax of two per cent., not on his gross receipts, but on his net profits of the year. I maintain that to attack that as an unjustifiable burden is to ignore the whole system that prevails in the country today. And I would put that particularly to my Honourable friend, the Raja Bahadur, because I know that his sympathies lie mainly with the agricultural classes. Does he think it unfair that the small shop-keeper, the small village money-lender should be asked to pay a return of two per cent. on his profits in the form of direct taxation to the State? I would put it to the House to consider this matter very carefully, because, after all, we are at a point where great constitutional changes are impending. If the House were to throw out this measure now, what would it mean? It would mean this,—that they had expressed the opinion that, at the present moment when, everyone admits, we are living in times of extreme emergency and abnormal financial stringency, it is unfair to ask the ordinary small businessman to pay any direct taxation at all. Now, Sir, does the House want to commit itself to that principle? What is proposed in this amendment is perhaps considered by some as a first step in the general relaxation of the burden of taxation. Some of them may think: "Well, let us get this out of the way now,

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and then the way will be clear for reducing the surcharges on income-tax next year." If anyone thinks like that, I submit to him that he is taking a very dangerous line, because the whole basis of the argument depends on the assumption that things are going to get better and not merely that things are going to get better—and I want to develop this point later on—but that there will be a margin available for a substantial reduction of taxation. Now, Sir, if things do not get better and if there is no margin available for reduction of taxation, what will then be the position? The House will have committed itself to the principle that it is unfair to put any levy on the low incomes and then if more money is wanted—and I submit it will have to be raised not all in indirect taxation, for they will have to follow the principle that we followed before of distributing the burden evenly between direct and indirect taxation—if more money is wanted then, this door will be closed. The only door open will be a further increase in the surcharges on the higher incomes. I want every Member of the House to realise that. It is an argument that may appeal to some. Some may like the prospect, others may not. At least all ought to face realities. Now, Sir, I said when I was arguing on this point that it is not merely a case whether things are going to get better, but it is a case whether there is going to be any margin available for the reduction of taxation. In that connection I want to ask Honourable Members to consider what are the tasks that are to be put upon the Central Government by the constitutional plans which are now impending. I feel that in this discussion and in all discussions that are going on today, finance is being considered in an atmosphere of unreality. I tore out the day before yesterday a leader from a well known paper, the *Statesman*, where they were looking at the position from the point of view of Bengal. This is the sort of passage which occurs:

"It is the common assumption—exact calculation being as yet impossible—that Bengal's additional revenue from the jute and income-taxes will be in the neighbourhood of five crores. In general, not only in Bengal, for all the condemnation of the White Paper proposals, mouths are already watering and minds are occupied with visions of what can be done with this new wealth."

Sir, I maintain that that is a most dangerous illusion. Where is this new wealth to come from? Here we are at present just able to balance our Budget, although, as Honourable Members have pointed out and as I myself recognised in my Budget Speech, our imports and, therefore, our customs revenue stand on a level many crores higher than is justified by the position of our exports of merchandise. Yet even with that adventitious assistance we are only just able to balance our Budget. And then we have the constitutional changes impending which mean a vast amount of additional burdens. Let us take a few of the main items. Separation of Burma, which means a loss of about three crores to the Central Budget: Surrender of half the tax on jute to Bengal, a loss of about two crores to the Central Budget: Subventions to the deficit provinces—80 lakhs to Sind and 25 lakhs to Orissa: money for Assam and Bihar, altogether, say another two crores: Setting up a Reserve Bank, a loss of direct receipts of the Government from currency of something like two crores. Add all these items together. I have not got them in my head, but the total of these and other charges will come to about 11 crores. On the top of that, the Central Government are supposed to hand over more than half the income-tax, and everyone in the provinces is thinking how they are going to dispose of the share of the income-tax

which they are going to get. Sir, I am one of those who hope to see the provinces in possession of greater funds; for undoubtedly the beneficial expenditure for which the Provincial Governments are mainly responsible does need much fuller endowment than it has at present. But we have got to face realities and, unless there is going to be an entirely miraculous change of the economic position, there is not the slightest chance of the provinces getting large sums of money unless we are prepared to maintain a very high level of taxation. Now, with that prospect before the country, I would like to ask Honourable Members opposite to consider whether they are wise in cutting out a portion from the structure that we erected 18 months ago. I regard it as a very important part of that structure. I have always explained that that structure, although it looked simple, was very carefully planned so as to distribute the burden evenly, and I maintain that, if the country is in a position where it has to raise tax revenue on the present level, then it is fair that a small proportion of that revenue should be raised in the form of direct taxation from people earning incomes of from Rs. 1,000 to Rs. 2,000 per annum. If you cut that away now, you are going to cut away a very important principle.

Now, Sir, it has been argued that the amount of money involved is only a small one and that, in fact, we are now reckoning on getting a net return of only 60 lakhs. That is quite true, but I think the possibilities of this tax extend very much further than that. It has been very difficult to get the machinery going properly and I think it is quite certain that once the machine is in proper order, we shall very much expand the revenue under this head. There must be hundreds and thousands of people who are now escaping assessment and I regard it as a hopeful source of revenue, a source of revenue that might very well be expected to expand.

Sir, that is the general position. I do not want to weary the House as I may have to repeat many of these arguments again. But the main points are these: that we need the money, that this is a fair measure of taxation which, in relation to other forms of taxation, is not unduly heavy; that it hits a class that would otherwise escape very lightly at present. We are not in a position now to make sacrifices. The

4 P.M. position of the world is profoundly uncertain; our own position is particularly uncertain. Our own position looks in a way better than it really is. We have got a very long way to go before we can regard even our present position as a sure position. And when people talk about burdens of taxation, I maintain that no one in India, or very few in India,—perhaps only those who have had occasion recently to travel in other countries,—have any idea of what the condition in the rest of the world is today. People here talk about the burdens of taxation; they do not know in the least to what burdens other countries have been subjected.

I would just like to remind the House of one small instance to show the sort of thing that is going on. Take New Zealand, a country whose finances had always been extremely sound, a country which restricted its capital expenditure to productive purposes and has always maintained a good margin. To what expedients are they reduced now? They have just carried through a conversion scheme of the greater portion of their public debt. By doing that, they have reduced the interest which they have to pay, by something between one and 1½ per cent. How were they able to do it, and to what measures did they have to have recourse? They said, everyone who fails to convert, who maintains his original

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securities, will be subject to a special tax of 83½ per cent on the interest of those securities. That is how they got their conversion through. My Honourable friend, Dr. Ziauddin, asked me the other day in one of the discussions, why we had taken no further steps as regards conversion schemes, for the reduction of interest. Sir, we have done a great deal in this direction; but we prefer to bring about our reduction of interest by an improvement in the credit of Government and by giving every one who holds Government securities a fair deal and not subjecting the holders of Government securities to special discriminating and penal forms of taxation. But, if we do not keep our Budget sound, if we do not raise what is necessary in the form of taxation to meet our expenditure, then we shall have to have recourse to measures of that kind. That is the position as regards public finance.

Lastly, again to repeat the point that I made at the outset, I want to remind the House of all those serious administrative disturbances which will be brought about if a sudden change is made now. I am sure, if we are to talk in terms of hard cases, that no one would contemplate with equanimity the idea of suddenly confronting a thousand Government employees with the need of dismissal on the ground that the House has rejected this particular measure. Sir, I know that Honourable Members have thought a great deal on this and a good many of them have come to the conclusion that this is the one point on which they must oppose Government. But I hope that the voice of reason is still heard; I hope that even if many came with minds made up on this point they will take account of the arguments which I have raised and will recognise that if we are going to maintain a system of taxation adequate to the needs of the country at present, then it will throw it entirely out of balance and make a gap which we cannot easily fill if this amendment is passed.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The question is:

"That in Part I-A of Schedule III to the Bill, entry (1) be omitted."

The Assembly divided:

AYES—41.

Abdoola Haroon, Seth Haji.
 Abdul Matin Chaudhury, Mr.
 Abdur Rahim, Sir.
 Azhar Ali, Mr. Muhammad.
 Badi-uz-Zaman, Maulvi.
 Bhuput Singh, Mr.
 Biswas, Mr. C. C.
 Chinoy, Mr. Rahimtoola M.
 Das, Mr. B.
 Dutt, Mr. Amar Nath.
 Ghuznavi, Mr. A. H.
 Gour, Sir Hari Singh.
 Ibrahim Ali Khan, Lieut. Nawab
 Muhammad.
 Jadhav, Mr. B. V.
 Jehangir, Sir Cowasji.
 Jha, Pandit Ram Krishna.
 Jog, Mr. S. G.
 Kyaw Myint, U
 Lahiri Chaudhury, Mr. D. K.
 Lalchand Navalrai, Mr.
 Maswood Ahmad, Mr. M.
 Mitra, Mr. S. C.

Mody, Mr. H. P.
 Muazzam Sahib Bahadur, Mr.
 Muhammad.
 Mudaliar, Diwan Bahadur A. Rama-
 swami.
 Murtaza Saheb Bahadur, Maulvi
 Sayyid.
 Neogy, Mr. K. C.
 Parma Nand, Bhai.
 Phookun, Mr. T. R.
 Ranga Iyer, Mr. C. S.
 Reddi, Mr. T. N. Ramakrishna.
 Roy, Rai Bahadur Sukhraj.
 Sadiq Hasan, Shaikh.
 Sarda, Diwan Bahadur Harbilas.
 Sen, Pandit Satyendra Nath.
 Singh, Mr. Gaya Prasad.
 Sitaramaraju, Mr. B.
 Suhrawardy, Sir Abdulla-al-Mámūn.
 Thampan, Mr. K. P.
 Uppi Saheb Bahadur, Mr.
 Ziauddin Ahmad, Dr.

NOES—56.

Abdul Hye, Khan Bahadur Abul
Haenat Muhammad.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Amir Hussain, Khan Bahadur Saiyid.
Anklesaria, Mr. N. N.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Clow, Mr. A. G.
Dahi, Dr. R. D.
DeSouza, Dr. F. X.
Dutt, Mr. G. S.
Dutt, Mr. P. C.
Fox, Mr. H. B.
Gidney, Lieut.-Colonel Sir Henry.
Grant, Mr. C. S.
Gwynne, Mr. C. W.
Haig, The Honourable Sir Harry.
Hazlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Ismail Khan, Haji Chaudhury
Muhammad.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur
Sardar.
Joshi, Mr. N. M.
Lal Chand, Hony. Captain Rao
Bahadur Chaudhri.

Lesch, Mr. A. G.
Mackenzie, Mr. R. T. H.
Metcalfe, Mr. H. A. F.
Mifflar, Mr. E. S.
Mitra, Mr. B. N.
Mitchell, Mr. D. G.
Mitter, The Honourable Sir
Brojendra.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Nihal Singh, Sardar.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Rastogi, Mr. Badri Lal.
Rau, Mr. P. R.
Ryan, Sir Thomas.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Seaman, Mr. C. K.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar, Gupteshwar Prasad.
Singh, Mr. Pradyumna Prashad.
Smith, Mr. B.
Tottenham, Mr. G. R. F.
Vachha, Khan Bahadur J. B.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): It is always a very difficult matter for the Chair to decide in what order amendments relating to the Income-tax Schedule have to be taken. The reason for taking up the amendment that stood in the name of Mr. S. C. Mitra first was that it raised a definite issue in that he wanted to bring about a change in the taxable minimum. The Chair thinks that it will suit the convenience of the House if the next amendment, No. 92, which stands in the name of Mr. Amar Nath Dutt, is taken now, because the Honourable Member seeks to give a whole scheme in its entirety which will enable the House to judge the exact financial result of the amendment, if it is carried. If that amendment is accepted by the House, then all the other amendments go out of order, but if that amendment is rejected, then Mr. Jog and certain other Honourable Members who want to vary slightly item No. (1) will be called upon to move their amendments. The Chair thinks that it will not lead to any technical difficulties.

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

"That for all the entries in Part I-A of Schedule III to the Bill, the following be substituted:

- (1) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000—
Four pies in the rupee.
- (2) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000—
Six pies in the rupee.

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- (3) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000—
Nine pies in the rupee.
- (4) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000—
One anna in the rupee.
- (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000—
One anna and four pies in the rupee.
- (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000—
One anna and seven pies in the rupee.
- (7) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000—
One anna and eleven pies in the rupee.
- (8) When the total income is Rs. 1,00,000 or upwards—Two annas and one pie in the rupee."

[At this stage Mr. President (The Honourable Mr. R. K. Shanmukham Chetty) vacated the Chair which was occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Sir, Honourable Members will find that there is a difference of only one pie from what the Government want for income over one lakh of rupees. My No. (8) is No. (9) of the Schedule of the Honourable the Finance Member and there we find "Two annas and two pies in the rupee" while I have made it "Two annas and one pie in the rupee", that is, only one pie less. However rich we poor men may consider these people with income of one lakh of rupees—I shall begin from the last item. To deduct more than one-eighth of their income for income-tax, I think, is too high and can be hardly justified except in cases of great emergencies. Sir, it is to the rich people that we owe

The Honourable Sir George Schuster: It might perhaps be convenient to the House, Sir, if I were to tell them what is involved in the combined effect of this amendment. According to our calculation, the total loss would be 3-20 crores.

Mr. Amar Nath Dutt: Only that much! The deficit for all the items of my amendment is only 820 lakhs. It is a tax on all except those whose income is below Rs. 2,000, as my amendment does not touch them. I am surprised that the Honourable the Finance Member, who deals with hundreds of crores, should grudge this small amount of relief. Sir, curtailment of one item of extravagant expenditure can at once give us three crores. Supposing if the Lee Concession is done away with, we can get 2½ crores. Why should not these be withdrawn now as those concessions which were necessitated at a time of high prices? But at present price has gone down considerably. I think the withdrawal of Lee Concessions will enable the Finance Member to give the needed relief to the people in India.

Then there is that big question of the army expenditure. Here you can easily bring down the expenditure by another 20 crores. The proposition has been enunciated more than once on the floor of this House that the military expenditure of a country should not exceed more than one-fifth of its total revenue. That principle was accepted at the Brussels Conference where the accredited representative of the Government of India was also present and agreed to it. But let us see what would be 20 per cent. or 1/5th of the revenues of India. It would not be more than 20 crores.

An Honourable Member: What are the revenues of India?

Mr. Amar Nath Dutt: That being so, I beg to submit that it is the bounden duty of every Administration, it is the bounden duty of those who are in charge of the finances of this unfortunate country, to bring down their expenditure to a level which would be according to the principle accepted by the accredited representatives of their own Government. If they want to know how to do it, I shall be able to give the Government at least half a dozen experts on the floor of this House to advise them; but will they accept that advice? No; they will not. They will simply say: "It is not possible: we have tried our best and the best that can be done has been done in this case and we cannot accept further reduction of expenditure." I submit that that is hardly fair to the representatives of the people in this House because if we are to assent to any taxation we must be convinced of the reasonableness of the taxation and that the country is able to bear that taxation. If they do not want to hear us what was the necessity of dragging us from our homes to this far off Delhi, and then say: "We have decided all these things: what you ask for we cannot give", as if these people came here like so many beggars to ask for some money from them for their own countrymen? That is not the case. The present Constitution gave us the power to advise the Government when they commit blunders; and this is one of the greatest blunders they commit when they tax people beyond their capacity to bear it. I was talking of military expenditure. I may also remind the House that at one stroke you can reduce the expenditure, keeping intact all the paraphernalia you have got, by at least 11 crores. No less than 65,000 British soldiers are employed in India. Sir, I think Indian soldiers are capable of defending India from foreign aggression quite as well as the British soldiers. The Indian soldier fights for his own home and hearth and for peace and order of the land of his birth; while the British soldier is more or less mercenary in the sense that they can have no such sentiment for the progress of India. If you replace 55,000 of these 65,000 British soldiers by Indians, you reduce at once the expenditure by 11 crores; for we know that the cost of a British soldier is about 2,700 rupees per year while the cost of an Indian soldier is only about 700 rupees. That being so, the difference is about 2,000 rupees. If you do away with these 55,000 British soldiers and keep only 10,000 British soldiers and replace the rest by 55,000 Indian soldiers, you can save 11 crores; out of that amount, the Finance Member will get his 320 lakhs; and he will also be able to give something to the provinces for their nation-building departments. There are several ways by which these things can be done. If I were to enumerate one by one the various ways in which it can be done without any expert knowledge, without any knowledge (Laughter) of the figures—I may say that we on this side of the House appear to the other side as if we have no knowledge for governing our own country—we know that this poor country can be governed for much less a sum than is yearly voted in this House and that we can also, if we were vested with responsibility in the matter, find out the means how to do it; but even without being vested with responsibility, if we are asked to advise, we can advise them if they would only care to accept our advice and would not treat it with contempt. Bearing all this in mind, we have no alternative but to put our case before this House.

My friend, when moving his last amendment about taxing poor people, whose income is below 2,000 rupees, has said all that could be said, and I will not reiterate those arguments; but in this connection I would also respectfully submit that apart from the sum that is taken away from these poor men of their hard earned money, there is the inevitable harassment consequent upon assessment. It is all very well to say from here that there

[Mr. Amar Nath Dutt.]

is no harassment and that due consideration is shown to every one; but gentlemen who have any experience of the doings of subordinate officers will bear me out that even the highest in the land is not exempt from harassment from the ill-paid lower subordinate officers of the Government. We find one atmosphere prevailing in this House and in Imperial Delhi; here we find beginning from His Excellency the Viceroy and all the Cabinet Ministers, they are all gentlemen with whom we can talk equally and they also try to get information and knowledge from us, for what it is worth and they talk to us freely; but if we go down a little lower we do not find the same cordiality between the rulers and the ruled. Sir, you cannot form any idea as to how these lower subordinates behave with highly respectable people. They are at times very shabbily treated by these underlings. I can quote many instances, and it will take many days and weeks to narrate them. There is also another danger, Sir. We cannot say anything against these people outside the sacred precincts of this Assembly Chamber. If we say anything against these lower paid officers, then down come the Government with the machinery at their disposal and send the man who makes such statements, however true they may be, to jail. I make all these statements merely to bring to the notice of the Government how things happen in the country, because the Treasury Benches do not know the actual state of things.

The officers sometimes pitch their camps in far off villages, specially in settlement cases, somewhere in a shady grove where no food or water could be had. I know of many settlement cases which were dismissed, because many people could not reach such camps in time. Cases are postponed from week to week. If an unfortunate man happens to go to the nearest confectioner's shop, when the settlement case is called, to get some food to satisfy his hunger, the case is disposed of in his absence. This practice of hearing cases in camp is also resorted to in some cases by Income-tax Officers, which entails a good deal of hardship, as in settlement cases, and assessee's convenience should not be overlooked when cases are decided in camp like the settlement officers, for these settlement officers think themselves above all laws, and trifle with the rights of poor ryots and there is no remedy against their tyranny. But while it may be said that settlement operations have of necessity to be carried on in camps, I do not see any necessity of income-tax assessment being made in camps, which means great inconvenience to the assessee. I urge that people, with less than Rs. 2,000 income, should be exempted from income-tax as suggested in my amendment. I submit that if we are asked to advise the Government, I could give them sound advice

An Honourable Member: Nobody has asked for your advice.

Mr. Amar Nath Dutt: In that case, we can only voice for the grievances of the poor people and say that we cannot give our assent to the income-tax proposals made by Government. Sir, to ask us to assent to such exorbitant rates of income-tax is really very hard. There is also the sword of Damocles hanging over our heads,—I mean those surcharges, and with the surcharge the income-tax is 4th more than shown in the schedule. If you want to have surcharges also, it will work a great hardship. Therefore, I trust, the House will accept my amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Motion moved:

"That for all the entries in Part I-A of Schedule III to the Bill, the following be substituted :

- (1) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000—
Four pies in the rupee.
- (2) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000—
Six pies in the rupee.
- (3) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000—
Nine pies in the rupee.
- (4) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000—
One anna in the rupee.
- (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000—
One anna and four pies in the rupee.
- (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000—
One anna and seven pies in the rupee.
- (7) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000—
One anna and eleven pies in the rupee.
- (8) When the total income is Rs. 1,00,000 or upwards—Two annas and one pie in the rupee."

The Honourable Sir George Schuster: Sir, I know my Honourable friend, who moved this amendment, pretty well now, and his attitude is a matter of constant surprise to me. I realise that he is a man of very wide sympathies, but it is a great surprise to me to learn that his sympathies extend even to people with incomes of one lakh and upwards. I hardly think that my Honourable friend or the House will expect much of an argument from me on this amendment after the general exposition of the financial position which I gave in connection with the last amendment. I think the mere fact that this amendment would involve a loss of about 320 lakhs is sufficient answer, and, therefore, Sir, I must oppose this amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The question is:

"That for all the entries in Part I-A of Schedule III to the Bill, the following be substituted :

- (1) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000—
Four pies in the rupee.
- (2) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000—
Six pies in the rupee.
- (3) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000—
Nine pies in the rupee.
- (4) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000—
One anna in the rupee.
- (5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000—
One anna and four pies in the rupee.
- (6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000—
One anna and seven pies in the rupee.
- (7) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000—
One anna and eleven pies in the rupee.
- (8) When the total income is Rs. 1,00,000 or upwards—Two annas and one pie in the rupee."

The motion was negatived.

Mr. S. G. Jog (Berar Representative): Sir, I beg to move:

"That in Part I-A of Schedule III to the Bill, for entry (1) the following be substituted:

(1) When the total income is Rs. 1,500 or upwards, but is less than Rs. 2,000—
Four pies in the rupee."

Up till now we thought that the new imposition of additional taxation would only be temporary and that we would go back very soon to the old days when the assesseees were enjoying relief up to Rs. 2,000. The Honourable the Finance Member made a fighting speech in his reply. He gave us a long homily about sound finance and he hinted that in the near future there was no chance of relief for these poor men and that the additional taxation would form part of a permanent programme. He said that people getting incomes between Rs. 1,000 and Rs. 2,000 should contribute to the general finances and that it was not good policy that this class of people should be exempted from this direct taxation. He gave us the instance of New Zealand and other countries where the finances are not sound. He said that a conversion scheme was carried through there. But has my Honourable friend taken into account the position of the Government servants in other countries? Are Government servants in those countries getting the same fat pay as they are getting in India? If he quotes the instances of other countries in one respect, is he not bound to follow them in other respects also? In his programme the Finance Member has made one mistake and he has unnecessarily landed himself in trouble by showing his solicitude for the services. If the emergency did exist, there was absolutely no reason for making a slight change in some portion of the programme by a restoration of the cut to the extent of five per cent. By showing his attitude of partiality towards a particular class, he has alienated the sympathies of other people. I must make it clear that I have no grudge whatsoever towards the services, towards the people getting small pay, but when the Finance Member thought it fit to give some relief to the services, was he not bound also to attend to the conveniences of the other middle class people, people getting incomes between Rs. 1,000 and Rs. 2,000?

[At this stage Mr. President (The Honourable Mr. R. K. Shanmukham Chetty) resumed the Chair.]

If he wanted to maintain the necessity of sound finance, and if the emergency has not ceased, I think he should have meted out equal treatment to all, and if he had maintained the whole programme intact, this side of the House would not have taken objection. But having shown partiality towards one particular class, when he says that the emergency still exists, there is absolutely no reason why he should have had recourse to the restoration of the cut by five per cent. Having done that, the Finance Member has shown some sympathy towards the service class, and I insist upon him that, at the same time, similar sympathy on grounds of equity, or call it compromise or accommodation, should be shown to the other classes. I know the effect of lowering down of the income-tax limit so far as my province is concerned, and I think it is the same in the case of the other provinces also—the lowering down of the limit has hit the middle class people, small traders and other people very hard. You have reduced the taxable limit to Rs. 1,000, but in actual experience people getting incomes of even Rs. 600 or Rs. 700 have been brought under the operation of the Act and they have also been

taxed. As has been pointed out by some of my Honourable friends, these people do not keep any accounts, and if the income-tax officer says: "My information is that your income is Rs. 1,000 and you are liable to income-tax", the poor man cannot but pay the tax. If he goes in for review or revision, he has got to spend another Rs. 15 or Rs. 20 for legal help and for moving the Income-tax Department, with the result that probably in no case is relief given. So, ultimately the poor man has got to submit to the summary decision of the Income-tax Officer. The Income-tax Officer in his enthusiasm does not always take a view lenient to the assessee, because he is interested in seeing that income-tax collections are satisfactory to Government.

It is no doubt true that the Finance Member has presented a very alarming picture before the House; he said that if this tax was reduced or if the limit was reduced, it might be difficult to give subvention to this province and to that, which were in a deficit. But if he thinks that it is necessary to have some direct taxation, some sacrifice from this class of people, is it not necessary that the higher service people should also come forward with a spirit of sacrifice in this national calamity? But they want to enjoy all the rights and privileges, and, at the same time, they want all these small people on whom there is already such a heavy burden—they have to educate their children, educational charges have been increased, the postal charges have been increased, railway charges have been increased, and another thing is that there is a lot of unemployment, many people have been retrenched from the services, and that is also a burden on people getting these small incomes—in spite of that, the Finance Member wants that these small traders, these small classes of people should sacrifice and contribute towards the country's finances, but, at the same time he does not say that the people who are getting more pay and are enjoying all the luxuries and amenities of life should come forward and show a spirit of sacrifice. I submit that if he expects any sympathy from us, it is his duty to set an example by showing a spirit of sacrifice. Instead of doing that, he has hit the other people hard.

My Honourable friend has asked us to think of the realities. I for one can say that I am in touch with realities much more than the Finance Member himself. I know the position of the middle class families. I know the condition of the middle class people, what sort of difficult times they are going through and how difficult they find it to pay this income-tax and how they are driven to borrow money and how many families have been ruined. Nothing has made the Government more unpopular in these days than this lowering of the taxable minimum. However, looking to the practical side of the question, we also see the difficulty in which the Finance Member finds himself and I think he would do well to show a spirit of compromise, adjustment and accommodation and, it is in that light, I have placed this constructive suggestion before this House. While we realise the difficulty of the Government, Government should also realise the difficulty in which these poor tax-payers find themselves. While you give relief to your services in the matter of the cut in pay, you must also raise the minimum and I have suggested that incomes below Rs. 1,500 should be exempted. I have not worked out exactly as to what would be the deficit under the arrangement I have suggested, but I submit, in all equity, fairness and justice to the interests of these poor people, you should agree to this compromise which I have suggested. I must congratulate my Honourable friend, Sir Cowasji Jehangir, who, although he is a capitalist, has the interests of the poor at

[Mr. S. G. Jog.]

heart. He made a strong appeal on behalf of these men, and although the House turned down the previous amendment, I hope they will accept the compromise which I have suggested. Although Government were not able to give full relief, I hope they will at least give partial relief as suggested by my amendment. It is also a matter of great satisfaction to me that my friend, Mr. James, is imbued with a desire to help the cause of these poor men and I am glad to find that he has also given notice of a similar amendment. I hope his Group will follow into the same lobby with me.

As regards the condition of the finances, it is only yesterday that I read in the paper about the action proposed to be taken in the United States. I think the Finance Member knows about it. He has made provision in his Budget for the payment of war debts. As a shrewd financier and a shrewd man, he thought it right to make this provision for war debts, but this is what I find in the papers. I will read the whole thing for the information of the House:

"Notwithstanding that President Roosevelt proposes to ask Congress to appoint a War Debt Committee to advise him how to deal with foreign debts, it is stated that the President of the United States is seeking power to defer payment due on June 15."

If this comes to pass, then India also requires some relief and this question of war debts will be solved very considerably and will give a good deal of margin in the financial programme. With these words, I again appeal to the Government to accept my amendment. If they do not, they must be prepared to face the consequences and, if they lose this opportunity, they will unnecessarily alienate the sympathies of this side of the House and if they do not yield in this case, it will show an attitude of adamantness on their part. With these words, I move my amendment.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty):
Motion moved:

"That in Part I-A of Schedule III to the Bill, for entry (1) the following be substituted:

'(1) When the total income is Rs. 1,500 or upwards, but is less than Rs. 2,000—Four pias in the rupee'."

The Assembly then adjourned till Eleven of the Clock on Monday, the 27th March, 1933.