

Tuesday, 26th March, 1940

THE COUNCIL OF STATE DEBATES

VOLUME I, 1940

(16th February to 10th April, 1940)

SEVENTH SESSION OF THE FOURTH COUNCIL OF STATE, 1940



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COUNCIL OF STATE.

Tuesday, 26th March, 1940.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

DINING CARS ON STATE RAILWAYS.

61. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government state whether the present running of the Indian dining cars on State Railways is in the near future to be discontinued ? If so, on what line and in what section and why ? Is a similar curtailment of European (restaurant) refreshment cars under contemplation ? If so, why ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The question of curtailing the present services of both Indian and upper class refreshment cars is being examined in detail by Railway Administrations. It is doubtful if the custom attracted by some dining cars warrants their retention and the case for restricting dining car services is more urgent in the present war circumstances, owing to the need for conserving resources.

DINING CARS ON STATE RAILWAYS.

62. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government state the concessions in respect of free passes for luggage, stores and staff and staff allowances on State Railways allowed for—

- (i) Indian dining cars, and
- (ii) European restaurant cars ?

Are the conditions of contract and facilities allowed same for both or is there any difference ? If there is difference, will Government state the reasons ? Will Government place on the table of the House a copy of agreements in both cases ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have called for the information and will lay a reply on the table of the House in due course.

STATEMENTS, ETC., LAID ON THE TABLE.

THE HONOURABLE MR. C. E. JONES (Finance Secretary) : Sir, I lay on the table copies* of—

- (1) Central Government Commercial Appendix to the Appropriation Accounts (Civil) 1938-39 and the Audit Report, 1940 ;
- (2) Central Government Appropriation Accounts of the Defence Services for the year 1938-39 ; and
- (3) Central Government Audit Report—Defence Services, 1940.

* Not printed. Copies placed in the Library of the House.

STANDING COMMITTEE FOR THE DEPARTMENT OF COMMUNICATIONS.

THE HONOURABLE THE PRESIDENT: Honourable Members, with reference to the announcement made by me on the 21st March, regarding nominations to the five Committees, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee to advise on subjects other than "Roads" dealt with in the Department of Communications :—

1. The Honourable Rai Bahadur Lala Ram Saran Das.
2. The Honourable Mr. Abdul Razak Hajee Abdul Sattar.
3. The Honourable Haji Syed Muhammad Husain.

There are three candidates for three seats and I declare them duly elected.

STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to the Standing Committee to advise on subjects in the Department of Commerce :—

1. The Honourable Mr. Abdul Razak Hajee Abdul Sattar.
2. The Honourable Mr. Chidambaram Chettiyar.
3. The Honourable Mr. Shantidas Askuran.

There are three candidates for two seats and an election will be necessary. The date of election will be announced later.

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to the Central Advisory Council for Railways :—

1. The Honourable Mr. Abdul Razak Hajee Abdul Sattar.
2. The Honourable Mr. V. V. Kalikar.
3. The Honourable Kumar Nripendra Narayan Sinha.
4. The Honourable Sardar Buta Singh.
5. The Honourable Haji Syed Muhammad Husain.
6. The Honourable Sardar Bahadur Sobha Singh.
7. The Honourable Sir David Devadoss.

There are seven candidates for six seats and an election will be necessary. The date of election will be announced later.

STANDING COMMITTEE FOR THE LABOUR DEPARTMENT.

THE HONOURABLE THE PRESIDENT : The following Honourable Members have been nominated for election to the Standing Committee to advise on subjects, with which the Labour Department is concerned :—

1. The Honourable Sir Ramunni Menon.
2. The Honourable Nawabzada Khurshid Ali Khan.

There are two candidates for two seats and I declare them duly elected.

STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT : The following Honourable Members have been nominated for election to the Standing Committee on Emigration :—

1. The Honourable Pandit Hirday Nath Kunzru.
2. The Honourable Rai Bahadur Lala Ram Saran Das.
3. The Honourable Saiyed Mohamed Padshah Sabib Bahadur.
4. The Honourable Sir David Devadoss.

There are four candidates for four seats and I declare them duly elected.

EXCESS PROFITS TAX BILL.

THE HONOURABLE MR. J. F. SHEEHY (Nominated Official) : Sir, I beg to move :—

“That the Bill to impose a tax on excess profits arising out of certain businesses, as passed by the Legislative Assembly, be taken into consideration.”

Sir, before I speak on this Motion, I should like to say that the Honourable the Finance Member wishes me to say that he regrets very much that owing to having to attend the debate on the Finance Bill in the other House, he will be unable to be present at this discussion today.

Sir, this Bill has been before the country since the 27th of January and has had more than its fair share of public attention and criticism. In the course of its passage through the other House it has been very considerably amended and as it now stands Government consider that it is a measure which, having been altered to meet every legitimate criticism levelled against it, can be recommended confidently for the favourable consideration of this House.

I do not think, Sir, that the House will expect me to enter into a lengthy justification of the necessity for this measure or the propriety of introducing it at this stage. The Honourable the Finance Member's speeches on these aspects of the Bill have been fully reported in the Press and are no doubt familiar to Honourable Members of this House. Briefly, the main justification for the Bill is that there is a gap of some Rs. 3 crores in the estimated revenue for 1940-41 which has to be filled by some form of taxation, and as this gap is due to expenditure arising out of the war, the most appropriate tax for the purpose of filling this gap is a tax on the excess profits made by businesses

[Mr. J. F. Sheehy.]

in the conditions prevailing during the present hostilities. These profits are in one way or another almost entirely due to the war and it is only just that they should be called upon to make the first contribution to the increased expenditure which the present conditions entail. I do not think that any reasonable man can take exception to this principle.

Here I may anticipate a criticism of the Bill which has been made elsewhere and which may be made in this House. Why, it is asked, should not the operation of the Bill be confined solely to profits which are demonstrably due to the war? Sir, a taxation measure, if it is to be a success, must be a measure which is capable of being worked in practice so as to secure revenue with the maximum of certainty and the minimum of friction. If it were to be provided in this Bill that only profits demonstrably due to the war were to be taxed, we should have the minimum of certainty and the maximum of friction. Every taxpayer affected by the Bill would be encouraged to contend that the whole of his extra profits or a portion of them were not due to the war and the disputes on the question would be endless. Such a provision would be impossible to work in practice. And since it is generally true that extra profits arising during the war are due to the war, the amount of genuine non-war profits which will come within the damage of this Bill is inconsiderable. If there is any hardship in this matter which under the provisions of the Bill cannot be alleviated it is a small thing to set against the omission of a provision which would make the Bill entirely unworkable.

So much for the general considerations underlying the Bill. Coming now to the Bill itself, I think that the most helpful contribution which I can make towards the discussion of the Bill in this House is to explain its main provisions. And I think the first question that anybody would ask about this Bill would be, what profits does it propose to tax and to what extent does it propose to tax them? Now the Bill proposes to tax only business profits. Before explaining what business profits mean I should perhaps point out that this is a tax on the business as a whole and not on the individuals who own the business. Consequently, there is no provision such as there is in the Income-tax Act for assessing the tax on the individual members of firms. Business is defined so as to include certain professions; the earnings of a stockbroker, for example, will be taxable under this Bill, but not the earnings of a doctor, lawyer or accountant from his profession. Business also covers the holding of investments or property in certain cases; but, generally speaking, the holding of investments and property or the letting out of property by private individuals do not come within the scope of this Bill. The Bill will bring under taxation profits which arise both in British India and outside British India; but business profits arising outside British India will only be taxable in certain cases. In the case of persons ordinarily resident, the whole of their business profits wherever they arise will be liable. In the case of persons resident but not ordinarily resident, profits arising outside British India and not deemed to arise in British India will not be liable unless the business is controlled in British India. And in the case of non-residents, only profits arising or deemed to arise in British India will be taxable. In all cases the tax is leviable on the arising basis and not on the remittance basis, so that if a resident or a non-resident receives in British India foreign profits which are not taxable on the arising basis they will not be liable to the excess profits tax although they will be liable to income-tax.

So much for the nature of the profits which the Bill proposes to tax. The next question is the manner in which the Bill proposes that excess profits are

to be ascertained. In brief, the method is to compare standard profits, that is normal profits, with actual profits, that is war profits, throughout the whole period for which the tax is in force and to impose the tax on the excess, if any. It is important to remember that the tax is a tax not on the yearly excess but on the excess throughout the whole period for which the tax is to be in force. Old businesses have a wide choice of years in respect of which standard profits are computed. They can choose either 1935-36 or 1936-37, or 1935-36 and 1936-37, or 1936-37 and 1937-38, or 1937-38 and 1938-39. Businesses which were commenced on or after the 31st day of March, 1936 have the option to choose the profits of a standard period or the amount arrived at by taking a statutory percentage of capital employed in the business. This percentage is 8 per cent. in the case of companies and 10 per cent. in the case of other businesses. New businesses commenced after the 1st July, 1938 will not have been in existence long enough to have a standard period. They have to adopt the statutory percentage basis, but they are given the substantial concession of an increase in the percentage of 2 in each case. The standard profits of such new businesses will in the case of a company be 10 per cent. on the capital employed and in other cases 12 per cent. on the capital employed. I should here add that in the case of all businesses, both old and new, the statutory percentage will be allowed on all increases of capital.

I next come to the question as to the extent to which profits will be taxed under this Bill. In the first place a business which during the period for which the Act is in force makes on an average not more than Rs. 36,000 per annum will not be liable to the tax. That provision excludes the great majority of businesses which are assessed under the Income-tax Act and narrows down the number of businesses which will be assessed to excess profits tax, to not more than Rs. 2,500. When this Bill was first introduced the limit of exemption was Rs. 20,000 and the number of estimated assesseees was 5,000 ; so that that is now reduced by 50 per cent.

The tax is proposed to be levied at 50 per cent. of the excess profits. In this connection I may remind the House that income-tax and super-tax on companies represent a levy of 22 per cent., and that the excess profits tax to be worth imposing should be imposed on a percentage substantially higher than that figure. I may also point out that the alterations made in the Bill in the Select Committee of the other House, particularly in the matter of standard profits, made it impossible for the Honourable Finance Member to make any concession in regard to the percentage.

I now come to the question of relief in hard and special cases. It is obvious in a Bill of this kind that the normal provisions would bear hardly on certain businesses if we did not put in some provision in the Bill to give them relief. The concessions which the Bill provides for fall in either of two categories. Concessions in regard to the computation of standard profits—these are the great majority of cases—and concessions in regard to computing the profits of the chargeable accounting period. With regard to standard profits, the assessee if he thinks that his profits during the standard period are less than might at the beginning of that period have been reasonably expected, may apply to a Board of Referees for an increase, but the increased amount shall not normally exceed the statutory percentage of the capital employed. But a greater amount may be allowed for some specific cause peculiar to the business. That is, the Board of Referees can go above the statutory percentage. This right of reference to a Board of Referees does not cover the case of a depressed industry where it would not be possible to show that the profits of the standard

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period were less than might at the beginning of the period have been reasonably expected. In such cases, as well as in cases with which the Board of Referees deals, an application may be made to the Central Board of Revenue for an increase in the standard profits. Where the assessee considers that special circumstances exist which render it inequitable that the standard profits should be computed in the ordinary way. In such cases the Central Board of Revenue can increase the standard profits to an amount which, except in very special cases, cannot exceed the statutory percentage on the capital employed. Now the clause which gives the Central Board of Revenue power to give relief in those cases particularly directs the Central Board of Revenue to have regard to certain circumstances in disposing of such applications for relief. One is the smallness of the capital in relation to the volume of business. This would cover the case of a business like stock-broking where there is a large volume of business and a small capital employed. Another consideration to be taken into account is heavy preliminary or development expenditure. This would cover the case of the steel industry. A third case to which special attention is drawn is the case of a pioneer business such as, for example, would be the manufacture of aeroplanes or motor cars if somebody starts such an undertaking. Well, now, this relief in respect of standard profits would apply to most of the hard cases; but there are special cases where relief could only be given in respect of computing the profits of the chargeable accounting period, and in those cases the Central Board of Revenue can give relief where the profits are artificially inflated by the postponement of renewals or repairs; where it is equitable to make an allowance in respect of buildings, plant or machinery which will not be required after the war and where there is difficulty in remitting foreign profits and probability of loss in exchange. For all these cases it is desirable to give relief while the tax is in operation in respect of expenses or losses which will be incurred after the tax lapses. That is why you have to give the relief in respect of the chargeable accounting period.

Finally, the Central Board of Revenue has power to give to investment companies exemption or relief in respect of income from investments in companies which have paid excess profits tax.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : May I ask, Sir, if the manufacture of bicycles will be considered a pioneer business?

THE HONOURABLE MR. J. F. SHEEHY : I should think so, if it is a new form of industry in this country.

Now, Sir, I turn to the question of the treatment of excess profits for income-tax and super-tax and double income-tax relief in respect of excess profits tax. For the purpose of income-tax and super-tax assessment, excess profits tax is to be allowed as an expense. Thus, if the standard profit is Rs. 1 lakh and the profit of the chargeable accounting period Rs. 2 lakhs, the excess profits will be a lakh and the tax will be half of that, i.e., Rs. 50,000, and the income-tax and super-tax assessment will be levied on the remaining Rs. 1,50,000. I hope that is quite clear. Excess profits tax is taken off before income-tax and super-tax are levied. Excess profits tax imposed by a country outside British India on profits arising in that country is also allowed as a deduction for income-tax. As regards relief from double excess profits tax, power is given to the Central Government to make arrangements with countries which agree to give reciprocal relief. The United Kingdom have already agreed to do so. In the case of countries which will not give reciprocal

relief, the Bill provides for relief to the extent of half the tax in British India or in the foreign country, whichever is less. This follows a similar provision in the Indian Income-tax Act. It is a corresponding provision.

Now, Sir, coming to the period for which the tax is to be in force, one of the features of the Bill as originally introduced to which the strongest objection was taken was that it contained no provision limiting the period of its operation and no provision which gave the Legislature an opportunity to review the tax periodically.

THE HONOURABLE MR. P. N. SAPRU : Will the Honourable Member mind speaking a little louder and more slowly ?

THE HONOURABLE MR. J. F. SHEEHY : Coming now to the period for which the tax is to be in force, one of the features of the Bill as originally introduced to which the strongest objection was taken was that it contained no provision limiting the period of its operation and no provision which gave the Legislature an opportunity to review the tax periodically. As the Bill now stands, the tax is imposed only on the profits of accounting periods or parts of accounting periods which fall between the 1st of September, 1939 and the 31st March, 1941. Thus, in the case of a business whose accounting period is the calendar year, three assessments can be made under the Bill, one on the last four months of 1939, the second on 1940 and the third on the first three months of 1941. In this connection I should like to make some observations with reference to the criticisms that we have underestimated the yield from the tax in 1940-41. Over 50 per cent. of the assessable businesses have the calendar year and nearly 25 per cent. have the financial year as their accounting period. Since the accounts of a business will not be ready for some months after the close of the accounting period, this means that in 1940-41 we could at the most only assess 4 months' profits in over 50 per cent. of cases and 7 months' profits in another 25 per cent. of cases. But in practice, owing to the administrative difficulties to be overcome in providing the necessary machinery and owing to the work involved in devising forms, making rules and laying down the necessary procedure, it is likely that there will be considerable delay and this will have its effect on the yield of the tax in 1940-41. On all grounds, therefore, Government see no reason to believe that their estimate of the yield of three crores from the tax in 1940-41 will be exceeded. It is indeed not unlikely that the estimate will prove to be unduly optimistic.

Of the other matters dealt with by the Bill, the Bill provides its own machinery for assessment and for appeals ; in respect of other matters such as refunds and references to the High Courts on points of law it applies the relevant sections of the Indian Income-tax Act. The Bill contains detailed rules for computing profits and for determining the average amount of capital employed in the business. A provision to which I might draw the attention of Honourable Members is clause 10 which makes null and void artificial transactions designed to avoid excess profits tax and gives power to impose a penalty in respect of them.

Now, Sir, these are the main provisions of the Bill and I think now that the House might be interested to know the main changes which were made in this Bill since it was first introduced. First, the opening date from which the profits are to become liable has been altered from the 1st April, 1939 to the 1st of September, 1939. This change was made in response to the criticism that a measure imposing a tax on war profits should not tax pre-war profits. Actually the change is unfavourable to those businesses which had a lean period

[Mr. J. F. Sheehy.]

between April and September and began to make fairly good profits after September. However, that cannot be helped. It was not Government's proposal.

The operation of the tax from being unlimited in time is confined to the profits of the period between the 1st September, 1939 and the 31st March, 1941. The Legislature will have to renew it if necessary—

THE HONOURABLE MR. HOSSAIN IMAM : When will it come up for review ?

THE HONOURABLE MR. J. F. SHEEHY : In 1941. It will have to come up in the Finance Act, 1941.

Another change, Sir, is that the statutory percentage has been increased for new businesses by 2 per cent. all round. Another change is that businesses commenced after 31st March, 1936 and this includes old businesses where there has been a change in the persons carrying them on, such as changes in partnerships and so on—have been given the option to choose the profits of a standard period or the statutory percentage. Businesses which commenced business between 31st March, 1936 and the 1st July, 1938 have got this option.

Now, another change and the most important change from the taxpayer's point of view and the most expensive from the revenue point of view is the addition of a further option to the standard period, that is the years 1937-38 and 1938-39. The Honourable the Finance Member said in the other House that that would cost Government some crores of rupees.

In the original Bill the Board of Referees and the Central Board of Revenue could, in the case of companies, give relief only up to an amount represented by a percentage on share capital and this has now been altered to the statutory percentage on the capital employed in the business. This is a big change. (*An Honourable Member* : "What percentage will be allowed, Sir ?") The statutory percentage, which is defined,—8 to 10 in the case of old businesses and 10 to 12 in the case of new businesses. Another change is that the minimum standard profits have been raised from Rs. 20,000 to Rs. 36,000, and, as I have already pointed out, this reduces the number of businesses affected by about half. Then certain changes were made in favour of assesseees in respect of double excess profits tax relief and the allowance of foreign excess profits tax in the case of income-tax. Another important change is that the powers of the Central Board of Revenue to give relief in hard cases or in special circumstances have been greatly extended, so that all sorts of business can come up for relief that could not come up for relief under the Bill as originally drafted. Another change of some importance is that life insurance companies have been entirely exempted. Another change which led to a good deal of controversy is that bank loans and debentures are now to be included in the amount of capital employed in the business. And finally, there was a concession in the case of shipping ; sale proceeds of tonnage sold, compensation for loss of ships and accumulated reserves are to be included in the amount of capital employed in the business.

Now, Sir, these are very substantial changes in the measure as originally introduced and they have made it more equitable and more satisfactory to all concerned. As the Bill stands now, the Government think it is a very satisfactory measure from all points of view and I therefore commend it to the favourable consideration of the House.

Sir, I move.

THE HONOURABLE MR. J. H. S. RICHARDSON (Bengal Chamber of Commerce) : Sir, although this Bill is being considered in the House only today, Honourable Member have no doubt been following its progress in another place with close attention. Such is the nature of this measure that it has attracted the interest of everyone throughout the country who is engaged in commerce or industry, and for this reason the press have endeavoured to keep the business public in touch with the various alterations that have been made in the Bill since it was first introduced in another place. There is an expression which says that old news is no news, and consequently I do not propose to review the many changes that have been necessary to make the levy of this tax fall equitably on the various assesseees who will be affected by the provisions of the measure. Personally, from the study that I have made of the various clauses as they were first introduced and as they now appear before us, I have formed the impression that so far as can possibly be foreseen, the Bill will be likely to achieve what it sets out to do and that is to impose a tax on excess profits arising out of certain businesses in the conditions prevailing during the present hostilities. A great deal has been said about the principles of the Bill. There have been suggestions that the measure should apply only to those profits which can be directly attributed to those arising out of the war itself, but it does not take a great deal of deliberation to arrive at the conclusion that a tax based on this suggestion will be totally and completely impracticable of application. I therefore accept the main principles of the Bill as it now stands and I believe that clauses 6 and 26 very fully provide for those cases, which not being ordinary cases, require special consideration if hardship is to be avoided.

There is, however, one matter which I wish very strongly to bring to the attention of the Treasury Benches as well as to the attention of unofficial parties. It relates to the considerable concern which is already being felt regarding the adequacy of the machinery which will have to operate this complicated Bill. There is reason to believe that the business interests which I represent are not alone in their feelings of concern over this question and that they are shared by the Honourable Finance Member himself and his Department. For instance, in another place the Finance Member admitted that one reason why he agreed to the exemption limit above which excess profits will rank for taxation being raised from Rs. 20,000 to Rs. 36,000, was because the consequent reduction of the number of assesseees would assist the efficient administration of the measure. It is, therefore, evident that there is present in the minds of the Central Board of Revenue some doubt regarding the ability of the staff at their disposal efficiently to deal with all the complicated accounts and questions which will inevitably arise as a result of this measure. If they are anxious, then business houses who in any event will have a very large amount of extra work to do arising out of the Act, have every reason to be doubly so.

I think I am right in saying that there is frequent and recurring dissatisfaction with the administration of the present Income-tax law. I am not referring to administration in the sense of the rights or wrongs in various cases. What I mean is the ordinary business administration and routine, and I think I am correct in believing that the Central Board of Revenue themselves are not happy with the class of work which often comes to light in certain cases which have to be brought before them in the working of the Act. Most of us have in our personal and business files, evidence showing an appalling lack of business commonsense which in turn implies absence of that efficient supervision without which we business people know that the administration of any undertaking cannot run successfully or efficiently. I have every sympathy for and

[Mr. J. H. S. Richardson.]

appreciate the practical difficulties of the Department, but surely it is the duty of the senior officials to supervise their staff and stop all unnecessary red tape harassment obviously wasteful to officials and businessmen alike.

The promise has been made that in the working of this Excess Profits Act, like will be compared with like when arriving at the taxable amount. Is it too much to hope that so far as is possible the same principle will be applied to the officials making the assessment compared with the standing of the assessee making the return? I am grateful for the assurance which the Finance Member has given in another place to the effect that every endeavour will be made to operate this Act fairly in all respects, but as we all know, the practical application of such assurances from the Centre have in the past often been unsatisfactory and this is generally traceable to the defective local administration which I have already mentioned. I would therefore like some additional and more definite assurance to be given that the time of business houses will not be wasted by their having to enter into lengthy explanations of the complicated accounts which it must be understood and appreciated from the start will be necessary.

On each assessment the accounts of the standard period chosen as well as the accounts to be assessed will require examination. The delay and inconvenience which will ensue can well be imagined if officials not sufficiently skilled are posted to operate the Act. We are given to understand that special officers are to be appointed. Where are they coming from? If they are going to be drawn from the existing Income-tax organisation which as I have already said cannot be considered as satisfactory, then it seems likely that matters will further deteriorate rather than improve.

Sir, I think I have said enough to show that there is justification for concern and in view of this and the fact that the working of this complicated Act is now to be imposed upon the evidently overburdened Income-tax organisation, I trust some detailed explanation will be given from the Treasury Benches as to what steps they propose to take to deal with the situation.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, I am very grateful to the Honourable Mr. Sheehy for having given us in detail and explained most of the provisions of the Bill. Sir, I represent the business and industrial community and I would be failing in my duty if I did not express the opinion of my constituency.

Sir, the proposed duty on excess profits has met with universal opposition from all classes of businessmen in the country including Europeans. One only expects that the Finance Member will be able to appreciate the intensity of the feelings aroused by his proposal. No one would mind if the Government of India could lay its hands on excess profits, if India had developed industrially to the fullest extent and if the war had really resulted in large windfall profits to such industries. The comparison with England in this connection misses the mark. It is forgotten that England is a highly industrialised country with vast resources and unlimited capacity. In times of emergency like the present the British Government is certainly justified in levying an excess profits duty in England. But may I ask whether the British Dominions who are also keen to take their due share in the successful prosecution of the war, have thought of raising more money by imposing an excess profits duty on their industries? Some of the Dominions, particularly Canada, have industries which compare well with any other country. In spite of this the Dominions have not yet embarked upon such a policy, the reason being that they prefer to avail themselves of the present opportunity to develop their industries further, and

not put unnecessary obstacles in the way of their progress. If that is the position in the Dominions, why should the Government of India come out with proposals for an excess profits duty which will mainly fall on industries which are struggling for existence. No one can assert that we have reached a highly developed industrial stage in this country. It is common knowledge that the limited progress that we have been able to make during the last few years under the policy of discriminating protection, needs to be carefully developed by more intensive and thorough-going measures, if the resources of the country are to be utilised and its economic problems solved. While this general truth cannot be questioned, the glaring fact which faces one in the eye is the severe depression through which both our industry and agriculture have passed in recent years. Because of the very fact that our industries have not been sufficiently developed and strong, our capacity to resist the adverse effects of the depression was not great, and therefore we suffered comparatively more than the other industrial countries. This is borne out by the well-known fact that whereas the upward trend in economic prosperity was noticed in other countries some years ago we failed to share that prosperity because of our backwardness. It was only in the year 1938-39, that is the year just preceding the war, that for the first time we could notice some glimpses of better conditions for industry after a long period of about 15 years of depression. These unchallengeable facts, I submit, have been ignored by the Finance Member.

Unlike other countries we had no time and opportunity in this country to make good the losses of preceding years. Unlike such other countries we could not build up powerful reserves against the inevitable post-war depression which we must expect in future. If the war has given us an opportunity to make up for these mishaps of the recent past and put our house in order, is the Finance Member justified in striking at the roots of industry before it has had any breathing space at all? I may in this connection refer only to the policy of the Government of India themselves. It is obvious that though the war has not yet developed to any serious proportions, the Government of India seems to be anxious to impose heavy taxation in the very first year of the war with a view to meet unforeseen contingencies in the future. If this interpretation of Government's attitude is correct, should not industrialists in the country expect similar opportunities to build up their position when the opportunity exists, so that they can withstand difficult conditions which will be inevitable after the war.

There is no doubt that the excess profits duty is a disguised form of capital levy which will kill enterprise in the country. With the gradual turn of the tide of depression in 1938-39, we had slow beginnings of better times in the form of the starting of a few new ventures as indicated by the flotation of new joint stock companies in recent times. The inevitable consequence of this measure must be to damp the enthusiasm of all those persons who would have otherwise been willing to promote new industries or develop existing ones. Sir, we in this country talk a good deal of industrial development so that we can find means of alternative employment to large numbers of the people who are otherwise unemployed or underemployed. Instead of taking this long range view of things the Finance Member has chosen to adopt a measure which will come in the way of that general economic progress which we all desire, and thus lead to unemployment. I am afraid that by this short-sighted step he is unwittingly killing the hen that lays the golden eggs.

Coming to the details of the Bill, I find several anomalies though I shall confine myself only to a few. The most controversial part of the Bill is that which relates to the calculation of standard profits. By not allowing to take

[Mr. Shantidas Askuran.]

into account the profits of the year 1938-39 by itself in the calculation of standard profits is not the Finance Member deliberately planning to take away more than would be otherwise justifiable, even if the tax were accepted in principle. Is it fair, may I ask, to take the profits of lean years only as the basis of calculation, so that the standard profits may be as low as possible, with the consequence that a larger sum could be declared as excess for the purposes of the Government Department concerned. In most parts of the country the accounting year for business is usually the Hindu year which begins after *Dewali* and it is not clear as to how those businessmen who adopt this accounting year, will be affected by the methods proposed by the Finance Member.

THE HONOURABLE MR. J. F. SHEEHY : What exactly do you want to know ?

THE HONOURABLE MR. SHANTIDAS ASKURAN : Whether the *Dewali* year will be taken into account ?

THE HONOURABLE MR. J. F. SHEEHY : The *Dewali* year will be accepted as the chargeable accounting period.

THE HONOURABLE MR. SHANTIDAS ASKURAN : The other mysterious problem which baffles most of us is whether in calculating excess profits income from sources other than business will be taken into account ? In my opinion it would not be fair to do so if the real intention of the Bill is to take only excess profits which have accrued on account of the war. Because of this and other similar anomalies which are bound to arise in the course of administration, the taxpayer will invariably suffer. We are promised a tribunal in the Bill but all of us who have experience of such bodies know full well, that the interpretation of the different sections of the Bill with reference to difficult cases will usually be with a view to more revenue, and not so much with a view to do justice to the taxpayer. I apprehend these difficulties all the more because as the Finance Member himself has admitted the machinery for the administration of this tax has yet to be set up. The only persons on whom he is likely to draw are officers of the Income-tax Department about whose vagaries all of us have some experience. Whatever happens the Finance Member will do well to make sure that ordinary profits are not merged into excess profits by the machinery which he proposes to set up. A good deal will depend on the way in which the excess profits are determined in practice and the harm which is likely to be caused in any case to industry in general by this measure, will be further intensified many times if the kind of apprehensions that I have ventured to express remain in practice.

Even if these difficulties were removed, the question remains whether the Finance Member is justified in fixing the rate of the tax at 50 per cent. of the excess profits. In fact he has himself admitted that he is groping in the dark regarding the yield of the tax. It is well known to the public that the Indian Government tend to underestimate their revenues.

I must congratulate the members of the Select Committee for the hard and patient work that they seem to have done which has resulted in amendments to the original Bill. The provision to allow the year 1938-39 along with the year 1937-38 for the calculation of standard profits, the arrangement by which the rate of the tax will be subject to revision each year, the exemption of the profits of life insurance companies, the raising of the minimum amount of standard

profits from Rs. 20,000 to Rs. 30,000—these and other changes which the Select Committee has made do in the aggregate remove some of the more serious objections in the detailed provisions of the Bill, though they do not in any way remove the more fundamental general criticism to the very nature of the tax which I have ventured to make. The same remark applies to the very desirable change made by the Assembly in raising the minimum limit to Rs. 36,000.

I am sorry that no relief is given to companies doing general insurance work, whose case is quite similar to those doing life insurance work. The general insurance, especially fire and accident are not affected by war conditions. In one year there may be a series of accidents or fires that would clean wipe out all the profits of the former years. It is a perfectly justifiable demand to which the Government could have no reasonable objection, that the general insurance business whose conditions are all parallel to the "life" should be also exempted from the scope of the tax.

The main thing however which has relieved the sting of this measure and given some hope to business and industry is the emphatic assurances given by the Finance Member in the lower House, namely, that the administration of the Act would be carried out in a spirit which would be sympathetic to the growth of industry, and that he would himself supervise the administration of the Act so that no damage might be done to the new industries, which were bound to be sensitive to any adverse influence. In spite of my difference with the Finance Member, I must congratulate him on the statesman and sportsmanlike manner in which he has responded to public criticism and gone as far as he could to minimise the more objectionable features of the Bill.

THE HONOURABLE RAO BAHADUR K. GOVINDACHARI (Madras : Non-Muhammadian) : Sir, though it was not my intention to inter-
12 Noon. vene in this debate, I now feel that as one connected with Commerce and Industry I should take this opportunity of allaying some of the misgivings to which the Bill had given rise.

It was only natural that business undertakings should have taken fright at the proposal to tax profits when owing to the precarious character of the times through which we are living, the prospects of even normal profits, not to speak of excess profits seemed rather doubtful. But the form which the Bill has now assumed seems to me to be unobjectionable and the changes which the Government have accepted, have undoubtedly deprived it of its sting. Industry can no longer complain that it is being choked or that any needless restrictions have been imposed on its natural developments.

There is just another point to which I should like to refer. At this time of crisis when the daily expenditure of Great Britain on the war has reached the colossal figure of £6½ millions, it was not to be expected that India could play an adequate part in the prosecution of this struggle without further measures of taxation.

In these circumstances it is not inconceivable that without a measure of this kind Government would have been compelled to include in their budget proposals measures of taxation the incidence of which on the community might have been easily more harmful. A simple illustration of my point is that Government might have been compelled to add to the already heavy burden of the income-tax if a proposal like the excess profits tax is not accepted by the Legislature. I consider that the Government have shown due consideration to the individual taxpayer by not resorting to such a scheme which would have justly evoked much opposition and in preferring instead the present Bill.

[Rao Bahadur K. Govindachari.]

If additional money has to be found for the abnormal expenditure of these critical times there is no doubt that appropriation of a share of the excess profits of commercial and industrial undertakings is a better way of achieving this object than raising the income-tax. It is on these broad principles that I support the present measure.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar : Non-Muhammadian) : Sir, the ability, skill, spirit of accommodation and good humour which the Honourable the Finance Member has displayed in piloting this highly technical, complicated and, if I may say so, controversial Bill, in the Assembly, entitle him to our admiration. First in the Select Committee, and then, in the House, the Bill as originally introduced has in many important particulars been substantially improved and what we have got before us now is not the slavish imitation of the British Act as it was when originally introduced.

To me the most welcome change is the one made in the preamble of the Bill which makes it clear that the imposition of this financial obligation on businesses will continue only till the end of hostilities. This limitation coupled with the amendment made in the definition of "Chargeable accounting period" represents the acceptance of the principle that this is strictly a war measure and its operation will automatically cease with the cessation of hostilities. Further provision has been made for a periodical review of the position by the Legislature so that at the end of every financial year we shall decide whether the tax should be levied and, if so, in what manner and at what rate? I must admit that this has removed a good deal of misgivings from my mind. I had apprehended that tax once levied under whatever circumstances it might be, would not be easily removed. For instance, during the last Great War super-tax and surcharge were levied as war measures. They were, as we all know, kept up even after the war was over, and finally incorporated in the Schedule of Income-tax Act. Although theoretically surcharge has been removed, yet for all practical purposes it still lies concealed in the new system adopted for the calculation of rates of income-tax. While I recognise that it is our duty to make sacrifices at the time of such emergency as war, I cannot persuade myself to agree to the policy of keeping in normal times a high level of taxation simply for the purpose of meeting the needs of an extravagant administration. I feel that even now there is enough room for effecting economy in expenditure. Sir, I regret I cannot help referring to the Supply Department which I have to cite again in this connection as a glaring example of the mentality of the powers that be. I must confess that I was not at all convinced by what was said in justification of the payment of higher emoluments of officers transferred from another Department of the Government to that Department which on account of war has been recently created. I wonder why an officer getting high salary should get still higher emolument at a time when the taxpayers are asked to make sacrifices.

THE HONOURABLE MR. SHANTIDAS ASKURAN : They will also pay excess profits tax, because they get beyond Rs. 36,000.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA : No, Sir.

THE HONOURABLE MR. SHANTIDAS ASKURAN : It is a windfall to them.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA : I urge on the Government to put a stop to these practices, change their outlook and revise their policy so that the general taxpayers may have no cause to legitimately and morally complain. I am, however, glad to note that the Government is going to devise a machinery for getting non-official opinions about its expenditure and hope that such opinions will be respected by them.

The House is well aware that there was a good deal of legitimate criticism regarding the definition of the standard period and the Honourable the Finance Member has come half-way to meet the wishes of the business community in India. In this respect I fully endorse the views expressed by Sir Cowasji Jehangir, Sir Homi Mody and Mr. A. C. Dutt in their Minutes of Dissent to the main Report of the Select Committee and feel that the year 1938-39 alone or the calendar year 1938 alone should have been included as an optional period for calculating standard profits. I also fully agree with Sir Cowasji Jehangir when he says in his Minute of Dissent that—

“ If the Federation of British industries have an argument in favour of including 1938, we have arguments a hundred per cent. stronger ”.

With regard to the rate of the tax, I find myself in some difficulty. The Honourable the Finance Member thinks that with all the modifications made in the Bill it is doubtful whether he would get Rs. 3 crores which he requires for balancing his Budget, whereas businessmen and industrialists in India seem to feel that the yield from the tax will far exceed that amount. This means, Sir, that had it been possible for the Honourable the Finance Member to look to the future in a more optimistic way he would not have put the tax at such a high level. It is, therefore, proper that in the event of deriving a surplus at this rate which is based on anticipation totally opposed to that of the bulk of businessmen, the surplus should go entirely to the individuals whose income during the duration of this measure will be reduced by 50 per cent.

The raising of exemption limit to Rs. 36,000 is again a welcome change and this together with the various new provisions for exemptions and reliefs have taken away from the Bill much of its former rigour.

I have given the question of the probable effects of the tax on the Indian industry very anxious consideration and I feel that the cumulative effect of all the burdens sought to be imposed upon it will hinder its growth, specially when it has only recently passed through a period of terrible economic depression. Further, the histories of the various industrial enterprises are different. It is a matter of grave concern for all of us that the overseas market of some of the important Indian produces is gradually dwindling and internally some of our goods are faced with a keen competition from foreign articles. In spite of her vast resources and great possibilities, India is industrially very backward and the standard of living here is quite low. The only redeeming feature of the war which was discernible to the economists and industrialists of the country was that it would give a chance to India to make good some of their losses of the depression period and build up a reserve for meeting the difficulties of the post-war slump. Now, in the face of a situation like this, when I saw the Government resorting to further measures of taxation of industries, I was led to believe that the Government had forgotten all its obligations in its anxiety to get money from India. It was about to kill the proverbial goose that lays the golden egg. But, Sir, I was greatly heartened when I read the assurance given by the Honourable the Finance Member in the other House that he would do everything possible to encourage industrial development by taking full advantage of the opportunities afforded by war. I was glad also

[Sir Kameshwar Singh.]

to note, Sir, what the Honourable the Commerce Member said about the intention of the Government regarding the development of industries during the war and the provision made for the Board of Scientific and Industrial Research. I fervently hope that in this changed and changing conditions the Government will adopt a policy by which Indian industry will attain a distinctive position in the world. Strictly speaking, there may not be any question of self-sufficiency in these matters. But we can legitimately expect that no effort will be spared to enable the Indian industry to make the fullest use of the raw materials available in this country and rapidly expand its sphere. We shall have to see the result of the war on the various industries when the matter comes up before us next and perhaps then it will be possible for us to express our opinion more definitely about the various provisions of the present Bill.

The fact that the administration of this measure will be entrusted to the Officers of the Income-tax Department establishes the inter-dependence between this measure and the Income-tax Act. It will, I hope, be remembered that if on any future occasion the question of any further taxation is under consideration, other items than income-tax, super-tax or surcharge will be selected because the payers of these taxes have already been very considerably taxed by this measure. The assurance given by the Honourable the Finance Member to the other House that the law will be administered in a sympathetic spirit and new and pioneer industries will receive particular attention and his further assurance that if the working of the measure disclosed any serious or unwarrantable hardships he would consider it to be his duty to bring forward suitable amendments, have no doubt gone a great way in allaying my fears. I would urge upon the Government to instruct those officers who will be entrusted with the onerous duties of administering this law that they should carry out the intentions of the Government in this matter and discharge their duties with fairness and forbearance.

Sir, taxation like this may be termed as " windfall ". It is, by nature, a temporary measure. Howsoever people may dislike it—and it is human nature to dislike taxation—it has its good points and also its justification. I agree with the principle enunciated by Findlay Shirras that—

" provided the tax is not pitched at too high a level and has normal exemptions and reliefs with efficient administration, the form of taxation of surplus is undoubtedly good ".

The main question before the Government is to see that the conditions necessary for making the tax good and justifiable as stated above are ensured to the people who will be called upon to bear the burden of taxation.

Sir, with these words, I support the Motion before the House.

THE HONOURABLE SIR RAHIMTOOLA CHINYOY (Nominated Non-Official) : Sir, it is a matter of some satisfaction to see that the Bill as passed by the Legislative Assembly has improved in many respects from the one introduced by the Honourable the Finance Member and the rigour of the several clauses has been toned down. I would not like to criticise the various clauses of the Bill but would like to point out one or two important aspects. I am glad that the case of pioneer industries is sympathetically dealt with under clause 26 ; so also the case of life assurance business. Unfortunately the Honourable the Finance Member could not see his way to give similar facilities to an important budding industry—I mean the Cinema industry. It is not necessary for me to present its case before this House ; the profits of this

industry do depend upon the likes and dislikes of the public for a particular firm and as such war conditions have no relation to its reaping fabulous profits. I would request the Honourable the Finance Secretary to consider the special claims of this industry by allowing it to be brought within the scope of clause 26 for special relief, if it is not possible for its total exemption from the operation of the Act.

Another important consideration which I would like to place before the House is with regard to the provision made in the Bill for its annual review. The Honourable the Finance Member has given the country an idea that the net yield from the Excess Profits Tax Act would not exceed Rs. 3 crores. I hope that if the Act yields substantially more than this amount during the first year of its operation then the Government of India will come forward and amend the taxing section of the Act by reducing the rate. I would ask for this assurance as there is a feeling in the country that the Act will yield greater sums and that the estimated income would far exceed this amount. It is therefore necessary that the Government of India should make their position clear in this regard.

The Honourable Mr. Richardson has made it clear and drawn the attention of the Finance Secretary to the difficulties which the commercial community has to put up with when the question of the assessment of incomes comes before the income-tax officers and I hope that the Finance Secretary will see that proper machinery is installed for this purpose.

THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official): Sir, the industrialists and the capitalists have given expression to their views on this matter. I as an agriculturist have to state the case for the millions of this country. After the very clear and lucid statement made by the Honourable Mr. Sheehy, there would not be much room for comment or criticism in the matter. Some of the very complicated points in this Bill have been explained in such a manner that even a layman could follow him with ease and convenience. Now, it is a matter of great satisfaction to us and it is not an exaggeration to say that this is one of the few Bills or measures of taxation which have received the consideration of the Finance Department in response to public opinion. Public opinion was very apprehensive in the beginning when the Bill was introduced that it was going to affect the nascent industries as well as the existing and struggling industries—to use the language of the Honourable Mr. Shantidas Askuran, whose usual tirades against such measures are quite familiar to us all. But there is a great misapprehension in regard to his criticism in forgetting the wording that has been altered in the preamble—

“Whereas it is expedient to impose a tax on excess profits arising out of certain businesses in the conditions prevailing during the present hostilities”.

So it is only those industries or excess profits made in connection with the war that are liable to come under the Act.

THE HONOURABLE MR. SHANTIDAS ASKURAN: Is it clear, Sir, that only war profits are to be taxed?

THE HONOURABLE SIR A. P. PATRO: If you understand the English language, the reasons for this inclusion are very clear. The Finance Member finds that it cannot be complicated and it cannot be more comprehensive, so that he admitted that the tax should be a limited one. The principle of the Bill is that the taxation is of profits which could be shown to be due to the war. It is not contended that the State should have a share in such profits made out

[Sir A. P. Patro.]

of the people themselves. And this increasing expenditure on war will have to be met out of the profits made by industrialists and capitalists. No doubt it is the desire of the capitalists and the industrialists that they should not be touched and it is the masses that should be taxed and should pay for increasing expenditure. Agriculture is the only industry that has been bearing all the burdens of taxation. Others would like to escape taxation. But this is a measure which saves the industrialists the normal profits which they would equitably be entitled to. It is only the abnormal and excessive profits that are sought to be taxed under this Bill. It is also a recognised policy that during the war, Governments must raise more money to meet extraordinary expenditure. There is no dispute as regards the general principles on which this Bill is based. It is not correct to say that this Bill is not needed because economies could be effected in other directions. I do not know how far it would be possible to raise such an amount of money by economy. The direction in which such economies could be effected will always be towards cutting the salaries. We have had references made here to excessive salaries given during war time. But how far would that saving enable us to meet the present increasing expenditure of defence? That is the point which is forgotten in expressing a righteous indignation against increased salaries.

The Bill as a whole has got very many salient points. The Bill has undergone substantial changes and even the representatives of the capitalists and the big industrialists have welcomed the Bill, as it has emerged now. I have not heard very many criticisms even from the extremist Press about the present Bill. Therefore, I say that the Bill as it has come before us is such that it is acknowledged to be very much in favour of big business. But, in order to help the small business also, and exempt them from the operation of this Bill, there have been changes. In order to meet the case of the small business, the definition of "standard profits" has been altered so that persons getting an income of below Rs. 36,000 are exempted. This is a very great concession, because between Rs. 20,000 and Rs. 36,000, many small businesses will escape from the operation of this Bill. From the Income-tax returns we find that in 1937 and 1938 the number of assesseees between Rs. 20,000 and Rs. 30,000 were about 10,000, and if we take the Rs. 36,000 limit, the number of assesseees is 3,918, or roughly 4,000. Therefore, the sphere of taxation has been very much narrowed. Also, only industrialists who make abnormal profits would be liable. There need, therefore, be no apprehension on the part of large industries that they are going to be taxed with a vengeance. The other important point is the option given to the assesseees, to take as the standard period the average of the years 1938 and 1939, combined with 1937 and 1938. This option makes the incidence of taxation very equitable. Otherwise it would have been very difficult for the assesseees if only a particular period had been taken. As has been explained very clearly by the Honourable Mr. Sheehy this concession has been given with a view to lighten the burden and enable the assesseees to come to a definite understanding in the matter.

Another feature in the Bill which is very helpful to all who do not believe in the tax-gatherers, that is, those who impose and collect the tax, is this. In doubtful cases, where the assessee feels that either the standard profit or the business has not been properly appraised, he could, through the assessing officer, make a reference to the Board of Referees, and the Board of Referees could give its opinion and it will be composed of business experts and a judicial officer. Therefore, this Board can be trusted to give a very impartial opinion in the matter. They would not be interested in the Government or against the assessee?

Again, at the end of March, 1941, this Bill is again to come up along with the Finance Bill for the purpose of revision or reconsideration after the working of the Bill is known. This is an important concession to public opinion. You will then know the effects of the working of the Bill, and it is open to the Legislature to review the working of the Bill—how it has adversely affected trade and industry or how inequitable has been its administration. That is a very important concession. From year to year the Bill is to come for review and reconsideration.

The Bill would tax only prospective profits and not profits already secured. The amendment relating to excess profits would exempt many small industries and business concerns. But it is desirable that they should be considered specifically in some cases. Exemptions have no doubt been given in the case of insurance and in the three instances mentioned by the Honourable Mr. Sheehy. But there is one instance which he did not mention, and that is the case of the mica industry in Southern India. The mica industry is a very difficult concern. It is not every kind of mica that is useful for war purposes. It is only what we call munition mica that is useful for this purpose. Munition mica is taken out only in small quantities. During the last war, munition mica was available in large quantities, and no doubt profits were made. But, of late, within the last 20 years, the mines have gone down so that it is not possible to have such large quantities of munition mica. White mica or black mica or spotted mica—all these are available, but even these are prohibited from being exported to neutral countries. In England there is a large stock available at present, but unsold, and munition mica is very difficult now to export to any country other than Great Britain. Even for Great Britain it is prohibited.

The success of this Bill depends upon its working. It has been stated by the Honourable Mr. Richardson with great force and cogency that the experience of the working of the Income-tax Act has been such as to raise real fear in the minds of industrial classes that this Bill also will not be worked efficiently and that the assesses may be put to considerable difficulties. I agree with him. He has made out a very good case and the Honourable Maharajadhiraja of Darbhanga stated last time and has repeated it again today, that his experience goes to show that the working of the Income-tax Act has been very severe and that it has been worked with great hardship. I have my own experience and can give you one instance to show how the income-tax officers act in their anxiety to show larger returns and get greater credit for their collections. An estate of a friend of mine has been worked by a syndicate in England. He is only the zemindar who has to receive the collections from the tenants and remit the first portion according to the contract to the syndicate in England. Now the income-tax officer has given notice to him that he should pay income-tax on the amount which he remits from India to England to the syndicate there as interest of principal. It is opposed to commonsense, yet the income-tax people do not see any absurdity or injustice in it.

THE HONOURABLE MR. J. F. SHEEHY : If it is bad law the Honourable Member's friend has a remedy in the courts against the income-tax officer.

THE HONOURABLE SIR A. P. PATRO : If every person who feels aggrieved by the acts of the subordinates of the Income-tax Department is recommended by the esteemed and respected Board of Revenue to go to court, then, Oh, for such law and, Oh, for the administration of the country on such terms ! The Board exists with a view to facilitate the working of the Act without detriment

[Sir A. P. Patro.]

to the interests of the people. If people are to be driven to the courts what is likely to happen ? As the Honourable Maharajadhiraja of Darbhanga stated, he had to spend Rs. 2½ lakhs to recover about Rs. 4 lakhs. That proves that it is only persons who can afford to invest in litigation that can get justice ; those who cannot or wont pay for litigation do not receive justice. Is that the ideal of British justice ? Have the people to depend not on just administration but on the fees they pay to lawyers and the money they spend in court-fee stamps ? I am sure that is not the ideal which the Central Board of Revenue will hold out to the agricultural population. These details could be rectified by the Central Board of Revenue having powers of revision with them and dealing with such cases effectively and justly. I have given only one instance to show that the administration of this Act very much depends on the machinery which is devised to carry it out. The tax-gatherer is always unpopular, but the tax-gatherers must exist for the benefit of the country and the people. Without taxation collected properly and effectively the administration cannot be carried on. We all realise that. But at the same time there is a method in madness. In administering these difficult laws it is necessary that there should be a certain amount of equity and good conscience applied. Therefore I say that whatever may be the concessions which the Honourable Finance Member and his Secretary have made in this Bill, whatever may be the good that is to be done by this Bill—all this may be destroyed if there is no reliable and efficient machinery to carry the law into effect so that little injustice is done. The Bill contains provisions which are very complicated. It will not be easy for every income-tax officer to administer it properly. Therefore I say in this case it is all the more necessary that proper machinery should be devised for employment on this difficult task.

Having said this, I say the Bill is very necessary and desirable, and the principles on which it is based are financially sound. Therefore I have great pleasure in supporting the Motion.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I must congratulate the Honourable Maharajadhiraja of Darbhanga and the Honourable Mr. Shantidas Askuran on their valuable comments. I generally agree with what they have said. We in India are far away from the theatres of war, but even so we are doing all we can to help in the prosecution of the war financially and otherwise in spite of our meagre economic position and financial resources. By this Bill the Government wants to become a partner, I should say a sleeping partner, in businesses in India.

THE HONOURABLE THE PRESIDENT : It has been always.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That has been always, Sir, but when a man takes a share from a business concern he should put in some capital of his own. Sir, to me it seems that the policy of the Moghul and pre-Moghul times is now being followed by the Government. That policy was that the subjects should be kept in a very poor condition in order to make the Government secure.

THE HONOURABLE MR. HOSSAIN IMAM : That was not the policy of the Moghuls.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, what has been our economic position for the last ten years ? Sir A. P. Patro will

and somewhat I say that the plight of the agriculturist during the last ten years has been very unsatisfactory and disappointing. The condition of business has been one of constant economic depression, and just when the agriculturist and the industrialist are recovering from that unprecedented period of depression the Government comes in and wants to share the profits of those in business and the agriculturist. When there was grave depression and the zemindars were paying revenue out of their pockets and in addition lending money to the actual cultivators to keep them going, did Government make any considerable reduction in revenue or come forward in other ways to help either the agriculturist or the industrialist? Nominal concessions were given which the people did not consider worth anything. Really the war is just starting and the Government comes forward with a 50 per cent. profit-sharing Bill. Where is the justification for it? Practically the great war has not yet started, what then will be the state of taxation when it does? Is this the last stroke of taxation or will yet higher taxation follow? I am very grateful to the Honourable Mr. Sheehy for the lucid speech he has delivered in introducing this Bill, but I should like him to tell me why this taxation is being imposed at the very start of the war in which India is already participating to the best of its ability? Even though there is no war within 3,000 miles of India, what will be the future taxation in case India is invaded, will it then be 70 or 75 per cent. taxation on incomes.

Sir, what was the effect on trade and industry when this Bill was published and what is the present condition? The prices of agricultural produce have gone down; the prices of manufactured stuffs have gone down; and over and above that, the profits which either the agriculturist or the industrialist anticipated both are now disappearing. The economic condition and the condition in which the people can make two ends meet is the very best asset for any Government, and high taxation to the extreme, I must say is not in the interest of any Government. Why should only business men be put to such taxation? The income of the business man varies from year to year; he has years where he loses and in the present times the industrialists have been losing for many years past and when the time of their recovery comes Government comes with its axe to undermine industries. Why should not, Sir, those people who have a permanent income share the burdens of war? I say that we all must contribute to the war up to the extent that we can afford. In case you cripple us, our services in the war will not be worth anything. Those people, Sir, who never lose, who have a fixed income, why should they not be taxed for this war? Why should the policy of the Government be different to what it was during the last war? Why should not the same policy be adopted? Why should Government servants and others not contribute to the war and why should industry which is already in a crippled and dying condition be over-taxed? Sir, it is said that the Indian Government is following the example of the British Government. I will say, Sir, compare India with Great Britain. Sir, in the United Kingdom profits indices show a rapid recovery. Taking 100 as the profit index in 1935, indices work out to 114 in 1936, 129 in 1937 and 120 in 1938, respectively. Since then the indices have been just a few points over 120. In Britain, for all practical purposes, industries pay the new duty only on profits above 120. In India the tale is different. What is it? In the index of profits, as prepared by Dr. Gregory in the *Review of the Trade of India, 1938-39*, 1928 is taken as the base and is put at 100 and the index computed at 69.2 in 1935, 63.1 in 1936, 60.7 in 1937 and 70.6 in 1938. It should not be considered that from 1938 onwards there has been any progress. Dr. Gregory has stated in the same *Review* on page 23 that "since then, however, business conditions have deteriorated".

[Rai Bahadur Lala Ram Saran Das.]

In the light of these and in view of the fact there is not allowance made for "excess losses" it appears to be unfair to fix standard profits on the scale of the profits obtaining during the years of depression.

Sir, in India, generally speaking, the jute industry, the woollen industry and the leather industry are the only industries which have benefited by the war, and it is a pity that Government has not considered the plight of other industries. For instance, the cotton mill industry. That industry, after the publication of this Bill, has been a prey to low prices and in no wholesale demand for manufactured goods.

THE HONOURABLE MR. SHANTIDAS ASKURAN : No removal of the goods which have been sold.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, and in view of all these, I must say that Government servants and others should also share the burdens of the war as they did during the last war. When I was speaking on this matter recently, the Honourable the Finance Member said that retired army officers who were taken into service were giving their lives. I could not understand that, because it is always understood that those people who offer their service for the army always offer their lives. But, Sir, the Lee concessions should now go ; there should be a cut in salaries and allowances and other people who do not now share the burden of war must be made to share the burden. I am of the view, Sir, that we must all contribute to the war to the best of our capacity and help the Government. Sir, the Excess Profits Bill when it was published has been the cause of great sluggishness and dullness in the markets. You have not so far taxed the agriculturist, but indirectly you have. What will be his plight when the industrialist is not able to pay them good prices ? What has been the practical result ? See how far cotton and wheat have gone down, how the prices of other stuffs have declined. In the war, people should be content and Government should not cause discontent. I know that we are all loyal and we want the British connection ; as we value it but at the same time we do not want to cripple ourselves by which we may not be able to support our families and thus add to the unrest in the country. This Bill ought to have come at a later stage when India would be in the throes of war. The British Government have the greatest asset in India. My own impression is that at the time of difficulty, and need, Britain would come forward to help India from foreign aggression. But what do we see, Sir ? Government say that they are not taxing the agriculturist. My information is that over Rs. 325 crores of gold has gone out of India and it is because the agriculturist had no means to support himself ; the resources of India have now decreased by Rs. 325 crores so far as the agricultural community is generally concerned. My friend Sir. A. P. Patro made no reference to that. The zemindar, instead of getting good prices, is getting low prices. During the last war prices jumped up. I know prices of raw cotton were much more than the prices of pressed cotton and the price of wheat rose up to Rs. 8 a maund. What is the condition now ? After the introduction of this Bill, prices have gone down very much—as the Honourable the Maharajadhiraja of Darbhanga rightly observed—people are not prepared to give money for the extravagant administration. I call it extravagant, Sir, because the salaries of Government officers in India as compared with the rest of the world are the highest. In the last war taxation was evenly distributed, and I hope the Honourable Mr. Sheehy will tell us why

this time only commerce and industry is being victimised for the prosecution of the war and the Services and others who enjoy the Lee concessions are left out. We expect naturally that they must share the taxation as they did last time. Why did you do it last time and why are you making now an exception? When the war started last time, nothing similar was done in that connection by imposing such taxation in the very beginning. Government ought to have resorted last to this method as they did during the last war. They have at present only a couple of crores of deficit and that only owing to the war, and that should have been met by war loans. And later on, in case, God forbid, the war became serious, and develops into an international war, India may become imperilled. Government ought not to have come up with this heavy taxation at this stage.

Then I come, Sir, to the question of the percentage of the tax. A 50 per cent. percentage is too heavy. Strong representations have rightly been made by various commercial and industrial bodies as well as from mercantile communities in towns all over India that Government should not take this measure at the present juncture and that it would have a disastrous effect on trade, commerce and industry. I know that the Amritsar market, which is one of the biggest markets in the Punjab, people tell me, why should they risk in business for the sake of contributing 50 per cent. to the Government? I can tell you that forward contracts have practically disappeared. Nobody comes forward to buy goods because he does not know whether the taxation at the time of delivery of the goods will be this or double what it is at the present time. I therefore, Sir, request Government that the share of the Government in the profits of others should not be 50 per cent. I know that the Bill was passed in the Central Legislative Assembly, but the popular vote was not there. I do not consider that this is a well-considered measure representing the views of the people, and in the absence of the Congress Members and others who for reasons best known to themselves have absented themselves, the Bill was passed there by the votes of the Government officials.

THE HONOURABLE MR. HOSSAIN IMAM : Are the Congress reprehensible for this action ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I am relating a fact which cannot be denied. That the opposition Members were not there.

THE HONOURABLE MR. HOSSAIN IMAM : Is the Government to blame for it ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I might tell my Honourable friend Mr. Hossain Imam that I am relating a fact that because of the absence of the Opposition, the Bill has been passed in the other House. I am not here to blame A, B, or C.

THE HONOURABLE THE PRESIDENT : Are you quite sure that the Congress Members would not have supported the Bill ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : With due deference to you, Sir, I can say that it would have been the duty of the Congress Members who represent their constituencies to voice the feelings of their electorate. (*An Honourable Member* : "Have they discharged their duty?") Well, I am not prepared to pass judgment on this. I have related to you the facts as they stand and it is for the House to come to a judgment.

Anyhow, I must say that the war seems now to start seriously. I wish the war to end because it brings all sorts of calamities on us. But from what I see in the press, I find that the war is to start seriously from April. There—

[Rai Bahadur Lala Ram Saran Das.]

fore, Sir, I would strongly urge upon the Government to reconsider their decision and reduce the proposed percentage tax, I should say the share which they want to have from business people only and not from others. I have already said, Sir, that the very publicity of the Bill has led to a crash in the prices of commodities and in the prices of various industrial shares. Sir, do not oppose the principle behind the Bill but I cannot agree to the provision that Government should charge 50 per cent. tax on the excess profits even without allowing the losses in years past which the various industries have suffered. In case Government had taken those losses into consideration and in case like the British industries, the Indian industries had been making money hand over fist for the last several years I would not have the slightest objection. We value the British connection but at the same time we do not want the Government to treat us differentially as compared to England. Industries in Great Britain have been busy for several years past manufacturing munitions and war requisites. That does not apply to us. They have made enough money there and they can now afford such a tax. In India only recently a few industries which I have named have been making war profits but, unlike the industries in England, they have not been making profits for several years past, out of which they can in turn bear this heavy burden. The percentage of excess profit tax should be reduced to 25 per cent. at least. I beg the Government to reconsider the percentage.

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

The Council reassembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : Mr. President, after so many speakers have already spoken, I have naturally only a few general observations to make. This Bill is essentially the result of the situation that has arisen out of the present war. It is an attempt to raise more money in order to meet the financial strain caused by our engagement in the war. Let me, therefore, make it quite clear that the psychology that determines my attitude towards this war is what is going to determine my attitude towards the necessity of this Bill. England is engaged in a war against countries that today stand for Nazism, totalitarianism and communism. Well, England undoubtedly has our sympathies and our active support in this struggle—

THE HONOURABLE THE PRESIDENT : We are now discussing the Excess Profits Tax Bill. We are not discussing the war.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : If you will refer to the Statement of Objects and Reasons appended to the Bill, you will find, Sir, the justification of what I am saying. There is no denying the fact that this Bill is a war measure and I wish it were a fight to the finish and that we saw after a struggle howsoever protracted, howsoever deadly, and howsoever costly, the end of the dark forces that threaten and undermine human civilization and social justice. England has declared in unmistakable terms that she stands for the inherent right of each nation, howsoever small, for self-determination. She acknowledges and claims to stand and fight for the protection of democracies, i.e., the ultimate sovereignty of the voice of the people. All that is very nice indeed, but, it is in the application of these principles to India that our differences arise, distrust is born, and psychological

barriers spring up, Government have come up to us with this Bill to raise more money in order to cope with the greatly increased expenditure on defence and other services that will fall to the lot of the Indian taxpayer on account of this war. I ask, therefore, why did not this Government which has so much respect and concern for the democracies in Europe use the elementary principle of democracy in its own case and come up to us for an approval of their war policy or even for the purpose of eliciting our opinion with regard to their policy in connection with the war ?

THE HONOURABLE THE PRESIDENT : You are going outside the question now before the House.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : You will soon see, Sir, the justification of what I am saying.

THE HONOURABLE THE PRESIDENT : I have heard you for nearly five minutes and there is no justification yet that I have seen.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : This is a measure of taxation and I am trying to explain the kind of democratic constitution that we enjoy in this country and how the Legislature is asked, and even forced, to pay the piper and the irresponsible executive calls the tune. In deference, however, to your wishes, Sir, I shall not dilate at any greater length on the point.

It is not my intention on an occasion like this, to do Government down or to refuse to sanction the necessary supplies, but that is surely not because I like their ways but because we all want to win this war and win it at all costs. My quarrel, Sir, is with the attitude that the Government of India bears towards the people it governs and the scant courtesy or concern with which it treats Indian public opinion. I want Government to realise that it is not by ignoring the national pride of a country, which is becoming more and more self-conscious, that they can strengthen the ties that bind the different units of a great Empire together.

This Bill, with the essential principles of which I am not very much in discord, is going to become an Act whatever attitude we may bear towards it. But I would like to ask Government a few questions in order to expose their attitude towards Indian aspirations. Do Government not know that the people and their representatives want them to nationalise the army and Indianize the command and thus to make the army less expensive and more Indian ?

THE HONOURABLE THE PRESIDENT : I would advise you to defer all these questions till you discuss the Finance Bill. I cannot allow you to proceed with these questions now.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : I am sorry, Sir, but can I avoid putting forward suggestions to Government which, if adopted, will eliminate the necessity for a Bill of this character ? I would therefore, ask, Sir, "Do Government not know that we want them to cut down high salaries and to make the Services less costly ?" I know these are inconvenient questions and Government must avoid these much-desired methods of economy and choose some taxation or another. This time their choice, though not an ideal one, is less controversial than what it may have been. On its essential merits the Excess Profits Tax Bill has drawn less opposition than any other measure of taxation may have brought. The Government

[Rai Bahadur Sri Narain Mahtha.]

too, I confess, have also gone about their business accommodatingly in the way in which they have proceeded with the Bill at its various stages. The Bill as it comes to us is undoubtedly a great improvement on the one that was originally introduced in the Assembly. The alterations made have already been enumerated by the Honourable Mr. Sheehy and I would not like to recapitulate them. The alterations made in the Bill in the other place are both important and commendable. I welcome them.

There is a section of thought, Sir, not so much represented in this House by the Honourable Maharajahdiraja of Darbhanga as by the Honourable Mr. Shantidas Askuran, which believes that this measure will retard the progress of industries, will suppress the rise of new industries and generally would be harmful to the interests of the country. This section, Sir, does very pertinently of course, ask one question and that is, that if Government desire to have a share in the actual and real war profits of businessmen, why must they not share in the losses that will accrue and follow in the wake of the depression that must inevitably succeed the war. They plead and not absolutely without justification that the Indian economic structure is one that still needs plenty of nourishment——

THE HONOURABLE MR. HOSSAIN IMAM : Not even 12 per cent. is enough.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : They think that they must have all that they can get and that it is not yet time to ask them to sacrifice any portion of their profits. The Honourable Mr. Hossain Imam must know that I am only stating their views, which I personally do not share. But, Sir, in spite of the apparent plausibility of their arguments their starting point is erroneous. All sections of the people are suffering on account of the war except the trades. Naturally, therefore, the class that is making profits on account of the war must be the first to be chosen to be made to part with a portion of its profits in order to pay for the war. The present Bill, in its present form, comes more or less as an agreed measure between the Government on the one hand and the representatives of industrial and trading interests on the other, as represented in the Central Assembly. I do not, therefore, think that there is much use going into the details of the Bill. But, there is one fact which I would like to emphasise and that very strongly and it is this that the quality of the measure will depend on how it is actually worked. This has been referred to by some speakers before me. The traditions of the Income-tax Department are not very encouraging. The income-tax officer starts his work with the strong presumption that the more he can tax, justly or arbitrarily, the better will his services be recognised. There are of course open to the assesses avenues of appeal, but he has to deposit his tax all the same before he starts on the course of long and expensive litigation. I think the number of successful appeals against assessments made by income-tax officers should be taken into account in determining their efficiency, and those officers should be taken to task whose assessments are found to be arbitrary beyond justification. By strengthening the confidence of the assesses in the income-tax officers, by instilling into the mind of the officers themselves that their merit will be judged by the right assessments they make and not by the amount they tax, Government will be doing something that is very necessary and the want of which is very much felt.

Before I sit down I should like to refer to rule 5 at page 15 of the Bill. It is a long section which I will not read, but would like Honourable Members to refer to. The effect of this rule is to make borrowed capital to be treated

on the same footing as capital pure and simple. That, Sir, is very unjustifiable. And the Bill aims at allowing no concessions to people who borrow. It makes also a distinction between banks and private moneylenders.

THE HONOURABLE MR. J. F. SHEEHY : I am sorry, the Honourable Member is wrong. The Bill does give a concession to people who borrow money from banks and on debentures. That is exactly what that section does. May I explain. We give you the statutory percentage on it. If you borrow money at 4 per cent. from a bank or on a debenture, we give you, when computing your standard profits as a percentage on capital 8 per cent. or 10 per cent. on it.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : But you do not allow the same concessions if the money is borrowed from a private money-lender ?

THE HONOURABLE MR. J. F. SHEEHY : No, we do not. That was thoroughly threshed out and Government refused to extend the concession.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA : That is what I say. That is a very unjustifiable distinction. I think you are going to hit undeservedly the business of the private money-lender. You may say that it will be difficult to check the *bona fides* of their accounts ; but are you not checking the *bona fides* of their accounts under the Income-tax Act ? The present rule will have the effect of stopping a very valuable source of help and will debar the industrialist of relief where it is due to him. I hope my contention on this point will be supported by other Members.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Before I begin my remarks on this Bill permit me to congratulate the Honourable Mr. Sheehy on the lucid speech which he made. I am not exaggerating when I say that it helped us more to understand the Bill than all we had read in the papers. Personally believing as I do, in a more equitable distribution of wealth, and the right of the State in the profits made by industrialists, I cannot object to this kind of measure which wishes to establish a great check on the rapaciousness of the capitalist. But, in addition to that, there is the further justification that the profits are made during this abnormal period of war. Even if they do not arise directly out of the war they are the result of war conditions when the general rise in prices naturally swells the profits of industrialists. If the Government had come forward with a measure under which they took away the entire excess of the profits, the attack of the industrialists may perhaps have been somewhat justifiable. But they lose sight of the fact that 50 per cent. is left to them over and above the standard profits which they have been drawing or which they are permitted under this Act to collect. I think the nation has a perfect right to take even more than this if a more equitable basis of taxation is found. My only complaint against this Bill is that whereas it errs in showing generosity towards certain businesses which are in a flourishing condition or which have been newly started, it has not done justice to those depressed industries which have been running at a loss for some length of time. The Honourable Member has provided under section 26 a measure of mercy or gratuitous relief through the Central Board of Revenue for those industries which have been hard-hit, but he has not specifically provided for any yardstick by which we can measure what is and what is not hardship.

[Mr. Hossain Imam.]

Sir, a point has been raised here as well as outside that war profiteering in the Secretariat has not been touched. I am not going to say whether that is justifiable or not, because it is more or less an academic question. Once you have raised the limit of taxation exemption to Rs. 36,000, I doubt if there are even half a dozen people who would be affected even if it were made applicable to those civil servants drawing increased pay due to war work and would not give even a lakh. It is an academic question—

THE HONOURABLE THE PRESIDENT : Then why do you raise it ?

THE HONOURABLE MR. HOSSAIN IMAM : It was raised in this House and outside and I am saying that it is not a practical question, it is only academic.

THE HONOURABLE THE PRESIDENT : That does not mean that you should raise this question.

THE HONOURABLE MR. HOSSAIN IMAM : It was specifically raised by the Leader of the Opposition, Sir.

I am saying, Sir, that the basis is too generous. I should like to illustrate how it is too generous. In the first place the increase of the limit from Rs. 20,000 to Rs. 30,000 was made in the Select Committee, and after that in the open House this limit was further raised by Rs. 6,000 to Rs. 36,000. I have not been able to glean any information as to what would be the result of this difference of Rs. 6,000 in the lower limit. The Honourable Mr. Sheehy did not enlighten us how many assesseees would be reduced and what was the specific point about this Rs. 36,000. If the Honourable the Finance Member was able to get not only a majority but a good majority in the Select Committee to agree to Rs. 30,000, there was no necessity for raising this limit to Rs. 36,000, especially in view of the fact that concurrently with this suggestion that the limit should be increased there was a suggestion in the Select Committee also that the quantum of the taxation should be graduated. That part has not been taken. We have raised the limit but not the quantum of the taxation. The point which the Honourable Rai Bahadur Mahtha took up just now about bank money has not only been met too generously but you have opened the flood gates for evasions and malpractices. The least that you should have done was that you should have restricted this to the scheduled banks. *Bona fide* banking business is not enough, because we all know the high rate of interest charged by private capitalists and bankers. It is only very rarely that you can get terms which would be comparable to those offered by well established banks. If it had been confined to scheduled banks it would have been possible to check whether the advances are fictitious or real. It would not be possible if you do not have any restrictions. It is open to the Government either to mend the law or to so explain it in the rules and regulations that they might make that *bona fide* means scheduled banks only.

I should like especially to draw the attention of the Government to the condition of the coal industry which has been one of the depressed industries. I do hope that Government would not only give to those who "have" but will have a little bit left for the "have nots" as well. According to the present Bill another injustice has been perpetrated by not allowing the carry forward of losses in computing excess profits. The question of the carry forward of losses arises only in case of those companies which had run at a loss. Under

the Income-tax Act of 1939—in such a recent Act—we allowed a carry forward of losses. We only allowed them to carry forward losses of one year for the period to which this excess profits tax will apply.

THE HONOURABLE THE PRESIDENT : That is only for the first year. Subsequently it is to be allowed for six years.

THE HONOURABLE MR. J. F. SHEEHY : I think what the Honourable Member says is correct. We are allowing them to carry forward one year at a time until they arrive at a full carry forward of six years.

THE HONOURABLE MR. HOSSAIN IMAM : Now, the profit will be computed for excess profits and a good bit will be taken away, whereas in reality the company will have no profits, for it pays back for the overdraft to the bank by which it has been able to carry on for the past years. Is that just? The Honourable Member illustrated his example. I should also like to illustrate my point. A company incurred a loss of a lakh of rupees last year; this year it makes a profit of Rs. 50,000. Now, as it was running at a loss last year and this year it has made Rs. 50,000 it would be liable to taxation on Rs. 50,000 and not on Rs. 1½ lakhs. That is a small mercy, but even the Rs. 50,000 is not in reality a profit. In the company's account you will find that it will go to reduce the debit balance standing in the profit and loss account; but for the matter of this excess profits taxation it will be liable to pay excess profits tax. But for income-tax purposes it might not, because under the Income-tax Act it can carry forward its loss of the year 1939 to this year. That, Sir, is very anomalous that two Acts of the Government dealing with the same thing as a taxation should be so divergent and should take two different bases for assessment.

I come to another point on which the Honourable Mr. Sheehy did not enlighten us. It is about the double relief on the excess profits duty given to British firms. The provision of the Act is that it will be reciprocal. In the Income-tax Act the provision was half of the Indian taxation or the British taxation whichever is lesser and this is the provision which we are keeping for countries other than Great Britain. I take it probably that the same basis will be taken for the relief—

THE HONOURABLE MR. J. F. SHEEHY : May I intervene here, Sir? The scheme adopted in the United Kingdom before, which they may adopt this time—I cannot guarantee that—is that the higher only of the two duties (that is, in either country) was chargeable. The rate in the United Kingdom is 60 per cent. and the rate here is 50 per cent. If the same profits are taxed in both countries, 60 per cent. only would be charged and this amount would be apportioned between the two countries in proportion to the amount of the duty which would otherwise have been payable in each country respectively.

THE HONOURABLE MR. HOSSAIN IMAM : This means that it is to be even harder than Great Britain, the senior, wealthier partner, is to get a higher share 32·7 per cent. and India is to get a lesser share 27·3 per cent. As a matter of fact there is no reciprocal action in this, because there are very few Indian business men in Great Britain and relief is really given to the British traders and not to Indian traders. The whole of India has been agitating against double income-tax relief measure.

THE HONOURABLE MR. J. F. SHEEHY : Does the Honourable Member suggest that we should take 110 per cent. of the excess profits?

THE HONOURABLE MR. HOSSAIN IMAM : What I was suggesting was that if His Majesty's Government had so desired they might have exempted the Indian profits from the purview of their excess profits duty or N. D. C., if not of all at least of those companies which carry on their entire business or a major part of their business in India. Consider for a moment the fact that we are allowing nearly Rs. 1½ crores relief in the matter of income-tax, whereas our nationals do not get relief of even Rs. 10 lakhs from the United Kingdom. You must see what is the *quid pro quo* that we are getting for this concession. Your nationals are getting more relief than our nationals. As far as income-tax was concerned, you might have insisted that it was a permanent arrangement and you did not want to disturb it. But when you bring in a special war measure, is it justifiable that an iniquitous basis should be taken as the fundamentally correct basis for future distribution of taxes, especially in view of the fact that here you are taking even a greater share than in the case of income-tax ? It is not the intention of anyone that poor assesseees should suffer ; they deserve the sympathy not only of the Government of India but also of the British Government. Had this business been carried on in a country which was not under the ægis of the British, would His Majesty's Government have given them relief or not ? I do not say that they should regard India as a country outside, but we are under special circumstances and special difficulties and this is a very small matter for England. Their business is carried on in all countries, all over the world, whereas India is concerned only with one country, and to India this forms a big share. It is only if you measure the difference between the percentage incidence on Indian tax income and the incidence on the British tax income you will feel that we are justified. I am rather surprised that this point had not been agitated enough in the other House. The Honourable Member stated here, and we are told that a similar statement was made in the other House, that the number of assesseees would be reduced to about 2,500. It is some commentary, Sir, on the evasion which is practised that there should be so few assesseees. And there has been no estimate given by the Honourable Member of the amount which will go in the double excess profits tax relief.

Then, Sir, to those of our Members and also the Government who say that they expect to get Rs. 3 crores even after all these generosities,

3 P.M. I would say that it is surprising that the estimate of Rs. 3 crores has been so elastically made, that it remained the same without all these concessions, when there were 5,000 assesseees and when there are only 2,500,—when this tax was to be realised from the 1st of April and when it is realised from the 1st September. What an enormous elasticity ! What a wonderful elasticity !

THE HONOURABLE MR. J. F. SHEEHY : May I explain, Sir, that, while we were going to compare the profits of the period from the 1st of April to the 31st December with the profits of a similar standard period, now we are going to compare the profits of the first four months of the war with the profits of four months of the standard period.

THE HONOURABLE MR. HOSSAIN IMAM : A nine months period, Sir, and a four months period—there is a difference of 30 to 70, and the number of assesseees is 25 against 50. So the tax now is about a quarter of what it was originally estimated and yet it remains Rs. 3 crores nevertheless ! It is surprising, Sir, how elastic these estimates can be or how much underestimating there is sometimes in the Finance Department. The fact which has been elucidated in reply to Mr. Shantidas Askuran's question was that those who have *Dewali* year would be allowed to retain it and they would be subjected for a period

only up to *Dewali* which means that most of the people will be subjected to taxation for two months and eight days, from the 1st September to the 8th November, because the *Dewali* was on the 8th November, 1939. Now, many of the companies end the year on the 30th September; they would be subjected to only one-twelfth part of the excess profits, or only one month's profit. Taking all these things in view, Sir, it seems that the estimate is more likely to be optimistic than to be an underestimate now. If the Government is so lucky as to get Rs. 3 crores in this short period, I think it can very well look forward to Rs. 12 crores or at least Rs. 10 crores in a full year's working, if the present conditions continue.

Sir, there was a reference by the Honourable the Leader of the Opposition to the fact that the Government had become as bad as the Moghuls and their predecessors. I doubt, Sir, if they had direct taxation for India before the advent of the British and this tax was imposed first in the late sixties. (*An Honourable Member*: "There were no taxes. They only took away what they wanted.") That was more manly.

Sir, I should like to say a few words about that propaganda which has been carried on incessantly in this country that this excess profits tax would mean the end of new industrial establishments. I have no patience, Sir, with such pampered and manifestly wrong statements. If anything, Government has been rather too generous. To allow a profit of 10 per cent. for business started after the 1st of July, 1938, is not enough. They have also promised to take into account the fact that if there are industries which are dependent on war for prosperity, they will give a further consideration to that. If all these things are not enough, do they wish to have a cent. per cent. profit every year? We public men have fought for the Indian industrialists but by their predatory methods they are forcing us to support the foreigners rather than our own industrialists. Because I can fight the foreigner cleanly but not our own sheltered capitalists who take up the cry of working for the national interests and try to enrich themselves at the cost of the poor consumer; they are a greater danger. I think the Government has done everything in its power to establish new industries on a sound footing, a promise of 10 per cent., free from all excess profits is enough to attract capital if you know the condition of the market and know how much they are drawing from old established industries. With the exception of a few industries like the steel industries of Tatas—and I might include a few of the Ahmedabad industries—the majority of the companies are not making 10 per cent. or even anywhere near that.

Sir, there was a reference by Mr. Richardson to a subject to which the Government should give full consideration—consideration not only on its merits which is great but on the fact that it comes from a responsible person like Mr. Richardson. I had occasion also, Sir, to complain of the vagaries of the staff of the Income-tax Department when I was dealing with the Budget on the 6th March and the remarks which have fallen from the lips of Mr. Richardson and other speakers has strengthened my case and it should be listened to by the Government and something should be done to prevent these vagaries of the staff from causing us trouble. We are all, Sir, supporters of the Government in its righteous methods but no one will share with the Government the responsibility for vexatious and petty quibblings and troubles. The Honourable Member and some other speakers referred to the fact that there are courts of law. There is no doubt that there are courts of law. But if he will examine the results of the appeals, he will find that in the majority of the cases which go up to appeal, it is not the Income-tax Department which comes out with flying colours, but the assesses who have objected. Secondly, Sir,

[Mr. Hossain Imam.]

there was a plea that there should be some basis and concrete suggestions for the fair play that has been promised by the Government. We would like, Sir, the Government to state more fully what assurances they are willing to give us on this head. When we find, Sir, a man like the Honourable Maharaja of Darbhanga supporting this measure and regarding it as equitable, I at least can say that I have no hesitation in supporting the measure. But the point which the Honourable Mr. Mahtha has raised was a very material point. While we are here to give you the supplies that you require, it is the duty of the Government to give more and more share to Indian public opinion in shaping the policy on which this money is to be spent. It is a question, Sir, why we should pay the piper when they call the tune ? It is an unjustifiable division of the work of the partnership. If it is to be a partnership, it should be a partnership based on justice and equity. We are powerless to refuse supplies. We realise it. Had we the power, I know the action of the Treasury Benches would have been different. We have seen in the provinces how the British services have reacted magnificently to the changed circumstances. It has taken to its masters well and has loyally followed their policy even at the cost of doing injustice, sometimes, to those of us who were in the bad books of their masters. I know the way in which the Civil Service works in the provinces but the policy of the Government of India is always to kick us when we ask for a share in the responsibility of carrying on the business. Is it not helping the Congress directly in their crusade because you are not amenable ? When one cannot mend a thing, one has to end it and this is what the British Government in India are doing. Mr. President, we have no option but to support the measure because it comes from an authority which can disregard our disapproval.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, my lot [today is that of many a speaker in Legislatures everywhere. Having risen to speak at the fag end of the day, I find myself deprived of many points which I should have liked to lay stress on had I spoken earlier—

THE HONOURABLE THE PRESIDENT : You did not rise till the afternoon.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : That is so, Sir. But, even then, I did not get the chance that I hoped for.

THE HONOURABLE THE PRESIDENT : Only one person intercepted you.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Two, Sir. The provisions of this Bill are of a very important character, but the general questions which the Bill raises are of even greater importance than the principle underlying it. There are two such questions which I should like to refer to in passing before dealing with the arguments that have been urged today in connection with the Bill. The most important general question that arises in connection with this Bill is that of the policy of the British Government towards India in the situation created by the war. The other question is that of the future industrial development of the country. Both these questions are of great importance. The policy pursued by England in this country and the position assigned to India in the present situation is a matter that goes to the roots of

the relations that subsist between England and India. But, Sir, out of deference to your opinion, I do not propose to enlarge on that topic today. I reserve it for discussion, as suggested by you, in connection with the Finance Bill. The question of industrial development too is a very large one. It is not possible for me to remain wholly silent on that point in connection with this Bill, but even there I propose to give expression to my views largely when the Finance Bill is before the House.

Coming, Sir, to the Bill before us, I must congratulate the Honourable Mr. Sheehy on the uncommon lucidity of his speech. (Hear, hear.) I followed the discussions that took place in the other House with a great deal of care. Yet, there were several points which were not clear to me and there were points on which I now find I had misunderstood the Bill without being aware of it. The exposition of the Honourable Mr. Sheehy gave us for the first time a full idea of the scheme embodied in the Bill. *Prima facie*, Sir, the principle on which the Bill is based seems to be a sound one. If we confined our attention only to the fact that our expenditure has been increased on account of the war and that a gap of nearly Rs. 6 crores has to be bridged, it appears equitable that Government should in the first place call upon those people to bear the burden who are profiting by the special situation created by the war. If this principle were not followed and the expenditure required by the war had still to be met, we would naturally have to ask ourselves how the additional money needed to balance income and expenditure is to be found. It can be found only by imposing taxation which will fall on all classes alike. In other words, there must be a general increase in the income-tax. I have a great deal of sympathy with the industrialists who are keen on advancing the industrialisation of the country. There is no non-official Member in the Central Legislature who does not, when the appropriate time comes, press on Government the urgent need for accelerating the industrial development of the country. But we have, in the present situation, to weigh the advantages and disadvantages of a general increase in taxation and of imposing a heavier burden on those who are deriving a special advantage from conditions due entirely to the war. If the situation were placed in that way before the country I have no doubt what the country's verdict would be in spite of its ardent desire for rapid industrialisation. I am quite certain that the general opinion would be that the imposition of special taxation of the kind resorted to by Government was far preferable to an increase in the income-tax or in any other tax which would fall on all the classes in the country. This I think will be admitted even by those who do not want that the industrialists should have to pay any special tax. I may however be told that there is another way in which the money required by Government can be found. It is not necessary to increase general taxation because it is open to Government to borrow the money that it needs in order to meet its additional expenditure, and the analogy of England has been given in this connection. I doubt whether the analogy of England is at all applicable. In the first place, the expenditure that is being incurred by England is so heavy that it is impossible for the British Government to meet it even after raising taxation to heights undreamt of before the war. The situation is such that the additional money required cannot be provided unless the British Government have recourse to borrowing. The situation in this country is entirely different. Would it be right for us, situated as we are, to borrow money for meeting unproductive expenditure? We have experience of that kind of thing. After the Great War we were faced with heavy deficits and we met them for three or four years in succession by raising loans. The result of it was that the amount of the unproductive loan was enhanced by approximately Rs. 109 crores. Now this happened owing to the deficits that had to be

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faced after the war. If we begin to borrow now when the war has just commenced, one can easily understand the highly unsatisfactory, the dangerous financial situation, into which the country would drift by following the policy that some Honourable Members who dislike the special taxation proposed by Government have recommended.

Even apart from this, the analogy of England is not very helpful. It was a matter of common criticism in England after the war and a little before the war ended that the British Government, instead of raising as much money as they could have done by additional taxation, depended primarily on loans to finance their requirements. This produced according to the critics of Government, and amongst them were well known economists, two harmful results. One was that prices were inordinately pushed up. The policy of the Government naturally resulted in inflation with its attendant consequences in respect of prices. The second undesirable consequence of the policy followed by the British Government was that the interest charges became unnecessarily heavy. As the burden of the war was thrown on future generations the Government had to face a situation after the war which led to the most serious consequences. Now, we want a rise in prices in this country but we want a rise which may be reasonably expected to continue for a fair length of time even after the war. If we allow prices to rise unduly we may be faced after the war not with a depression but with a collapse. We all want prices to rise. We do not want that all the additional money should be taken out of the hands of the people. We want that some money should be left there both for industrial development and also to bring about a rise in prices. But the rise in prices will be beneficial to us in proportion to the length of time during which it lasts. If we follow a short-sighted policy and are content with a large and spectacular rise only for four or five years, it will, instead of benefiting us, considerably damage not merely our financial but our economic position. I hope I have made it clear that in India's own interests it is necessary that we should, as far as possible, that is, without hurting the best economic interests of the country, try to meet our existing obligations by increasing our revenue from taxation. It is never pleasant for anybody to pay taxes. Besides, to a large extent the interests of the Indian industrialists and of the country as a whole are, in respect of the quicker industrialisation of the country, identical. Nevertheless, I think I cannot support for a moment the policy of raising money by loans which would lead to a serious deterioration both in our financial and our economic situation.

There is a third argument that has been used today to oppose the scheme of taxation proposed in the Bill. It is that the excess profits tax will interfere with the accumulation of capital and that this will check industrial development. I have already dealt in part with this question ; but there is something more to be said in this connection. Our experience of the post-war period, that is, of the period after 1918, is not very hopeful in this respect. Any one who has read the Report of the Indian Tariff Board on the Textile Industry which was published in 1927 knows that large profits earned during the war were not used for industrial development to the extent to which they should have been. No small proportion of the profits was dissipated in the distribution of dividends. Care was not taken even to build up sufficiently those reserves on the necessity of which my Honourable friend Mr. Shantidas Askuran laid so much stress, and rightly too. If this experience shows anything, it shows, taking human nature as it is, that while a certain proportion of the profits will undoubtedly be used in order to strengthen the reserves and to expand existing businesses or to start new industries, no small proportion of

them may be employed in other directions. Now, this by itself is not illegitimate, but when we have, whether we like it or not, to find additional money, what objection can there be if the State lays its hands on this money which goes into private hands? And if the arguments that I have urged are correct, it is a course which apart from the general questions raised by me would also be in the ultimate interests of the country.

Sir, the only question that I can regard as relevant in this connection is whether the Bill encroaches unduly on war profits. Is the standard period rightly chosen and is the percentage of profits to be taken by the State reasonable? These are the only two questions that we have to consider in dealing with the measure before us. Now, so far as the standard period is concerned, the additional choice given in respect of it since the introduction of the Bill has to a large extent removed the objections raised by the representatives of the industrialists and others to the Bill. It is true that all that the industrialists asked for has not been given to them. Some of their demands that have not been met seem to me to be just, but some of them certainly did not deserve to be accepted by Government if the Bill was to fulfill the purpose for which it was designed. As regards the percentage of the tax, we have to bear in mind the various concessions made by Government in the Select Committee and during the subsequent consideration of the Bill. The full extent of it will be apparent from the fact that when it was asserted in the Assembly that the further choice allowed with regard to the selection of the standard period would result in reducing the yield from the excess profits tax by two crores, the Finance Member said that he would not regard as absurd a statement that this concession would result in a loss of several crores. The other concessions that were made were also of a valuable character. I do not want to enumerate them, because that task has been admirably done for us by Mr. Sheehy. Now, if all these things are taken into consideration, the rate of the tax can be called unduly high only if the yield of it is so high as to leave unnecessarily a large amount of free money in the hands of the Government.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA: Do they ever have that?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I shall explain to the House what I mean by it. The House knows that Government requires according to its estimates about Rs. 6 crores of additional money.

THE HONOURABLE THE PRESIDENT: That is so, provided no unforeseen expenditure is incurred.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: You are perfectly right, Sir. But for the present, Sir, we are asked to provide Rs. 6 crores. The point of view of some Honourable Members here seems to be that the excess profits tax should provide as small a proportion of the money required by the Government as possible. My point of view, however, is that the excess profits tax should be the main source of income on which Government ought to rely to meet the difference between their expenditure and income. I do not know what exactly the yield of the tax will be. On the one hand, we have been told that the prices of both agricultural and industrial commodities are going down. On the other hand, we are assured that the tax will yield much more than Rs. 3 crores. I do not know where the truth lies, but relying on general arguments, seeing that, although the period during which the excess profits tax will be in force during the current year will be much less than

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Government contemplated when they introduced the Bill the yield of the tax would still be Rs. 3 crores, we may well come to the conclusion that its yield in a normal year, that is in a full year, will be much more than that. It may be, Sir, as the warning that you gave us implied, that the Government have deliberately chosen a tax which will give them much more than they would immediately need, so that if they are faced with an emergency requiring a larger expenditure than they have provided for in the Budget, they may be in a position to meet it. I do not know if that is the case. If it is so, and if this Bill is likely to yield much more than is immediately needed, I should strongly object to it. If Government, say, six months later, find that their expenditure has risen in unforeseen directions and that they want more money, they should come to us with measures for additional taxation. We do not want that we should provide them with a source of income which would enable them to get much more than they need at present so that they may not be forced to come before the Legislature again, which would raise inconvenient questions of policy if it were asked to vote additional taxation. We shall have, I think, to wait for some time to gain experience and to know with certainty whether Government or the non-official Members are largely in the right. But, for the time being, I must say that, even if the excess profits duty would, as pointed out by some critics, provide Government not with Rs. 3 crores but say Rs. 6 crores, I would not reduce it but would instead press for the withdrawal of the Government proposals for raising the duty on petrol and the excess duty on sugar. The withdrawal of those two taxes will in my opinion be preferable to a modification of the Bill before us in order that the excess profits tax may produce the exact sum of Rs. 3 crores and nothing more. We are all agreed in our desire that the measures that we agree to or rather have to agree to should not provide Government with more money than they have asked for. But there is a difference in our points of view with regard to the comparative advantages and disadvantages of an excess profits tax and of other forms of taxation which can only be more or less general.

Sir, I fear I have taken too long a time in dealing merely with general considerations affecting the Bill. I shall now come to some specific suggestions that I have to place before the House and I shall deal with them very briefly. One of the points that I wanted to urge has already been placed before the House by my Honourable friend Rai Bahadur Sri Narain Mahtha. Government have already allowed that the money borrowed from banks or raised on the security of debentures should be regarded as part of the capital on which standard profits are to be calculated. But they have not allowed loans taken from firms and individuals to be taken into account. Now, I can understand their difficulties. But apart from the force of what my Honourable friend Rai Bahadur Sri Narain Mahtha said, it is necessary to point out that it is not uncommon for people engaged in business in this country to raise money by means of *hundis* and other kinds of documents which the private Indian money market is familiar with. Now, it is not right that this kind of borrowing should be penalised. You may meet with difficulties in deciding to what extent a transaction is genuine if you allow private loans to be taken into account, but it is your duty to face these difficulties and not to penalise the business man. I am sure, Sir, that business men who raise money in this way will not get loans in this manner only after the Bill has been passed. I am sure the practice of borrowing money from private lenders is followed by them already. Their existing transactions can therefore be a valuable guide to Government in deciding to what extent the claims put forward by them hereafter are genuine. Even the suggestions that we have made may not remove all the difficulties in

the way of Government, but I submit that they cannot, because of the obstacles in their way, refuse absolutely to consider the case of those who have taken private loans and decline to extend to them the concession which they have already done to those who borrow from banks or raise money on the security of their debentures.

Another point, and a very important one, but which too has been forestalled, is the one referred to by my Honourable friend Mr. Hossain Imam. It relates to relief from double taxation in respect of excess profits. Government know our point of view on that point without any shadow of doubt. We discussed an analogous question in connection with the amendment of the Income-tax Act. That, with the considered opinion of the non-official Members before them on this point, they should still adhere to the inequitable division of taxation of incomes between India and England is surprising, especially in the present situation when they want not merely our money but also our goodwill. If any businesses are mainly carried on in this country, what unfairness would there be to the business men themselves or to England if they were asked to meet our demands before meeting the demands of the British exchequer? Considering the weak economic position of India as compared with that of England and the fact that the Dominions have not followed the scheme of relief from double taxation which India has been compelled to accept by Government, the scheme proposed in this Bill for relief from the imposition of double burdens seems to me to be extraordinarily unfair. I have no hope that it will be revised. I know that England has to meet a heavy burden at the present time. But considerations of equity and fair-mindedness ought not to be given the go-by even when we are faced with a crisis like the present.

A third point, and a very small one, which I want to direct the attention of Government to is the need for freeing the cinema industry from the imposition of the excess profits tax. The Report of the Rangachariar Committee, it seems to me, has only been very partially given effect to by Government. It is, therefore, all the more their duty to exempt the cinema industry in the same way as they have exempted life insurance business.

There is only one other point that I wish to deal with, and it seems to me to be of major importance. I said when I began my remarks that one of the most important questions raised by the Bill before us related to the industrial development of the country. We raised this issue in connection with the Budget. I shall discuss it more fully when we are asked to consider the Finance Bill. But I cannot help referring to it even on the present occasion because of its importance. Since the Budget was discussed, Government have announced a scheme for the establishment of a Board of Scientific and Industrial Research for which a sum of Rs. 5 lakhs is to be provided. I welcome the step that has been taken. But, surely, this by itself cannot lead to that rapid industrialisation which is the aim of every one. We must have a more positive policy for the future, and I want to know what the positive policy of Government is. Are Government content with the establishment of the Scientific and Industrial Board or do they mean to take any further steps in order to bring about quicker industrial development? That is a question of great importance, particularly at the present time. I have already said, Sir, that I do not want to dilate on this question because I should like to deal with it more fully in connection with the Finance Bill. But the main point that I want to urge is the need for a more positive and constructive policy—

THE HONOURABLE THE PRESIDENT: I understand that the Honourable the Commerce Member is going to make his announcement on it some time and give details.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: That, Sir, if I may say so, is one of the reasons why I do not want to dwell further on this question today. But, as I have said, in view of its importance, I could not help raising it even in connection with the discussion of the Bill before us. Full information may be given to us by the Commerce Member later on. But I do hope that either the Honourable Mr. Sheehy or the Honourable Finance Member, if he is able to attend our debate, will be able to say something to assure us that Government will not be satisfied with research work only and that they have more substantial and larger schemes in view to enable the country to take advantage of the present situation to strengthen its industrial position.

THE HONOURABLE THE PRESIDENT: Honourable Members, I propose to adjourn the House at this stage. We have got a spare day tomorrow and I also understand many Members of this House have to attend the Viceroy's House this evening for a certain function. I therefore adjourn the House till Eleven of the Clock tomorrow morning when I hope the Honourable the Finance Member will also be present to reply to the debate. I shall give other Members who have not spoken today an opportunity of speaking tomorrow.

The Council then adjourned till Eleven of the Clock on Wednesday, the 27th March, 1940.
