

11th April 1933

THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

VOLUME IV, 1933

(31st March to 12th April, 1933)

FOURTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1933



SIMLA
GOVERNMENT OF INDIA PRESS
1933

Legislative Assembly.

President :

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.)

Panel of Chairmen :

SIR HARI SINGH GOUB, KT., M.L.A.

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.

Secretary :

MR. S. C. GUPTA, C.I.E., BAR.-AT-LAW.

Assistants of the Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

RAI BAHADUR D. DUTT.

Marshal :

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

Committee on Public Petitions :

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.

CONTENTS.

VOLUME IV.—31st March to 12th April, 1933.

PAGES.	PAGES.
FRIDAY, 31ST MARCH, 1933—	
Unstarred Questions and Answers 2893—2904	
Statement of Business .. 2904—05	
Statements laid on the Table 2905—08	
Proposals for Indian Constitutional Reform—Adopted 2908—78	
SATURDAY, 1ST APRIL, 1933—	
Questions and Answers .. 2979—3037	
Unstarred Questions and Answers 3037—40	
Motion for Adjournment—Whole-sale arrests in connection with the Congress Session at Calcutta Negatived .. 3040, 3069—92	
Message from the Council of State 3040	
The Indian Income-tax (Amendment) Bill—Amendment of section 4—Presentation of the Report of the Select Committee .. 3040—46	
Resolution re Release of Mr. Gandhi, Mufti Kifaetullah and other Political Prisoners—Discussion not concluded .. 3046—69	
MONDAY, 3RD APRIL, 1933—	
Questions and Answers .. 3093—3103	
Statements laid on the Table 3103—04	
The Indian Tariff (Ottawa Trade Agreement) Supplementary Amendment Bill—Passed as amended 3104—24	
The Provincial Criminal Law Supplementing Bill—Discussion not concluded .. 3124—54	
Appendix .. 3155	
WEDNESDAY, 5TH APRIL, 1933—	
Questions and Answers .. 3157—76	
Unstarred Questions and Answers 3177—79	
The Provincial Criminal Law Supplementing Bill— <i>contd.</i> 3179—3227	
Statement of Business .. 3227	
FRIDAY, 7TH APRIL, 1933—	
Members Sworn .. 3229	
Questions and Answers .. 3229—43	
Statements laid on the Table 3243—53	
The Provincial Criminal Law Supplementing Bill—Passed as amended .. 3254—68	
The Auxiliary Force (Amendment) Bill—Passed as amended 3268—72	
The Indian Merchant Shipping (Amendment) Bill—Discussion not concluded .. 3272—3303	
SATURDAY, 8TH APRIL, 1933—	
Message from the Council of State 3305	
The Indian Merchant Shipping (Amendment) Bill—Discussion not concluded .. 3305—15, 3316—75	
Statement of Business .. 3315—16	
The Safeguarding of Industries Bill—Introduced .. 3375	
The Indian Tariff (Amendment) Bill—Introduced .. 3375	
MONDAY, 10TH APRIL, 1933—	
Questions and Answers .. 3377—3401	
Unstarred Questions and Answers 3401—05	
Statements laid on the Table 3405—08	
The Indian Income-tax (Second Amendment) Bill—Presentation of the Report of the Select Committee .. 3411	
The Indian Merchant Shipping (Amendment) Bill—Passed as amended .. 3411—35	
The Indian Income-tax (Amendment) Bill—Discussion not concluded .. 3435—72	
Appendices .. 3473	

PAGES.	PAGES.
TUESDAY, 11TH APRIL, 1933—	WEDNESDAY, 12TH APRIL, 1933—
Short Notice Questions and Answers 3475—76	Questions and Answers .. 3547—52
Message from the Council of State .. 3476	Short Notice Questions and Answers 3552—54
The Indian Income-tax (Amendment) Bill—Passed as amended 3477—3532	Unstarred Questions and Answers 3554—56
The Safeguarding of Industries Bill—Discussion not concluded 3532—46	The Safeguarding of Industries Bill—Passed 3557—96
	The Indian Tariff (Amendment) Bill—Passed 3587—98
	The Indian Medical Council Bill—Referred to Select Committee 3588—3625
	The Indian Merchant Shipping (Second Amendment) Bill—Discussion on the motion to refer to Select Committee not concluded 3625—33

LEGISLATIVE ASSEMBLY.

Tuesday, 11th April, 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.

SHORT NOTICE QUESTIONS AND ANSWERS.

LETTER ALLEGED TO HAVE BEEN WRITTEN BY MAHATMA GANDHI TO HIS EXCELLENCY THE VICEROY.

Mr. B. Das: (a) Has the attention of Government been drawn to the contents of a letter believed to have been written by Mahatma Gandhi to H. E. the Viceroy as published in the *National Call* of the 9th April, 1933, giving his views on the White Paper and the terms of Congress co-operation?

(b) Will Government be pleased to state whether the communication in question has been received, and, if so, what action Government have taken or propose to take on the offer made in Mahatmaji's letter?

(c) Will Government please lay on the table the whole correspondence preceding and following the letter in question?

(d) Are Government prepared to allow Mahatma Gandhi facilities to meet his Congress friends to enable him to express the authorised viewpoint of the Congress regarding the present constitutional proposals?

(e) Do Government propose to release Mahatma Gandhi and other Congress prisoners in view of the offer made by Mahatmaji in the letter in question?

Shall I put the second question also now?

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Does the Honourable the Home Member want to give a comprehensive answer to the two questions?

The Honourable Sir Harry Haig: I propose, Sir, to answer the two questions together.

LETTER ALLEGED TO HAVE BEEN WRITTEN BY MAHATMA GANDHI TO HIS EXCELLENCY THE VICEROY.

Mr. B. Das: (a) Has the attention of Government been drawn to the first page of the *Bambay Chronicle*, dated the 8th April (Saturday), which contains important extracts from a letter written by Mahatma Gandhi regarding the White Paper proposals?

(b) If so, will Government be pleased to state the date of the communication, the channel through which it was despatched and when it reached the addressee?

(c) Will Government be pleased to state their attitude in regard to the peace offer made by Mahatma Gandhi?

The Honourable Sir Harry Haig: With your permission, Sir, I will answer these two questions together. I shall deal only with the original article which appeared in the *Bombay Chronicle*, and not with summaries or reproductions of it which have appeared in other newspapers. The article stated that it had been decided to ask Mr. Gandhi to give the Viceroy a statement of his views on the present situation and the proposals which emerged from the Third Round Table Conference and are now embodied in the White Paper. The *Bombay Chronicle* stated that it was able to reveal to the public the material portions of the statement which Mr. Gandhi, in conformity with this request, addressed to the Viceroy.

There is no truth whatever in these statements. Neither His Excellency the Viceroy nor the Government of India asked Mr. Gandhi to give his views on the present situation or on the proposals which emerged from the Third Round Table Conference or on the White Paper. Nor did Mr. Gandhi, on his own initiative, address any such statement to His Excellency the Viceroy or the Government of India.

As the whole basis of the question is imaginary, I do not think it necessary to enter into the incidental points raised, but, in any case, I have nothing to add to the general statement of policy which I made in my speech in this House on the 1st April.

Mr. S. G. Jog: Will Government be pleased to make an inquiry as to how this report originated?

The Honourable Sir Harry Haig: I am afraid I cannot undertake to make any such inquiry.

Mr. S. C. Mitra: Have the Government of Bombay received any such letter?

The Honourable Sir Harry Haig: No, Sir. The Government of Bombay have received no such letter.

MESSAGE FROM THE COUNCIL OF STATE.

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

"I am directed to inform you that the Council of State has, at its meeting held on the 10th April, 1933, agreed without any amendment to the following Bills which were passed by the Legislative Assembly at its meeting held on the 7th April, 1933, namely:

1. A Bill to supplement the provisions of the Bengal Public Security Act, 1932, the Bihar and Orissa Public Safety Act, 1933, the Bombay Special (Emergency) Powers Act, 1932, the United Provinces Special Powers Act, 1932, and the Punjab Criminal Law (Amendment) Act, 1932, for certain purposes;
2. A Bill further to amend the Auxiliary Forces Act, 1920, for certain purposes."

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

(AMENDMENT OF SECTION 4.)

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The House will now resume consideration of the Indian Income-tax (Amendment) Bill (Amendment of section 4).

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

"That the Bill, as reported by the Select Committee, be recommitted to the Select Committee with respect to clause 2 (b) thereof, and the amendment made by it."

Sir, yesterday when I moved my amendment No. 2, a friend of mine on this side of the House, Mr. Biswas, charged us with following dilatory tactics. I must put in a strong protest against that insinuation.

In placing my amendment before the House, I must make it clear that it makes no reflection in any way on the members of the Select Committee. I have no mind to cast any reflection or aspersion on the Honourable Members who formed that Committee. I find, however, that the way in which the business of that Committee was done was far from satisfactory. After the labours of that Committee on one day when the members were all tired just at about six o'clock they met and I believe they were not in a mood after the long discussion of the White Paper to consider the matter exhaustively. I think all the members that constituted that Committee did not take part in it, and very few people were able to attend. They had a very short sitting on one day, and the second time also they had a very short sitting. Thus considering the far-reaching effects of this Bill, the discussions they had were of a very slipshod nature. I am very much doubtful whether all the necessary materials for coming to a conclusion were placed before them. Now, this question had been discussed in the year 1922 in a Joint Committee of which Sir Malcolm Hailey was a member and they had long discussions. And this Committee is still handicapped by the fact that this measure was never circulated for eliciting public opinion; nor did the Government take any action in their executive capacity to circulate the Bill for eliciting public opinion,—or the opinions of the business concerns and of those affected by it and no material was placed before this Committee by which they could form an accurate judgment on the several points involved. If the Government had in fact in their possession any of the views of these business concerns or of the Provincial Governments, may I ask the Member in charge whether any such materials were placed before the Committee? Were all the materials, that were necessary to come to a correct conclusion, placed before this Committee? It was brought out that the important question of agricultural incomes had escaped the notice of all the members,—so much so that another reference was made to the Select Committee. It is just possible that many other points must have escaped the notice of this Committee judging from the way in which things were done. What I mean to say is that the

[Mr. S. G. Jog.]

subject is such that it should be very carefully considered. It is not a question of assessing the rich or assessing the poor. It is a principle of taxation. Whether you tax the rich or the poor, you must do so after due deliberation and after full inquiry. That is the principle that should be observed in the case of taxation irrespective of the fact whether the people taxed are rich or poor. As I understand it, the object of the Select Committee is to save the time of the House, but they have not been able to succeed in clearing the issues and settling some good principles. They have not come before the House with some settled points. When the matter was being discussed yesterday, we found that our Honourable friend, Mr. Jadhav, had many grave doubts and they were not satisfied. Also my Honourable friend, Sir Cowasji Jehangir, had to rise up in his seat frequently and made interruptions and interjections in order to have certain points cleared up by the Honourable the Finance Member. The Select Committee had a little discussion and they have not been able to form their judgment. It will be seen from their report that they are still unconvinced that they have come to a final decision. Sir, the measure considerably encroaches upon the incomes in Indian States. It also encroaches upon the income derived in foreign territories and there is no material to show whether all these people were consulted before coming to that decision. It involves the question of double taxation in cases where the Indian States are concerned. It involves the question of the agricultural income, as to how it is to be treated and what sort of provision is to be made. It also involves the question as to what is to be done in the case of partnerships and how they are to be treated and what provisions are to be made in this behalf. What I mean to say is that there are many questions which have been lost sight of probably in this hurry or because proper material was not placed before the Committee. What I want to say is that nothing will be lost if this Committee again goes into the question and submits fresh proposals before this House. That is the only object in moving this amendment. Sir, I submit that a delay of two or three months or a little more will not considerably affect the situation. What I submit is that the same thing may go again before the same Select Committee so that they may thresh out the whole thing, have the doubts cleared up and then come before the House. From the report of the Select Committee it will be seen that instead of clearing and clarifying the situation, they have made the confusion worse confounded with the result that every member of the Select Committee is dissatisfied.

Mr. N. M. Joshi: Why do you want the same Select Committee, then?

Mr. S. G. Jog: I do not want to cast any aspersions on the members of the Select Committee. Probably they were handicapped on account of not sufficient material being placed before them. So I do not want to show my diffidence of this Committee. Probably for some reason or other they could not give proper thought to the matter. I am told that some of the members representing the land-holders group have not been able to represent their claims. I submit, therefore, that my motion should be treated not as a dilatory motion, but as a motion which seeks more satisfaction and wants to arrive at a more satisfactory settlement. With these words, Sir, I move my amendment.

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

1 "That the Bill, as reported by the Select Committee, be recommitted to the Select Committee with respect to clause 2 (b) thereof, and the amendment made by it."

Mr. O. C. Biswas (Calcutta: Non-Muhammadian Urban): Sir, I said yesterday that the motion for circulation was a dilatory motion, and would repeat the same charge today in respect of the motion which my Honourable friend has just made. My Honourable friend has blamed the members of the Select Committee. Possibly they deserve blame to some extent; but my friend himself is not free from blame altogether. He has made a speech suggesting that the whole matter should go to the Select Committee again, and he has spoken about agricultural income and other points which, according to him, had not been taken into consideration by the members of the Select Committee. But what is the amendment that he has moved now? He does not want that the whole Bill be recommitted to the Select Committee, but only that the Bill be re-committed to the Select Committee with respect to clause 2 (b), that is to say, so far only as the question of the deletion of the proviso regarding the time-limit is concerned. Sir, I maintain that it would be a libel on such eminent protagonists of vested interests as Sir Hari Singh Gour and Sir Cowasji Jehangir to suggest that so far as that aspect of the matter was concerned, all the materials had not been placed, and placed very fully and vigorously, before the Select Committee. I could understand if the motion was that the whole Bill be referred back to the Select Committee to reconsider points which had not been considered properly, or at all, such as, agricultural income and other matters. But that is not his motion. His motion is to save the capitalists from the risk of removing the time limit,—it is that the Bill should be sent back to the Select Committee only in so far as that aspect of the matter is concerned. Sir, I do not think any case has been made out for that motion. It only means that the whole Bill will be held up, and we shall not be able to remove a glaring anomaly in the present fiscal system. No useful purpose will be served by keeping the Bill pending for three or four months and then taking it up in the Simla Session. I say, therefore, once again that it is nothing but a dilatory motion, and ought to share the same fate as did the other motion of the Honourable Member.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban):
Mr. President, one of the charges made by Mr. Jog was that the Committee did not do their work properly. That charge may be justified or may not be justified, but if there is anybody in this Honourable House who has no right to criticise the Select Committee, I say, with due deference to my Honourable friend who has just sat down that it is **Mr. Biswas**. For, his speech of yesterday clearly showed that he did not understand the Income-tax Act at all, as was pointed out by my Honourable friend, Mr. Sen. Therefore, any criticism coming from him will not, I think, carry any very great weight. The point is that if this Bill is re-committed to the Select Committee and if that Committee can get the opinions of the public who are really affected by this Bill, it will be a measure that will be of considerable use to the Honourable House:

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): But the amendment of the Honourable Member is only for the re-committal of the Bill with reference to clause 2 (b), and not the whole Bill.

Sir Cowasji Jehangir : That is the operative clause of the whole Bill and that is the clause which we are going to criticise in a very short time. Therefore, if we got opinions on that one clause, it would serve a useful purpose. I honestly believe that the House is not aware of the far-reaching effects of this one simple clause, and no words of ours may convince it unless they see written opinions in front of them from Associations and individuals who are in a better position to express opinions than anybody in this Honourable House. There are interests that are involved which are not represented at all in this House. There are Englishmen affected by this clause who are not represented on the European Benches. There are Indians resident in India who are affected, but who are not represented here. Therefore, I have always thought and maintained that there could be no harm in a little delay. The House would then be considering the question, if I may say so, with their eyes wide open. They are now considering it with one eye closed. Sir, as far as the Select Committee was concerned, when a good number of the members,—half of them,—became aware of this position, they did desire that this Bill should be circulated for opinion and they actually desired to move, or make such a suggestion, in the body of the report. But rightly or wrongly it was,—I think rightly,—overruled as out of order by the Chairman. Therefore, those who were of that opinion had no other alternative but to write a dissenting minute and follow that dissenting minute up in this House by an amendment. That is finished. This amendment does give the Committee an opportunity of doing that and placing all those opinions before this House within three or four months. That is the only point in the amendment that has been moved by my Honourable friend, Mr. Jog.

Mr. Muhammad Muazzam Sahib Bahadur (North Madras : Muhammadan): Sir, the Bill as framed seeks to amend one section only of the Indian Income-tax Act and that is section 4. That section reads as follows:

“Save as hereinafter provided, this Act shall apply to all income, profits or gains, as described or comprised in section 6, from whatever source derived, accruing, or arising, or received in British India, or deemed under the provisions of this Act to accrue, or arise, or to be received in British India.”

And section 6 which is referred to in this section indicates the several heads which are chargeable to income-tax, that is to say, salaries, interest on securities, property, business, professional earnings and other sources. Sub-section (2) of section 4, with which we are immediately concerned, reads as follows:

“Profits or gains of a business accruing or arising without British India to a person resident in British India shall, if they are received in or brought into British India, be deemed to have accrued or arisen in British India and to be profits and gains of the year in which they are so received or brought notwithstanding the fact that they did not so accrue or arise in that year, provided that they are so received or brought in within three years of the end of the year in which they accrued or arose.”

Now, Sir, the amending motion which has been moved by my Honourable friend, Mr. Jog, is to the effect that the Bill, so far as it concerns clause 2(1) which I have just read, be re-committed to the Select Committee. Sir, this Bill has been before the public for the last seven

months and, quite apart from that, I really do not see what the Select Committee would be able to do in addition to what they have already done. As a matter of fact, this section does not affect residents of British India trading in British India, nor does it affect residents of Indian States trading in British India. It affects residents of British India trading in the Indian States or trading overseas. And it directs that the moment incomes made outside British India are received in British India, that moment they will be chargeable to income-tax. Sir, under the ordinary law of every country the greatest latitude is given to a person for investing his monies in any way he likes, whether in the country where he lives or outside it. This Bill no doubt seeks to curtail that power which every individual has. But if we look to the laws which govern other countries in the matter of income-tax, England for instance, we find that the law is exactly similar to what is sought to be made by this Bill. An Englishman is liable to pay income-tax on profits earned outside the British Isles, and what the present Bill seeks to do is to bring the Indian law more or less into line with the existing English law, and I think that is a very reasonable proposition. But it seems to me that what pinches most Honourable Members on this side is the fact that by taking away the provision which begins with "provided" in subsection (2) of section 4 and proceeds right up to the end of that subsection, a distinction is sought to be made between those persons who can afford to leave their earnings made outside British India for as many years as possible; that is to say, for persons in British India, for persons permanently resident in British India, this Bill attempts to place them on a different footing from the temporary resident in British India. In other words, I really believe that Sir Cowasji Jehangir thinks that if he invests his money in any of the English Banks he would be liable to pay income-tax on the interest he would draw on his accumulated savings while the European citizen in this country would not have the necessity of drawing upon these earnings or getting them into British India. That, I think, is the sole cause of these dilatory motions or whatever my friends like to call them. If, as suggested by Sir Cowasji Jehangir and Sir Hari Singh Gour, this Bill perpetuates the discrimination which was said to be made between Europeans and Indians in this country, then, I submit, Sir, it is a matter which does deserve the very careful consideration of this House. If that is not the object of this Bill, I do not see any reason why this Bill should be re-committed to Select Committee.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I would just like to draw the attention of the House to one or two points in connection with this Bill. It was pointed out that this Bill is intended to serve two purposes: firstly, it intends to stop the flight of capital from India to foreign countries and, secondly, it is also a revenue yielding measure. I say that both these purposes will not be achieved and it could be achieved in a better measure to which I shall come later on.

In the first place, about flight of capital. I would have certainly supported this particular measure had there been no loan taken by the Government of India in sterling outside India, and we know very well that quite about one-third of the sterling loan which India borrowed in foreign countries is subscribed by Indians themselves. If we are to pass a measure like this, the result will be that the sterling loans will not be subscribed by Indians and that they will be subscribed by foreigners. It may lead

[Dr. Ziauddin Ahmad.]

to the rise of rate of interest. Therefore, we ought to see that we should have no sterling loans at all outside India, but we should have loans only inside the country and then we will be justified in bringing a measure of this kind. My Honourable friend, Mr. Ranga Iyer, yesterday made a particular suggestion, but he entirely forgot the most important thing that India floats sterling loans and we ought to encourage the Indian capitalists to take this particular loan and the greater we subscribed the greater will be the security of the Indian finance as far as the whole world is concerned. Therefore, to any one who supports the argument that the object of this Bill is to stop flight of capital from India, I would certainly emphasise that the first step they ought to take is to float the loan only in India and see that no loan is floated outside India, then he will be justified to bring forward this particular argument.

The second thing is about revenue. I think the principle to obtain revenue is that any money, whether in India or outside India, should be taxable. That is a reasonable proposal, but it is unfair that you tax only the persons who are residing in India and do not tax the persons who do not reside in this particular country. We should tax every amount paid from the Indian Exchequer. Had this proposal been before us, I would have certainly welcomed it. But what is really intended in this Bill is to tax the Indians and not to tax the foreigners. This really means that the Indians should withdraw their capital in sterling loans, and withdraw altogether from sterling investments, and if the Indians do not invest their capital outside India, then what would be the credit of the country as a whole? The Honourable the Finance Member will probably admit that the investments by private individuals in foreign countries leads to sound finance of the country and if all this money is withdrawn by these artificial methods which the Honourable the Finance Member is proposing, I may say that our credit abroad will be very much lowered. I take the opposite view. It could not be a preposterous proposition if we give a bounty to all these persons who invest the money in sterling securities, so that we may be able to increase our credit outside India. We should give premium and not discount the Indian investors of sterling loans.

The second point which I like to point out is the distinction between British India and the Indian States. Now, that is a very ticklish point in this whole Bill. There are a large number of people who have got their houses both in India and in Indian States. They carry on trade all over the world, not only in British India or Indian India, but in several countries outside India. Now, these people have got their headquarters either in Bombay, Calcutta, Karachi or Ahmedabad and their second home is in the Indian States. The moment we pass the Bill, what will happen? They will transfer their headquarters from British India to the Indian States. This reminds me of what actually happened when I was in Cambridge. There was an undergraduate riding a bicycle, with a gown in his arm and with a cap on his head and a cigarette in his mouth. Then the Proctor came and fined him 7s. 6d. for riding a bicycle in academic costume, he was fined again 7s. 6d. for carrying his gown on his shoulder instead of wearing it. He was also smoking, and for that also he was fined another 7s. 6d. while in academic costume. He was fined three times 7s. 6d. for riding a bicycle in academic costume, for taking the gown on his arm and also for smoking while in academic costume; but the undergraduate

was a clever financier, he took out from his head the academic cap and said that he was no longer in academic costume and thus escaped the three fines. The same thing would happen with all these gentlemen on whom these taxes are going to be levied. They will have to transfer their centre of business from Bombay or Calcutta to some place in Kathiawar or Malwa. They only remove their signboard in order to avoid payment of income-tax like the famous undergraduate of Cambridge who was able to save the payment of fine of 22s. 6d. The same thing would happen with most of these firms who would transfer their signboards, and their addresses on their note-papers will be changed. So I am afraid that all the points which the Honourable Member has in his mind would be lost; they would not be achieved. The credit of India will be diminished, the people will not be encouraged to invest in sterling loan which they ought to be encouraged, and we all will lead to complications as far as Indian States are concerned. With these words, Sir, I support the motion.

The Honourable Sir George Schuster (Finance Member): Sir, I do not propose to follow my Honourable friend, Dr. Ziauddin, in his excursion through that wonderland where he so often takes us. I have often wondered, Sir, what the financial administration of this country would be like if my Honourable friend had a free hand in the matter. I suggest that when he comes forward with his proposal for giving a bonus to everybody who invests his money abroad, that will, I am afraid, be the last day for sound finance in India,—though I have little doubt that it will be a very popular day in Bombay.

Sir, the motion before the House, I venture to submit, is nothing more than a request to ask the House to reconsider the decision which it took yesterday. My Honourable friend, Sir Cowasji Jehangir, had made this very clear, because he said that reconsideration in Select Committee will be of no value, unless it is accompanied by solicitation of opinion from all over the country; so that in effect the House is being asked to go back on what the House decided yesterday. I would further submit that my Honourable friend, Mr. Jog, in making this motion has arrogated to himself the task of censuring the whole House. He has censured the House for appointing a Committee composed of the members who wrote this report; he has censured those members for failing to ask for the necessary information; he has censured the Government for not volunteering to provide that information. But I hardly think that the House will take my Honourable friend's case seriously when they realise how extremely ignorant he is of what actually took place in the Select Committee. He described to the House a scene taking place at 6 o'clock in the evening after a long day's debate in the Assembly, when the whole of this matter was disposed of. As a matter of fact, the consideration which the Committee gave to this measure took place at a meeting several weeks ago held at 11 o'clock on a Saturday morning, when all the members of the Committee were in full vigour and in possession of all their senses. The meeting which took place at 6 o'clock in the evening was merely a meeting to consider the report which had been drafted to give effect to the conclusions reached at the earlier meeting. Therefore, on that particular point, my Honourable friend has completely misled the House.

I think really that is all that I need submit to the House. This matter has been carefully considered and the House showed clearly, by its verdict of yesterday, that they did not deem it necessary to ask again for

[Sir George Schuster.]

opinions and I venture to say that to put a motion of this kind before the House is nothing less than an insult to the House itself.

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

"That the Bill, as reported by the Select Committee, be recommitted to the Select Committee with respect to clause 2 (b) thereof, and the amendment made by it."

The motion was negatived.

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

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (Amendment of section 4), as reported by the Select Committee, be taken into consideration."

The motion was adopted.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The question is that clause 2 stand part of the Bill. Mr. Ramakrishna Reddi.

Sir Oowasji Jehangir: May I point out, Sir, that Mr. Patil's amendment to delete clause 2(b) should be the first amendment and that the others are more or less consequential to that? If that is lost, then the other amendments will be really of some value to the House. If this is carried, then the other amendments need not be put.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): It is the practice of the House to take the amendments in sequence, unless there is reason to adopt a contrary procedure. The amendments of the Honourable Member, Mr. Reddi, are to sub-clause (a) of clause 2, which do not affect sub-clause (b). Therefore, it is quite in order to take his amendments first.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Mr. President, I beg to move the following amendment to sub-clause (a) of clause 2 which stands in my name. I have got another amendment which has been arrived at after consultation with Government and that will be only with reference to the *Proviso* to sub-clause (c)

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): What amendment is the Honourable Member moving?

Mr. T. N. Ramakrishna Reddi: That is about agricultural income.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Honourable Mr. Vachha will kindly explain what is the sequence of these amendments of Mr. Reddi, to enable the Chair to decide which amendment should be taken up first. The Honourable Member, Mr. Reddi, has evidently drafted his amendment in consultation with the Government Members.

Mr. D. G. Mitchell (Secretary, Legislative Department): Sir, Mr. Reddi withdraws amendments Nos. 4 and 5 and substitutes an amendment which would be an amendment to clause 2(c).

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Honourable Member then does not move amendments Nos. 4 and 5?

Mr. T. N. Ramakrishna Reddi: No, Sir, as I am told that it is technically wrong.

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muhammadan, Rural): Sir, I rise to move the amendment that stands in my name:

"That sub-clause (b) of clause 2 of the Bill be omitted."

Before I come to deal with my amendment, I feel that I must thank the Honourable the Finance Member for the soft corner he has with regard to agricultural income. But yesterday when I heard his reply, I had to change my mind and I am still doubtful whether the expression of my thankfulness to him is really right, because in his reply yesterday he said something axiomatic, something very doubtful. He said that Government would help only if they found that there was no decrease in the liability in paying the tax, but not otherwise. However that may be, for the time being, I still hope that my thanks are due to him for his kind expression with regard to agricultural income. Most of the arguments have been already advanced by the Honourable Members who spoke yesterday and I, therefore, simply propose to state my grounds categorically. My first ground in support of my amendment is that as my Honourable friend, Dr. Ziauddin, said, the Honourable the Finance Member would have taken care to increase the finances of this country by taxing incomes that are now escaping. He referred to sterling securities, I think, and also to pensions paid abroad. I am very thankful to the Honourable the Finance Member for his advice to this House when he said that the object of this Bill was to have an equitable distribution of the burdens on the taxpayer; but let me remind him what the Government of India did in November, 1931, when in the special Finance Bill the income-tax proposals were included. What was the burden which the Government of India placed on the Government officials who drew fat salaries? If Honourable Members will look up into the proposals made by the Government of India then and certified by His Excellency the Governor General, they will be convinced that my Honourable friend, the Finance Member, is shedding crocodile tears today.

Then, Sir, the next ground for my amendment is that the proposed amendment in the Bill would lead to double taxation in cases where there is no provision for relief. We have one section in the whole of the Act, namely, section 49, which provides for refunds by way of relief in cases where the income is subjected to income-tax in Great Britain; but with regard to incomes that may be taxed in other countries, there are no provisions in the existing Act. That is one objection to the proposed amendment of the Act.

Then, Sir, my next ground is that the proposed amendment of the present Act would lead to confusion. In the first place, it will be very difficult to distinguish income from capital. From what I heard from

[Rao Bahadur B. L. Patil.]

the Honourable the Finance Member yesterday, I have come to the conclusion that hereafter everything will be income and no capital on the face of this earth. That is exactly what his argument comes to. We have once for all accepted in our system of income-tax that we must place a barrier between income and capital. That is an established principle, and if that is to be observed, we must draw the line somewhere. When the rule of three years was provided in the Act of 1922, then they adopted a golden mean, and that was this three years' rule. It will also cause a lot of confusion; and questions as to when the income arose, when and where it was received, and so on, will crop up.

Then, my last ground is that this would act as a clog on the development of foreign trade. Under the existing circumstances I do not agree with those who hold that the flight of capital from this country is in any way detrimental to the interests of this country. In my humble opinion, there is sufficient money in this country, but it is not properly distributed and organized. My friend, Mr. Ranga Iyer, said yesterday that money was required in this country for promoting industries and, therefore, it was very necessary that the flight of money should be prevented. But, Sir, the industries of this country are lagging behind, not because there is no money in the country, but because Government are not sympathetic. Let us see what the Department of Industries is doing to promote and develop indigenous industries. It is a well-known fact that our industries are in a stagnant condition and the Department of Industries is in a lethargic stage. With these words, Sir, I move my amendment.

Sir Cowasji Jehangir: Mr. President, yesterday, we were discussing this Bill late in the evening when, according to some Honourable Members, the House was tired. Now, it is only twelve o'clock, and I hope that not only Honourable Members on this side of the House are in their right senses, but I sincerely trust that some of the Members on the Government Benches are also in their right senses this morning. My friend, the Finance Member, was quite right when he said that the Select Committee did not meet in the evening, and it met at eleven o'clock in the morning; and it was because we met at eleven o'clock in the morning, that half the Committee wrote a dissenting minute; if the Committee had met late in the evening, perhaps my friend, with his usual persuasion, would have got a big majority report. Now, Sir, it is twelve o'clock, and Honourable Members are all wide awake.

This amendment, Sir, goes to the very root of the Bill. The present law is that incomes from business accruing abroad, if brought into this country, that is India, within three years of the date they accrued, are liable to income-tax, but if those incomes are brought into India three years after they have accrued, they are not liable to income-tax. Incomes from investments in Government securities, etc., are not liable to income-tax if they accrue outside British India regardless of the fact when they are brought into British India. That is the present law. This amendment will have the effect of placing incomes from business and incomes from investments on the same footing, that is to say, neither incomes from

investments nor incomes from business will be liable to income-tax if brought into India three years after the date they accrue. That will be the effect of this amendment if carried, and I strongly support it for more than one reason

An Honourable Member: I could not follow your last sentence.

Sir Cowasji Jehangir: The effect of this amendment will be that incomes accruing outside India, both from business as well as from investments, will not be liable to income-tax if brought into this country later than three years after they accrue, but if they are brought into this country within three years of their accruing, they will be liable to income-tax.

Mr. Muhammad Muazzam Sahib Bahadur: That is under the section as it stands.

Sir Cowasji Jehangir: No, under the amendment as moved by Mr. Patil. Under the law, as it stands, there is a difference between incomes from business and income from investments. Incomes from investments are free of income-tax just now; incomes from business are liable to income-tax if brought into this country within three years. Now, this amendment will have the effect of placing both classes of incomes on the same basis; that is to say, they are liable to income-tax if brought into India within three years. That is the effect of my friend's amendment. Now, Sir, my friend, the Finance Member, both this year and last year, made a great deal of the argument that the law as it stands today greatly influences peoples' minds in sending money abroad. I venture to suggest that that argument was thrashed out last year and it was con-

12 Noon. clusively proved that the difference is only a question of half per cent. Income-tax means a decrease in your return by half per cent.; and, therefore, if you invest in sterling loan in England today, you get the advantage of about half per cent., because it is free of income-tax. It is a well known fact. Now, for the sake of this half per cent., is it seriously contended that people in India will send their money abroad? They send their money abroad for other reasons. They send their money abroad, firstly, for better interest if they can get it, and the difference will have to be more than half per cent. to tempt them. Secondly, they send their money abroad for safety, if they have no confidence in the securities of this country. Thirdly, they send their money abroad for the purpose of business and I do contend that this Bill will have no effect whatsoever upon people sending their money abroad and it is all moonshine to contend in this Honourable House that this Bill in any way will prevent money going abroad. The best that can be said is that it offers a slight temptation to people to send their money abroad because, from investments in Government paper, they get half per cent. more. Then, my Honourable friend did not point out that in some countries the Indian investor will have to pay double income-tax if this Bill is passed. He will have to pay income-tax in the country in which the money is invested and he will have to pay income-tax in India when the income is brought here. Is there any provision in the Bill by which he gets any relief? I know that there are certain countries which have reciprocal

[Sir Cowasji Jehangir.]

arrangements whereby some relief is given, but they are few. There are many countries, in which the Indian traders at present are flourishing, with which there is no reciprocity and they will be liable to double income-tax. That is a point that my Honourable friend did not bring forward in his opening remarks. I am not complaining, because it is not for him to bring out points that go against him; but there was not a word said about this.

Now, Sir, my Honourable friend, in his opening remarks, made a great deal about equitable taxation and the burden of taxation falling fairly and squarely on all classes of people in this country—an excellent maxim—that all should pay towards the State and none should be let off, and if any are left off, they ought to be the poorest in the country. But, I venture to suggest that this maxim is not being carried out to its logical conclusion by the Honourable the Finance Member himself. This Bill will bring in a few lakhs. We are not told how many. The Finance Member does not know himself. He is not able to make any calculations. But if there is to be equal and fair distribution of taxation, may I ask him, why a source, which can easily be tapped from which he can get lakhs definitely, with ease, with certainty and with not the slightest chance of evasion, has not been tapped? I mean pensions of British officers retiring in England. Here is the Indian officer in India whose pension is liable to income-tax. The British officer, when he retires in England, although he earns his pension in this country by work in this country, is paid by this country, is free from Indian income-tax. He does not contribute a single rupee to the taxation of this country. My Honourable friend, the Finance Member, has been preaching all yesterday about equity and fair and equal distribution of taxation.

An Honourable Member: Tax that also.

Sir Cowasji Jehangir: Quite right, but the Honourable the Finance Member prevents it.

Mr. Rahimtoola M. Ohinoy (Bombay City: Muhammadan Urban): Is not that pension liable to tax in England?

Sir Cowasji Jehangir: But that is no reason why India should be deprived of her fair share. That is the point. India gets nothing, while, under this Bill, people, who invest their money in certain parts of the world, are to be taxed both in that country and in India. Sir, it is all very well to talk about the equitable distribution of taxation; but when one talks too loudly and too long on such principles, one may get into difficulties.

Now, Sir, I am coming to a very important point. Last year's Bill, as I have already stated, as presented to this House, discriminated between Englishmen and Indians. It provided that anybody domiciled in this country, who had investments abroad, would be taxed on his income regardless of whether the income accrued inside India or outside India. The result was that, no Englishman or very very few, being domiciled in this country,—all their incomes accruing outside India—would not have

been taxed, while all Indians who are domiciled in this country would be taxed on incomes accruing outside India. That was forcibly brought to the attention of my Honourable friend, the Finance Member. It raised little opposition from the European Benches; but they realised that it was discrimination pure and simple and the air at that time was full of discrimination against Englishmen in India. We heard of it here. We heard of it in England and not a single Honourable Member of the European Group could face the accusation of supporting a Bill brought before this Honourable House which deliberately tried to discriminate. What did my friend, the Finance Member, do? He surrendered and rightly so. He completely surrendered at the very first reading and rightly did so and I admire him for what he did. I praise him for it. He said "I will have no distinction between Englishmen and Indians in India" and he immediately volunteered to change the Bill and amend it in the Select Committee. The result was, Mr. President, that the whole of the European Group were with us and to a man they walked into the lobby with us. Circumstances have changed. This Bill now discriminates between Indians and Englishmen still, but in an indirect manner, a more subtle manner. It is not direct discrimination, as was discussed last year, but it results in discrimination and I will tell you why and how. You take an Indian and an Englishman living in this country who each saves Rs. 10,000 and remits that amount to England. They pay their income-tax on it in India. Then they both remit it to England—both the Indian and the Englishman. Then that Rs. 10,000 accumulates at compound interest, because the income is not brought out to India. It remains there. The Indian must bring out that Rs. 10,000 *plus* interest at compound interest accumulated in England or in any other part of the world outside British India, back to this country.

The Honourable Sir George Schuster: Why?

Sir Cowasji Jehangir: For his own use, because he has to live in this country and die in this country, as his children never hope or never wish to go out of this country. They will remain here for all time, and if they take their money abroad, they take it abroad for reasons I have explained, with the intention always of bringing it back to this country. As for the Englishman, that Rs. 10,000 increases at compound interest, ready for him, without having been subjected to any income-tax, either in this country or in England, ready and waiting for him when he retires back to England, and it is then his capital. The Indian can never get that advantage now. Why? Because the Finance Member wants this House to decide that that accumulated interest will always remain income, liable to income-tax whenever it is brought back to this country, even if it be 20 or 30 years hence. Sir, this is discrimination, and not one of my friends of the European Group will be affected by this Bill. Not one of them, I venture to say, who sends any money out of this country to England out of his savings here, ever hopes or expects to use it in this country. They are laying it by for the happy days which they hope to have when they return to their own country. The position of the Indian, however, is very different. There is this subtle effect in this Bill of a discriminatory nature, and would you for a minute believe it if the Englishman's income in England was going to be taxed by this Bill in any way, we would not have got the wholehearted support of the European

[Sir Cowasji Jehangir.]

Group. Last year, let it be said to their credit, when there was discrimination, they refused to have it. When that discrimination was taken away, they still refused to have the Bill. This year they wavered. They had a right to send their money to England and allow it to be accumulated there without its being taxed either in England or in India. It was legitimate that they should go back to England and enjoy that accumulated compound interest without having been subjected to any income-tax! As for the Indian, the very few Indians who do send money to England, it was a different matter! They should be liable to income-tax if they ever brought back their money to this country. Now, I will tell you in a nutshell the difference between the Bill of last year and that of this year. If it were frankly stated from the Government Benches, it would be stated as follows. Last year, they would say: "You refused to allow us to tax incomes accruing outside British India. This year, by this Bill, we will not allow you Indians to use or to enjoy any of that income if you bring it back to India, without paying income-tax. We won't let you do it. Englishmen, of course, do not want to bring it back to this country: they live on their earnings here, but you fellows, we will see that you pay income-tax or do not bring it back at all." Now, they know very well that an Indian can never always keep his money abroad. After five or ten years, he must bring it back to this country. That is the subtle distinction.

Mr. F. E. James (Madras: European): He escapes income-tax!

Sir Cowasji Jehangir: If Mr. James had followed me, there is no temptation to send money to England or Europe or any other part of the world in order to save income-tax. It is only a question of a half per cent. Supposing he does, why should there be this distinction between Mr. James and anybody else? Why should you be allowed to keep it in England until you return without being subjected to income-tax, and why should I or my friend sending his money to England be told that we will have to pay income-tax if he wants to enjoy his income in his own country? Why this discrimination? I should think this is bad discrimination. There is no doubt about it, *it is* discrimination; and, mind you, when you talk of discrimination in the future, we are not only going to avoid direct discrimination against any Europeans or Muhammadans or others; the point will be judged from the effects of any measure; I admit this is not direct discrimination, it is indirect discrimination. but it has that effect and nobody can deny it. The only argument you can bring forward is that Englishmen in this country are, after all, birds of passage. They never intend to live and die in this country and, therefore, their circumstances and conditions are different to Indians, and you cannot have similar legislation for both. If that is really so and if that argument is to be brought up, then I venture to suggest that the bottom will be knocked out of the argument for "no discrimination against Europeans in India". The very foundation, the very basis of that argument—for no discrimination against Englishmen in India—with which I completely agree—is that they are residents of this country for the best part of their lives, that they are Indians, bound up with our happiness, with our woes and our troubles.

Diwan Bahadur A. Ramaswami Mudshar: And with our taxes.

Sir Cowasji Jehangir: We want Englishmen in this country to share our happiness and also our troubles and tribulations. If, on the other hand, they take up the position that they are Englishmen, only resident in India for a few years, then I maintain that they themselves knock out the bottom of all argument for no discrimination against them, because they are residents of India. I trust, Sir, the European Group will pay a little more attention to this question than they have done and not treat it so lightly, because it is going to rebound upon them. Their vote today will be brought up against them on every possible and conceivable occasion.

Mr. F. E. James: Is that a threat?

Sir Cowasji Jehangir: It is not a threat, it is a reality and a fact. Sir, last year the position they took up was one for which all honour is due to them. Whether there was discrimination or not, they said they would not have it. This year they have taken up a different position. Let me tell them, it is not a threat. If they go on thinking as they do today and if they continue to have the same mentality as they have today, then they will knock out all the best arguments which we Indians can bring forward against any discrimination against Englishmen in India. Sir, I am talking mere facts; I am talking from past knowledge. Some of my Honourable friends on the European Benches may not have the experience that I have; they may be new to this House; but, believe me, they do not know their own interests. Sir, this amendment knocks out all discrimination; we are all on the same basis. Anybody bringing his income into this country three years after it accrues, is not liable to income-tax whether he is an Indian or an Englishman. If he brings it within three years, then he is liable to income-tax.

Now, Sir, I will anticipate an argument of my Honourable friend, the Finance Member, if he will forgive me, because I know he is going to make it and I shall not have an opportunity of speaking after him. It was an argument that he brought before the Select Committee, and, therefore, there can be no complaint if I put it before the House and reply to it. My Honourable friend's argument was that if we have a three-year limit, as we propose to have by this amendment, it will affect adversely the poor man. That is to say, the poor man who invests abroad may want to bring out his income every year and cannot afford to keep it abroad for three consecutive years until he gets exemption from income-tax. The rich man can afford to keep his income for three consecutive years abroad and make it free of income-tax. Now, Sir, there is only one class of persons in India which may be affected by this clause and that too indirectly. Very few Indians invest their money abroad who want the interest of it every year in this country for their own use in order to keep their body and soul together. There are very few such Indians. As I understand the position, they invest their money abroad either for security or for business. There are very few Indians who actually have to live in India on the income of their investments abroad and who want to bring it out for that purpose. It will affect a small number of Englishmen who are not represented in this House and whose interests have been completely forgotten by the European Group. They are young officers in the army—a very few of them,—who cannot live on the pay that they get in this country and whose pay is supplemented

[Sir Cowasji Jehangir.]

by private incomes in England. They go to the wall and my European friends have not the slightest desire to stand up and say a word in their favour. These men in the army do require a certain amount of money in addition to their pay which is sent out to them either by their guardians or parents or it may be from private incomes that they have of their own. Mostly it is the latter. They will certainly suffer by this three-year limit. I admit it. But they can be able to get round it. It is quite possible that they may be able to find ways and means of getting on in this country by other assistance for three years. Those are the only people I can think of amongst the middle class who will really be affected by this three-year limit. Of course, in England it may be a very much large class if such a rule applied there. Therefore, Mr. President, I personally cannot see any real reason for not having this three-year limit. I hope that this argument which my Honourable friend, the Finance Member, is sure to put forward will not sway the opinion of this Honourable House to any considerable extent.

Now, Sir, I will come back to the old question which is also affected by this amendment, namely, the difference between capital and income. It was this argument of the difference between capital and income which weighed so strongly with the Select Committee of 1922 and which made them put in this limit of three years whereby income after three years becomes capital. I do not know, Mr. President, if you were a Member of the House in 1922. (*Voices*: "No, no.") Were the Honourable Members of those days fools who did not know what they were doing? Let me say also that they were led by a Finance Member who today is one of the most distinguished public servants in this country, I mean Sir Malcolm Hailey. He saw the force of that argument. He may not have been a financier; he may have made mistakes; but he did see this question from a commonsense point of view. In no country in the world can you stipulate that your income shall go on accumulating at compound interest and it will be liable at all times to income-tax if you remove it from one place to another. There must be some time-limit when income becomes capital. That was what swayed their opinion and they have definitely reported to that effect in their Select Committee's report. I am not going to weary the House by reading it again unless somebody wants it. I read it when the Bill was introduced. We are now told that certain Provincial Governments had Committees and the Government of India also had a Committee and they have all recommended a more drastic change. But the Central Legislature and the Finance Members of those days, in their ignorance and stupidity, would not accept the verdict of Provincial Committees and the Central Committee. I have been reminded by my Honourable friend, the Finance Member, that I was a member of the Bombay Committee. So far as I recollect, I sat next to my friend, Mr. Vachha, on that Committee and it must be Mr. Vachha who must have turned up that report and placed it in the hands of the Finance Member as he had every right to do and as was his duty to do. So far as I recollect now—I have not been able to call for the papers,—that Committee sat somewhere in 1917 or 1918.

Khan Bahadur J. B. Vachha (Government of India: Nominated Official): No, it sat in 1921.

Sir Cowasji Jehangir: But in 1921 I was a Member of the Government and, therefore, I could not sit on the Committee in 1921. Perhaps it was at the beginning of 1921, but I have no recollection of that. And if I did agree, I have changed my mind now. I am wiser; the passage of time makes us wiser, and I am convinced that time will make us all wiser if this amendment is not passed.

Now, Sir, we did urge yesterday that we would like further opinions on this Bill. We did urge this House not to vote on this measure with one eye closed, but the House, in its wisdom, thought fit that we should go on. But I must say in passing that whatever arguments there may have been against a little delay, they were not very strongly placed before this House by my friend, the Finance Member. He had to fall back upon a slip of the tongue on the part of my friend, Sir Hari Singh Gour. Why, Sir, he even brought up an analogy between this Bill and the limit at which income-tax should be levied, Rs. 1,000 or 2,000. He actually said that if it is not necessary to get the opinions of the large number of people affected by a change in the limit from Rs. 2,000 to Rs. 1,000, why is it necessary to circulate this Bill for opinion because it affects a large number of people? Is there any analogy, Mr. President, between having a limit of Rs. 1,000 or Rs. 2,000 for the purpose of income-tax, and this Bill,—one subject threshed out in this House year after year, known to this House and to the country, and this Bill, the provisions of which are hardly known to Honourable Members of this House, far less to the public? Is there any analogy between the two? If my Honourable friend, the Finance Member, has to fall back upon arguments of this sort, he must have a bad case, and I trust he will be able to produce a better case against this amendment than merely twisting the tail of my Honourable friend, Sir Hari Singh Gour.

Now, Sir, there is one point that has been brought up by my Honourable friend, Dr. Ziauddin, which was brought up last year and about which my Honourable friend, the Finance Member, is an expert, the question of sterling loans. Everybody knows that this Bill will affect Indian investors in sterling loans most radically. Today all investors in Indian sterling loans resident in India get the full amount of the interest paid by Government. After the passing of this Bill, it will be subject to income-tax which will make a difference of $\frac{1}{4}$ per cent.; and my Honourable friend, Diwan Bahadur Mudaliar, reminds me that the White Paper stipulates that the sterling loan shall not be subject to income-tax. Notwithstanding that, this Bill will have that effect today.

The Honourable Sir George Schuster: Sir, may I intervene just to explain the position? I think my Honourable friend is under a misapprehension or misleading the House in regard to that provision to which he referred or to which his Honourable friend from Madras referred him. I presume that he must have referred to the idea that the Government might pass legislation imposing a tax which would be deducted at the source on interest paid on sterling loans. If the Government of India were to do that, the effect would simply be that so far as a resident in London was concerned, instead of getting four per cent. on his money he would get $3\frac{1}{4}$ per cent., if I adopt my Honourable friend's figure. That would be no benefit at all to the Government of India, because the Government of India would then have to issue their loans in London at a

[Sir George Schuster.]

price appropriate to a 3½ per cent. return. They could get no benefit out of it at all and, therefore, to bring that argument up is actually, I think, if I may say so, to draw a red herring across the proper line of argument. My Honourable friend suggests that this measure would have the same effect. But this measure does not impose taxation on the interest from sterling loans as such, but merely says that interest from sterling loans that is brought into this country by a resident of this country shall be included in his taxable income.

Sir Gowanji Jehangir: I follow the Finance Member and I am thankful to him for the explanation. What the White Paper suggests is that no Indian income-tax shall be levied in England on sterling loans at the source, that is to say, an Englishman, resident in England, investing in sterling, shall not be liable to the Indian income-tax by any legislation in India. But this legislation will continue to have effect, namely, that the income brought out from sterling loans to India by Indians resident in India will be liable to income-tax. If that is the position, then my original argument was a good one that Indian investors in sterling will get ½ per cent. less than they are getting today. That may have a very serious effect upon the price of sterling securities, because today there is a large number of Indians who hold sterling securities. In the old days, these sterling securities were mostly in the hands of investors in England. The position is rapidly changing and it is to our advantage, Mr. President, that Indians should invest in sterling loans and buy up all these sterling loans which are now outside the country. It will solve a large number of political questions. Today most of our political difficulties, all these financial safeguards, or most of them, are due to the fact that the sterling loans are held by Englishmen in England and it is entirely to the interest of this country that the whole amount of that sterling loan should be bought up by Indians if that can be done, and that all future loans should be in India. And if once we can go to the British Government and say that their investing public has now no interest in our sterling loans or our Indian loans, then the position will be considerably clarified. That is well-known; I need not repeat that to the House. You, Mr. President, know that very well, and there are many in this House who know all the circumstances of the case, what these safeguards mean, what they were due to and how they arose. This Bill will go bang against that, and besides it, Mr. President, I do put forward a moral claim on behalf of Indians holding sterling loans. They bought those sterling loans under the impression that they were going to get a certain rate of interest which they are not going to get after this amendment, and I do not claim that Government have no right to tax them, but I do claim that, simply because they happen to be Indians, living in India, Government have no right at a stroke of the pen to take away half per cent from their interest. Men may have bought this sterling loan a year ago hoping to get a certain rate. By this Bill they will get a half per cent less. They bought it on the understanding that they will be able to bring the whole amount of their interest back to India without income-tax. It is a question worth considering. I know that the Honourable the Finance Member will say that the Government of India gave no guarantee that they would not raise the income-tax. I know that the Honourable the Finance Member will say

that the Government of India have given no guarantee that the income-tax will not be raised on all incomes derived from Government rupee paper, and that, if Government put up the income-tax and surcharges as they have done, and the incomes from those securities have been decreased, nobody has complained. But there is a difference between the two: one was liable to income-tax; the man who bought rupee paper knew that he bought it with a liability to pay income-tax to be increased to any limit.

Diwan Bahadur Harbilas Sarda (Ajmer-Merwara: General): In that case the investors in the sterling loan also should know that any time income-tax might be levied from them.

Sir Cowasji Jehangir: There is nothing of the sort. There was an understanding that no income-tax from the investors will be levied on it.

I admit that there is no legal obligation. Government have got to consider moral obligations just as much as legal obligations and that question of moral and legal obligation is being attended to, occupying the serious thoughts of many in England just now. My Honourable friend, the Finance Member, knows what I am alluding to. It is just as well that we attended to it in this country, because all our decisions and discussions have their repercussions. I am not going further into this question just now. Sir, I do trust that this Honourable House will give this amendment their very careful consideration, because I have shown to this House that there is discrimination. Wipe out that discrimination if you like. I am not here to claim any advantage or personal gain for any section of investors. I am prepared to admit in this Honourable House that I have a personal interest, but there are many things that come before the House in which one is personally interested. I tried to show this House that people invest outside India for business or for security. This amendment will relieve us from the anxiety of the injustice that we may be doing to subjects of the Indian States residing in India. There are thousands of them all over India. They will be greatly inconvenienced if this amendment is not accepted. There is no doubt about it in my mind. I have not got any brief for them. It is only right that their case should be brought to the attention of this House. There are hundreds of small bankers who are subjects of Indian States living permanently in India. There are Indians overseas who have to bring back parts of their income every year to India, not because they want to live on that money in India, but because they want to bring it to India for purposes of trade, by turning it into goods and sending it back overseas. All that will be liable to income-tax.

The Honourable Sir Brojendra Mitter (Law Member): Business income is liable to income-tax now, if it is brought in every year.

Sir Cowasji Jehangir: Not after three years. That was the confusion that the Honourable the Finance Member was making yesterday. Do not make that confusion. I am being accused of misleading the House. I am not misleading the House, I am giving them facts. Do not let me be led into misleading the House. Sir, they bring that income into this country after three years, convert it into goods and send it back to overseas wherever they may be. And they will not be liable to income-tax after the passing of the amendment of my Honourable friend, Mr. Patil.

Mr. C. C. Biswas: Why do you accept then even three years?

Sir Cowasji Jehangir: Because there should be a difference between income and capital. It is right that when income accrues, it will become liable to the tax immediately, but that limit of three years was placed in the Act by the Select Committee of 1922. That is the reason. Mr. Biswas would be wise if he tries to understand the Income-tax Act, and I think the less he spoke about it, the better. I am placing facts before this Honourable House, and if I am wrong, I am open to correction. This being the position, I do appeal to the Honourable House to consider twice before they vote, and if this amendment is rejected and if we are defeated, there will be hardship to many. My Honourable friend, the Finance Member, will be flooded with letters, I have no doubt, of protest as the Act begins to work and then they will begin to realise what has happened. But those protests will not fall within the purview of that Committee that is going to be appointed. That Committee is going to be appointed to look into one or two little grievances that my European friends may have, and I venture to suggest that those grievances, which they imagine they have, will not come within the purview of that Committee. If they accept this Bill, these injustices, as they call them, will be perpetuated, they have agreed to them, and the Honourable the Finance Member will be quite right to say: "You have agreed to the Bill: this is not an injustice: this is merely the effect of the Bill contemplated by us." I know the cases that they have in mind. They will not fall within the purview of the Committee. It is all eye-wash. Therefore, my Honourable friends may have their Committee: they are welcome to that; they may have their representatives on it, and I will enjoy seeing that Committee look into cases of injustice when they are brought to their attention. Nothing will delight me better than to read their report and find my Honourable friend, the Finance Member, saying: "This is not injustice; this is what I expected to do; I wanted to do it; and you agreed with me. I was ready to remedy an injustice—not this. You cannot call this injustice: I wanted to tax you and now you call that an injustice." That will be what is going to happen and I will be jolly pleased to see it. Because, after all, it may be ignorance or it may be that they have got into a generous mood, but I do want to protect my own countrymen who are trading overseas and the subjects of Indian States who will be greatly inconvenienced . . .

Mr. N. M. Joshi (Nominated Non-Official): Do you represent British India or the Indian States?

Sir Cowasji Jehangir: I represent both: we are not here to do injustice to the subjects of Indian States who have been living in British India all their lives and who have helped to build up trade in British India. I know of many well-known subjects of Indian States who are well known commercial men in British India. They may even be voters in British India, but they are subjects of Indian States, and perhaps none of my Honourable friends of the European Group would know that they are subjects of Indian States although they may be dealing with them every day. But when it comes to interpreting the law, these men will understand the difference. There are thousands of them known to us; and are we not to protect their interests? Whose interests are we here to protect?

Mr. N. M. Joshi: British Indian interests.

An Honourable Member: We are here to protect Mr. Joshi's interests.

Sir Cowasji Jehangir: I am quite prepared to do that also. Under those circumstances, I am not going to prolong the agony any longer: it is five minutes to one: and I trust that my Honourable friends will give this matter very serious consideration before they vote.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, my Honourable friend, Sir Cowasji Jehangir, started by saying that he, who talks the loudest and the longest, lands himself in difficulty, and we know that my friend has been talking the longest and loudest in this House on this Bill. I have always given credit to my friend for his sound judgment and logic; but I find that in speaking on this Bill he has lost both logic and sound argument (Ironical Cries of 'Hear, hear' and Laughter) and he is trying to play upon the sentiments of the Indians on the one hand and the sentiments of the Europeans on the other in order to gain his own personal object

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, I rise to a point of order. Is the Honourable Member justified in ascribing to a Member personal motives and saying that he has been appealing right and left with a view to gaining personal things?

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Personal object here means that the Honourable Member is interested in carrying his amendment. That is the personal object.

Sir Muhammad Yakub: My Honourable friend was telling the Indian Members of this House that this Bill creates discrimination, that while Government are taxing the pensions of Indians, they do not tax the pensions of Europeans who live in England. On the other hand, he has been telling the Europeans that a young European civilian, who cannot afford to live on his salary and who has to supplement his income by bringing money from England (Interruption)—he may be a young civilian or a young Tommy—he will be affected by this Bill. This is a very good way of argument. What really my Honourable friend means by bringing this amendment is that a millionaire who can afford to keep

Sir Cowasji Jehangir: I am not a milliner and I will not be called one.

Sir Muhammad Yakub: I did not say milliner: I said millionaire, who has converted the income of his mills into millions: if he can afford to keep his money longer than three years outside India, he escapes the liability of being taxed, while the poor Indian trader, who carries on his small business outside the country, and who has to bring money in order to help his wife and family, has to pay the income-tax: and this is the discrimination which my Honourable friend wants to point out, that a man who has got a larger sum of money should escape the income-tax while the man who is able just to make both ends meet should pay the tax. Probably the result of this amendment is giving effect to the suggestion made by my Honourable friend, Dr. Ziauddin Ahmad, who said that people who invest their money outside India should be given some bounty. If the House accepts the amendment of my friend, the Rao Bahadur, it

[Sir Muhammad Yakub.]

will be giving, certainly, a bounty to men holding larger sums of money, who can afford to keep it in England for more than three years. If my Honourable friend wants that there should be no discrimination between the European and the Indian, why is he so anxious that a European who has got a smaller income in India should not be affected by this Bill? Why is he trying to play upon the sentiment of the Europeans? Why should not the European, who brings his money in India, be subjected to income-tax? Why does he want this discrimination between the European and Indian. Then he says, why not tax the pensions of the Europeans? What is the principle of levying taxes? A State can levy tax on the people of a country in return for the services which it renders to the people of that country. If a European, after having retired from the service, derives any benefit from the administration of this country, he should certainly be taxed. If a European, after his retirement, lives in India and makes India his home and then he carries on his business in England and brings back his money to India, he must certainly pay the tax; but when he severs his connection from India, when he does not derive any benefit from the administration of India, why should he pay the tax upon his pension? It may be income derived from India, but it is income which he has earned by past service. He is not, after retirement, receiving any benefit from the Indian administration. But if a European lives in India, he must pay. In the same way, why should an Indian, although he carries on business outside India, if he wants to take the benefit of the administration of this country, if his home and homestead is in India, if he wants to live and die in India, if his wife and children are in India, escape income-tax? Why should he not pay his quota to carry on the administration? Of course if he wants to live in Europe, if he wants to buy spacious villas in England and France and does not think of coming back to India, he is quite welcome to do it, and the Indian Exchequer will not claim any tax from him.

My Honourable friend has shown great sympathy with the subjects of Indian States. The subjects of Indian States ought to be very thankful that for the first time my Honourable friend has shown sympathy to them.

Sir Cowasji Jehangir: How do you know this is the first time?

Sir Muhammad Yakub: But I have not seen any resident of Indian States who brings back his accumulated money from outside the country and takes it back to the Indian State: they always keep their money in British India on account of safety

Sir Cowasji Jehangir: Then my Honourable friend is very ignorant.

Sir Muhammad Yakub: I may be, but I am not more ignorant than the millionaire of Bombay who thinks only of millowners and investors and knows nothing about the poor man. We know it very well that, for the sake of safety, any money which the residents of Indian States have in their possession, they keep it in British India: they purchase property in British India; they have their money in British Banks; they never keep their money in the Indian States, because they think that their property and their money is safer in British India than in the Indian States. The

residents of Indian States have utilised the benefits of the
 1 P. M. British administration up to this time, and if they have not been paying income-tax till now, there is no reason why in future they should not be taxed. Why should a poor Indian pay income-tax and

why should a rich man in an Indian State, who has earned money outside India, but keeps it in British India for purposes of security, escape income-tax, I really cannot understand. My friend has been very loud in talking about income and capital, and he asked, how long will you treat income as capital. I say that as long as income has not paid the tax which it ought, rightly, to pay, it ought to be treated as income, and so long as it remains in that State we will charge tax on it. When we were discussing the salt question, when we were fixing the price of the postcard at three pice, when the House agreed to put a surcharge on the Government servants in India, who with great difficulty are able to make both ends meet, when the House agreed to deduct five per cent from the low salaries of Indian servants, my friend's blood did not boil, there was no discrimination then, he did not vote for putting down the Finance Bill

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): On what side did you vote on the poor man's salt?

Sir Muhammad Yakub: I am not shedding crocodile tears for the poor Indian. I have been consistent in my policy, whatever it may be. But when my friend tries to shed crocodile tears for the residents of Indian States and for the poor millionaires of India, he exposes the hollowness of his arguments himself. He is not right when he says that a millionaire, who has his business outside India but lives in India, should not be taxed. As I said yesterday, these are all contrivances to evade taxation. A poor man must pay his last drop of blood, while the millionaire, the man who can afford

Sir Gowsaji Jehangir: According to that, my friend is a very rich man.

Sir Muhammad Yakub: I wish I were. I wish I could share some of those investments abroad on sterling loans of my friend, Sir Gowsaji Jehangir. He has never shown any anxiety before for the poor man of India to the extent that he shows for the sterling loan investors of this country who have made their investments abroad. Of course, he may play upon the sentiments of Indians and Europeans, but he should know that there are people in this House who have intelligence enough and who know what is the object of these long speeches and loud expressions of sentiments. We are now on the threshold of a new era in this country. We want to purchase democracy, and democracy is a costly instrument, and we have got to pay for it. If we do not tax the pockets of the millionaires who have all this time been evading taxation, it will be very difficult for us to run our administration, whatever may be the faults of the White Paper. With these few remarks, Sir, I oppose the amendment.

Several Honourable Members: The question may now be put.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Chair accepts the closure. The question is that the question be now put. The motion was adopted.

The Honourable Sir George Schuster (Finance Member): Sir, my friend, Sir Gowsaji Jehangir, in opening his speech said that he hoped that the Members of this House would keep both their eyes open on this

[Sir George Schuster.]

subject this morning. I entirely agree with that general sentiment—but with one qualification. This, Sir, is a subject behind which lie certain solid facts, but in the speeches which have been made it seems to me that those solid facts have been very much obscured by clouds of dust which various speakers have tried to throw in the eyes of Honourable Members. I trust that Honourable Members' eyes were not open to receive all those clouds of dust. (Laughter.)

Sir Cowasji Jehangir: It was a lotion to clean them.

The Honourable Sir George Schuster: My friend made certain remarks which caused me not only a good deal of surprise, but also pleasure. In speaking of the inducements which might operate on the mind of a man who sought to send his money abroad, my friend said that the idea of escaping income-tax played very little part. He said that that man is thinking either of greater security for his capital or of the needs of his business, but as regards income-tax, what is income-tax?—a paltry half per cent.,—that cuts no ice at all. That was my friend's sentiment . . .

Sir Cowasji Jehangir: But for Indians living in India?

The Honourable Sir George Schuster: For Indians living in India or for anybody else. I wish, Sir, that I had had that speech to quote from in the course of the debate on the Finance Bill. I think, Sir, that my friend himself and certainly many of his colleagues have spoken of the burden imposed by the Indian Income-tax Act in very different terms. Then, Sir, we heard nothing of "what is this paltry half per cent. which makes no difference at all?" . . .

Sir Cowasji Jehangir: May I just explain my point, Sir? What I did say was that this half per cent. was not sufficient to influence Indians to send their money outside India. It is a big amount, but it is not sufficient to influence them to face all the disadvantages and all the risks there may be in sending their money out of India. It is a big amount in itself, but it is not sufficient to influence them. That was my point.

The Honourable Sir George Schuster: I fail to understand the point of my friend's interruption. He has exactly supported the point that I was making to the House, that in fact this is not a serious inducement as regards the transfer of capital. If it is not a serious inducement as regards the transfer of capital, then it cannot be a very heavy burden. But that is really rather beside my main point, and I shall have to refer to it again, because one of the points that I wish to make is that my friend himself is extremely inconsistent in the case which he has put before the House.

Now, Sir, as regards the hard facts or what I call the solid facts behind this case the principle on which we oppose this amendment is a very simple one. It has already been made clear by my friend, Sir Muhammad Yakub, who has just spoken. If we allow a time limit of this kind

to remain, then we must be playing into the hands of the wealthy man who can afford to allow his income to accumulate abroad and can evade the provisions of this Act, whereas the man of moderate means is forced to bring his money back every year. He does require it to live upon, and I think my friend was indulging in that operation which I described as endeavouring to throw dust in the eyes of Honourable Members when he tried to make them believe that there were negligible numbers of people who had their money invested abroad and could not allow it to accumulate for three years or more. There must be large classes, particularly in the case of persons engaged in business who are affected by considerations which make it necessary for them to bring their money back

Sir Cowasji Jehangir: I would like the Honourable Member to give me the figures. How many businessmen bring back their money into this country to live on, for keeping body and soul together? How many people bring back their money every year for the purposes of business? I should like to have figures.

The Honourable Sir George Schuster: I really cannot understand the point of my friend's interruption. I ventured to put to the House, and I put it to them again that there must be very large numbers in India who have investments abroad and businesses abroad who cannot afford to allow their income from those investments and from those businesses to accumulate abroad, but who require their income and investments to live upon. The class of persons which is able to save regularly every year from the incomes from their investments is, I put it to the House, without fear of contradiction, a very limited one. In fact the classes in India that pay income-tax at all are very limited in comparison with the numbers of the population; but the class that is rich enough to be able to allow income of that kind to accumulate must, I say, be of very negligible dimensions, and we feel that, if it is just that all income, whether it is earned abroad or not by persons resident in India, should be liable to Indian income-tax—and that we do feel to be absolutely just,—it would defeat the entire object of this measure if we were to put it in the way of all those who have more than ordinary means to escape its effects, merely by allowing their income to accumulate for three years and then to bring it out at their own pleasure. Sir, I think this is one of the points on which it is not necessary to speak either loud or long. It is a simple point which must appeal to any Honourable Member who seeks to understand the purpose of this legislation. I, therefore, propose to say no more about it.

Now, Sir, my Honourable friend made a very great deal of this question of discrimination. I confess that I regret very much that he should have done this. I feel that it is really quite irrelevant to the purpose of this measure and that it merely represents an attempt to import prejudice and ill feeling. Let us consider the position dispassionately. My Honourable friend says

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): As the Honourable Member is developing a new point, he might do it after Lunch.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Mr. R. K. Shanmukham Chetty) in the Chair.

The Honourable Sir George Schuster: Sir, when we rose for Lunch, I had just started to deal with the point made by my Honourable friend, Sir Cowasji Jehangir, about discrimination, and I ventured to express a regret that my Honourable friend had raised this point, which I myself think can do nothing but create prejudice in the minds of Members of this House if they pay any attention to it. Sir, my Honourable friend's point, I think, is this, that in the case of a European engaged in business in this country, he may, out of the profits that he makes in this country each year, make remittances to England and allow that money to accumulate in England, and that the interest will accumulate on that money and that, when he himself retires, he will take it up and will never be liable to Indian income-tax on those accumulations. There is one point I would like to make in that connection and that is—to take my Honourable friend's example—that that individual would at least have paid Indian income-tax on all those sums which he remitted home so that he would not have escaped the burden of taxation altogether. However, my Honourable friend compared his case to that of an Indian who did exactly the same thing. Then he said: "The European can go home and acquire that money without paying income-tax on it, and the Indian sooner or later will have to bring that money back to India." I interrupted my Honourable friend on that point and I asked him, "why"—why did he claim that sooner or later the Indian must bring that money back to this country? If he has been able to keep it there for 10 or 20 years, living perhaps only on the income from the accumulations up to a certain point, why should it be necessary to conclude that at some time or other he must bring that money back? I fail to see the force of that argument, and I think that possibly my Honourable friend may have in mind that though that individual may keep the money there during his life-time, perhaps, when he dies, his children inherit, his fortune gets split up, and some of them will have to bring the money back. And then my Honourable friend's point would be, however late that may be, however many years it may be after the original accumulation, his descendants will have to pay income-tax on the money that they bring back. Well, Sir, I must confess that I wish that that were the position, but I think that on a true interpretation of the law as it would be after this Bill were passed, that would not be the true interpretation. After the original earner of the income had died, and after his estate had passed through the hands of the administrator and been distributed to his legatees or his heirs or assigns, that money, in their hands, would undoubtedly be capital and they would not have to pay Indian income-tax on those accumulations. Therefore, I think the real force of my Honourable friend's point disappears if we consider the position as it really would work out. Then, Sir, there is another point. My Honourable friend has spoken of the effects of this measure always in terms of the effects on individuals, on human beings. But we certainly, in looking to the possible effects of this measure, have in mind rather more the case of companies that make investments abroad, very often—so I am told—because it is a good business proposition, because they do not have to pay income-tax on the income from these investments. Now, in the case of a company, there can be no discrimination at all. A company goes on for ever, and if one company

can keep its money abroad, so can another. It is merely a question of the financial strength of that company and the way in which it conducts its business. I really believe that in practice this idea of discrimination, my Honourable friend spoke so much of, will really play no part at all. If it did, if there were a difference, then I venture to submit that there is a certain justification for it. The point has already been made that income-tax is properly leviable on a resident in the country by a Government, because of the services which that Government renders to the individuals living under it and this discrimination that there is in this case is no discrimination as regards the nationality of the individual. The question is one of discrimination as regards money remaining outside India and money coming into India. There is no sort of racial discrimination about it. I quite admit—and I shall have to admit that in connection with some other points that I have to make—that this measure is not at all points an effective measure: it is a half measure. If the House had passed the measure, which I introduced in the more drastic Bill of last year, we should have a much better position than will be created by this measure, but I venture to say to those who threw out what I consider to have been a better and juster measure, that it is hardly fair that they should criticize us now when we bring this measure forward, which in all the circumstances of the case is apparently the best that we can expect this particular House to pass. I would much rather, if my Honourable friend wants complete logic and complete fairness, that the answer to him should be: "Then let us have that measure which I introduced last year." It was he and his efforts chiefly that defeated that measure, and now we are forced to come forward with this admittedly imperfect measure, a measure which is capable, I am afraid, of quite easy evasion in many cases, but still a step in the right direction, a step of recovery on that road of mistake which the House embarked upon when they objected to the larger measure a year and a half ago.

Now, Sir, another point made by my Honourable friend was that if this measure is passed, it will have a great effect on the sterling securities of the Government of India. He said that as a result of the withdrawal of the privilege now enjoyed by those who have their money invested in sterling securities, we shall bring about a large sale of sterling securities and the repatriation of a large volume of Indian money from England to this country. My friend waxed very eloquent on that point. As he spoke, I tried to recall what he himself had said in the earlier passages of his speech. Then I found it a little difficult to follow his later arguments, for he himself had told us that it was not any question of avoiding income-tax which induced a man to transfer his capital from this country to England. It was the idea of greater security, or for purposes of his business. Well, Sir, if that is the position, then surely the levy of income-tax on those funds which are invested in sterling securities will not upset and counteract all the motives, motives which had nothing to do with income-tax which, according to my Honourable friend, induced that flow of capital from this country to England. I think the first part of my Honourable friend's speech defeats the last and that, I venture to submit, is a criticism which applies to a great deal of his arguments. Now, Sir, on this question I wish to make a point which again illustrates the main point as regards this measure. On this question of the encouragement of Indians to invest in sterling securities, I entirely agree with all those Honourable Members on the other side who have emphasised the value to this country of Indians themselves gradually acquiring the whole of the sterling debt of India. That is a grand ideal, it is an ideal which every

[Sir George Schuster.]

one in this country ought to work for. But in order to secure the achievement of that ideal, surely it is not necessary actually to give a bounty to those that invest their money in sterling securities. All that we seek to do is to create equality between the man who invests his money in Government of India rupee securities and the man who invests his money in Government of India sterling securities. We are not putting up any barrier against the investment of Indian money in sterling securities by proposing this measure. All we are saying is: Let us have fair play between the two classes of Government of India securities. If the country has capital enough to carry the burden, not only of the rupee debt, but also of the sterling debt, then, as I said, that would be a grand result, a result which would benefit India enormously, and I see no reason at all why that result should not be achieved. But it is misleading the House to say that because that is an ideal of national importance, therefore you ought to put the particular individual who chooses to invest his money in sterling securities into a particularly favoured position. That would be entirely unfair and all that this measure seeks to do is to remedy that unfairness.

Then, Sir, my Honourable friend again talked a great deal about the injustice done to those who had invested their money in sterling securities with the idea that they would always be free of Indian income-tax. He was interrupted by my Honourable friend, Mr. Biswas, who asked him whether there had been any contractual obligation in regard to that position. My Honourable friend had to say that there was no contractual obligation, but a moral obligation. Now, Sir, I have been constantly filled with wonder in the course of this debate at the way in which it is suggested that there should be a particular moral obligation to protect the interests of those who by their own ingenuity avoid the payment of Indian income-tax. There is apparently no moral obligation at all to protect those who invest in this country and pay their full share; but our feelings are constantly harrowed by the picture of what will happen to a man who has lived till now in the very happy position of never contributing anything in respect of that portion of his money to the cost of running this country. I feel no sympathy at all for that individual. I feel no particular hostility to him either. I do not seek to penalise him in any way, but I do entirely refuse to regard that individual as one who deserves our special sympathy. Let us take the case of two individuals who invest their money in this country. One of them, because he thinks perhaps that income-tax is likely to go up, invests his money in the tax-free securities of the Government of India. As this House knows, there are certain securities, chiefly the five per cent. 1945—55 Loan, which, according to the terms of issue, is exempt from income-tax. That represents a definite bonus for which the investors pay. The great bulk of the other securities are subject to income-tax. Let us go back three years, and take the position as it was before the income-tax was raised. The individual who put his money into tax-free securities has had no increase in the burden which, in respect of those securities, he has to bear. On the other hand, the individual who has invested in the taxable securities has had the burden heavily increased—one may say perhaps half per cent. of the interest taken away from him by the increases in the rates of income-tax that have been made. It will be just as logical for my Honourable friend to come forward and say that that is unfair to that individual. He bought those taxable securities in preference to tax-free securities,

because our rates of income-tax had stood at a certain level and now we have altered them. It might, therefore, be said that we have disregarded our moral obligation to that particular individual. But of course that is all nonsense. Everyone who invests in property must know that he stands to have his position altered as and when the laws of taxation are altered and there can be no special moral obligation to protect the interests of a particular class of residents in India. Above all, I say, there is no moral obligation to protect the interests of those who hitherto have avoided paying their full contribution according to their income to the public revenues of this country. That, Sir, I think, is really all that I need say in answer to my Honourable friend's case.

In conclusion, I would just like to say this. I have studiously endeavoured to avoid speaking either at great length or very loudly in making my final reply. I have wished to preserve a calm atmosphere, a calmness, if I may say so, of impartiality. I am completely impartial in this matter. If this measure is going to have any appreciable effect—and I believe that in a certain direction it will have a very appreciable effect—that effect will really be felt long after the responsibilities of the present Government have altogether passed into other hands. In bringing forward this measure, we serve no particular purpose as regards the present task of the Government. We bring forward this measure, because we think it is right, because we think that the present position is entirely unjustifiable. And we oppose this amendment, because, if it is passed, it would rob the measure which we have put before the House of almost all its strength and efficacy. In taking this step we are not, as one Honourable Member said, coming into line with the British Government. Unfortunately we shall not go as far as that. If the House had passed the wider Bill, which I brought forward a year and a half ago, then we should have come exactly into line with the British income-tax law. If we pass the present measure, we shall come into line with the position as it was in the United Kingdom, I think, about ten years ago. We shall fall

far short of what I consider to be the proper position for dealing with foreign income. Nevertheless it will be a step in the right direction. I believe most sincerely that this House, when it rejected the other measure, made a very great mistake. I believe most sincerely that before very long the fact that that was a mistake will be recognised by the future Government of India. In the meanwhile I would appeal to the House not to repeat its mistake by throwing out this measure. Let us at least take this short step to recover the ground which was lost 18 months ago.

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

“That sub-clause (b) of clause 2 of the Bill be omitted.”

The Assembly divided:

AYES—20.

Azhar Ali, Mr. Muhammad.
Bagla, Lala Rameshwar Prasad.
Chandi Mal Gola, Bhagat.
Chinoy, Mr. Rahimtoola M.
Gour, Sir Hari Singh.
Gunjal, Mr. N. R.
Jadhav, Mr. B. V.
Jehangir, Sir Cowasji.
Jog, Mr. S. G.
Mackenzie, Mr. R. T. H.

Mody, Mr. H. P.
Mudaliar, Diwan Bahadur A. Ramaswami.
Murtuza Saheb Bahdur, Maulvi Sayyid.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Scott, Mr. J. Ramsay.
Smith, Mr. R.
Thampan, Mr. K. P.
Ziauddin Ahmad, Dr.

NOES—61.

Abdul Hye, Khan Bahadur Abul Hasnat Muhammad.	Mitchell, Mr. D. G.
Abdul Matin Chaudhury, Mr.	Mitter, The Honourable Sir Brojendra.
Acott, Mr. A. S. V.	Morgan, Mr. G.
Ahmad Nawaz Khan, Major Nawab.	Muazzam Sahib Bahadur, Mr. Muhammad.
Allah Baksh Khan Tiwana, Khan Bahadur Malik.	Mukherjee, Rai Bahadur S. C.
Amir Hussain, Khan Bahadur Saiyid.	Noyce, The Honourable Sir Frank.
Anklesaria, Mr. N. N.	Rafiuddin Ahmad, Khan Bahadur Maulvi.
Bajpai, Mr. G. S.	Raghubir Singh, Kunwar.
Bhore, The Honourable Sir Joseph.	Raisman, Mr. A.
Biswas, Mr. C. C.	Rajah, Rao Bahadur M. C.
Clow, Mr. A. G.	Rajan Baksh Shah, Khan Bahadur
Dalal, Dr. R. D.	• Makhdum Syed.
Dutt, Mr. G. S.	Ranga Iyer, Mr. C. S.
Dutt, Mr. P. C.	Rastogi, Mr. Badri Lal.
Fox, Mr. H. B.	Rau, Mr. P. R.
Ghuznavi, Mr. A. H.	Reddi, Mr. T. N. Ramakrishna.
Gidney, Lieut.-Colonel Sir Henry.	Ryan, Sir Thomas.
Haig, The Honourable Sir Harry.	Sarda, Diwan Bahadur Harbilas.
Hezlett, Mr. J.	Schuster, The Honourable Sir George.
Hudson, Sir Leslie.	Seaman, Mr. C. K.
Ismail Ali Khan, Kunwar Hajee.	Shafee Daoodi, Maulvi Muhammad.
James, Mr. F. E.	Sher Muhammad Khan Gakhar, Captain.
Jawahar Singh, Sardar Bahadur Sardar.	Singh, Kumar Gupteshwar Prasad.
Jha, Pandit Ram Krishna.	Singh, Mr. Gaya Prasad.
Joshi, Mr. N. M.	Singh, Mr. Pradyumna Prashad.
Lal Chand, Hony. Captain Rao Bahadur Chaudhri.	Suhrawardy, Sir Abdulla-al-Mamun.
Leach, Mr. A. G.	Tottenham, Mr. G. R. F.
Maswood Ahmad, Mr. M.	Trivedi, Mr. C. M.
Megaw, Major-General Sir John.	Vachha, Khan Bahadur J. B.
Metcalfe, Mr. H. A. F.	Yakub, Sir Muhammad.
Misra, Mr. B. N.	Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. T. N. Ramakrishna Reddi: Sir, I beg to move the following amendment that stands in my name:

"That the second *Proviso* to sub-clause (c) of clause 2 of the Bill be omitted."

In short it means that if this amendment is carried, the differential treatment in the way of calculating income for taxable purposes will be done away with. When I was listening to the lucid speech made by Sir Cowasji Jehangir in getting exemption for foreign income at least for three years, I did not want to prejudice the issue before the House by opposing him at that stage and now I find that the verdict of the House is overwhelmingly against him and, as the verdict is entirely against him, I have great pleasure to move this amendment.

Sir, the whole object of this Bill,—the amendment of section 4,—is to impose taxation on all foreign incomes when they are received or brought into British India. By carrying these sub-clauses (a) and (b), we have achieved the object of this Bill. All the foreign incomes now, whether they are received in India or brought into India, are liable to taxation. After that, Sir, the amendment to the second *Proviso* wants to make a distinction in the method of calculating the income, that is to say, if a man keeps his income in foreign countries where he has earned that income and brings it after a number of years, he will be in a better position, that is to say, he will not pay as much taxation as a man who brings his foreign income into India each year. This has got one disadvantage, Sir. In the case of a man who keeps his income outside for

a number of years, if this *Proviso* is to be passed, he will be in a better position in the matter of income-tax.

An Honourable Member: How?

Mr. T. N. Ramakrishna Reddi: I will explain as I go later on in my speech. If the income is to be taxed as it arises, as it is brought every year to India, Government will know what it is, and they can ascertain the amount of tax that they could expect from that source each year, and thereby the Government will be in a position to give relief to the poorer tax-payers at the bottom. If they have to bring it into India after a lapse of, say, five or ten years, then the Government will not know at what particular time they will bring it. It will not be possible for the Government to ascertain how much income they would collect in a particular year. Then, Sir, there is another consideration also. A wealthy man, who is in a position to retain his income in other foreign countries, where the income is derived, he will be in a better position financially than another man who has to bring his income every year. That I will explain by an illustration, Sir. Supposing there is one man who brings his income into British India every year. As soon as the income is brought into the country, a tax is levied and he has to pay the tax to the Government. His net income will be so much as he has got after paying his income-tax. Supposing he gets a big income, he may be liable to pay super-tax. In that case, he will have to give to the Government a very large slice of income in each year. Take the case of another man who accumulates his income. He does not bring it into British India every year for a number of years; his income accumulates annually with compound interest. There will be no deduction from his income until he brings the accumulations into this country. The rate of income-tax is arrived at by dividing the total income by the number of years during which the accumulation had taken place. This lower rate is applied in calculating the tax on the total income. Thus a man who brings his income annually will be in a more disadvantageous position than a man who accumulates his income outside India and accumulates interest also on it and brings his income inside India. (Interruption.) I will leave it for further elucidation to Dr. Ziauddin.

Well, Sir, take another instance. Suppose there are two assesses who have got incomes of a lakh each for each year in foreign countries. One of the assesses brings his income each year into this country and pays his income-tax or super-tax, as the case may be, say, for 5 years. Supposing there is another assessee who does not bring income into this country for five years. He has not got a single pie to pay as income-tax or super-tax in India for these five years. Suppose in the sixth year both of them suffer a very heavy loss. Suppose, at the end of the sixth year, they both suffer a loss of six lakhs of rupees. The man who has to pay his income-tax has already paid and his loss of six lakhs for the sixth year is not at all calculated for getting any relief to him. The other man has escaped payment of income-tax during five years when he had got income, and he has nothing to be taxed as he had sustained losses in the sixth year. He has nothing to bring to India. Thus, you have a man who has brought regularly the income into the country and has paid income-tax on these five lakhs, while you have another man who has not brought his income and has not paid a single pie. That is really a very great hardship.

[Mr. T. N. Ramakrishna Reddi.]

Further, I ask, why should these gentlemen get a lot of profit and not bring their incomes into India? As has been already pointed out, there should be every encouragement given to capitalists to invest as much of their money as possible in this country. It is only when they hope to get higher income and better security for their investments, they go abroad; and such people will be in a more advantageous position than those who have invested their money in India; and those who invest their money outside India are not doing as much service to their country as those who take the risks and invest their money in India; and as such I do not see any reason why such gentlemen should enjoy more privileges. Further if they bring their money into India every year, they have to invest in the banks and there will be a lot of money in the country and, consequently, interest rates will go down. Thus there will be cheap money available for industrial purposes. So these capitalist assesses who have foreign incomes must be made to bring their incomes into the country and make that available for industrial purposes in the country, and they should not be allowed to have them accumulated. There is another reason also. Supposing after some years they get a large accumulation, they might think that if the money is brought into India, they might have to pay a large amount of income-tax and, in order to avoid payment, they might think of settling in foreign countries alone. We want to prevent that tendency also. For all these reasons I hold that there should be no distinction made in the method of calculating the tax on these foreign incomes. If my amendment is accepted, it will remove that anomaly. Sir, I move the amendment.

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

"That the second *Proviso* to sub-clause (c) of clause 2 of the Bill be omitted."

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural):
Sir, I move that the question be now put.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Mr. President, as I was listening to the debate, I got an impression that if there were a person in this country for whom no sympathy was deserved, one who had done the greatest disservice, one who was most unpatriotic, that man was the one who traded across the seas in foreign countries. I could understand some of my Honourable friends like my Honourable friend from Chittoor putting forward such a theory, that money should not go outside this country, that all money should be invested in the country, and that business should be promoted in India. But for the life of me, I could not understand the Honourable the Finance Member coming from the United Kingdom of all countries putting forward the theory that it is unpatriotic, highly unpatriotic for anybody to do business abroad.

The Honourable Sir George Schuster: I never said anything of the kind.

Diwan Bahadur A. Ramaswami Mudaliar: The whole gist of his arguments, the whole basis of every one of the speeches he has delivered during the past eighteen hours, the crux of what he has said is that nothing is more wrong than for a man to go and trade abroad. (*Cries of "No, no."*)

An Honourable Member: For a poor country like India.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend, the Finance Member, does not want any glossaries; he can very well take care of himself. He does not want any commentators, not even the commentator from Meerut. The Honourable the Finance Member has certainly said that these people evade taxation. But if I have followed the Honourable Member's speech, he certainly implied, and the speeches made by some Honourable Members, like my Honourable friend who has just sat down, confirm that impression, that nothing was more unpatriotic than for a man to take money, which he should rightly invest in his own country for developing the industries of the country, and invest it outside. Whether the Honourable the Finance Member said it or not, my Honourable friend who sits next door to him said that Honourable Members have suggested that; and I venture to repeat again that the speeches of the Honourable the Finance Member lend colour to that suggestion and make people think that there was something atrocious in trading with foreign countries and taking capital away which should have rightly been invested in this country. As I said, the United Kingdom is one of those kingdoms that believe in trading abroad: it has its prosperity, because its citizens went out and traded abroad. It has got its securities among all the countries of the world: the United Kingdom is the greatest creditor country in the world, next perhaps to the United States. My Honourable friend, the Finance Member, certainly said, where he referred to business or trade, that investing in foreign securities was something far less patriotic. He certainly conveyed that impression to me. The Honourable the Finance Member knows, none better, that Englishmen are the persons who invest in foreign securities largely. They have got their bond holders in Argentine: they have got their bond holders in Austria under special conditions: they have got them in Germany; they have got them in all parts of the world; and, therefore, to try to make this House think that there is something essentially unpatriotic in investing in foreign securities is, I venture to think, to mislead the House.

Now, my Honourable friend, Mr. Ramakrishna Reddi, has, I am sorry to say, outstripped even the enthusiasm of the Government and the Finance Member in the amendment that he has chosen to move. The Finance Member and the Government Members, under which category I think I should include my friend, Mr. Anklesaria, because the Honourable the Finance Member included him last night among the Government Members who have put in a dissenting minute; and if there was really much of substance in the point, I should have expected my friend, Mr. Vachha or Mr. Mitchell, to move an amendment to that effect. They have not done it, and my friend, Mr. Reddi, comes forward and moves the amendment. I venture very respectfully to draw his attention to this thing. What is the result of this amendment, if this is carried? A man who has been trading abroad or who has his securities abroad and who has his business abroad.

[Diwan Bahadur A. Ramaswami Mudaliar.]

because the three years' rule is taken away, he earns his profit year by year. Any man who has an elementary idea of business knows that even though he may earn a profit, it may not be possible for him to withdraw the profit at the end of the year. We all know that in several companies though they declare dividends they are not able to pay out the dividends in cash immediately. It would disorganise the whole business: to declare that a profit has been earned and to pay the cash equivalent of that profit immediately are two different things. It is just possible that it will ruin the business if that profit is withdrawn immediately. It is possible that for the sake of the business itself this profit may be kept in. It is not always cash profit or liquid profit; and you have to take into consideration the investments and many other things. It may be that your profit is locked up in some part of the business itself and cannot be taken out without dislocation. What is it that you want to do? You want to force a man to bring out his profit annually. Where is the justification for that? Why should he not wait for a convenient opportunity to withdraw his money and bring it into this country? Whatever time may elapse, he is not going to escape the income-tax. The previous decision of the House has made certain of that position. Therefore, he is liable to income-tax. What you now seek to do—and I will draw my friend, Mr. Reddi's attention to it—is this: if the man brings his profits after five years, he will not be paying the income-tax which he would otherwise have paid. We say the amount would be swollen up and a further charge will be put on him: super-tax and things like that: and he will be penalised, thereby forcing him to withdraw his amount, only if he wants to save himself. Supposing, for instance, he has earned Rs. 50,000 every year as profit: if he brings it in the first year he pays income-tax at the rate on Rs. 50,000. If he brings it in the second year, he does the same. But if he brings it after five years, that is, if he brings in Rs. 25,000, he pays income-tax, he pays super-tax also on that. Why? Where is the justice in that? I trust that my Honourable friend, the Finance Member, will not take advantage of this amendment and try to restore the position as it stood before. I think it is just the other way. You are going to get your pound of flesh from this man. You divide it by five years. You get from each allotment of that share the income-tax you want him to pay. There is **no evasion in this case**. You are penalising him. This is not a question of evasion. The man is bound to pay income-tax, whatever the period may be, and he does not bring it, not because he wants to evade paying income-tax. Surely, the Finance Member cannot say that this is the ground on which he is not willing to bring his profits home at the end of each year. There are half a dozen other reasons why he cannot bring his profits home immediately. Supposing, for instance, a person has invested in the United Kingdom or Germany and the exchange tumbles down, and he thinks that it is advisable that the money should not be brought home at that time when he will lose heavily. Is he not justified in keeping his money abroad at such a time until the old rates of exchange prevail? And then when he does bring back his money, you penalise him and you say he must pay the super-tax. What is the reason for it? This is the one small amendment that has been passed by the Select Committee. I would have gone further and said that the man should not pay increased income-tax at all. If, at the end of five years, he brings back Rs. 25,000. I do not see why he should pay income-tax on Rs. 25,000. I am afraid.

that is the result of even the amendment which applies only to surcharge. I understand that the man will have to pay income-tax and super-tax, and no attempt has been made to save this man, because there are extraordinary difficulties which even the ingenuity of Mr. Vachha was not able to get over. I should have preferred that on any amount that comes in, each year's amount should be taken into consideration both for super-tax and for income-tax. I do not wish to take any more time of the House, and I only trust that the Honourable the Finance Member, in his righteous enthusiasm to push through this Bill, will not take advantage of such an amendment as this.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I have been provoked to make a speech on this amendment. When my friend, Sir Joseph Bhore, would initiate the Anti-Dumping Bill debate, I thought I would wait till then to listen to the hallelujahs sung by Mr. Mody, and I did not, therefore, like to intervene in this debate

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Honourable Member should keep his powder dry.

Mr. B. Das: Sir, I am one of those who seldom pays compliments to the Finance Member or to any other gentleman on the Treasury Benches, because I do not believe in paying compliments, but in this case I have followed the debate this week and also for the last two or three years on similar Bills and charges were levelled against my friend, the Honourable Sir George Schuster, that he was against India's investments abroad which view, I think, he had never expressed on the floor of this House. I am not here to pay compliments to the Treasury Benches. Their shoulders are broad enough to receive any attacks. Well, Sir, I expressed my view on the present Bill two years ago, and that view is the Congress viewpoint, and if I did not vote on that occasion with the Government, it was because very powerful influence was brought to bear on me as I happened to be connected with different Indian Chambers of Commerce, and I thought that discretion was the better part of valour, and I remained absent on the day of voting. When the Finance Member brought the second Bill, I was absent, but it was rejected; all the same, my moral support was there. And about this Bill my moral support is there, because I say that I stand by the Congress viewpoint, and the Congress viewpoint is *that everybody should render unto Schuster what is Schuster's due*. It is not that the poor man alone should give 25 per cent. of his income while the rich man should give only five per cent., because he has got the powerful support of the legal luminaries both in this House and outside to fight his cause if he evades his payment. Sir, while I support that this Bill should be passed, I tried to understand my friend, Mr. Reddi, while he was speaking on his amendment, but I could not follow him as to how he was going to bring relief to anybody, and even to the Honourable the Finance Member. And there my friend, Diwan Bahadur Mudaliar, will agree with me, and at least on this my views and his will coincide. I am not so lavish in complimentary expressions. I never shower complimentary expressions on anybody. My friend talked of the honesty of the income-tax-payers. Sir, I have levelled many a charge against the Britishers on the floor of this House, but I do hope that my friend will give me the credit for saying that the British tax-payer is more

[Mr. B. Das.]

honest. He does not evade taxation, and my friend, the Finance Member, if he is allowed sufficient time by you, Sir, will perhaps be able to give this House his impressions as to how the British income-tax-payer honestly pays his due and does not evade taxation as is very often done in India by the tax-payers out in this country. . . .

Diwan Bahadur A. Ramaswami Mudaliar: I never said any word about the honesty of the British tax-payer.

Mr. B. Das: What is this Bill?

Sir Cowasji Jehangir: It is another Bill which has not been moved yet.

Mr. B. Das: What is this Bill? It relates to foreign investments. My friend, Diwan Bahadur Mudaliar, said that the Finance Member objected that Indians should not invest their money abroad, but I am comparing the honesty of the British tax-payer and the Indian tax-payer. The Indian tax-payer nearly always evades income-tax

Diwan Bahadur A. Ramaswami Mudaliar: No, no.

Mr. B. Das: In spite of that denial, I have the highest respect for my friend who comes from Madras. My friend has not lived in Bombay. My friend, Mr. Vachha, is there, and he will tell us how income-tax evaders play havoc in Calcutta and Bombay and how Government are losing millions

Mr. H. P. Mody: We pay it in Bombay.

Mr. B. Das: My friend, Mr. Mody, says that they pay income-tax in Bombay. When this House gave Government its permission to take off the cotton excise duty, his representative assured us that income-tax will flow ten times. Now, what is the result? What is the use of saying that the rich always pay and do not evade payment of income-tax? Why are there so many income-tax evaders in Bombay and Calcutta who help multi-millionaires like my friend, Mr. Mody,—I do not know if my friend, Mr. Mody, is a multi-millionaire,—but why are there so many income-tax evaders in Bombay and Calcutta who help rich people to evade payment of income-tax? This is my speech on the Bill, and I have told that I adhere to my first speech which I made two years ago. I hope my friend, Mr. Reddi, will try to revise his views and withdraw his amendment.

Mr. N. M. Joshi: Sir, I do not wish to make a long speech on this subject, but when I heard my friend, Diwan Bahadur Mudaliar, waxing eloquent about the injustice done to foreign investors or as he put it, why penalise a man who invests his money abroad,—I really could not understand him. If a man does not bring his income to his country every year and brings it only once in five years he does it for his own convenience, because by doing so he postpones the payment of the super-tax and the income-tax. Therefore, when he brings money to his

country, if he is asked to pay income-tax at a higher rate, surely it cannot be called penalising. He pays the price for the postponement of the payment, and I think there is absolutely no injustice in that. My friend should not have said that the man is penalised unnecessarily. He is not penalised at all.

The Honourable Sir George Schuster: Sir, I wish to intervene as early as possible in this debate so as to make clear the attitude of the Government with regard to this amendment. I am afraid I am destined to shock my Honourable friend from Madras still further, because I and Government give our most hearty support to this amendment. My friend asked, why if Government believed in this principle they had not themselves moved an amendment. Our attitude on the matter was this, that, although we thought the recommendation, against which this amendment is directed, was a mistake, it did not affect vitally the purpose which we had in view, and as a majority of the Select Committee elected by this House had approved the principle which this amendment seeks to cancel again, we were prepared merely to state our views and then let affairs take their course. Now that my Honourable friend, Mr. Reddi, has moved an amendment, we have no other course open to us except to support an amendment which we think to be essentially right.

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan): If Government think an amendment on those lines is fair, why did not Government themselves give notice of such an amendment?

The Honourable Sir George Schuster: I have endeavoured to explain the position to the House. Strange as it may appear to my Honourable friend, we on these Benches do try as far as we can to act in a manner responsive to the wishes of the House. Where any vital principle is involved naturally we have to stand up for it even though we may feel that a majority of the House may be against us, but in this particular case no vital principle was involved. It did not affect the vital purpose of this Bill and therefore as a majority of the Select Committee had voted against us in this matter we were prepared to stand by that and let affairs take their course. That is what I said. Now that my Honourable friend has moved this amendment we feel that we have no other course open to us except to support it because we think it is essentially right. I wish to make that clear. The reasons why we support it are given in the minute of dissent signed by myself and by my Honourable colleague, the Law Member, Mr. Vachha and Mr. Anklesaria. I need not repeat them, because my Honourable friend, Mr. Joshi, who has just spoken has made that point very clear; but while I am speaking on this matter, I just wish to answer what has been said by my Honourable friend, Mr. Ramaswami Mudaliar, on this question of the ethics of investment abroad. Now, Sir, if my Honourable friend thinks that anything which I have said lends colour, those were his words, to the idea that it is a vile or unpatriotic thing to invest money abroad, I wish to take this opportunity of correcting that impression. I am one of those who think that when persons who are engaged in business talk very loudly of their ethics or their patriotic motives there is generally a certain amount of insincerity in their words. Most people do business from business motives, and unfortunately the main motive is to make money. I think there is

[Sir George Schuster.]

nothing immoral in that at all nor is there anything unpatriotic in investing money abroad. On the other hand, there is nothing essentially patriotic in it, and a good many of the speeches on the other side "lent colour", I may say, to the view that it was an essentially patriotic thing to do to invest money abroad. My Honourable friend, Dr. Ziauddin Ahmad, went so far as to say that a man should receive a bonus for doing it and we have had so many eloquent speeches from my Honourable friend, the Leader of the Nationalist Party, attempting to rouse our feelings about the Indian traders abroad and the value to India of men going abroad for that purpose, that perhaps some of us who have spoken on the other side in order to correct that impression have tried to emphasize the view that it is possible to represent investment of money in India itself as something which is more patriotic than investment outside India. If we have exaggerated our case, it has been because we had to meet exaggerations on the other side. If I disclaim the view that there is something essentially patriotic in investing money in this country, I must also controvert as strongly as I can the view that there is something essentially unjust in taxing money which is invested abroad, and that, Sir, is the view on which the case, which has been represented by those who oppose Government, is based. That, Sir, is all I need say. I very much hope that the House will support this amendment. We think that there is nothing unjust in it, and it will relieve us of an administrative difficulty which we view with the greatest possible alarm.

Sir Cowasji Jehangir: Mr. President, I must congratulate my friend Mr. Reddi for two reasons. The first one is that he has at last seen there are advantages in co-operating with Government and taking the assistance of Government officers now and then to draft his Resolutions and his amendments.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadian Rural): On a point of order. The Honourable the Deputy Leader of the Independent Party said that Mr. Reddi sought the co-operation of the Government in drafting this amendment. I think that is an allegation which is not quite correct.

Mr. T. N. Ramakrishna Reddi: On a point of personal explanation. I gave notice of both my amendments before any official Member approached me. I never sought the help of any Government Official in giving this amendment. It was only after I had come to this House that Mr. Mitchell came to me and told me that my amendment regarding agricultural income—mind, it is not the amendment under discussion—would not serve its purpose, because it was technically wrong. He suggested a method of giving a proper amendment. I gave my amendment before he saw me. I never sought his help or any other official. This is really an aspersion and it is unworthy of an Honourable Member to make that against me. He ought to have known facts before he made that statement.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): There is absolutely nothing wrong or unworthy on the part of a Non-Official Member to seek the technical advice of any Government Department in drafting his amendment.

Sir Cowasji Jehangir: I again repeat my congratulations to the Honourable Member for having done, what we very often do ourselves, what I have very often done myself, in seeking the assistance of Honourable Members on the opposite side to draft amendments.

Mr. T. N. Ramakrishna Reddi: The Honourable Member is making an incorrect statement. I never sought the help of anybody. The Honourable Member on the opposite side came to me and suggested a particular form of amendment.

Mr. O. S. Ranga Iyer: On a point of order. I should like to have your definite ruling on this matter, whether it is proper for an Honourable gentleman to cast an aspersion on another Honourable Member of the House that he sought the co-operation of the Government in order to bring forward an amendment, that is to say, that he traded upon the brain of the Government. If, on the contrary, the Honourable Member only meant that he sought the co-operation of the Government to put his amendment in legal language, that is an entirely different matter, but that was not the Honourable Member's original statement or the implication of that statement.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): The Chair understood Sir Cowasji Jehangir to state that the Honourable Member, Mr. Reddi, took the technical advice or assistance of the Government Department in putting his amendment in proper language and that he did not get an inspiration from Government to give this amendment.

Sir Cowasji Jehangir: That is exactly what we very often do. I have done it myself. I again congratulate my Honourable friend. My only regret is that he did not consult either my Honourable friend, Mr. Vachha or Mr. Mitchell before he made his speech in moving this amendment, for if he had done so, it would really have brought home to us as to what he wanted to do. I really honestly believe, and I sincerely say that my Honourable friend really does not know the meaning of his amendment and I am certain that my Honourable friend, as far as his explanation went, meant exactly the opposite of what his amendment really tries to effect.

Now, Sir, I do not understand why my Honourable friend should be so thin-skinned. Really, we always speak perfectly frankly and honestly what we think, and if my Honourable friend has not understood the amendment that he has moved, there is no reason why I should not say so; and if my Honourable friend, like many of us, is incapable of drafting these technical resolutions and takes the assistance of our friends opposite, why should he get so angry? But there is good reason to congratulate him upon it. Sir, I have heard my Honourable friend speak here for the last two or three years and it is but rarely that he has taken such assistance; but if he has on this occasion taken advantage of the assistance available from the opposite Benches, surely it is a reason for congratulation. Now, coming to the amendment itself, which is a simple one. If we did not include that *Proviso* in the Bill that we did by a majority, what would happen would be this: the incomes would accumulate outside British India and when they were brought

[Sir Cowasji Jehangir.]

back to India, they would be assessed at a higher rate than they would otherwise have been if they had been brought out year by year. Suppose your income, Sir, is Rs. 5,000—not that yours is, it must be much more—suppose somebody's income is Rs. 5,000 and it accumulates for five years and grows to say Rs. 27,000 at compound interest, then the rate of income-tax that will be charged will be the rate that is applicable to Rs. 27,000 and the man would escape super-tax, because it was not Rs. 30,000; but his income-tax would be at a higher rate. Suppose a man's income is Rs. 50,000 and he brought it after four years when it grew to Rs. 2,25,000; then, the rate of super-tax that will be applied will be the rate applicable not to Rs. 50,000 a year, but to Rs. 2,25,000 a year. Now, is that fair? Now, the Government, under the Bill, allows this man to accumulate his income outside British India. The law allows us; and, therefore, when he does choose to bring it back to India, there is no reason why he should be made to pay a rate of super-tax and income-tax much higher than what would be applicable if he brought it out year by year; and, therefore, what we tried to provide by this Bill was that as regards income accumulated during four years it should be roughly divided by four, and the rate of super-tax, that he would have to pay, would be as if on Rs. 50,000 for each of the four years and that would be the lump sum super-tax that would be charged. The fact is that if you do not put in this *Proviso* he will have to pay a much higher rate of super-tax than the man with income in India. It is quite true that the payment would be suspended for a number of years, but my contention is that the law allows it, and the law having allowed it, why do you penalize him when he chooses to bring it in in a lump sum some years hence? That is all that it provides. I know the points brought forward by the Honourable the Finance Member now were those he brought up before the Select Committee. We did not agree with them; we thought this provision should be included by a majority. Now, Mr. Reddi has thought fit to move an amendment to delete it. Well, he is quite justified to do so, but the Honourable Members must understand really that this was a *Proviso* put in in order to do justice to the assessee and allow him to pay only that amount of super-tax which he would have been bound to pay had he brought in the money year by year and not in one lump sum after it had accumulated for four or five years. That is the only difference. Sir, under these circumstances I think we will be doing bare justice to the assessee if we reject this amendment and allow the Bill to stand as decided upon by the majority of the Select Committee.

Mr. C. C. Biswas: Sir, there is only one authority on income-tax law in this House (Hear, hear), and we have had abundant evidence of that during the last two days! Therefore, when I presume to speak on this matter, I naturally do so in fear and trembling. But before I come to deal with this amendment, I would just like to invite the attention of the House to a technical point. My Honourable friend, Sir Cowasji Jehangir, went for my Honourable friend, Mr. Reddi, because in technical matters Mr. Reddi sought the advice of the opposite Benches.

Sir Cowasji Jehangir: I did not go for him; I congratulated him.

Mr. O. C. Biswas: I should like to offer similar congratulations to my Honourable friend, Sir Cowasji Jehangir. Sir, if you will look at this Bill introducing an amendment to section 4, you will find that this section occurs in Chapter I, and that Chapter is headed "Charge of Income-tax". That Chapter has nothing to do whatsoever with super-tax. Super-tax is dealt with in a different Chapter, and if you want to make any amendment regarding super-tax, this is not the place. This ought to come as an amendment to section 55. Sir Cowasji Jehangir was on the Select Committee, but probably he was not troubled with technical points.

Sir Cowasji Jehangir: No, I was not.

Mr. O. C. Biswas: Sir, as I have pointed out, Chapter I deals purely with income-tax, whereas Chapter IX deals with super-tax, and any amendment on the lines of the *Proviso* which we have before us should have found a place in Chapter IX and not in Chapter I. Putting that aside for a moment let us see what is the effect of the *Proviso*. My Honourable friend, Sir Cowasji Jehangir, with that spirit of charity, which always actuates him, was pleased to suggest that my Honourable friend, Mr. Reddi, did not understand the amendment he was moving, because, was it not a very difficult amendment, and were not the consequences far-reaching, in that Mr. Reddi sought to take away an obnoxious clause which my friends had succeeded in putting in in the Select Committee! Sir, it does not require much acuteness to see what the effect of this amendment of Mr. Reddi would be, just as it does not require much acuteness, notwithstanding the specious arguments of my friend, Sir Cowasji Jehangir, to see what the effect of this *Proviso* is. Sir, my friend talked eloquently about discrimination. I say, this *Proviso* itself is a discrimination in favour of rich capitalists like my friend, Sir Cowasji Jehangir. What is the underlying, the fundamental principle which you find in your income-tax law here in India? It is that income-tax is something annual, and it shall be charged in respect of the income which accrues during the previous year, i.e., the year previous to the year of accrual.

Now, Sir, in regard to income which accrues abroad, sub-section (2) of section 4, tells you what is, or is to be taken as, the year of accrual. For that purpose, a sort of legal fiction is introduced, and that legal fiction is, that so far as income of this kind is concerned, it is the year in which the income is received in or brought into British India that shall be deemed to be the year in which it accrued, irrespective of the actual year in which the income may have originated in the foreign country. Sir, why was such a *Proviso* necessary? Why was it necessary to introduce a legal fiction of that kind? It was necessary, because of the patriotic activities of friends like Sir Cowasji Jehangir! So long as there was no such clause as this which was introduced by the amending Act of 1923, what were they doing? As I pointed out yesterday, under sub-section (1) of section 4, all income, of whatever character it may be, whether it comes from business or from other sources, is liable to income-tax, if it is received in British India. My friend waxed so eloquent over the injustice done to the starving millions of India. Sir, it is not so much the starving millions of India as the starving millionaires of India who are concerned. Now, how were these gentlemen discharging their obligations towards the State

[Mr. C. C. Biswas.]

which they profess to be so anxious to assist, in respect of the foreign income which they were receiving in this country? Sir, the answer is given in the Income-tax Manual, and I will read it from there. If you will look at page 140, you will find what led to the enactment of this sub-section (2):

"Section 4 (2) was inserted in the present Act owing to the tax having previously been evaded in the case of income accruing or arising out of British India and received in British India by bringing in the said income at intervals and claiming that as such income was not received in British India in the year in which it arose or accrued out of British India, it was, when brought into British India, not income, but accumulated profits or savings or capital."

Sir, that was the position. There was this systematic evasion going on for years. I thought my friends would feel ashamed that they were not paying their lawful share of tax on their incomes abroad. The Legislature had to interfere; they stepped in and introduced sub-section (2). Unfortunately, the only improvement which the then Legislature could get effected was a limited one, restricted only to profits and gains of business. It may be, they anticipated administrative difficulties. That might have been one reason, or it may be that there were other influences at work which proved to be too powerful for the Government to resist at the time. Whatever it is, only a partial remedy was provided in this sub-section (2) in regard only to profits and gains from business. It was laid down that such profits and gains shall be deemed to have accrued or arisen in the year in which they were actually received in British India, irrespective of the actual year in which they were earned abroad. It was coupled no doubt with the three-year limitation. Now, Sir, the present Bill seeks to place income from other sources on the same footing as business profits. That is done by sub-clause (a) of clause 2 of this Bill, so far as the year of accrual is concerned. To that no exception has been taken by anybody here. Then, there is the further amendment by sub-clause (b), which this House has also accepted, which secures that such income, whether derived from business or from other sources, which arises abroad will be regarded as having accrued or arisen in British India, whenever it is received, irrespective of any time-limit whatever, the three-years limit being altogether dispensed with. As a result of that, what is the position? It would no longer be possible for people to evade the tax by withholding their foreign income for a number of years. So long as the three-year limit was in force, they had only to keep it there, and not to remit it to India for three years. That temptation will no longer be there. Still my friends say that they should not be deprived of the chance of earning a higher rate of interest by allowing that income to accumulate for years out of British India. If there is any inducement in that direction, by all means let them accumulate. Let them accumulate that income as long as they please. But so long as that income retains the character of income, I maintain that it is only fair and proper that it should be assessable to tax here when it is brought into British India. If an income is merged into capital by reason of the way that income has been dealt with, or by reason of lapse of years, they will of course enjoy exemption automatically on the ground that it is no longer "income". That ought to be safeguard enough. This Bill proceeds on the assumption that what is brought into British India is income, and is chargeable as such. We must not forget that point. The first question the tax-gatherer asks is: What is the

"income" which has accrued? What is the "income" which you have brought into British India? If the amount of money he brings is not income, then he gets exemption. The whole Bill, I say, again, presupposes that the amount which is brought into India and is to be charged is income, and, if that be so, how does it necessarily lose its character, because it represents several years' accumulations, and why should there be a discriminating scale of rates applicable with retrospective effect? After all, as the minority in the minute of dissent point out, the remedy lies entirely in the hands of the recipients of this income. They can go on transmitting that income to this country from year to year. Therefore, I say that there is no justification, either legal or moral, for making any such provision to assist people who want only to evade their proper and just liability.

Several Honourable Members: The question may now be put.

The Honourable Sir Brojendra Mitter: Sir, I want to speak only on one point which has arisen out of the speech of my Honourable friend, Sir Cowasji Jehangir. As I understood him, he said that the law allowed accumulation of foreign income. Since the law allows accumulation, why should the accumulated income, if it is brought into British India, be assessed at a higher rate? That was his point. Sir, there is a fallacy in this. The law neither allows nor disallows the accumulation of foreign income. A man is free to leave his income abroad or to bring it into this country. The law does not interfere at all either by way of allowance or by way of discouragement. All we are seeking to do is this. A man is free to do what he likes with his foreign income, but when he chooses to bring it into this country, the total of that foreign income must be assessed to the proper tax at the proper rate. That is all we are saying.

Sir Cowasji Jehangir: But you are converting the income of five years into one year.

The Honourable Sir Brojendra Mitter: No, we are not converting five years into one year. All that we are seeking to do is this. As soon as the foreign income is brought into this country, it will be assessed to income-tax and super-tax. That is all we are saying. It may be an accumulation of two years or it may be an accumulation of 20 years. That does not matter. But as soon as it comes into this country as foreign income, it has to be assessed at the proper rate. That is all we are saying. Sir, the injustice or unfairness is in the *Proviso* itself as framed by the Select Committee. Supposing it is five years accumulation of income. You divide the amount by five. Each division is to be assessed at the smaller rate. Does this *Proviso* provide for interest on that? No. What the man ought to have paid four years ago, he pays four years later and he is not to pay interest on it. Therefore, if there be any unfairness.

4 P.M. the unfairness is in the *Proviso* and not in what we are seeking to do.

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

"That the second *Proviso* to sub-clause (c) of clause 2 of the Bill be omitted."

The Assembly divided:

AYES—45.

Abdul Hye, Khan Bahadur Abul
Hasnat Muhammad.
Acott, Mr. A. S. V.
Ahmiad 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.
Biswas, Mr. C. C.
Clow, Mr. A. G.
Dalal, Dr. R. D.
Dutt, Mr. G. S.
Dutt, Mr. P. C.
Ghuznavi, Mr. A. H.
Gidney, Lieut.-Colonel Sir Henry.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur Sardar.
Joshi, Mr. N. M.
Lal Chand, Hony. Captain Rao Bahadur
Chaudhri.
Leach, Mr. A. G.

Megaw, Major-General Sir John.
Metcalf, Mr. H. A. F.
Mitchell, Mr. D. G.
Mitter, The Honourable Sir Brojendra.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Rastogi, Mr. Badri Lal.
Rau, Mr. P. R.
Reddi, Mr. T. N. Ramakrishna.
Ryan, Sir Thomas.
Schuster, The Honourable Sir George.
Seaman, Mr. C. K.
Sher Muhammad Khan Gakhar, Cap-
tain.
Singh, Mr. Pradyumna Prashad.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Vachha, Khan Bahadur J. B.
Yamin Khan, Mr. Muhammad.

NOES—1.

Das, Mr. B.

The motion was adopted.

Mr. T. N. Ramakrishna Reddi: Sir, I move:

“That to clause 2 (c) of the Bill, the following further *Proviso* be added:

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

[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, this amendment has a very chequered career. My friend, Sir Cowasji Jehangir, said with regard to the previous amendment that I had not understood the scope of the amendment I had moved. He might have been correct if he had made that observation in this instance. He did it because I venture to tread on the corns of the capitalist gentleman who made the aspersion. But, Sir, I own that I did not understand the technical aspect of the amendment which I have just moved.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Order, order. The Honourable Member gave notice of the amendment in this form:

“That to clause 2 (c) of the Bill, the following further *Proviso* be added:

‘Provided further that nothing in this sub-section shall apply to income from agriculture arising or accruing in a State in India.’”

The Chair understands that the Honourable Member added some more words after the words “in India”.

Mr. T. N. Ramakrishna Reddi: I thought that by adding these words I would make my meaning clearer. I added the words "from land for which any annual payment in money or in kind is made".

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Will the Honourable Member kindly read his amendment?

Mr. T. N. Ramakrishna Reddi: Now, I read the whole amendment:

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

The Honourable Sir George Schuster: I would, Sir, just like to intervene for one moment and say that there has been some discussion about this amendment between the Honourable Member who moved it and the Government side, because, as I explained to the House at the time when I moved for consideration, Government will be prepared to take a certain attitude about this amendment, provided it is worded in a particular way so as to achieve a particular purpose. My Honourable friend has read out some words, but he has omitted three words at the end which are necessary to make clear that it will achieve the purpose in which we are prepared to acquiesce. He has left out the words "to the State".

Mr. T. N. Ramakrishna Reddi: This is what is my amendment:

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

I have no objection to add that.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): Is the amendment intended only to confine income arising within an Indian State or even outside India?

Mr. T. N. Ramakrishna Reddi: I am confining only to India, that is, income arising only in States in India. Agricultural income in British India is already exempted under the Act. As I said, Sir, that since I had not the monopoly of wisdom which the Member from Bombay claims to have, I originally framed a defective amendment. It was as follows:

"For the words 'Profits and gains of a business' in sub-clause 2 (a), the words 'Income, profits and gains other than agricultural income' shall be substituted and before the word 'profits', where it occurs for the second time, the word 'income' shall be inserted."

My object was to exempt the foreign agricultural income from the operation of this sub-clause. Then, Sir, as soon as I came to the Assembly, my Honourable friend, Mr. Mitchell, came to me and said that this was technically incorrect and that this amendment, as drafted by me, would not serve the purpose for which I was moving it. Even then I did not ask the help of Government in correcting this amendment. My Honourable friend, Sir Cowasji Jehangir, may gloat over the fact that he is always going to Government for help every time for drafting his amendments. But I myself independently drafted the second amendment which was to amend the very definition of agricultural income, so that foreign agricultural income also could be included under the definition.

[Mr. T. N. Ramakrishna Reddi.]

From the definition of "agricultural income" in sub-section (1) of section 2 of the Act of 1922, I wanted to delete the word "British" before "India" and also at the end add the words "or of a State in India". The amended definition would read as follows:

"Any rent or revenue derived from land which is used for agricultural purposes and is either assessed to land revenue in India or to a local rate assessed and collected by officers of Government or of a State in India as such."

By this amendment I wanted that the agricultural income derived from any Native State and brought to British India ought to be exempted from this taxation even as the agricultural income in India is exempt under section 4. Then, Sir, again I was told that this amendment was outside the scope of the Act itself, because the Act purported to amend section 4 of the Income-tax Act, 1922, and as my amendment related to section 2, it would be outside the scope of the Bill we were discussing. Government were, therefore, kind enough to suggest the present amendment which serves the purpose I have in view. The present amendment is to add a further proviso to clause 2:

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

and I must acknowledge my thanks to the Government for giving this help in drafting this amendment; I would not have taken the time of the House by narrating this occurrence had not my Honourable friend from Bombay sought to convey an innuendo against me that I asked Government's help in moving my previous amendment.

Sir Cowasji Jehangir: Mr. Deputy President, may I explain that I did not make any allegation. I said exactly what I intended to say, namely, I congratulated my Honourable friend on being able to get the assistance of Government, which he himself now acknowledges.

Mr. T. N. Ramakrishna Reddi: My Honourable friend ought to know that when we were discussing the amendment with regard to the second Proviso, I had not taken the help of the Government in which they were vitally interested, and I have not sought their help in this instance also, but I was given the help. However, as my Honourable friend says that he meant no innuendo, I also withdraw the remarks that I have made against him.

Now, after the amendments that have been carried today, the result would be this, that under sub-section (1) of section 4 of the Act, as it stands, all foreign incomes, if they are received in British India, whether they are derived from business, whether they are from securities, whether they are from agriculture or any other source, if they are received in British India, are liable to taxation. But one can evade this sub-section by receiving the foreign income in a foreign State and then bringing it into British India whether that year or next year and escape taxation. That is the scope of section 4, sub-section (1) of the Act. In sub-section (2) of section 4, one exception has been made with regard to income arising out of "business". If the income arising from business, according to the present Act, is brought into India or is received in India within three years, it is liable to be taxed, and if it is

not brought within three years, but brought into India afterwards, then it is not liable to be taxed. By the amendments that have been carried in this House under this Bill, the distinction between income arising out of business and that arising out of any other form of foreign income is removed. Hereafter any foreign income, whether out of agriculture or securities or business, if it is brought into British India or received in British India at any time is liable to taxation according to the amendments that we have carried today. But under section 4 of the Act of 1922, agricultural income is exempt from income-tax. There is a special definition in regard to "agricultural income": it must arise from lands in British India and that land must be liable to assessment of tax or any cesses to be collected by the British officials. So agricultural income has got this technical meaning. That being so, that alone was exempted under the operation of section 4 (2) and it has not been touched by the amendments carried today. The effect of the amendments that have been carried is that agricultural income arising in a foreign or Indian State, if brought or received in British India, will be liable to tax. The purpose of this amendment is that agricultural income that arises in any State, if it is brought into British India, should escape and should not be made liable to income-tax, because, when once you have exempted agricultural income from taxation which arises in British India, it is only just and equitable that you should exclude agricultural income that arises in Indian States from taxation. Land revenue is an important source of income to the Government. If you again impose a tax on agricultural income it will be in the nature of a double taxation. Further, the landholder is always exposed to local cesses, educational cesses, road cesses, and so on. He has at present to pay one anna and nine pies as local cesses in the rupee of the assessment he pays to Government. For all these reasons agricultural income in India is exempted, and I want to get the same exemption for that income arising in Indian States, coming into British India. I say that if any income arises outside British India and is received in British India, even after my *Proviso* is carried, it is liable to taxation. It comes under section 4 (1), which has not been changed. This *Proviso*, therefore, exempts agricultural income which has been received in an Indian State, but subsequently brought to British India and that alone escapes taxation. That is the difference between the agricultural income and other foreign incomes which are liable to taxation under clause 2. The Honourable the Finance Member said yesterday that the Government would not stand in the way of getting this *Proviso* passed if it did not take away the existing liability and would help me to delete any clause which would impose additional liability in so far as foreign agricultural income was concerned. Now, this amendment does not take away the existing liability, because under section 4 (1) of the Act this income in an Indian State, if received in British India, is liable to taxation. Under this *Proviso* agricultural income arising in an Indian State is exempt from taxation if received in an Indian State and then brought to British India. That is the limited scope of this provision and I am sure that Government will find no difficulty in accepting this modest amendment

Mr. B. V. Jadhav: On a point of explanation. May I ask my Honourable friend what distinction he makes? Does he mean to say that the tenant should pay the rent in British India?

Mr. T. N. Ramakrishna Reddi: No; that is not so. All agricultural income arising in British India is exempt. That is clear. This *Proviso*

[Mr. T. N. Ramakrishna Reddi.]

refers to income arising in Indian States in India—Hyderabad or Mysore or Nepal or any State—it is exempt if it is received in an Indian State in the first instance and then brought to British India; and by this Proviso it is not necessary that the landholder should pay money alone as assessment to an Indian State: it is enough even if he pays rent in kind

Mr. B. V. Jadhav: My difficulty is this: that under the present law agricultural income from land in an Indian State, if brought into British India, is liable to income-tax

Mr. T. N. Ramakrishna Reddi: No, it is not so: if received in British India, then it is liable to taxation. But if the income is received in an Indian State and then brought into British India, it escapes taxation, because under section 4 (1) it is said:

“Save as hereinafter provided, this Act shall apply to all income, profits or gains, as described or comprised in section 6, from whatever source derived, accruing or arising or received in British India or deemed under the provisions of this Act to accrue, or arise, or to be received in British India.”

So, under this, foreign agricultural income is liable and my amendment removes one difficulty. As we have amended sub-section (2) of section 4 today, foreign income, not only received in British India, but brought into British India in any year is liable to taxation. My *Proviso* would help foreign agricultural income to this extent: that is, if any income from agriculture in a State is received in British India, it is liable to taxation, but if it is received in an Indian State, and then brought into British India, it remove the liability. That is the distinction.

Mr. B. V. Jadhav: My difficulty is still there, because at present the agricultural income on land in an Indian State is received there and then brought here: so it is liable to income-tax: so what difference will this amendment make?

Mr. T. N. Ramakrishna Reddi: This difference: after the amendments we have carried today, the agricultural income arising in an Indian State, even if it is brought or received in British India, is liable to taxation as any other foreign income, because we have amended sub-section (2) of section 4 to include income or profits or gains and we have removed the word “business”. The effect is that all foreign incomes, from whatever source derived, whether received in British India, or received in the first instance in an Indian State, or foreign State, and subsequently brought into British India, either within three years or at any other time, are liable to Indian Income-tax. If my amendment is not carried, then the agricultural income arising in a State outside British India and brought into British India or received in British India, in either case is liable to taxation. My amendment helps in this way, that agricultural income which is received in an Indian State and then brought into British India escapes taxation. So far, it helps agricultural income. That is to say, any man who is residing in British India and who has lands and agricultural income in Indian States, if only he receives the agricultural income in the Indian State and then subsequently brings it over to British India, he escapes taxation

Mr. B. V. Jadhav: The process is very easy.

Mr. T. N. Ramakrishna Reddi: Practically such a man escapes taxation. That is the result of my amendment. With these words, I place my amendment before the House.

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

“That to clause 2 (c) of the Bill, the following further *Proviso* be added:

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

Mr. B. V. Jadhav: Sir, I belong to an agricultural community, and I have always the interest of the agriculturist at heart. I feel that the present land revenue system is grinding down the agriculturist and he is not getting even the fruits of his labour in the cultivation of land. But, Sir, the condition of a tenant or a cultivator under a landlord is much worse than the condition of a tenant under Government. I am speaking about the *ryotwari* system in Bombay. I have no personal experience of the system in other parts of British India, but in Bombay most of the cultivators who are tenant proprietors pay their revenue directly to the Government and cultivate the land. Even in their case the present assessment is very heavy and their profits are very meagre, and, in these days of low prices of foodstuffs, they can hardly make both ends meet; but the condition of a tenant under a landlord is still worse. The landlord takes, in the shape of rent, twice, thrice or even four times the rate charged by Government as assessment. In Indian States the conditions are almost the same, the only difference is that generally on an average the land assessment per acre in an Indian State is much heavier than that for similar land in British India.

Now, the amendment of my friend from Madras is this. If, say, A owns land in an Indian State and gets about Rs. 5,000 in the shape of rent from his tenant, and if he brings that amount into British India and spends it in British India, he will not have to pay the income-tax. Am I correct, Mr. Reddi?

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The Honourable Member should address the Chair.

Mr. B. V. Jadhav: If a person, say, A gets Rs. 5,000 in an Indian State in the shape of rent from his tenants and he brings that amount into British India,—at present I think he is paying the income-tax,—he will not have to pay income-tax if this amendment is carried. Am I right?

Mr. T. N. Ramakrishna Reddi: Straightaway he receives income in British India, he has to pay a tax under the present Act.

Mr. B. V. Jadhav: I mean to say that if he sends a man to collect his rents in the Indian State and if he brings the whole amount into British India, he has to pay a tax, is that so?

Mr. T. N. Ramakrishna Reddi: No, it is not so. In this case he receives his income in an Indian State through his agent and subsequently brings it over to British India. In this case, he does not pay income-tax.

Mr. B. V. Jadhav: If his tenants directly send the money by money order, then he has to pay. That is a very good distinction indeed. If my friend had moved that those who directly paid money into British India should be saved from payment of income-tax, there would have been some reasonableness, because some money in the shape of money order commission, etc., would come into the coffers of the Government. But, in

[Mr. B. V. Jadhav.]

the regular course of business, these landlords, who are big and important persons, engage agents to look after their lands and tenants and it is these agents who collect the rents and remit the amount to the absentee landlord. If this procedure would lead to get an exemption from payment of income-tax, I think the whole of the revenue amount, which the Government are now realizing by way of income-tax, will have to be remitted. In my humble opinion, Sir, the absentee landlords do not deserve any such consideration. The landlords' business ought to be to remain on the land and to see that improvements are effected on the land and that their cultivators also lead a better standard of life and that these poor cultivators are provided with things necessary for cultivation at the proper time but in the case of absentee landlords the cultivators are left to their own resources. They are in a very miserable condition, and these landlords fatten at the cost of the labour of hundreds of their tenants. Therefore, when these absentee landlords are squandering their wealth in British India in big cities, their tenants are starving. At present the tenants in Indian States are made to pay the land tax, and they do contribute something for the amenities of good government they receive there. Now, if the landlord is to be exempted from the payment of income-tax on the ground that the income is derived from land and that the land pays assessment to an Indian State and not to the British Government, then, Sir, I think this man is evading the payment of income-tax, and it is certainly not right. As a matter of fact, a landlord is nothing but a capitalist. If a capitalist invests his capital in a manufacturing concern or in some trade or industry and if he gets profits from such investments, he is bound to pay income-tax under the present law. But if he invests his capital in land, then the profits he makes should be exempted from payment of income-tax and it is a principle to which I for one cannot subscribe. A landlord, as I said, is a capitalist. He invests his capital in the agricultural industry, because he sometimes finds that his investment will produce better returns in an Indian State, and so if he makes profits in that way, there is no reason why he should not be assessed to income-tax. For instance, I am told there is a big company of English merchants with a capital of five million pounds and they have started agriculture in vast territories under the Aswa dam in Egypt. The crops there are very rich, I am told. The shareholders in this company may claim that the profits derived from this agricultural land should not be assessed to income-tax. The same company or some other similar company had, I think, applied to the Bombay Government three or four years ago for land under the same conditions within the Sukkur Barrage area. If, for instance, such a big concern comes here and cultivates hundreds and thousands of acres of land and makes a huge profit, then the shareholders of such a company can claim that as the profits they derive are from land, they should not be assessed to income-tax. I think that will be absurd. They have invested their capital in that venture and they are making profits and the income-tax officer is entitled to claim a share of those profits in the shape of income-tax. The same is true on a smaller scale of a capitalist who invests his capital in the cultivation of land in an Indian State. I need not pursue this point. I think the distinction which my friend has attempted to draw between income received directly and income remitted through some agency is a distinction without a difference and I, therefore, oppose the amendment.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, one of the chief objections I had urged against this Bill on the first reading was that agricultural income was sought to be brought within its purview. Some of the landholders in British Malabar hold lands in the adjoining Cochin State even as some Cochin people hold lands in British Malabar. With regard to people who live on the border, it often happens that their houses are situated in British territory while they hold lands within a few yards of their houses in the adjoining Cochin territory. It is also a matter of every day occurrence that British Indians invest their money in Cochin lands and *vice versa*. As a matter of fact, there are several families that own such lands. They form into a homogeneous community with common ties of religion, marriages and other social attachments. The incidence of taxation on land is already very high and with the low price of produces the ryots are not in a position even to pay the ordinary land assessment. Sir, you may have read in the paper that recently the Madras Government gave a remission of 12½ per cent of land assessment in certain districts. Things are so bad that it is only fair and proper that agricultural income from Indian States, which are already taxed, should be excluded from the scope of the Bill. I have great pleasure in supporting this amendment.

Rao Bahadur B. L. Patil: Sir, I propose to move an amendment to Mr. Reddi's amendment and I request the Chair to suspend Standing Order No. 49 and allow my amendment to be discussed. My amendment runs thus:

"That to the amendment of Mr. Ramakrishna Reddi, the following be added: 'and also in any foreign country'."

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The Chair would like to hear Sir George Schuster.

The Honourable Sir George Schuster: Government would have to oppose that amendment most uncompromisingly.

Rao Bahadur B. L. Patil: My request is that Standing Order 49 be suspended. The position is this. Mr. Reddi tabled his amendment very late. In his case, the Standing Order was waived by the Chair. I would request, the same indulgence might be given to me.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The Chair allows the Honourable Member to move his amendment.

Rao Bahadur B. L. Patil: I thank the Chair. I move:

"That to the amendment of Mr. T. N. Ramakrishna Reddi, the words 'and also in any foreign country' be added."

My object in moving this amendment is this. Mr. Reddi's amendment mainly helps people, originally the residents of Indian States who come into British India for business or service or for some other convenience of their own, and, at the same time, receive income from land situate in any Indian State, but there is another more deserving class. That class of people belongs to British India and goes out to foreign countries like South Africa and East Africa to carry on farming. I come from Bombay, and my Presidency has sent a large number of people from Gujerat to South Africa and East Africa.

[Rao Bahadur B. L. Patil.]

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

Some are carrying on agriculture on a large scale and some on a small scale. I say they are a deserving class of people, because they go from British India. I am not in a position to know on what grounds Government oppose this amendment. In my humble opinion, the people who carry on agriculture in foreign countries and people who receive agricultural income from Indian States are on an equal footing. People who go to foreign countries for augmenting their income do enrich the country when they bring in their income after some time and it will be, therefore, unjust to prevent this emigration. The population of India is increasing day by day and it would be unwise to prevent such an efflux from this country. With these words, I move my amendment.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Will the Honourable Member read his amendment once again?

Rao Bahadur B. L. Patil: My amendment is:

"That to the amendment of Mr. Reddi, the words 'and also in any foreign country' be added."

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty): Then the amendment of Mr. Ramakrishna Reddi, as modified by Mr. Patil, will read as follows:

"That to clause 2 (c) of the Bill, the following further *Proviso* be added:

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

That will be the form of the amendment?

Rao Bahadur B. L. Patil: Yes, Sir.

The Honourable Sir George Schuster: Sir, I think it would be as well if I intervened very shortly to state what the Government's position in this matter is. As regards Mr. Reddi's amendment, the position which I explained to the House on the first day of this debate was this, that in the course of the earlier stages of the discussion of this measure, the point had been raised from a great many different sides of the House that the measure would impose a new liability on income from lands in Indian States which accrued or was received by residents in British India. The request then was made that that point should be dealt with in Select Committee, and I myself said that that would be an appropriate point to be discussed in Select Committee. The point was not, as a matter of fact, raised in the Select Committee, and, therefore, when I moved for consideration, I took this position with the House. I said that if, in the opinion of the House, it was not desirable to utilize this measure to alter the position as regards income from agriculture in Indian States, if the majority of the House wished to maintain the *status quo* as regards that income, Government would be prepared to remain neutral; that is to say, that we did not necessarily seek to use this measure to alter the position as regards that particular class of income, because that was not

what we really had in mind in formulating this measure. We, therefore, said that if an amendment was moved which had the effect and no more than the effect of maintaining the *status quo* as regards income from agriculture in Indian States, we would not oppose that amendment, but we would remain neutral and allow the House, without the Government Members, to decide. That is our position. I think the matter is a little complicated and I think my Honourable friend, Mr. Reddi, in moving the amendment was dealing with a rather complicated aspect of the position which perhaps would not be fully understood: At any rate in relation to his speech, I wish to make the Government's position quite clear, and our position is a clear and simple one, namely, that if, in the opinion of the House, it is not desired to use this measure for altering the *status quo* as regards income from agricultural land in Indian States, then Government are prepared to allow the House to take a decision to that effect without themselves intervening. We understand that the amendment, as moved by my Honourable friend, Mr. Reddi, will have exactly that effect, that is to say, the effect of maintaining the *status quo* as regards income from agriculture in Indian States. I think, Sir, as I am speaking on this point, I should say that it is very likely that the Government later on will find that that is a position that cannot be permanently maintained. But it is a matter which requires a good deal of careful investigation, and as I say, we are quite contented with this measure if it has the effect at which we are chiefly aiming, and if it does not alter the position as regards income from agriculture in Indian States. That, Sir, is our position. Government do not propose to vote on this amendment.

Mr. President (The Honourable Mr. R. K. Shanmukham Chetty). What will be the effect of Mr. Patil's amendment?

The Honourable Sir George Schuster: I am glad, Sir, you have reminded me of that. As regards that, Government certainly would have to take a very different attitude. We merely had in mind the position as between British India and the Indian States and we had that in mind, because we know that there are a great many complicated relations which have grown up in the past. But as regards land held outside India, that is in quite a different category. We see no possible reason for making any distinction as regards income from land outside British India, and Government will have to oppose Mr. Patil's amendment.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I thank the Honourable the Finance Member for having so kindly and sympathetically considered the question of agricultural income from Indian States and, on the first day, when he enunciated the condition upon which the Government would refrain from voting, I confess that it was not quite possible for me to follow exactly the position, namely, that it preserves the *status quo ante* and, at the same time, creates the exemption. Even now I have no objection to confessing that it is somewhat difficult for me to translate the proposition into a concrete case and to find out and determine which is the position which will make the *status quo ante* stand as it is and which otherwise. However, Sir, as my Honourable friend has stated that Mr. Reddi's amendment satisfies the requirements, so far as the Government are concerned, I do not want to pursue the matter and take up the time of the House in order to work out an arithmetical sum and to find out how far, if at all, the position would be satisfied. I would, therefore,

[Raja Bahadur G. Krishnamachariar.]

Sir, again repeat my thanks to the Government and I do hope that in the actual administration of this *Proviso*, the result expected by the Honourable the Finance Member would flow and I would request the Honourable the Non-Official Members to have some little sympathy towards the agriculturist and unanimously to vote in his favour on this one matter which fortunately for us we have been able to obtain from the Government.

Sir, when this Bill was first introduced in 1931, I did speak somewhat strongly as regards the rights of the agriculturist and last time, when it was referred to the Select Committee, I was one of those who raised this question again and said that the matter ought to be decided in the Select Committee. Fortunately the Government agreed, but unfortunately Sir, none of the Non-Official Members ever remembered what happened and they did not raise the question. That, Sir, adds to the value of the Government concession which has been specifically made today, and, in those circumstances, I would respectfully ask the non-official side of this Honourable House to vote for the amendment moved by Mr. Reddi. There is only one other matter. I do not know how far it would affect the principles enunciated in the speech made by my friend, Mr. Jadhav. He may of course be perfectly acquainted with the conditions in Bombay and I am not sure even as regards that, but when he proceeds to the Indian States and talks of absentee landlords, etc., he talks of a thing which he does not understand, and which has absolutely no relevancy whatsoever here, and having read of these absentee landlords in certain declamations against this unfortunate class of people, he has repeated them here in this House. Sir, it has absolutely nothing to do with the case. No big landholder in an Indian State or in British India can actually collect the money himself, but so far as *ryotwari* people are concerned, they have got to remain there day in and day out in order first to take advantage of the season, then to cultivate to the best advantage, and last but not least, to reap the advantages of the cultivator. Therefore, I would ask this House to disregard this rift in the flute and unanimously vote for this concession.

Mr. N. M. Joshi: Sir, I rise to oppose the amendment of Mr. Reddi together with the further amendment moved by Mr. Patil.

5 P.M. The question whether agricultural incomes should be taxed for purposes of income-tax or not is an open one and I do not wish to discuss it today. Personally I hold that there is nothing wrong in assessing agricultural incomes for income-tax also. But today we are not dealing with that question. Today we are dealing with the question of incomes which British Indian citizens derive from Indian States with reference to agriculture. In this connection, I do not understand why any difference should be made between an income derived from agricultural operations in an Indian State and an income derived from agricultural operations conducted, say, in Australia or in Canada. The Indian States take up the attitude as regards British India that they have absolutely no connection with British India. They say that the only connection that they have with British India is the Crown. We are living under a common Crown. There is no other connection which the Indian States recognise with British India. So long as this is true we in British India should have no reason why we should distinguish between an Indian State and, say, the Commonwealth of Australia or Canada. We

are not going to exempt incomes derived from agricultural operations in Australia or in Canada. Therefore, why should we exempt incomes derived from agricultural operations in Indian States at all.

An Honourable Member: Why take customs from them?

Mr. N. M. Joshi: The question of customs is quite different which we need not discuss now. That is a large question and it has nothing to do with the question which we are discussing now. I know this much that all the Princes have taken up this attitude that they have absolutely no connection with British India. The only connection between British India and the Princes is that we are living under a common Crown. If they take up that attitude, there is absolutely no difference to be made between the agricultural operations in Australia and the agricultural operations in Indian States.

Mr. S. G. Jog: The question here is not as between the Rulers of Indian States and British India; but the question is as between the subjects of Indian States and the citizens of British India.

Mr. N. M. Joshi: I am dealing with States and British India and not with the subjects of Indian States and British India. What I am dealing with is the position of the Indian States and the position of British India. In this connection what we have heard from the rulers of Indian States is that there is absolutely no connection between them and British India except that they are living under one Crown. If we exempt incomes derived from Indian States from our income-tax, is there any guarantee that the rulers of Indian States will exempt incomes made in British India from the tax which they levy. It is, therefore, much better that we should go on with our taxation without giving any consideration to the fact that the income was derived in an Indian State or in the Commonwealth of Australia. I, therefore, think that we should not accept the amendment proposed by Mr. Reddi.

Sir Cowasji Jehangir: Sir, so far as I am personally concerned, I am quite prepared to support this amendment and the reason is that the subjects of Indian States are so mixed up with the subjects of British India that it is very difficult to have a demarcating line between the two. If incomes from agriculture are free of income-tax in India, I do not know why there should be such a great distinction between incomes from land in India and incomes from land in Indian States if the recipient happens to be a resident in British India. In those circumstances, I think it is a reasonable amendment to demand of Government. I trust the House will accept it. With regard to the amendment of my Honourable friend, Mr. Patil, so far as I understand it, it goes too far. India is one united whole and Mr. Joshi must forget that British India and Indian States are separate entities. We are aiming at a united India and any steps that go towards making a united India are welcome. In these circumstances, I trust that the House will immediately accept this amendment.

Mr. Muhammad Yamin Khan: Sir, I support the amendment of Mr. Reddi and I do not see my way to support Mr. Patil's further amendment, because we are not concerned with the agricultural income from outside

[Mr. Muhammad Yamin Khan.]

India. I do not see any reason why a principle, which is accepted and adopted with regard to British India, should not be accepted with regard to Indian States also. In Indian States, people are paying land revenue. The principle why agricultural income is exempted from income-tax is this that the people who are engaged in agriculture pay to the State a large portion of their income in the shape of land revenue. Land revenue is paid both in British India as well as in Indian States and there is no reason why these people should pay a double tax. One principle which has been advocated and accepted by the Government is this that the people who are living in India and derive their income from outside India should not pay their income-tax in the country in which the income is drawn. Therefore, if a man pays land revenue in an Indian State, he should be exempted just as the man who pays land revenue in British India is exempted. So, I do not see any force in Mr. Joshi's argument. I think it will be advisable that the Government should accept this amendment, because this is the most reasonable amendment and it found a great deal of support when this Bill was introduced. We found that there was a lot of agitation about this matter, and people, who were anxious to oppose this Bill, thought that this amendment would be accepted by the Government. With these words, Sir, I support the amendment moved by Mr. Reddi.

Rao Bahadur B. L. Patil: In view of the overwhelming opposition in this House, I beg leave to withdraw my amendment.

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

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

"That to clause 2(c) of the Bill, the following further *Proviso* be added:

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

The motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, I move that the Bill, as amended, be passed.

The motion was adopted.

THE SAFEGUARDING OF INDUSTRIES BILL.

The Honourable Sir Joseph Bhoré (Member for Commerce and Railways): Sir, I beg to move:

"That the Bill to provide for the imposition of additional duties of custom on imported goods for the purpose of safeguarding industries in British India be taken into consideration."

I venture, Sir, to express the hope that neither in regard to the purpose of this Bill nor in regard to the form of this measure will there be any serious difference of opinion in this House. If we are asking for extremely wide powers, I would like to assure the House, and through the House a wider audience, that we are actuated by no feelings of ill-will or unfriendliness towards any nation or country in the world. We are merely taking to ourselves defensive weapons to enable us to protect our own industries and those who depend upon those industries for a livelihood.

Let me say a few words in regard to the purpose of this Bill. I need only recall the debate which took place in this House last month on the motion for the demand under the head of Customs. On that occasion it is true that strong pleas were put forward that the interests of the consumer should not be sacrificed, but I think there was an almost unanimous expression of opinion that Government should do all in their power to prevent Indian industries being submerged by the rising tide of foreign invasion which had been rendered possible by certain special conditions. The view of the House on that occasion, it seemed to me, merely reflected the general view that prevailed in the country. I may say that the matter had at that time been receiving our active consideration, but at the time of the debate we had not come to a definite conclusion as to the course which we should adopt. The effect of that discussion, however, endorsed as it was by general feeling in the country, helped us definitely to come to a final conclusion, a conclusion which finds expression in this measure which is now before the House. Sir, I could give specific instances to illustrate the necessity for the possession of the exceptional powers that we are now asking for. I have here representations with me from something like twenty or thirty industries pointing out the position to which they have been reduced by the present uneconomic competition. But I venture to think, Sir, that in view of facts which are notoriously matters of common knowledge in the country today, it is unnecessary for me to attempt to justify the purpose of a measure which, I venture to think has so large a volume of public opinion behind it. I would like, however, to say a few words in regard to the form of this Bill, and in doing so I would like to concentrate on three main points.

Firstly, I would like to refer to the duration of this measure. Under clause 2, the duration of this measure will be limited to a period which will not extend beyond the 31st March, 1935. We fully realise that this is a somewhat hastily conceived measure. We have not had time to do more than frame it in general terms to permit of the conferment of effective powers upon us to deal with emergencies which we cannot entirely foresee. Economic conditions throughout the world are in a state today of the most complete uncertainty. We do not know what a day may bring forth and we certainly do not know what problems we may be faced with tomorrow and how we shall have to deal with them. In these circumstances, Sir, we could do no more than ask for general legislative authority for taking action to meet emergencies as they arose until such time as it was possible for us to see the position more clearly. This is more or less of the nature of a stop-gap measure. It gives us a breathing space; it enables us to look round, to view economic conditions in the world and, if necessary, to bring forward a more complete, a more scientific and a less general measure than that which is now placed before the House.

[Sir Joseph Bhore.]

That, Sir, brings me to my second point and that is the powers that we are now asking for. They are extremely wide powers but in the nature of things I feel that it is inevitable that we should come and ask for powers of this character. The House will perhaps bear with me if I refer briefly to our general protection policy, to the effect of these powers upon that policy and to the reasons underlying the request for such powers. So far as our policy is concerned, I need hardly say that we stand where we have always stood. Our policy continues now as in the past to be a policy of discriminating protection. I would, however, like to clear up a possible misapprehension here. Under that policy certain industries have been given definite protection by this Legislature. So far as those industries are concerned, they are in no way dependent upon this measure for the maintenance, at an adequate level, of the protection already granted to them by the Legislature. But, Sir, outside the limited circle of these definitely protected industries there have grown up a large number of small and moderate scale industries. Behind a heavy revenue tariff, these young and nascent industries have begun slowly to establish themselves in this country. So far as I know, the bulk of these industries have never asked for protection against normal competitive conditions, and even if they did so, I do not think that the bulk of them would qualify for protection under our existing policy. But, Sir, what these industries now ask for is that the wholly abnormal and uneconomic competition, the wholly extraordinary competitive conditions with which they are now faced should not be allowed to operate to their detriment. What they are asking for is that the special conditions on which the foreign competitor relies other than manufacturing efficiency, should be neutralised, so that they may be able to compete on fair and level terms. What we are now asking the House to do is to give us powers to enable us to neutralise those special conditions which are prevailing in some foreign countries. Now, Sir, I will no doubt be asked what those special conditions are and whether it is not possible to define them with greater exactness? Obviously one of those conditions is a depreciated currency, but, Sir, that need not necessarily be the only condition and it may not be even the most important consideration. Even if a depreciated currency is operating, it may be very difficult, almost impossible, for us to say whether the abnormally low prices prevailing are due merely to a depreciated currency or whether they are also due to other special conditions. In these circumstances, Sir, it is, I think, unwise for us to attempt to limit the definition of special conditions, for, if we confined ourselves to one special condition, as for instance, a depreciated currency, and made provision for that alone, we might find that other special conditions arose or were brought into being which would make it impossible for us to give our industries the protection that they needed. That, Sir, will, I think, explain what object we really have in view in asking for these wide powers. It is our intention to use these powers not indiscriminately to grant protection to every industry that may ask for it, but it is our intention to use these powers as far as possible to neutralise the effect of special conditions prevailing in foreign countries which enables them to compete with our own industries on a wholly uneconomic level.

I come, Sir, then to my third point, which is contained in clause 3 of the Bill. That clause secures for this Assembly the ultimate control

over any such action as the Executive may take under the wide powers that have been asked for under clause 2. I recognise that had we come to the Assembly and merely asked for these wide powers, it would have been extremely difficult to justify such a request without the provision contained in clause 3. I have tried to explain, Sir, why it is that we have asked for wide powers. These powers, I venture to think, are necessary if we are to act rapidly and if we are to act effectively, and I hope that the House will find no difficulty in granting us those powers, having regard to the provision which is contained in clause 3 of the Bill.

Then, Sir, I ought to say one word as to why we have left it to the end of this Session to bring forward a measure of this importance. I may say that we have been considering this matter for a considerable time. We had hoped that it might not be necessary for us at all to bring forward legislation of this description. We had hoped that the operation of natural economic factors would enable us to meet foreign competition which had been made possible by a depreciated currency. But, Sir, as I explained in this House sometime ago those anticipations of ours failed to materialise. Let me again repeat what I said on that occasion. I pointed out that, as the Tariff Board have shown, the real danger is not so much from a depreciated as from a depreciating currency. When a currency has come to a position of more or less stable equilibrium, then other economic factors come into play and act as a counterpoise. So far as Japan is concerned, there has undoubtedly been a steady increase in the cost of living, but unfortunately that has not been reflected in the import prices of commodities from that country or, if it has been reflected, the effect has been very slight indeed. In these circumstances, Sir, we had no option but to proceed with the measure which we have now brought before the House. Having come to that conclusion, however, Sir, it was not possible for us to take a decision and come forward with a measure to this House within 24 hours. There were other things to consider. We had, for instance, to consider the effect of that decision on our foreign Treaty obligation. Here, Sir, let me make the position as clear as I possibly can, for I do not want there to be any misapprehension, any doubt, any ambiguity. The position is this that imposition of duties under this Bill, if passed, is inconsistent with the most favoured nation clause. Now, Sir, we have at the present moment a Trade Agreement with Japan which confers upon her most favoured nation treatment. So long as that treaty remains, it is impossible for us to impose duties under this Bill . . .

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Why not denounce it?

The Honourable Sir Joseph Bhoré: I am coming to that; but that treaty contains a clause by which it may be denounced at six months' notice, and I may inform the House that we have taken steps to denounce the treaty with Japan. (Cheers.)

That covers most of the ground which I wished to cover this afternoon. It remains for me only to ask the House whole-heartedly to accept a measure, conceived, I venture to hope, entirely in the interests of Indian industries and actuated, as I have said, by no feeling of ill-will or enmity towards any country in the world. Sir, I move. (Cheers.)

Mr. B. Das (Orissa Division: Non-Muhammadian): Sir, I congratulate my Honourable friend, the Commerce Member, on his admirable exposition of the subject matter contained in this Anti-Dumping Bill. There were many doubts—many a cob-web—in my mind and not only in my mind, but in the minds of many of the Honourable Members of the House; and the Honourable the Commerce Member's clear statement of the facts on which he has brought out the Bill has dispelled some of the doubts that I entertained when I first read the Bill. When I first read the Bill, I thought "Hullo, here is another Ordinance", and I said: "This Ordinance is not milk and water as certain friends described the Ordinances which my Honourable friend, Sir Harry Haig, brought forward. This gives drastic and absolute power to the Commerce Member to adopt a policy, and today I have no confidence in this Government. How can I allow these drastic powers to this Government?" Well, Sir, while I was listening to the very clear exposition of the subject, I was feeling that I was listening to my friends in another atmosphere, to my Congress and nationalist friends when they deliberate in the interests of the nation; and today the Indian Commerce Member of the Government of India is putting forward a proposition that will meet the Congress demand and the national aspirations. This country has not yet adopted a policy of absolute protection. When my friend said that this Bill still adheres and the Government of India still adheres to the policy of discriminating protection, I shouted "Hear, hear". I am glad my friend explained that the Government of India still stick to the policy of discriminating protection in spite of the clamour of the great industrial magnates that are present on the floor of the House and outside, that a high tariff wall should be raised for the protection of Indian industries: the country is not yet come to that stage when we can say, like the Conservatives in England that a high tariff wall should be raised in order to improve the export trade of England. Today, the Indian mind, be it Congress or non-Congress, be it capitalist or non-capitalist, except a few capitalists that may be particularly interested in particular industries, cannot subscribe to the principle of complete non-discriminating protection. India must go slow, and I am grateful to my Honourable friend, the Commerce Member, that he laid stress on that point.

The second point for which I am grateful to my Honourable friend, is this: he said that there is no evasion of the control of this Legislature. When I perused the Bill that day, I thought "Why should not the Honourable the Commerce Member or the Honourable the Leader of the House pass another Bill and then dissolve this Legislature? There is no necessity for the existence of the Legislature if all the powers are vested by Bills which are almost Ordinances like these." But then my friend says that there is utility in this Legislature whenever any tariff is put on any particular goods that are imported into this country, it will be laid on the floor of this House; but this Legislature has another supreme duty: it keeps to itself the power of legislating for discriminating protection—granting discriminating protection to certain industries. I am glad, my friend, the Commerce Member, made it clear that protected industries, whether sugar, or cotton piece-goods or cotton yarn or steel industry are excluded from the scope of this Bill and this Bill does not take away the power of this Legislature further and deliberate over granting further protection to such industries. Of course somehow the suspicion grew in my mind; there is going to be a steel protection inquiry; there is already

in the archives of the Commerce Department or very likely on the table of my friend, the Commerce Member, the report of the Tariff Board as how to give further protection to the cotton textile industry; and the Honourable Member has already assured this House that he will bring forward a Bill in the next Session. But I am not a lawyer and somehow when I read this Bill or Ordinance, I thought my friend had got absolute power. Anybody will go to him and ask him to give protection and then he will give protection and the power of this Legislature becomes null and void. I am glad that under Providence this Legislature has still got certain powers to regulate its policy of discriminating protection. I was one of the few on the floor of the House who have always declared that there should be anti-dumping legislation, because there is a menace . . .

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): There is no dumping on the floor of this House!

Mr. B. Das: My friend, Sir Muhammad Yakub, knows that there is dumping of too many Bills by the Government, because there is dumping of goods outside. I am sorry to think that this menace comes from an Asiatic country, and I have already observed on previous occasions—I am not a diplomat and I am not going to speak in the diplomatic language which my Honourable friend, the Commerce Member, used—I will not mince matters as my friend did—I have declared before and I declare it again that Japan is becoming an Asiatic menace and a world menace. By her inhuman treatment, by her conquest policy in China, Japan is looked down upon throughout the length and breadth of India as a curse. It is thought of today in the same way that Germany was thought of in 1914-15. So, holding that view and knowing that Japan has no policy, no civilised policy, no humanising policy, that it has only a policy of conquest, I should like to shut out Japan completely from India, because like the old policy which England adopted of selling her goods in India slowly and got hold of Indian capitalists and Indian merchants and captured the Indian markets and eventually conquered India, Japan is also doing the same thing. There is no doubt about that whatever. They have done so in Bombay. The Japanese capitalists control a large number of Indian businessmen who sell their piecegoods and other articles. The Japanese interests are so much interwoven with Indian interests, not only in the Bombay City, but all over the Presidency, that they are really a menace to this country. Like Ralli Brothers, these Japanese firms are financing cotton growers and buying cotton at very low prices in different villages and in various parts of the Presidency. It is an aggressive penetration into the economic life of India, and it is certainly a great menace to this country. I want that Japanese goods should be shut out from this country. I do not want to talk in diplomatic language. Legislation should be undertaken to see that things are not imported not only from Japan, but from any country and sold at an uneconomic price in India . . .

An Honourable Member: Declare a war. Are you prepared for a war?

Mr. B. Das: I am prepared for a war with Japan, and if a war is declared, it is the British Empire which will have to go to war, and

[Mr. B. Das.]

here I speak as a member of the British Empire. This industrial competition will lead to a war.

Sir, my friend, the Commerce Member, tried to define the conditions, the only condition that he could recall from his memory or from the archives of the Commerce Department and said that there was the question of the depreciating currency, but he could not say how the depreciating currency was helping Japan to dump her goods on India, and how other factors were able to do it. I am surprised that the large number of experts that my friend, the Commerce Member, has under him, not to talk of the experts in his other portfolio. I mean the Railway Board,—I am surprised that such a large army of experts under him could not advise him as to what helps Japan to produce her articles so cheap and to dump them on India. Evidently, the experts have lost their intelligence in the Commerce Department. The economists of India or even my friends, the industrialists, with their Chambers of Commerce, have not ascertained as to how the Japanese manufacturers are in a position to dump their goods on India at such ridiculously low rates? There is of course the depreciating currency in favour of Japan, but in addition there is also the State subsidy for shipping freights, and for the goods themselves. Will my friend, Sir Leslie Hudson, the representative of the great shipping interests in India, say,—I have asked him that question before, and I ask him again,—in the matter of Ottawa Preference,—will he say that Indian shipping interests will give Indian goods subsidy and rebates to transport products of Indian industry? I am developing this point to show that when the commercial section of India, whether they are Indian commercial interests or European commercial interests, combine and find it easy to hobnob in the corridor of the Honourable the Commerce Member and ask him to put high tariffs which does not touch their pockets,—because they produce goods and they want the teeming millions to buy them,—when these commercial interests combine to the detriment of the country, the position is really very difficult. I want to know how many of these commercial representatives asked my friend, the Commerce and Railway Member, to reduce railway freights for the transit of these goods from one place to another. How many of these have asked the Government of India to apply pressure on the shipping magnates of India, the shipping interests that are operating on the coasts of India, to reduce their freights? Japan has been able to dump her goods on India, because there is the State subsidy there to the shipping magnates or to the industries themselves.

My friend the Commerce Member, has been very solicitous about the interests of small industries of the country. Each industry is a small industry. I have got with me a memorandum from the glass manufacturing industry in the country. Yesterday representatives of the Gwalior Pottery Works interviewed me about the Gwalior Pottery and Tile Works and they say that the tiles and potteries produced by them in Gwalior, apart from uneconomic competition of Japanese goods, are not able to sell cheaply at Allahabad or Calcutta, because the heavy railway freights operate against them. The same remark applies to the combination of the shipping magnates. The other day I saw my friends, Mr. Mody and

Sir Leslie Hudson, in close embrace, because the Scindia Steam Navigation Company—which is started with Indian capital—started the agitation that European shipping interests should not be allowed to ply their ships on the Indian coasts, and, Sir, we know the result of it; my friend from Burma, who will be permanently separated from us, wanted to end the feud. So the other day I found my friends, Sir Leslie Hudson and Mr. Mody, closely closeted together discussing something, and they have apparently come to some arrangement by which the poor industrialist, the poor agriculturist will have to pay the same rates that my friends Sir Leslie Hudson and Mr. Mody have agreed to charge on all goods transported, whether they are manufactured in India or outside India and whether they are transported on Indian-owned ships or British-owned ships. Sir, these are points that agitate me. When my friend talks and says that he wants to protect the cottage industries, I trust he does not want the cottage industries to thrive in the slums of Bombay that the millowners have created, but everybody wants what Mahatma Gandhi has so often said, what Mr. Henry Ford has said and practised in America, that industries should permeate to the country, and there should be cottage industries developed all over the countryside. Simply by putting a high tariff, you cannot achieve this object, but you must have all the other special conditions in India's favour which my friend wants to explore. Does he want to send experts to Japan? I hope a special committee of experts will be sent to Japan to investigate and find out how Japan is able to produce her goods so cheaply . . .

Mr. O. S. Ranga Iyer: After declaring war?

Mr. B. Das: I am not declaring a war. Did not my friend, the Commerce Member, say that under the conditions of the most favoured nation treatment, the Japanese are able to compete with anybody in the world market today? There is no war. My friend, Mr. Ranga Iyer, knows too much diplomatic language. There can never be a war. Now, is my friend, the Commerce Member, going to send a body of experts to Japan or similar countries that have the chance of dumping their goods on India, to study what facilities the various States offer to their people to produce their goods at such ridiculously cheap rates and sell them at an almost uneconomic price in this country, and whether this dumping can be counteracted only by raising the high tariffs or by reducing the railway freights or by compelling my friend, Mr. Mody, and my friend, Sir Leslie Hudson, to combine to reduce the freight charges? It is not always easy to listen to the supplication of these industrial magnates. My friend once only mentioned the interest of consumers. I am glad he mentioned it, but my friend should see that the consumer gets the things he needs for his slender living at an economic price. These industrialists try to produce goods at an uneconomic price knowing that each subsequent Tariff Board, which of course manufactures experts in India under the Commerce Member,—I know how experts differ, how each Tariff Board's report is different from the preceding report, and how the Tariff Board expert's mind also goes abegging in these matters,—they know that each Tariff Board writes out a report quite different from the preceding report. The country will not recognise that my friend has done everything for Indian industries, particularly the smaller industries, unless he makes it easy for those industries to have an economic transit. Before my friend puts high tariff on imported goods, he must see that

[Mr. B. Das.]

these industries are produced on an economic basis with an economic balance sheet, that these industries do not suffer from some of the diseases from which the Bombay millowners suffer, which were so nicely exposed by my Honourable friend, Sir Frank Noyce, in that admirable report of the Tariff Board on Cotton Textile Industries over which he presided.

Sir, my friend has mentioned of 20 or 30 industries that need protection through this anti-dumping measure. He did not mention their names. We have also received certain representations from some of them. There are the sugar-candy-wallas, there are the hosiery-wallas and the kerchief-wallas. I give my support to the extent that this Bill ensures to those small industries against dumping, but I give no support for any industry that may try to come by the backdoor and get some advantage. We all know, there was a rate war between the Burma Oil Company and the Standard Oil Company of America. We knew that Indian firms started oil companies but they could not succeed. Now, I understand that they have come to some understanding just as my friend, Mr. Mody, has come to an understanding with Sir Leslie Hudson. They have fixed one price at which they sell their kerosene oil. The kerosene oil that is imported from America and Russia is charged a higher import duty than the excise duty that the Burma Oil pays. Suppose they come and beg at the door of the Honourable the Commerce Member. They are powerful interests. They will come and say "here is dumping of oil from Russia". The name of Russia is a bugbear to many of my friends on the Treasury Benches, though it is not a bugbear to me. Then, many will say that Russia has a five year plan of industrialisation and development of agriculture. They may say that Russia will dump wheat and other manufactured goods. Even if India manufactures 001 per cent. of her requirements of any particular article and induces some of my friends of the European Group to go to and tell the Commerce Member to put high tariff against Russian or American goods, what will happen then? These are points that have got to be cleared up. The scare-mongering habit of a certain section of industrialists who are devoting their lives to trade should be put a stop to and Government should not come to any conclusion without making definite inquiries and, therefore, I am anxious to see some amending provision. I have given notice of an amendment. If there is an abnormally uneconomic price prevailing in India, how is the Commerce Member to know? What will be the duration of this inquiry? Is it one week, one month or one year? These are points on which my friend should give us a definite assurance when he replies to the debate which is going on.

Now, my friend, Mr. Mody, with his millions will get this Bill translated in every vernacular language and have it published all over India. Then everybody will come to the Honourable the Commerce Member and say: "Oh, Sir, give us protection. You are the new Messiah". What will my friend, the Commerce Member, do then? What is the criterion which my friend is going to apply? I am anxious to move my amendment, but I have been persuaded by a powerful section outside this House not to move my amendment. Powerful industrial magnates have told me outside this House that I should not move such a reactionary amendment. Probably my brain is befogged. I am a little dull. I cannot see with the same vision as my capitalist friends. They see far

ahead. They ask us to be patriotic and nationalistic. But, Sir, when we discuss nationalistic or patriotic Resolutions or Bills or propositions before this House, we find them entirely absent from their seats. Probably they go away on grouse shooting or some other hobby. If they want our support in these matters, they should also give us their support. Above all, money is not everything. The capitalists' money is not the country's money. When it goes into their pockets, it never comes out for the public good. Every penny that is earned by the workers, who are represented by my friend, Mr. Joshi, is earned by the sweat of the brow of the worker and nothing is done for him. No industrialist makes a donation in spite of all his vaunted patriotism and philosophy of benevolence. These are the points that are agitating my mind and the mind of the House. I do trust that my friend, the Commerce Member, when he replies to the debate will give us an assurance as to how he will apply the test when he is framing rules under this Bill. I want to know how my friend will apply this test to protect the small industries. These are the points that are agitating my mind, but other points will no doubt be taken up by my friends, Mr. Kyaw Myint, Sir Cowasji Jehangir, Mr. Neogy and others.

Sir, I welcome this Anti-Dumping Bill, but I do not subscribe to the highly civilized, superficial language used, namely: "the safeguarding of industries in British India". The proper words should have been merely, an "Anti-Dumping Bill". I am a common man: let me understand the common sense language. I shall give my whole-hearted support to this Bill, Sir, if the one point that I have raised is satisfactorily met when my Honourable friend, the Commerce Member, explains to the House how he is going to operate the conditions, apply them to individual cases and how the Department is going to advise the Governor General in Council to put that high tariff against goods imported into India when a particular industry applies for it. I will not move my amendment, but I like to see the Bill through.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadian Rural): Sir, I welcome this measure; in fact I had been wondering how any Government worth the name was not taking recourse to some measure to protect its industries. But, at the same time, I feel, Sir, that this measure is very drastic and, as my Honourable friend, Mr. Das, said it looks more like an Ordinance. With a National Government I would have blindly supported such a measure, but I know the Government that we have today is not a National Government and that is the reason why I would like that some of the suspicions that are naturally in our mind should be fully removed.

Mr. F. E. James: It is a rational Government.

Mr. S. C. Mitra: I hope it is a rational Government and is not dictated from Whitehall in the interests of the Britishers alone.

An Honourable Member: A Government dictated from Bombay.

Mr. S. C. Mitra: Well, Bombay will take care of itself; I know they have sufficient strength and organization, and in this particular Bill it is not necessary to protect Bombay interest, because under the already existing laws also, they could safeguard their interests through the Government. I

[Mr. S. C. Mitra.]

must say that I have great confidence, Sir, in the Honourable the Commerce Member (Loud Applause), and that is one reason why I am even hesitating to raise my voice against the drastic nature of this Bill, but I know, however, that it was truly and wisely said by the great thinker Aristotle that "A benevolent despot is the best ruler, but there is no guarantee that there could be any perpetuity of that good government". Now we are legislating for more than two years. Personally speaking, I would have been glad if I had the assurance that the same Commerce Member will remain for these two years and thus we shall be safe, but as there is no guarantee of continuance, we must judge this measure on its own merits and should not depend upon the personality of the Honourable the Commerce Member alone.

Now, Sir, the different grounds that were given by the Honourable the Commerce Member as to why this measure had not been taken up earlier did not convince me at all. Was he really expecting that there was any chance in a few weeks or a few months that the depreciated currency in Japan would cease to be depreciated? As I look to the genesis of this Bill, I find, Sir, that as late as the 23rd January, Mr. H. P. Mody gave notice of a Resolution which runs thus:

"This Assembly recommends to the Governor General in Council that legislation should be introduced without any delay empowering the Government of India to take prompt executive action as and when necessary to protect indigenous industries against imports of goods from foreign countries which by reason of depreciated exchanges, bounties subsidies or other artificial circumstances may be sold in India at prices detrimental to an indigenous industry."

Only three days after, on the 26th January, Sir Leslie Hudson gave notice of a similar Resolution.

An Honourable Member: It was an identical Resolution.

Mr. S. C. Mitra: And on the 10th February, 1938, a notice of a similar Resolution signed by four members of the European Group, namely, Mr. Morgan, Mr. Ramsay Scott, Mr. R. Smith, Mr. Mackenzie, and Seth Haji Abdoola Haroon was sent in, and, on the 4th March, 1938, Sirdar Harbans Singh gave notice of a similar Resolution. Sir, my Honourable friend, Sir Muhammad Yakub, was telling us only the other day that when he found that the great merchants and the European Group had combined, he was suspicious that it might not be to the best interests of the poor. I do not of course go quite so far, but I think when we find gentlemen of the European Group taking so much interest in a legislation like this, their very enthusiasm makes me suspicious; let us beware if, in the wording of this Bill, there is anything by which the principle of Imperial Preference or some such thing may not have been introduced; because I am very much afraid that the Japanese menace may dwindle down some day, but once the British trade gets better of any Indian industry, it will be impossible for us to shake ourselves off from that shackle. We found only the other day while criticising and discussing the White Paper as to what measures were in store for us in the future Constitution in the matter of the safeguarding of British interests. As to Japan, I know that

any day, by simply giving notice for six months against this most-favoured-nation clause, India will be able to safeguard her own industries, but not only the political thralldom and servitude of Indians, but their economic servility will be perpetually on us once the British domination, not only in the political field, but in the economic sphere as well gets a strangling hold in this country. My friend, Mr. Das, was unfortunately speaking vehemently against Japan. I for one do not find anything wrong with great Japanese nation. They as a patriotic nation must try to produce manufactured goods as efficiently and as cheaply as they can. If we fail to compete with them, is it anything disparaging to them, or is it our own folly and incompetence? Sir, it is the vice of all weak people to find fault with, and become jealous of, other nations that are strong, virile, progressive, and competent. Sir, I think there is nothing wrong in the Japanese nation trying to capture the markets throughout the world. Not only have they beaten us, but they have beaten our overlords, the British manufacturers as well. (Hear, hear.)

Mr. B. Das: But through depreciated currencies and State subsidies.

Mr. S. O. Mitra: I think, Mr. Das knows very well that that cannot be so; surely, he ought to know that it is not merely the depreciated currencies that have put Japan in a far better position than other countries. I know depreciated currencies are one of the many elements which operate, but let Mr. Das not be under the delusion that it is only depreciated currencies which have enabled Japan to score. Sir, they have higher efficiency, newer machines, a better organization, a greater degree of co-operation and a thousand and one other things which help them to produce articles much more cheap than in India, nay, even cheaper than Britain. Rather than abuse these great nations, I think we will do well to imitate their example and see how we can also be efficient. I know that so far as our textile industry is concerned, it stands on a very sound ground and we do hope that the time is not far off when India will produce all her necessities so far as textile is concerned, and internal competition will keep down the level of price. I think this House will agree to put not only a discriminating protection, but even high protection to bar out goods from any other country, not excluding Great Britain. We should be patriotic, and when India attains Swaraj, we will see that we always confine ourselves to our own industries and become self-sufficient. Sir, this measure is particularly necessary for small industries. Big industries like textile or steel can look after themselves and I know there is sufficient power in the Government to protect them. But the difficulty has arisen of late about small manufacturing industries which are growing in number throughout the country. We have received several representations of late. As Mr. Das said, the Bengal hosiery industry and the lantern industry, about which Mr. Jadhav was speaking, and many other industries are growing now. And that is the only way in which we can remove unemployment from India. So, we cannot have the least objection so far as this measure goes. Rather it is late. Steps ought to have been taken to protect our small industries long ago. But the only point on which I would like to have some more explanation is this. Before Government decide about the customs duty, why should they not consult some Committee. If the consultation of the Tariff Board becomes either clumsy or dilatory, they can appoint some *ad hoc* committee which can go summarily into the claims of these industries. And after that consultation,

[Mr. S. C. Mitra.]

Government can legislate. Sir, it has been provided that when any duty is put, it will be placed before this House for its approval. But this House sometimes does not sit for months together. There will be no meeting of this House from now for about five months. What I want is that if there is a small committee, then it will be possible for the smaller industries to place their case before it. It will be a good thing for this House also, when these matters will come up for consideration, to know the facts and the grounds on which special protection will be given to these industries. With that object I have given notice of an amendment, but if the Honourable the Commerce Member can convince us that it will frustrate the purpose of this Bill, I, for one, will not press my amendment. I would like to know one thing that in the guise of any such legislation there should not be any chance for Imperial Preference coming in a backdoor fashion. The enthusiasm of the European Group in giving notice of this Resolution has made me more suspicious and I hope the Honourable the Commerce Member will explain that it will not be possible under this Bill to make any provision for any special preference to British goods. With these words, Sir, I support the consideration of this motion.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I frankly admit that I do not like the customs policy of the Government of India and I do not like the customs policy of any country in the world and our wisdom lies in following the mad policy of other countries of this world. Sir, the true policy which other countries of the world ought to follow and which we alone could not possibly follow is that we should select one or two inelastic articles on which we may charge the customs or excise duties and collect as much revenue as we require and leave the other articles alone and have almost the free trade. We may also have the protection policy, but protection should be given very definitely for a limited number of years, and we should only protect those particular industries which have got potentialities. But to go on protecting our industries for an indefinite period and taxing the poor consumers is really a wrong policy. Sir, this is a correct policy, which unfortunately we alone cannot adopt unless all the countries of the world or at least the countries in the British Empire may co-operate with us. But so long as the world is mad, our wisdom lies in being mad as well.

Sir, I tabled an amendment and I discussed it on the occasion of the third reading of the Finance Bill. It was to the effect that we should have some automatic formula to meet the depreciated currency of other countries, but the Honourable the Commerce Member pointed out clearly that that formula was not sufficient to protect the industries. It really dealt with one particular aspect, but there are a variety of other causes which really demand consideration in the protection of a particular industry and they can only be met by considering the matter from a broader outlook and not merely from the point of view of depreciated currency. I was really convinced after discussing it on the floor of the House and I thought that the present Bill is really an improvement to the one which I suggested. My Honourable friend, Mr. Mitra, used a very important phrase. Once a man was asked to give the definition of the "best headmaster". He replied: "The best headmaster is one who is a benevolent despot". And my friend, Mr. Mitra, has extended the definition of an efficient headmaster to an efficient Commerce Member. So,

the success of this Bill will depend upon the benevolence of the Commerce Member. If he uses these powers to the best interests of the industries, then no legislation can be more beneficial than the one which is now before the House. But if it is misused, then I am afraid that it might do harm to our industries.

An Honourable Member: What is your opinion?

Dr. Ziauddin Ahmad: I am coming to it. My friend, Mr. B. Das, asked me to give an example of one particular industry and take him step by step. I want to give on the floor of the House the example of the sugarcandy industry. The time does not permit me to take him step by step and repeat all the arguments which I repeated on the occasion of the third reading of the Finance Bill. I will, therefore, simply tell him that he will do well if he opens the particular volume of our debate and go through it step by step. My friend, here, asks me whether I could show him specimen of sugarcandy and give him some special sweatmeats made of sugarcandy. Unfortunately I have myself never tested anything of that luxury. Now, Sir, I would rather like him to read the debate and go step by step and then he will see that there is one particular industry which really needs protection, and in this particular case the depreciated currency of Japan is not the only cause. There are other causes as well and one is that, at the time we passed our Finance Bill of 1931, we did not differentiate between sugar and sugarcandy. Therefore, these are just the things on which the Honourable the Commerce Member in consultation with the Tariff Board or in consultation with his experts can come to a satisfactory conclusion. Sir, time does not permit me to mention other industries . . .

Sir Muhammad Yakub: We have ample time.

Dr. Ziauddin Ahmad: He may have, the House has not, Sir, time does not permit me to give examples of other industries, but I should like to emphasise one particular point, that there are certain industries which are well organised and which are very vocal, which have got access to the Assembly and access to the Commerce Member. But there are other industries which are not sufficiently vocal and which have not got direct access to the Commerce Member by means of deputations and they are not represented by such powerful men as the Honourable gentlemen sitting on my left. I hope the case of those industries will not be neglected. One example was quoted by my friend, Mr. Mitra, and that is the hosiery industry of Bengal. I know something about it and I have been in communication with some people and I know that this is an industry which requires protection, and I hope their case will be looked into in the same generous spirit as the case of the textile magnates of Bombay, and also of sugarcandy of the whole of India. The other industry to which my attention has just been drawn by one of my colleagues is the lantern industry of Bombay Province. This is also an industry which has just been started and this is just the time when it requires a little protection. It has been hit very hard and if a slight assistance be given for a certain number of years I am certain that it can stand on its own legs, because it really uses materials which are produced in this country, and the labour is all Indian labour, and there is no reason why we may not be able to

[Dr. Ziauddin Ahmad.]

compete in this lantern industry with the other countries of the world. Sir, I very much appreciate this Bill and I give my wholehearted support to it and I hope that the Commerce Member will prove, as my friend, Mr. Mitra, said, a benevolent despot and will look after the interests, not only of the bigger industries of Bombay and Calcutta, but also smaller industries which are not very vocal and not represented by influential Members of the Assembly.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 12th April, 1938.