

22nd March 1941

THE

LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume II, 1941

THIRTEENTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1941



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Legislative Assembly

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SIR H. P. MODY, K.B.E., M.L.A.

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LEGISLATIVE ASSEMBLY.

Saturday, 22nd March, 1941

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

REPORT OF THE ALIENS ADVISORY COMMITTEE.

458. *Sir F. E. James: Will the Honourable the Home Member be pleased to state:

- (a) if the Aliens Advisory Committee has completed its work, and if not, when its completion is expected;
- (b) how many enemy aliens have been released as a result of the Committee's classification and recommendation; and
- (c) how many enemy aliens are now (i) in internment camps, and (ii) on parole?

The Honourable Sir Reginald Maxwell: (a) Yes.

(b) Of 389 recommendations so far examined, 32 were unanimous recommendations for release. In the case of these 32 persons, orders for the release of 24 have issued, and cover the release of 12 adult and 2 minor dependants of these persons. In the remaining 8 cases, the recommendation is either conditional upon employment being obtained or requires further examination for other reasons.

(c) Of 2,955 enemy subjects, male and female, in India, 736 are interned, 489 are restricted to parole centres under certain disciplinary conditions, and the balance, 760 males and 970 females (mostly missionaries, nuns, and refugees) are at liberty but subject to such of the restrictions prescribed in Part II of the Enemy Foreigners Order, 1939, as Provincial Governments, having regard to the features of each case, have considered it necessary to retain.

Maulana Zafar Ali Khan: With reference to part (c) of the question, do the enemy aliens include only Italians or Germans also?

The Honourable Sir Reginald Maxwell: They include Germans also.

Mr. Lalchand Navalrai: At what places are they interned?

The Honourable Sir Reginald Maxwell: The internment is at Ahmednagar.

Mr. Lalchand Navalrai: Is it a fact that at Ahmednagar the price of food-stuffs has gone up?

The Honourable Sir Reginald Maxwell: I am not aware of that.

Dr. F. X. DeSouza: Is it a fact that the concentration of enemy prisoners in certain parts of the country, chiefly in Mysore, has rendered living in those places extremely dear, and there are complaints from the local people, both at Ootacamund and Bangalore?

The Honourable Sir Reginald Maxwell: I have no information on that point.

Dr. F. X. DeSouza: Will the Honourable Member obtain information and try to rectify the position if possible?

The Honourable Sir Reginald Maxwell: What is the Honourable Member's suggestion? That the enemy aliens should be given less to eat?

REFUSAL OF THE PRESIDENT, CANTONMENT BOARD, ALLAHABAD, TO GIVE A COPY OF THE BUDGET AND FURNISH CERTAIN INFORMATION TO THE PRESIDENT, CANTONMENT TAX PAYEE'S ASSOCIATION, ALLAHABAD.

459. *Qazi Muhammad Ahmad Kazmi: (a) Will the Defence Secretary be pleased to state whether the budget of a Cantonment Board is to be kept as a confidential document, or is the public entitled to have a knowledge of it?

(b) If the public have got a right to have a knowledge of it, what are the ways in which that knowledge can be obtained?

(c) Is it or is it not a fact that the President of the Cantonment Tax-payers' Association, Allahabad—which office is at present occupied by Lala Manmohan Das, a premier, *Rais* of Allahabad—had in connection with the recent proposals for the imposition of professional tax, enquired of the President of the Cantonment Board the reasons therefor and for a copy of the budget for that purpose, and the President of the Cantonment Board refused to give a copy of the budget and informed the President of the Association that no further communications from him will be answered?

(d) If the answer to part (c) be in the affirmative, will the Honourable Member please state whether the answer of the President was in order? If it was not, what steps do Government propose to take to rectify such mistakes?

(e) What are the qualifications for the members of the public which entitle them to obtain information regarding the matters of the Cantonment Board which are intended to be open to the public?

Mr. C. M. G. Ogilvie: (a) The Cantonment budget estimates are not confidential documents.

(b) Either through their elected members or by being present when they are discussed by the Board. In this connection attention of the Honourable Member is invited to sections 42 and 242 of the Cantonments Act, 1924.

(c) and (d). Yes.

(e) No qualifications are necessary.

REFUSAL OF THE CANTONMENT BOARD, ALLAHABAD, TO GIVE WATER CONNECTIONS TO HOUSES IN THE CANTONMENT AREA.

460. *Qazi Muhammad Ahmad Kazmi: (a) Will the Defence Secretary please state who is responsible for the water supply to the inhabitants of the Cantonment area in Allahabad, the Cantonment Board, or the Military Engineering Service?

(b) Is it or is it not a fact that while the Municipal Board at Allahabad is bound to give water supply to every house assessed to a rent of Rs. 96 per annum, and supply water to houses of lower rental, the Cantonment Board at Allahabad has refused to give water connections to any person, or to at least the majority of the applicants of all grades of rentals, for the last three years?

(c) If the answer to parts (a) and (b) or any part of part (b) above, be in the affirmative, what is the reason for it, and have Government considered the means of meeting this grievance of the public in this direction?

Mr. C. M. G. Ogilvie: (a) Water is supplied by the Military Engineer Services.

(b) and (c). A few connections have been refused in the cantonment owing to low pressure of water in the mains. The Board are considering taking a bulk supply under section 234A of the Cantonments Act.

TRANSFER OF CERTAIN AREAS UNDER THE CONTROL OF THE CANTONMENT BOARD TO THAT OF THE MUNICIPAL BOARD, ALLAHABAD.

461. *Qazi Muhammad Ahmad Kazmi: (a) Will the Defence Secretary please state whether it is a fact that the Cantonment Area in Allahabad is scattered in several parts, some of the parts are surrounded by the Municipal Area, for example, Old and New Lascar Lines, Kydgunj, Baghara and Ghalla Bazar and others situated to the east of Railway line, and are altogether inhabited by civil population, and have for a long time ceased to be of any use to military authorities?

(b) Is it or is it not a fact that areas mentioned in part (a) above receive scant attention from the Cantonment Board and the inhabitants living there have far less amenities of life available to them than those available to the inhabitants of neighbouring municipal area?

(c) Are Government aware that the inhabitants of these areas have been agitating for the transfer of these areas to the Municipal Board for a long time, and the Municipal Board, Allahabad, is prepared to take them?

(d) What are the reasons that the Cantonment authorities in spite of these demands, have been delaying the matter since a long time?

(e) Have Government considered the advisability of taking steps for a long time, and the Municipal Board, Allahabad, is prepared to take

Mr. C. M. G. Ogilvie: (a) Yes. Except New Lascar Lines in the Fort Cantonment and certain houses in the Chatham Lines occupied by military personnel, these areas are inhabited by Civil population.

(b) No.

(c) An application was recently received from certain residents of the Cantonment. With reference to the latter part of the question Government have no information.

(d) and (e). The excision of areas not required by the military authorities is under the consideration of Government.

Qazi Muhammad Ahmad Kazmi: Will the Honourable Member be pleased to state how long this consideration will continue and when a final decision will be arrived at?

Mr. C. M. G. Ogilvie: I am unable to give an accurate forecast. The matter presents an extreme degree of complication, but possibly in this case, which is more advanced than others, the next few months should see a final solution.

PROPOSED IMPOSITION OF A PROFESSIONAL TAX BY THE CANTONMENT BOARD, ALLAHABAD.

462. *Qazi Muhammad Ahmad Kazmi: (a) Will the Defence Secretary please state whether it is a fact that the Cantonment Board, Allahabad, have recently decided to impose a professional tax on all residents of the Cantonment area?

(b) Is it or is it not a fact that the incidence of taxation is not on a practical trade or calling but on the separate items of a trade or calling, and are Government aware that this in case of general merchants and other traders would weigh very heavily?

(c) Are Government aware that the Cantonment area at most of the places being sparsely populated, small traders have to keep a large variety of goods for earning a very modest income?

(d) Is it or is it not a fact that no such professional tax is being imposed by the Allahabad Municipal Board?

(e) Have Government considered that the imposition of such a taxation would very much handicap the traders in the Cantonment area, as they would not be able to compete with traders in the neighbouring Municipal area and would ruin their trade?

(f) Have Government considered the advisability of taking steps to get the imposition of this tax stopped?

Mr. C. M. G. Ogilvie: (a) to (f). The Government understand that the question of the imposition of a professional tax is under the consideration of the Cantonment Board. As, however, no proposals have yet been received the latter parts of the question do not at present arise.

Qazi Muhammad Ahmad Kazmi: Is the sanction of the Central authority required for the purpose of this taxation?

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

Qazi Muhammad Ahmad Kazmi: Have Government received any such application from the Cantonment Board?

Mr. C. M. G. Ogilvie: No, Sir. I have informed the Honourable Member that the proposals to raise the taxation have not yet been received by Government.

Qazi Muhammad Ahmad Kazmi: Is it a fact that they cannot be made final without the sanction of the Central Government?

Mr. C. M. G. Ogilvie: They cannot be.

COMPLAINTS OF MALPRACTICES AGAINST MEMBERS OF THE CANTONMENT BOARD,
ALLAHABAD.

463. *Qazi Muhammad Ahmad Kazmi: (a) Will the Defence Secretary please state whether it is or it is not a fact that there are general complaints against the members of the Cantonment Board, Allahabad, that some of them take contracts of the Board in the names of their relatives, while others connive at these misdeeds?

(b) Is it or is it not a fact that the Cantonment Tax-payers Association brought this matter to the notice of the Secretary, Local-Self Government Department, United Provinces, supported by certified copies of applications and statement of a member of the Cantonment Board establishing close relationship of the member with a contractor of the Cantonment Board, who is a nephew of the member and forms joint family with him, but no action has at yet been taken against either of them?

(c) Have Government considered the advisability of instituting an enquiry into the matter and take proper action against the members who indulge in such practices?

Mr. C. M. G. Ogilvie: (a) and (c). No general complaints have been received. One complaint has been received by the Government of India and enquiries are being made.

(b) Government have no information.

Dr. Sir Ziauddin Ahmad: I think this question is in itself a complaint.

Mr. Govind V. Deshmukh: Is the complaint now under the consideration of Government?

Mr. C. M. G. Ogilvie: One complaint has been received and is being examined. There have been no general complaints as to the corruption or inefficiency of the members of this Board.

Mr. Govind V. Deshmukh: Will the Honourable Member make inquiries as regards part (b) of the question?

Mr. C. M. G. Ogilvie: No, Sir; it is no concern of the Government of India.

POLICE WARNING TO MR. BABURAO PATEL, EDITOR *FILMINDIA*, BOMBAY.

464. *Mr. Govind V. Deshmukh: Will the Honourable the Home Member be pleased to state if it is a fact that Mr. Baburao Patel, editor of *Filmindia*, Bombay, was called by the C. I. D. to its office and given a warning under the instruction of the Government representative on the Film Advisory Board? What were the reasons for giving such a warning?

The Honourable Sir Reginald Maxwell: Yes. Mr. Baburao Patel had informed several persons that he had in his possession, or had had access

to, a confidential Government document and that he proposed to publish it or to make use of it for the purpose of an article.

Mr. Govind V. Deshmukh: Was that warning based on sound grounds or was merely a bluff?

The Honourable Sir Reginald Maxwell: It was considered advisable to draw the gentleman's attention to the risk he ran.

THE FILM ADVISORY BOARD AND FILMS PRODUCED BY IT.

465. *Mr. Govind V. Deshmukh: (a) Will the Honourable the Home Member be pleased to state the films produced so far by the Film Advisory Board to fulfil the original objects of the Board? Who are the members of the Board and what are their qualifications? Are they elected or nominated to the Board?

(b) Are Government prepared to compose this Board of members who are educationists and publicists and are conversant with mass psychology?

The Honourable Sir Reginald Maxwell: (a) The Film Advisory Board has not hitherto produced films but has advised Government regarding their production. I lay a statement on the table showing:

(i) the films produced by Government under contract with various producing companies, and

(ii) the members of the Board. The qualifications required of the members are knowledge of the film industry on the producing or distributing sides and, in the case of Mr. Smith, general business experience in the control of expenditure, etc. The members of the Board were nominated.

(b) No. The function of the Board is to advise Government on technical questions relating to the production and distribution of films.

(i) *Films produced by Government under contract with various producing companies.—*

- (1) "A Day with the Indian Army".
- (2) "He's in the Navy Now" (Royal Indian Navy).
- (3) "School for Soldiers" (Training for emergency commissions at the Military Academy, Dehra Dun).
- (4) "Planes of Hindusthan" (No. 1 Squadron, Indian Air Force).
- (5) "The Road to Victory".
- (6) "Making Money" (Showing the evils of hoarding).
- (7) "The Voice of Satan" (German propaganda methods).
- (8) "With the Indian troops in Malaya".
- (9) "Indian Arms for Victory" (Tour of the Reger Mission round the munition factories).
- (10) "Whispering Legions" (Showing the effects of spreading unfounded rumours).
- (11) "Raising Air Fighters".
- (12) "Drums of the Desert" }
- (13) "The British Navy" } British films "dubbed" in Indian languages.
- (14) "Canada's War Effort" (Dubbed in Indian languages by arrangement with "March of Time").

Several other films are nearing completion and the Film Advisory Board's own camera unit, under Mr. Shaw, is now producing.

(ii) *Composition of the Film Advisory Board.*

Chairman—Mr. J. B. Wadia.

(Wadia Movietone Co., Bombay).

Vice-Chairman—Mr. C. B. Newbery,

[20th Century Fox Corporation (India) Ltd., Bombay].

Members—

Government Representative—Mr. N. W. Smith, J.P.,

(Times of India, Bombay).

Mr. M. B. Bilimoria,

(Messrs. M. B. Bilimoria and Co., Bombay).

Rai Bahadur Chunilal,

(The Bombay Talkies Ltd., Bombay).

Mr. Harish Chandra,

(Motion Picture Distributors, Delhi).

Mr. B. Chimanlal Desai,

(National Studios Ltd., Bombay).

Khan Bahadur Gulam Dossani,

(Dossani Film Corporation, Calcutta).

Mr. M. A. Fazalbhoy,

(Photophone Equipments Ltd., Bombay).

Mr. Kapurchand Mehta,

(Messrs. Kapurchand Ltd., Bombay).

Mr. Jagat Narayan,

(Jagat Talkies Distributors, Delhi).

Mr. N. Dalsukh Pancholi,

(Empire Talkie Distributors, Lahore).

Mr. B. K. Pai,

(Famous Pictures, Ltd., Bombay).

Mr. A. Rowland-Jones,

[Metro-Goldwyn-Mayer (India) Ltd., Bombay]

Mr. G. F. Reardon,

[British Distributors (India) Ltd., Calcutta].

Mr. M. T. Rajan,

(Vel Pictures, Ltd., Madras).

Mr. V. Shantaram,

(Prabhat Film Co., Poona).

Mr. A. A. Walter,

(Warner Bros. First National Pictures, Bombay).

Mr. B. K. Khemka,

(East Indian Film Co., Calcutta).

Mr. Govind V. Deshmukh: Who is this Mr. Smith and what are his qualifications?

The Honourable Sir Reginald Maxwell: I said, general business experience.

Mr. Lalchand Navalrai: How are these members of the board nominated? By what process and by whom?

The Honourable Sir Reginald Maxwell: They are selected from among the most prominent persons in the production and distributing trade.

Mr. Lalchand Navalrai: By whom are they nominated?

The Honourable Sir Reginald Maxwell: They are nominated under the authority of Government.

Mr. Lalchand Navalrai: Who directly nominates them?

The Honourable Sir Reginald Maxwell: It can be said that they are nominated by Government and so it is a Government board.

Mr. Govind V. Deshmukh: Are there on this board any producers of films who are foreigners or who have got foreign business houses in Bombay or elsewhere?

The Honourable Sir Reginald Maxwell: I should like to have notice of that question. I do not think there are but there may be an American.

Mr. Govind V. Deshmukh: May I take it that the original objects of the board are to educate the countries overseas and to help war efforts?

The Honourable Sir Reginald Maxwell: Not quite. Primarily, they are to advice Government in the production of films both internal and external.

Mr. Govind V. Deshmukh: What particular use have Government in mind when it says that these films are meant for internal and external use? What is the object in producing these films? For what use are they intended to be applied?

The Honourable Sir Reginald Maxwell: For publicity of various kinds and more publicity.

Mr. Govind V. Deshmukh: May I know if Government have got any particular interest in mind? What is the sort of publicity they want?

The Honourable Sir Reginald Maxwell: The films that are produced cover a number of Government activities, both war effort and the performance of Indian troops in the war, their training and so forth, and the activities of various Government Departments and of the country generally. In fact, it is an effort to harness the film industry for the purpose of publicity, which was not hitherto done.

Mr. Govind V. Deshmukh: May I suggest to Government that it should have principally in view the idea of showing the war effort within the country rather than the education of countries overseas?

The Honourable Sir Reginald Maxwell: No; both the objects are important.

Mr. Lalchand Navalrai: May I know if the power of nominating this board has been delegated to an officer and it is left to him entirely to select any one whom he likes?

The Honourable Sir Reginald Maxwell: Any officer whom the Government employs for the purpose is under the control of the Government and the Government are responsible ultimately.

Mr. Govind V. Deshmukh: May I know whether before these films are sent abroad for the education of other countries, these films are exhibited in India and approved by the Indians in general?

The Honourable Sir Reginald Maxwell: The films sought to be produced for exhibition in other countries have not yet been completed. That is why Mr. Shaw was brought out.

INDIAN FILMS FOR THEATRICAL EXHIBITION BY THE BRITISH MINISTRY OF INFORMATION.

466. *Mr. Govind V. Deshmukh: (a) Will the Honourable the Home Member be pleased to state which Indian producers have so far secured production contracts and for which films? And do these producers occupy any positions on the Board or are represented on it?

(b) Were any of these films sent to the British Ministry of Information, and were these returned with the remark that they were too amateurish for theatrical exhibition?

The Honourable Sir Reginald Maxwell: (a) I lay a statement on the table.

(b) Two films, made before the formation of the Film Advisory Board, were described as too amateurish for general theatrical release in England but both have been successfully shown throughout India and, when actually shown in England, were very favourably reviewed by the *London Times*.

Statement of Indian Producers given contracts for films.

(1) *Bombay Talkies Ltd.* for "A day with the Indian Army", Raj Bahadur Chunilal Managing Director of Bombay Talkies, is a member of the Film Advisory Board, but the contract for this film was placed by the military authorities nearly a year ago before the Board was formed.

(2) *Wadia Movietone Ltd.* for "Voice of Satan" Mr. J. B. Wadia, Chairman of Wadia Movietone, is Chairman of the Film Advisory Board. Only actual out-of-pocket expenses incurred in the making of this film were charged.

(3) *Mr. Ezra Mir* for "Whispering Legions" Mr. Ezra Mir is not connected with the Board.

(4) *20th Century Fox (India) Ltd.* for "Making Money and India Arms for Victory". Mr. C. B. Newbery, Managing Director of 20th Century Fox, is Vice-Chairman of the Board. Only actual out-of-pocket expenses were charged.

(5) *New Theatres, Calcutta* for "dubbing" three English shorts in Indian languages. New Theatres are not represented on the Board.

(6) *National Studios, Ltd.* for making Indian language versions of "The Road to Victory". Mr. Fazalbhoy of National Studios Ltd., is a member of the Board. The work was undertaken at the request of Government who are satisfied that the estimate accepted left little, if any margin of profit.

Mr. Govind V. Deshmukh: The information may be laid on the table, but may I know whether the appointments to this board are such as to eliminate any chance of favouritism to the producers of the various films in this country?

The Honourable Sir Reginald Maxwell: There is no favouritism whatever.

Mr. Govind V. Deshmukh: Does not the Honourable Member apprehend that persons on the board who are producers are likely to benefit by being on the board and deciding as to whether a particular film should be produced and by whom and whether it should be exhibited or not?

Mr. President (The Honourable Sir Abdur Rahim): That is a matter for argument.

POLICE WARNING TO MR. BABURAO PATEL, EDITOR *FILMINDIA*, BOMBAY.

†467. ***Sardar Sant Singh:** (a) Will the Honourable the Home Member be pleased to state whether Government's attention has been drawn to an article published in the *Filmindia*, in its issue of February, 1941, on page 15, by Mr. Babu Rao Patel under the caption 'Stop this waste of public money'?

(b) Is it a fact that the writer was called by the Criminal Investigation Department and given a warning? If so, what was the nature of the warning, and why was it considered necessary to give it?

(c) Is it a fact that such warning was given under the Defence of India Rules?

The Honourable Sir Reginald Maxwell: (a) Yes.

(b) Yes. He was warned against publishing the contents of a confidential Government document and told that he would expose himself to prosecution if he did so. The warning was given because he had stated to various persons that the document was in his possession or that he had had access to it and that he proposed to publish it or make use of it.

(c) No, but Mr. Baburao Patel was warned that, in certain circumstances, action could be taken against him under the Defence of India Rules.

THE FILM ADVISORY BOARD AND ALLEGED JOBBERY AMONGST ITS MEMBERS.

†468. ***Sardar Sant Singh:** (a) Will the Honourable the Home Member please state if the films produced so far by the Film Advisory Board fulfil the object for which the Board was set up in July, 1940?

(b) What are the qualifications of the members of this Board? How many of them are educationists or publicists? Is it a fact that some of them are connected with film industry and derive pecuniary benefit from the industry?

(c) How many meetings of the Board were held? Did all members attend all these meetings? How many of them did not attend any meeting?

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

(d) Did any Indian producer secure any production contract and for which film? If the answer be in the affirmative, is that producer connected with the Board in any manner?

(e) Is it a fact that Mr. Jamshed B. H. Wadia, the Chairman of the Board, secured a contract for producing 'Voice of India'? If so, what amount was paid to him? What were the reasons for giving him this contract?

(f) Is it a fact that another contract for production was given to National Studio Limited? If so, is it a fact that its directors are members of the Board?

(g) Is it a fact that Mr. H. W. Smith, Business Manager of the *Times of India*, has been appointed as Government representative on the Board? If so, what are his qualifications?

(h) Is it a fact that the offices of the Board were located in the premises of the *Times of India*? If so, what was the total amount of rent paid for the same?

(i) Is it a fact that Mrs. Smith is the Secretary of the Film Advisory Board? Is she employed elsewhere as well? What emoluments are being paid to her?

The Honourable Sir Reginald Maxwell: (a) Yes. The films are being shown in Cinemas in all parts of India and are being very well received.

(b) With the exception of Mr. H. W. Smith, the Government representative, they are all prominent film producers or distributors. Government are not aware how many of them are also "educationists or publicists". They were invited to join the Board because of their knowledge of the Indian film industry. All of them, except Mr. Smith, are connected with the film industry and presumably derive pecuniary benefit from it.

(c) Regular fortnightly meetings of the Board have been held and there have also been many special meetings and meetings of sub-committees. Some members from Lahore, Delhi, Calcutta, etc., have not been able to attend any meetings but they have been kept in touch with the work of the Board by the circulation of minutes. Most of the Bombay Members, however, have been regular in their attendance and have given a great deal of their time to the work of the Board.

(d) I refer the Honourable Member to the answer given by me to part (a) of Mr. Govind V. Deshmukh's question No. 466.

(e) No contract was given for the production of any film called "Voice of India". The contract, however, for producing a film called "Voice of Satan" was given to the Wadia Movietone Company of which Mr. Wadia is the Chairman. The amount paid was Rs. 8,652/13/- for a film of 1390 feet and represents actual costs. Mr. Wadia gave his own services for supervision and writing of additional dialogue free of charge. The contract was given to Wadia Movietone because Government were anxious to have the film produced as soon as possible and the firm was well qualified to undertake the work. Mr. Wadia was not Chairman of the Board, though he was a member, at the time that the contract was placed.

(f) A contract for "dubbing" the "Road to Victory" in Indian languages was given to National Studios Ltd. a director of which, Mr. M. Fazalbhoy, is a member of the Board.

(g) Yes. His long business experience as Director and Business Manager of an important Bombay firm and his knowledge of accounts.

(h) Yes. No rent was paid as the proprietors of the *Times of India* very generously gave office accommodation and considerable secretarial assistance free of all charge for five months, in addition to lending the services of Mr. Smith.

(i) A Mrs. Smith, who is no relation of Mr. H. W. Smith, was Secretary of the Film Advisory Board until a few days ago, when she was compelled to resign in order to undergo a serious operation. Mrs. Smith was not employed elsewhere. Her salary was Rs. 250 per month.

INDIAN FILMS FOR THEATRICAL EXHIBITION BY THE BRITISH MINISTRY OF INFORMATION.

†469. *Sardar Sant Singh: Will the Honourable the Home Member be pleased to state if it is a fact that two films produced by the Advisory Board were sent to British Ministry of Information? If so, were these returned as "too amateurish for theatrical exhibition"? If so, what action have Government taken, or propose to take, against the Advisory Board?

The Honourable Sir Reginald Maxwell: I would refer the Honourable Member to the answer given by me to part (b) of Mr. Govind V. Deshmukh's question No. 466.

APPOINTMENT OF MR. ALEXANDER SHAW AS FILM ADVISOR TO THE GOVERNMENT OF INDIA.

†470. *Sardar Sant Singh: (a) Will the Honourable the Home Member please state if it is a fact that Mr. Alexander Shaw was brought as an expert from England and appointed as Film Advisor to the Government of India? Was no Indian of requisite qualifications available?

(b) Has the appointment of Mr. Alexander Shaw justified itself? At whose recommendation was Mr. A. Shaw appointed?

The Honourable Sir Reginald Maxwell: (a) I would refer the Honourable Member to the answer given by me on the 14th March, 1941, to Mr. Lalchand Navalrai's question No. 319.

(b) Mr. Shaw was appointed on the recommendation of the Director of the Film Division of the Ministry of Information and of the Information Officer at the India Office. He has only been three months in the country but his appointment is already justifying itself and Government are satisfied that it was a very good one.

THE FILM ADVISORY BOARD AND FILMS PRODUCED BY IT.

†471. *Sardar Sant Singh: (a) Will the Honourable the Home Member please state the names of the paid personnel of the Film Advisory Board, their designation and salaries?

(b) What is the number of pictures produced so far and the amount spent on them and the amount of revenue received by way of returns?

(c) What is the list of pictures to be produced during the current year and money to be spent thereon from the Indian treasury?

(d) What is the amount the British Ministry of Information has promised to contribute towards the salary of Mr. Shaw during his services with

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

the Board? Do Government propose that, after the termination of his services at the end of the year as per his contract, a competent Indian will be recruited for the post?

(e) What is the guarantee that the British Ministry of Information will accept films produced by the Board after the return of Mr. Shaw, at the rates mentioned in the article published in the *Filmindia* in its issue of February, 1941, on page 15 by Mr. Babu Rao Patel under the caption "Stop this waste of public money"?

The Honourable Sir Reginald Maxwell: (a) I lay a statement on the table.

(b) Fourteen pictures have so far been produced at a cost of Rs. 87,873-11-0, exclusive of the cost of extra prints ordered as required. The films are supplied to exhibitors free and no revenue has, therefore, been received.

(c) Sanction has been given for the production of 12 ten-minute "shorts" and 12 five-minute "shorts" and for the "dubbing" of 12 English "shorts" and 6 American "shorts" dealing with the war, if suitable films are available. The amount to be spent thereon by the Central Government including the cost of extra prints, is Rs. 3,07,080 but the Ministry of Information have agreed to contribute to the cost of the ten-minute "shorts" on a £1 for £1 basis up to a maximum of £10,000 for 20 "shorts" and half the cost of these will therefore be recovered.

(d) £1,000. The latter part of the question has not yet been considered but it is expected that the Board's own film unit will be able to carry on under an Indian director.

(e) The Ministry of Information have already approved of a list of subjects submitted to them and agreed to contribute half the cost of making them. There is no reason to suppose that they will not implement their guarantee.

Film Advisory Board.

Administrative Staff.

	Rs. p. m.
Business Manager L. T. Shivdasani	600
Secretary*	250
Bookers	{ L. de Souza 100
	{ M. Desai 100
	{ D. Lobo 60
Typists	{ Miss de Monte 60
	{ S. Raghavan 60
Packer	Tukaram Gunaji 20
Accountant	H. Pereira 100
Peons	{ Sitaram Gopal 20
	{ Shankar Putlaji 20
Librarian	S. Wadia 60

*Secretary resigned on March 15, 1941 and the post has not yet been filled.

Film Unit.

Officer in charge of production.	Alexander Shaw	£ 1,000 per annum plus Rs. 700 per month.
		Rs.
Secretary	Miss Rama Rau	200
Director	Bhaskar Rao	500
Cameraman	J. Bodhye	250
Apprentices	G. Singh	100
	E. Warriar	100
	V. Mhatre	100
Peons	Shivram Shavant	20
	Govind Ganoo	20

HOUSE RENT ALLOWANCE TO MIGRATORY AND NON-MIGRATORY GOVERNMENT STAFF NOT PROVIDED WITH QUARTERS AT DELHI.

472. *Mr. Muhammad Azhar Ali: (a) Will the Honourable the Finance Member please state whether those members of the ministerial staff of the Government of India Secretariat and/or the Army and Air Forces Headquarters, who moved to Delhi from Simla last October, and who could not be allotted Government quarters, were granted house rent allowance?

(b) How many men among the ministerial staff of the Government of India Secretariat and its attached and subordinate offices, who were detained at Delhi during the summer 1940, were not allotted Government quarters during the last winter?

(c) Were the men mentioned in part (b) above granted any house rent allowance for the winter season? If so, how much? If not, what is the reason for the differentiation between the men referred to in part (a) and those referred to in part (b) above?

The Honourable Sir Jeremy Raisman: (a) Yes.

(b) The information is being collected and will be laid on the table of the House in due course.

(c) The answer to the first part is in the negative. As regards the last part, the scales of pay of the ministerial staff are fixed in relation to the conditions in Delhi and certain compensatory allowances have in the past been, and continue to be, granted to the migratory staff to compensate them for the extra expenditure involved in their having to take seasonal accommodation at high rates in both Simla and Delhi and for the high cost of living at the former place. These considerations do not now apply in the case of those who have been permanently located in Delhi.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to starred question No. 128 asked by Sardar Sant Singh on the 18th November, 1940

DESIRABILITY OF REDUCTION IN RATES OF RENT FOR GOVERNMENT QUARTERS IN NEW DELHI.

(a) No. In the year 1921-22 and prior to it, rent charged for Government residences generally was subject to a maximum of 10 per cent. of the monthly emoluments of the Government servants to whom the residences were allotted. In the case of quarters in New Delhi a special temporary reduction was made up to the year referred to when the New Capital was under construction.

(b) The reply to the first portion of this part is in the negative; the second portion does not arise.

(c) and (d). Yes.

(e) The question of the reduction of rent charged from the staff of the Government of India who have now become non-migratory, has been considered and it has been decided that no reduction is justified. Government are not prepared to consider the question of reducing the rent for others as under the rules as they stand, rent is already charged at concessional rates.

Information promised in reply to part (b) of unstarred question No. 64 asked by Maulvi Muhammad Abdul Ghani on the 27th February, 1941.

HIGHER INITIAL SALARY FOR ANGLO-INDIANS ON RAILWAYS.

(b) The reply is in the negative.

Information promised in reply to parts (c) to (j) of unstarred question No. 80 asked by Khan Bahadur Shaikh Fazl-i-Haq Piracha on the 28th February, 1941.

REVISION OF SCALES OF PAY OF CERTAIN STAFF ON EAST INDIAN RAILWAY.

(c) to (j). The Honourable Member is referred to the reply to starred question No. 349, asked by Qazi Muhammad Ahmad Kazmi on 15th March, 1941.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE FOR ROADS.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that upto 12 Noon on Wednesday, the 19th March, 1941, the time fixed for receiving nominations for the Standing Committee for Roads nine nominations were received. Subsequently three candidates withdrew their candidature. As the number of remaining candidates is equal to the number of vacancies I declare the following Members to be duly elected, namely:

- (1) Sardar Bahadur Captain Dalpat Singh,
- (2) Haji Chaudhury Muhammad Ismail Khan,
- (3) Mr. Saiyid Haider Imam,
- (4) Mr. Akhil Chandra Datta,
- (5) Syed Ghulam Bhik Nairang, and
- (6) Mr. J. Ramsay Scott.

ELECTION OF MEMBERS TO THE STANDING COMMITTEE ON EMIGRATION.

Mr. President (The Honourable Sir Abdur Rahim): I have also to inform the Assembly that upto 12 Noon on Wednesday, the 19th March, 1941, the time fixed for receiving nominations for the Standing Committee on Emigration eleven nominations were received. Subsequently three

[Mr. President.]

candidates withdrew their candidature. As the number of remaining candidates is equal to the number of vacancies. I declare the following non-official members to be duly elected, namely:

- (1) Mr. M. Ghiasuddin,
- (2) Sir Syed Raza Ali,
- (3) Shams-ul-Ulema Kamaluddin Ahmed,
- (4) Mr. N. M. Joshi,
- (5) Mr. M. S. Aney,
- (6) Khan Bahadur Shaikh Fazl-i-Haq Piracha,
- (7) Rao Sahib N. Sivaraaj, and
- (8) Sir F. E. James.

STATEMENT RE ONE KRISHNA GOPAL GARG, A CONVICTED PRISONER IN AJMER.

The Honourable Sir Reginald Maxwell (Home Member): With your permission, Sir, may I make a statement?

Mr. President (The Honourable Sir Abdur Rahim): Yes.

The Honourable Sir Reginald Maxwell: Sir, on the 14th March, in reply to a short notice question put by Mr. Kazmi, I informed the House, on the basis of information received from the Chief Commissioner, Ajmer-Merwara, that Krishna Gopal Garg, a convicted prisoner in Ajmer, had been placed in "C" class on a previous occasion. On the 19th March, the Chief Commissioner informed me by telephone that this information had been found to be incorrect and that, since his order regarding the classification of the prisoner had been passed on the express condition that the previous classification had been properly verified, he was again considering what classification would be proper. I asked for full particulars in order that I might inform this House and I received them yesterday. The mistake, which occurred in the Commissioner's office in ascertaining the prisoner's previous classification, arose from a *bona fide* misreading of certain orders passed in 1930. These orders related to the reclassification of certain prisoners who had been placed in "A" class and contained the words "the others should be classified as 'C' class prisoners". This phrase was read as including Mr. Garg, but actually it related only to certain other prisoners mentioned by name and not to all those on the list for revision. Mr. Garg's classification in "A" class had therefore not been affected as at first supposed. On the present occasion the case had been referred to the Chief Commissioner in accordance with the Ajmer-Merwara Jail Manual, owing to a difference of opinion between the convicting Magistrate and the District Magistrate, and although there were other substantial grounds for classifying the prisoner in "C" class, the fact, which the Chief Commissioner believed to be correct, that he had previously been placed in that class, undoubtedly weighed with the Chief Commissioner in deciding what would otherwise have been a marginal

case. On consideration of the facts now revealed the Chief Commissioner has revised his order which was passed under a misapprehension and has directed that Krishna Gopal Garg should be classified in "A" class. I regret that in my previous reply incorrect information was given on this point. But the House will recollect that it was given in answer to a short notice question which had made it necessary to obtain information by telegraph. Had it been obtained by letter after ordinary notice, the Chief Commissioner would no doubt have had an opportunity of discovering the mistake before the question was answered.

ELECTION OF A MEMBER FOR THE COMMITTEE ON PUBLIC
ACCOUNTS.

The Honourable Sir Jeremy Raisman (Finance Member): Sir, I move:

"That the non-official members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, one member to be a member of the Committee on Public Accounts in place of Sirdar Jogendra Singh who has ceased to be a member of the Assembly."

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

"That the non-official members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, one member to be a member of the Committee on Public Accounts in place of Sirdar Jogendra Singh who has ceased to be a member of the Assembly."

Mr. Govind V. Deshmukh (Nagpur Division: Non-Muhammadan): On a point of information, Sir. May I know why Sirdar Jogendra Singh has ceased to be a member of the Assembly?

The Honourable Sir Jeremy Raisman: I am afraid I am not aware of the details of the matter, but I believe he was sentenced to a term of imprisonment.

Mr. Govind V. Deshmukh: Was any action taken by the Government, and if so, under any law? What was the sentence awarded?

Sir George Spence (Secretary, Legislative Department): I think it was fifteen months.

Mr. Govind V. Deshmukh: Are there any rules which automatically disqualify a person from continuing as a Member?

Sir George Spence: Yes.

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

"That the non-official members of the Assembly do proceed to elect, in the manner required by rule 51 of the Indian Legislative Rules, one member to be a member of the Committee on Public Accounts in place of Sirdar Jogendra Singh who has ceased to be a member of the Assembly."

The motion was adopted.

ELECTION OF MEMBERS FOR THE STANDING COMMITTEE OF THE DEPARTMENT OF COMMERCE.

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar (Member for Commerce and Labour): Sir, I move:

“That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, three non-official members to serve on the Standing Committee to advise on subjects in the Department of Commerce.”

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

“That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, three non-official members to serve on the Standing Committee to advise on subjects in the Department of Commerce.”

The motion was adopted.

ELECTION OF MEMBERS FOR THE CENTRAL ADVISORY BOARD OF EDUCATION.

Mr. J. D. Tyson (Secretary, Department of Education, Health and Lands): Sir, I move:

“That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, two persons from among their own numbers to be members of the Central Advisory Board of Education in India, with effect from the 10th September, 1941.”

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

“That the members of this Assembly do proceed to elect, in such manner as may be approved by the Honourable the President, two persons from among their own numbers to be members of the Central Advisory Board of Education in India, with effect from the 10th September, 1941.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): I may inform Honourable Members that for the purpose of elections of members for the Committee on Public Accounts, Standing Committee for the Department of Commerce and the Central Advisory Board of Education in India, the following dates have been fixed for receiving nominations and for holding elections, if necessary, namely:

— —	Nominations.	Election.
1. Committee on Public Accounts.	24th March, 1941.	27th March, 1941.
2. Standing Committee for the Department of Commerce.	24th March, 1941.	28th March, 1941.
3. Central Advisory Board of Education in India	24th March, 1941.	28th March, 1941.

The nominations for the two Committees and the Board will be received in the Notice Office upto 12 Noon on the dates mentioned above for the purpose. The elections which will be conducted in accordance with the principle of proportional representation by means of the single transferable vote will be held in the Assistant Secretary's Room in the Council House, New Delhi. between the hours of 10-30 a.m. and 1 p.m.

THE INDIAN FINANCE BILL—*concl'd.*

Mr. President (The Honourable Sir Abdur Rahim): The House will now proceed to deal with the Indian Finance Bill clause by clause.

The question is:

“That clause 2 stand part of the Bill.”

The motion was adopted.

Clause 2 was added to the Bill.

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

“That clause 3 stand part of the Bill.”

Mr. Huseinbhai Abdullahhai Laljee (Bombay Central Division: Muhammadan Rural): Sir, I beg to move:

“That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the word ‘forty’ the word ‘fifty’ be substituted, and after the words ‘two rupees’ the words ‘and eight annas’ be inserted.”

With regard to this matter, in my speech on the Finance Bill I have already pointed out that so far as the public is concerned it would be much better that we should have only two units, one unit of 50 and another of 80. We have received representations, I will not read them at length, but I wish to submit that in the interests of the industry, in the interests more of the consumer and in the interests of conserving our supplies of paper and chemicals in this country, it will be very advisable that Government should adopt only two units. We have at present three units, namely, 40, 60 and 80, and in every unit that we make we have to use different kinds of paper and the large quantity of paper that is used in the manufacture of matches goes to show that at present we are wasting a great quantity of paper which is very essentially required. In ordinary cases we have got to use blue paper, we have got to use green paper, we have to use brown paper and so forth and so on. It is advisable that at the present moment we should not allow the manufacturer to waste money on the paper. In fact, when we are putting such a heavy duty on the consumer and we want a lot of paper for other purposes, and when the manufacturers have quoted the prices of paper as having gone up very materially—in fact they have given the prices of paper which have gone up, the scarcity that is being suffered, and if we allow this sort of thing to go on, the prices would go up every time. We cannot stop prices on the one hand by saying that the prices to the consumer must not be raised, and on the other hand, allow the manufacturer to use a lot of paper for packing purposes and other purposes. At the present time we ought to become more businesslike so far as supplies are concerned. Of course, it has gone on for years together. These matches were being imported from outside and as much quantity of articles as could be brought from outside was always encouraged, whether in the shape of packing or manufacture or otherwise. In fact, it was an indirect way of increasing the imports. Another point that arises is this. When we make a unit of 40 and 60, the difference is very little and I think the retail shopkeeper, business man as he is,—he does take advantage of passing on 40 splints instead of 60. It is quite easy, it is practicable for the business man to pass on after the duty has been increased, to this extent that the match box of 40 may be given at half an anna.

[Mr. Husenbhai Abdullabhai Laljee.]

Sir, I should very much like that the duty may be decreased but from the way we have learnt from the Honourable the Finance Member I have no hope that he will reduce the duty at all and I see that he quite agrees. In that case my submission is, in the interest both of the consumer and of the manufacturer and in the interest of conserving supplies of chemicals and paper which are badly required for the Defence Services in other industries that are going on for the production of munitions, that my suggestion should be adopted. When I put down the prices at Rs. 2-8-0 and Rs. 4 for 50 and 80 splints I worked out the figures as under. I put down the cost including the selling commission including also the depreciation, including the dividend to the extent of nearly nine to ten per cent. I do not know whether my friend, Sir Cowasji, who has recently been a member of the Board of Directors of Wimco knows it. But I am told or rather these are the figures that I have worked out as one who has been in the line. If we put down 50 and 80 units, it works out at 2 pice and 3 pice respectively and at a cost with profit at 9 per cent. and depreciation. As has been stated in the representations of the manufacturers of Bombay and Calcutta, the prices of chemicals have risen. Of course, we have not been able to get any cost or any representation from the great foreign syndicate which is running the Western India Match Co. and who really supply nearly 70 to 80 per cent. of the consumption. But still from all I have got from the Indian manufacturers of Bombay and Calcutta, I feel that the cost with profit, selling commission and otherwise to a manufacturer will not go over for 50 splints at more than one rupee one anna. So far as 80 splints are concerned it works to Rs. 1-13-0. Now add to 1-1-0 duty Rs. 2-8-0. It works out for a dozen 4 annas 9 pies and for the retailer it comes at half anna to 6 annas, giving him, the retailer, a profit of $1\frac{1}{2}$ a gross, which is fair. In like manner with regard to 80 splints, the cost works out to a figure of $1/12$ with depreciation and profits. With one anna for the selling commission it works out to $1/13$. Added to the Rs. 4 duty as suggested by the Honourable the Finance Member and it works out to 8 annas 9 pies and adding one anna 3 pies for the retailer it works out to 9 annas which gives a fair price of 3 pice for a box of 80 splints. If this suggestion is agreed to, we can definitely put down the selling prices at not more than half an anna for 50 splints and not more than 3 pice for 80 splints. Thereby there will be no difficulty whatever experienced by the sellers, by the manufacturers and the consumers. With this object I have moved the above amendment.

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

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the word 'forty' the word 'fifty' be substituted, and after the words 'two rupees' the words 'and eight annas' be inserted."

The Honourable Sir Jeremy Raisman (Finance Member): When replying to the debate, day before yesterday, with reference to a suggestion made by Sir Homi Mody, I said that it was desirable to review the sizes of units in which matches were retailed and to see if some schedule could not be devised which, while giving revenue its fair due, would remove opportunities for profiteering and exploitation. I am also aware of the force of the contention put forward by the Honourable the Mover of the

amendment in regard to the units for retailing matches but my difficulty is that this is a question which I should like to discuss at leisure with representatives of the trade and with due regard to the interests of the consumer and I cannot here and now accept on the floor of the House an amendment to the schedule which may possibly have undesirable effects. If I were satisfied that the trade in general were in favour of concentrating on production of 50s. and 80s, I should, as at present advised, be in favour of a scheme of that kind but if I were to accept here and now the amendment made by the Honourable Member I should immediately make it impossible for matches to be retailed economically in boxes of 40, because the tax on a box of 40 matches would under this amendment be the same as the tax on a match box of 50.

Mr. Husenbhai Abdullabhai Laljee: I am making it 2-8-0 instead of 2. You would not lose.

The Honourable Sir Jeremy Raisman: I may not lose. I am not talking now from the point of view of the exchequer merely but the effect would be that such boxes of 40 as continue to be produced would under this have to pay duty at the rate of 2-8-0. I cannot without consideration and preparation make so serious a change in the conditions in which matches are produced and distributed. Now, the question is what I can do, if after the schedule has been embodied it becomes desirable to make some variation. That is a legal point on which I am satisfied that in the exercise of the powers, which are called powers of exemption, I can vary the schedule. For instance, I could cater for a box of 50 matches by exempting boxes of 50 from 8 annas duty. At present under the schedule a box of 50 is liable to the same duty as a box of 60, that is to say, Rs. 3. Now, if I come to the conclusion after consideration and discussion with the trade that it is highly desirable to cater for the distribution of a box of 50, then until I am next in a position to legislate I can issue a notification which will in effect fix the duty on a box of 50 at the rate proposed by the Honourable Member. So, Sir, I am sympathetic to the objects which the Honourable Member has in mind but I cannot here and now on the floor of the House agree to give drastic statutory effect to that suggestion until there has been time to discuss it with the representatives of the trade. In view of this explanation and my declared intention, I trust that the Honourable Member will not press his amendment at this stage.

Mr. Husenbhai Abdullabhai Laljee: In view of the Honourable Member's statement, I wish to withdraw my amendment.

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

Dr. P. N. Banerjea (Calcutta Suburbs: Non-Muhammadan Urban):
Sir, I move:

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee' be substituted."

The object of my amendment is that there should not be any additional taxation on matches.

Sir Oowasji Jehangir (Bombay City: Non-Muhammadan Urban):
How much then shall we lose?

Dr. P. N. Banerjea: According to the Finance Member's calculations, we shall lose a crore and a half of rupees, but in connection with the Budget and the Finance Bill I pointed out that it would not be necessary to levy any additional taxation if measures of economy were adopted. In case measures of economy did not suffice, I pointed out, further, that borrowing might be resorted to a slightly increased extent. But my own view is that neither borrowing nor additional taxation is necessary. Sir, if it may be found absolutely necessary to impose additional taxation we should see to it that such additional taxation falls on the shoulders of those who are best able to bear this burden. Now this burden, as I pointed out the other day, would fall on all classes of the population and the greatest part of the burden would fall on the poorest of the people. It is well-known that ninety per cent. of the population of India is very poor. That has been admitted by great Englishmen who have had any sympathy for Indians. Is it desirable at this juncture to levy a burden on the poorest classes of the population? I say that that is quite unnecessary and would be extremely unjustifiable. Sir, with a rise in the cost of living, the condition of the poorer classes, of some sections of the poorer classes at least, has become much worse. It may be argued that owing to the war situation, some poor people have derived some advantage, but, on the other hand, it must be said that the condition of others has deteriorated. When we find that the Government are compelled to pay a dearness allowance to some classes of Government servants, it is made clear that the economic condition of such classes has become much worse than before. It is not all persons who are employed by the Government who are benefited, and the dearness allowance helps only a small proportion of the working population. There are others who are working under private companies, and private individuals and who work on their own; they do not get any dearness allowance, and their condition, therefore, must be borne in mind before we levy additional taxation on them. As I said the other day, this additional duty on matches is akin to an additional duty on salt, because it is one of the most essential necessities of every person in India, except perhaps the very rich who use electric light and who are not required to have resort to matches.

An Honourable Member: What about smoking?

Dr. P. N. Banerjea: Smoking is a luxury and it is only the richer persons who indulge in such luxury.

Sir Cowasji Jehangir: But the poor man smokes the *bidi*.

Dr. P. N. Banerjea: That is also a convention; for the poor it may be regarded as a conventional necessity and it is not desirable to tax such conventional necessities of the poor. Look at it from whatever point of view you will, it is a most unjustifiable tax and I would urge the Finance Member to accept my amendment in order that there may not be any discontent in the country. It is the duty of all of us—Government as well as the Opposition—to prevent discontent in the country and I can assure the Honourable the Finance Member and his colleagues on the Treasury Benches that if this is passed, there will be great discontent in this country. I would therefore ask him to accept the amendment in order to prevent discontent. Sir, discontent is a very undesirable thing, especially in a time of war and if it can be avoided, every effort should be made to avoid it. With these words I move my motion.

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

“That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words ‘two rupees’ the words ‘one rupee’ be substituted.”

Sir Cowasji Jehangir: Mr. President, I have contended in this House on two occasions that for the year 1940-41 we have been taxed 44 per cent. higher than we should have been in comparison with England. I attempted on two occasions to prove this by facts and figures. In trying to controvert my argument, the Honourable the Finance Member gave us just a few bald figures in his speech in reply to the Budget debates. He said that the normal Budget of India was 85 crores, which had risen in 1941-42 to 115 crores. I do not know where he got that figure of 115 crores from—it is 113 crores.

The Honourable Sir Jeremy Raisman: I said “to the order of”.

Sir Cowasji Jehangir: Sir, two crores does not matter to the Honourable the Finance Member,—“whether it rose to 113 or 115 does not matter!” Even in his own figures I do expect him to be a little more accurate. Then, Sir, he went on to say that in England the estimate for taxation was from £1500 million to £1700 million. Now these again are not correct figures . . .

The Honourable Sir Jeremy Raisman: Sir, may I remind the Honourable Member that it was agreed that these general arguments would not be pursued at this stage where we would confine ourselves to the clauses and the amendments. The Honourable Member is clearly attempting to get another opportunity to traverse my argument.

Sir Cowasji Jehangir: May I reply that here is a matter in which a crore and a half of rupees are involved. If the House accepts this amendment, the deficit will go up by a crore and a half, and I have a right to explain how we can meet this deficit.

Mr. President (The Honourable Sir Abdur Rahim): As a point of order has been raised, the Chair understood the Honourable Member was now trying to reply to the Finance Member as regards some of the figures he gave in his reply to the speeches of the other Honourable Members. If that is so, then the Chair thinks it is quite in order, but if he is attempting to renew the whole discussion on the Finance Bill, the Chair should certainly disallow that.

Sir Cowasji Jehangir: Sir, the Finance Member's figures were not correct and he tried to make out that any further deficits could not be made good out of loans and I am touching on that point. Sir, then he tried to compare that figure of Rs. 115 crores, as he said, with the rise in England from £1500 million to £1700 million, and I was at great pains to show that that was not correct

Mr. President (The Honourable Sir Abdur Rahim): That was in his reply to the speeches of Honourable Members on the motion for consideration of the Finance Bill?

Sir Cowasji Jehangir: Yes, Sir, day before yesterday. I was at great pains to show that for 1940-41 the amount of taxation in England was £1284 million. I did also point out that it was the Supplementary Budget of July of 1940 which raised further taxation by £129 million, out of which £86 million accrued in the present financial year making a total of £1320 millions and not 15 to 17 hundred millions. Of course, the Honourable the Finance Member has only lately been accustomed to talk in crores of rupees and a few hundred millions to him do not mean very much this way or that way.

The Honourable Sir Jeremy Raisman: I must point out, in justice to myself, to the Honourable Member that I am talking on the basis of recent estimates of probable yields whereas he is referring to the figures put before Parliament nearly twelve months ago.

Sir Cowasji Jehangir: I am coming to that. I have given the latest figures of taxation in England: no other figures are available. The new budget has not come out. I have given you the figures of the supplementary budget and I am comparing them with the figures in India for 1940-41 and not 1941-42. I have been saying that all along. Now, Sir, you cannot make a comparison between England and India in bold figures. You must come down to percentages, especially if your figures are out by a few hundred millions. I again claim that I have placed before this Honourable House figures which are now in cold print to show that in the year 1940-41 we were taxed 44 per cent. more than we should have been. The figures that the Honourable the Finance Member has given will also go down in cold print. Now, Sir, the Finance Member practically admitted that he has made a difference in the method of division between taxation and loans between the last war and this war. I was glad to hear that admission. There has been a difference and he admits it.

The Honourable Sir Jeremy Raisman: I do not remember having said that.

Sir Cowasji Jehangir: In that case, let me revive his memory. I asked him whether we were not carrying the burden of 1914-18 and his reply was: "Is that the reason why we should ask that our burden should be carried in a similar manner?" I asked him whether we were carrying the burden of 1914-18

The Honourable Sir Jeremy Raisman: Some of it

Sir Cowasji Jehangir: We are carrying the whole burden as far as possible at the present moment.

The Honourable Sir Jeremy Raisman: I did not admit that.

Sir Cowasji Jehangir: The future generations should also carry a similar burden. But, Sir, I have shown in two particulars that the Honourable the Finance Member was not quite accurate in his figures. But the surprising part of it was that he compared the Indian figures of 1941-42 with the English figures of 1940-41. Now, you cannot compare the figures of one year with the figures of another year. The Honourable the Finance Member thinks that he may be one of the wonders of the world. He is not. At any rate, he tried to compare the figures of 1940-41 with the figures of 1941-42. Now, I have never heard of such a thing. It is impossible to do

that. But that is what he is attempting to do. He gave us the Indian figures of 115 crores, which relate to 1941-42 and he compared them with the figures of 17 to 18 hundred millions which relate to 1940-41. But when I asked the Honourable the Finance Member to deal with facts and not fiction, this is what he said :

"I am dealing with facts which are familiar to those who deal with those problems and it is almost a commonplace of economics and public finance that the duty of each generation is to provide by toil and sacrifice and by tightening its belt to provide for the cost of the problems with which they are confronted."

Now, I am prepared to bow to the superior wisdom of the Finance Member in certain matters, but I absolutely refuse to take advice of this sort from the present Finance Member of the Government of India. Some of us in times of danger both for India and for England know how to tighten our belts and I would ask him to put the search-light upon himself and refrain from giving such advice where it is not required or wanted.

Now, Sir, suppose that this amendment was accepted by this House and there was a further deficit of a crore and a half, what would prudent finance demand? I was trying to explain the debt position of India when I was asked the question: If the sinking fund was increased, would it not mean the same as taxation? I was surprised at the question. Suppose this amendment was carried and it meant a deficit of, say, one crore in round figures. Then, I think the Finance Member in justice and in equity would demand that if a crore more of borrowed money was to be used towards making up the deficit, at least 5 per cent. of that amount should be raised by taxation, 3 per cent. for interest charges and 2 per cent. for the sinking fund. It now works out at 1 1/8 per cent. and I have raised it to 2 per cent. The difference, therefore, between taxation and borrowing is this. You would have to raise by taxation a crore of money, but if you finance it from loans you would have to raise by taxation 5 lakhs, which is a very great difference. The matter was so simple that I hardly thought that it required an explanation.

Now, I would just like to come to my Honourable friend, Sir Frederick James. I do not find he is here just now and I will postpone what I have to say till he is present.

Mr. President (The Honourable Sir Abdur Rahim): It is not expected that the Honourable Member should reply to every Member.

Sir Cowasji Jehangir: Now, the point is who suggested this taxation on matches? While asking that question, let me just say this that I am not in complete agreement with the Mover of this amendment when he suggested that it was unfair to raise this tax. I am not in agreement with him there, but I would like to raise the point, who is responsible for this proposal? Is it the Finance Member himself or is it the Government of India? Just now we have heard a great deal of joint responsibility of Governments. It has come very prominently before the public eye and I do think that we do want a lucid explanation of this question. Take these matches. Is it the responsibility of the Government of India as a whole or is it of the Finance Member? Now, let me come to the major issue. A very important contribution has been made by my friend, Sir Chimmanlal Setalvad, to the *Times of India* of yesterday's date raising this very important issue. I am not going to repeat anything that has been said at the conference in Bombay.

The Honourable Sir Muhammad Zafrullah Khan (Leader of the House):

May I respectfully invite your attention, Sir, to the fact that
12 NOON. the Honourable Member is not talking on the motion now?

Sir Cowasji Jehangir: I am coming to the question of the joint responsibility of Government with regard to taxation, and particularly in regard to the question of matches.

The Honourable Sir Muhammad Zafrullah Khan: That has nothing to do with the amendment.

Sir Cowasji Jehangir: The amendment seeks to knock it out.

Mr. President (The Honourable Sir Abdur Rahim): The Chair believes the Honourable Member's contention is that the question of tax on matches is a joint responsibility of the entire Government. The Chair does not know whether it is disputed.

The Honourable Sir Muhammad Zafrullah Khan: What led the Honourable Member to think that is disputed?

Sir Cowasji Jehangir: Because the Honourable the Finance Member in his speech the other day used the first person: I did this, I did that, I did the other.

Mr. President (The Honourable Sir Abdur Rahim): But the Chair just now heard the Honourable the Finance Member to say that it is the Government of India.

Sir Cowasji Jehangir: This is a very important point which I want to discuss, but if you rule that it should not be raised, then I bow to your ruling.

Mr. President (The Honourable Sir Abdur Rahim): It is admitted by the other side.

Sir Cowasji Jehangir: Even if it is admitted

The Honourable Sir Jeremy Raisman: It is a joint responsibility.

Mr. President (The Honourable Sir Abdur Rahim): Any general issue of a political nature cannot be discussed now.

Sir Cowasji Jehangir: All I have got to say is that I do hope that the Honourable the Finance Member will take this House, although it is a very empty House, in a more serious manner than he does. Because it is empty that is all the more reason to take it more seriously. I am not going to stop my criticism because the Congress Benches are empty. My speech would have been exactly the same. In quoting figures, it is the privilege of non-official Members to make mistakes. They have not got the knowledge, they have not got the secretariat behind them, but I do think that Members of Government when they quote figures should take care to see that they are correct, specially if they are quoted to controvert the argument put forward, backed by facts and figures of an Honourable Member

who is part of the Opposition. With these words, I think my Honourable friend, the Mover, would do well, after he has had his say, to withdraw his amendment. It may be that the Honourable the Finance Member has very good reasons for having proposed, or that the Government of India have had very good reasons for making this proposal. We say it amounts to 1½ crores and I am not at present prepared to increase our borrowings by 1½ crores for this particular purpose.

The Honourable Sir Jeremy Raisman: Sir, I would like first of all to deal with the point of inaccuracy of figures. It is true (and I present my Honourable friend with it) that when standing here in this place and looking for exact figures, which I wanted, through my papers, I was not able to find them. I was fully aware of the order of the figure, but in looking through the budget speech, I could not put my finger on it at that second and, therefore, in order not to detain the House unnecessarily, I mentioned the figure of 115 crores instead of 113 crores. But it did not affect the validity of my argument. What I was dealing with was the general percentage of increased taxation. For that matter, the figure of 85 crores was only a rough figure, it may have been 83·27 or 83·8. My point was that the increase in taxation with the new taxes would be something of the order of 30/85 or say roughly something less than 40 per cent. In speaking of the United Kingdom figures, I could not deal with their figures for 1941-42 for the simple reason that those figures have not yet been published. I dealt with what is estimated by economists to be the present rate of yield of taxation as compared with what we know to be the previous scale of taxation and the position there was

Sir Cowasji Jehangir: I gave figures of the supplementary budget, and no further taxation has been raised.

The Honourable Sir Jeremy Raisman: The Honourable Member seems to be incapable of realising that the figures laid before the House of Commons in April last are so out-of-date as to be unreliable and the Honourable Member seems equally incapable of realising that when competent economists who are watching the growth of Government expenditure and revenue are now making estimates of the effects of certain changes and those estimates might, and probably in the course of the next few days, will be revealed to be much more accurate than the estimates which the Treasury itself put up in April last

Sir Cowasji Jehangir: The Honourable Member is mixing up revenue with expenditure. The expenditure has gone up, the revenue cannot go up, unless taxation is put up.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member ought not to be interrupted in his speech.

Sir Cowasji Jehangir: The Honourable Member is mixing up two separate things.

The Honourable Sir Jeremy Raisman: I do not however wish to pursue this point. The Honourable Member seems to be incapable of treating it without importing a certain amount of heat into it and since it is a question of facts and figures, on his own showing, I do not really understand

[Sir Jeremy Raisman.]

where the occasion arises for importing feeling into the matter. However, I may state in the most categorical manner that I remain entirely unconvinced by his argument and I do not believe that anybody can demonstrate that the burden of taxation which is being borne in England at the present time is actually less in relation to the taxable capacity as evidenced by pre-war budgets than the additional burden being borne by the taxpayer in India. I refuse to allow him in support of his argument to take the volume of borrowing in England in relation to the total expenditure as a criterion instead of taking the proportionate increase of taxation—that is the difference between me and my Honourable friend. It may happen, it could happen that the scale of borrowing in England might rise to 200 per cent. or 300 per cent. of the yield of taxation. Would that mean, then, that we, in India, should actually go back and reduce our normal taxes so as to get our borrowings into a similar proportion to the yield of taxation? At the present moment, in order to get into a position comparable with that of England in that respect, we ought to remit about 40 per cent., probably more, of the pre-existing scale of taxation and fill that up with loans also. That is the logical conclusion of the Honourable Member's argument.

Now, Sir, he taught me some simple facts about the effect of the operation of a sinking fund. I am very grateful for the instruction which he has kindly conveyed. The attractive proposition which he puts forward before the House is that if for every crore you have to spend, you are prepared to borrow, all you need to do is to raise about five lakhs taxation, so that as far as I can see, since the expenditure is estimated to be something of the order of 126 crores—I guard myself by saying 'order of', it may be 126.3 crores or more or less—since your total expenditure is of the order of 126 crores, then I can see no reason why you should not defray your obligations by raising taxation to the tune of six crores which will enable you to conserve

Sir Cowasji Jehangir: Nobody can make such a ridiculous suggestion. I never made such a ridiculous suggestion as the Honourable Member puts in my mouth.

The Honourable Sir Jeremy Raisman: The Honourable Member's argument, in my opinion, leads ultimately to no less an absurd conclusion than that because it omits the question of what portion of the burden should the present generation extinguish now, not the question of what arrangement it should make for defraying the cost, but what portion of the cost of the war should actually be finally shouldered at this stage and extinguished for good and all.

I leave that point and I will now deal with the main argument of my Honourable friend, Dr. Banerjee. As I pointed out the other day, this tax, although it is an indirect tax and must, therefore, be levied on the poor as well as the rich, this tax is after all very largely, I do not say entirely it is very largely in the nature of a tax on smokers and to that extent, it is not comparable with the tax on those essential commodities which every human being must consume. It is in fact a tax on a commodity, the consumption of which is elastic. And it is possible even for the poorer classes of the community to adjust themselves to some extent to the operation of a tax of this kind. But there is a more important point which Dr.

Banerjea omitted to notice and that is this. The cost of the production of matches has now risen to such an extent as to encroach on the margin of profit of the distributor and retailer and to make it exceedingly difficult for the match to be retailed at the price at which it was retailed until recently. Now, I pointed out in my budget speech that when that situation occurs the retailer if he advances at all must advance by a large amount because of the lowest unit of currency. Dr. Banerjea has made no suggestion as to how to deal with that difficulty, with the fact that in any case even if you were to reduce the amount which the exchequer takes out of the new retail cost of matches it would probably not be possible for the match to be retailed at the previous price. The effect of the change which I have made is that a further margin of two annas is given to the trade to cover extra cost, to enable it to adjust itself to the situation and I consider, as at present advised, that that further margin of two annas makes it possible for us to fix the new retail price, whilst withdrawing for the exchequer by far the larger part of the additional return which is yielded by that price.

Sir, I oppose the amendment.

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

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee' be substituted."

The motion was negatived.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I move:

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and four annas' be substituted."

Mr. President (The Honourable Sir Abdur Rahim): There are a number of amendments of that character proposing different figures. The Chair thinks they ought to be all moved first without any speech and then the discussion of all these amendments can go on. The questions will be put afterwards on the amendments separately. Amendment moved:

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and four annas' be substituted."

Dr. P. N. Banerjea: Sir, I move:

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and eight annas' be substituted."

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

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and eight annas' be substituted."

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

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and twelve annas' be substituted."

Mr. President (The Honourable Sir Abdur Rahim): Still further amendment moved:

"That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and twelve annas' be substituted."

Mr. Lalchand Navalrai: Sir, with regard to these amendments, I know our strength is not such as to enable us to give a fair fight. When the Finance Bill came up in November, the Congress Members

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member need not discuss the general question now. He must confine himself to the amendment.

Mr. Lalchand Navalrai: I am submitting that we are at the Finance Member's mercy and he ought to be reasonable.

Mr. President (The Honourable Sir Abdur Rahim): There need not be a discussion on that matter.

Mr. Lalchand Navalrai: My present amendment does not stick to the original figure of Re. 1 but goes a step further. To raise the duty from Re. 1 to Rs. 2 as the Finance Member seeks to do is to give a very big jump. It has been brought to the notice of the House that even with the duty which was fixed in 1934 the cottage industry in matches was not able to carry on and therefore I submit that some advantages should be given to them to enable them to continue. The facts before us go to show that the cost of production has increased very much. Although no concession can bring down the cost of production still it will lessen the burden. From that point of view the Honourable the Finance Member showed some reasonableness on the first amendment and offered to consider the suggestion made by the Mover of that amendment. I, therefore, think the Honourable Member would have been well advised to postpone the question wholly and consider whether the splints in each match box should be alike and a different duty charged or it should be reduced to some extent. The whole question should have been postponed and to consider later whether the number of splints in each box should be of a different nature with different amounts of excise duty. To consider the present amendment now would complicate the question now under discussion. There are now three amendments,—one for Rs. 1-4-0, one for Rs. 1-8-0 and one for Rs. 1-12-0. At any rate there should be some concession given to this industry. Of course, at the present time on any amendment the Honourable Member can put forward the plea that money is required for war effort and must be raised in this way, but he should consider the other side also. There is at present dearness of living and several other questions pertaining to economy to be considered.

Mr. President (The Honourable Sir Abdur Rahim): All that has been said already.

Mr. Lalchand Navalrai: Therefore, it has two sides and both the sides should be considered by the Honourable the Finance Member. I will not take more time because I also know that it is futile to put forward any reasoning which will not move the Government when it is said that money is needed for war purposes; I think any reasonable arguments on this side will not be accepted. Sir, I leave it to the reasonableness of the Honourable Member.

Qazi Muhammad Ahmad Kazmi: Sir, so far as this particular tax is concerned, there are three parties, the Government, the consumer and the manufacturer. I am representing the consumer mostly, and I want to say this: that when the Government have made up their mind to tax, as much relief as possible may be brought to the consumer consistently with safety to the manufacturer. From the point of view of the manufacturers, we have seen a memorandum from the Indian Match Manufacturers Association, and they have calculated and worked out that if the duty is placed at Rs. 1-12-0, then there will be no difficulty in selling the match boxes at two for three pice, *i.e.*, at $1\frac{1}{2}$ pice per box of 40 splints. So, my submission is that we should make it sure that the price of matches for the consumer does not rise above $1\frac{1}{2}$ pice per box. The difference between $1\frac{1}{2}$ pice and two pice is half a pice: that means an additional burden to the consumer of 25 per cent. I maintain that we must avoid that increase by the middleman of half pice, and we must leave sufficient to the manufacturer so that there may be no such tendency to raise the price by 25 per cent., and instead of putting this duty of Rs. 2, I think a duty of Rs. 1-12-0 would be more proper. I may just mention my own experience. The day the Honourable the Finance Member introduced the budget I found in Delhi that the price of a match box

Mr. President (The Honourable Sir Abdur Rahim): All that has been related to this House more than once.

Qazi Muhammad Ahmad Kazmi: Sir Muhammad Yamin Khan related it

Mr. President (The Honourable Sir Abdur Rahim): But the Honourable Member need not relate that once again. It is quite enough if one Member has related it.

Qazi Muhammad Ahmad Kazmi: I will leave that part that there was a time when the price went up to two pice. Now, gradually it has come back to $1\frac{1}{2}$ pice, but that is in the City of Delhi. In villages where additional middlemen come in the way, it is more difficult; it will continue to rise to two pice and it will not come down to $1\frac{1}{2}$ pice. That means that our agricultural population who live outside the cities will have to pay more than $1\frac{1}{2}$ pice per box. So, to make it sure that even in far off villages the price of the match box does not go higher than what is contemplated by the Government of India, to maintain this tax at Rs. 1-12-0 would be the proper course. With these remarks, I move my amendment.

Dr. P. N. Banerjee: Sir, by my amendment I seek to reduce the additional duty on matches by one half, or 50 per cent. This is a far more modest proposal, and I hope it will be acceptable to the Honourable the Finance Member. The Honourable the Finance Member seems to think that matches are required only or mainly for smoking purposes. I must say that he is entirely mistaken. There are many persons, millions of persons, who do not smoke, and matches are required by them for lighting purposes and for other household purposes such as cooking. My Honourable friend, the Finance Member, is familiar with electric light and electric cookers; but how many are there who can afford to have electric lights and electric cookers? In his own household I believe no

[Dr. P. N. Banerjea.]

fire is lighted with matches—he may have an electric kitchen. However, India is a poor country and although my Honourable friend has been in this country for 25 or 30 years, it seems to me that he knows precious little of the conditions which prevail here. That being so, I would ask him to revise his opinion and take it from Members of this House that matches are used for lighting kerosene lamps and for lighting fires for cooking purposes. The Finance Member said in his budget speech . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must not go into general considerations . . .

Dr. P. N. Banerjea: No general consideration at all. This is with regard to this matter only. He says:

“Over large parts of the country the retail price has already advanced to the next higher point (meaning a pice and a half), yielding a large uncovenanted profit to the trade. The increase in duty now proposed will appropriate for the exchequer a due share of the enhanced retail price which the consumer has to pay.”

Now, this will be possible only if the additional duty is halved. It will not be possible if the duty is levied at the full rate, and even then when the duty is halved the Finance Member will have to take steps for seeing to it that the price of a match box of 40 sticks is not advanced beyond 1½ pice. That would be a practicable policy if he takes the necessary steps and in that case the consumer will not be greatly hurt. I have already pleaded that the burden on the poor should not be enhanced. Let the additional burden on the poor be as little as possible. If this modest proposal of mine is accepted, it will be for practical purposes no loss to the Government and at the same time it will help the consumer to a large extent.

The Honourable Sir Jeremy Raisman: Sir, I admit at once that my familiarity with the Indian countryside is not as great as that of Professor Banerjea but I have in fact received a lot of correspondence and representations in connection with this match duty, and it so happens that apart from the actual match producers the only other organised bodies that have approached me are tobacco and *bidi* sellers. They seem to be at any rate the main organised body for retailing matches; and although my knowledge of India may not be as great as that of Dr. Banerjea, still I cannot fail to observe as I walk along the bazaar and through the streets of India that the main channel for the sale of matches at any rate is the shops which sell goods for smokers . . .

Dr. P. N. Banerjea: What about the villages? How many towns are there in India as compared with the villages?

The Honourable Sir Jeremy Raisman: I am talking about the villages too. I do not know what the exact number is, but I have a strong feeling that the majority of the matches consumed in India are consumed by smokers. Be that as it may, this amendment would not relieve the consumer of matches of anything at all. The only thing that this amendment would do would be to give the trade a much more comfortable margin with which to operate, and that I consider is entirely objectionable.

I propose to try and deal with that difficulty by discussing with the trade more suitable units in which matches should be retailed, but I am not prepared to solve the problem by saying, "All right. You have another four annas, another eight annas a gross. Then, I am quite sure you will get rid of your trouble". Dr. Banerjea actually—and he is an economist—advances the preposterous proposition that I should forego 75 lakhs of revenue in order to ensure that the producers and distributors of matches do not exploit the consumer and that this sum would solve their difficulties without their asking him to pay 33-1/3 per cent. more. That is what it amounts to. He is afraid that instead of 1½ pice they will charge 2 pice for a box of matches because their own costs may go up by possibly five per cent. He seriously suggests that the way to solve that difficulty is to give up at a stroke half of the total expected yield of this increase of tax. I find it difficult to take such an argument seriously. I claim, and I have given a good deal of thought to all the details of this matter. I do not believe there is any Member of this House who knows more about the details of the operation of this tax, of the position in regard to the cost of production of matches, of the position in regard to the retailing of various units of boxes of matches. I do not believe that there is any Member of this House—however much he may know about the habits of Indians—who knows more about the technical position regarding that.

Dr. P. N. Banerjea: I am prepared to accept that.

The Honourable Sir Jeremy Raisman: It is a matter into which I have gone with great care, and it is my considered conclusion that the proposals which I have made are not unfair to the trade and they do not make it impossible for matches to continue to be retailed at the price, which is the next point above the price previously existing.

Dr. P. N. Banerjea: 1½ pice.

The Honourable Sir Jeremy Raisman: 1½ pice for the 40 stick match box, that is, to take one example. Of course, there are other units. I am satisfied that the present duty at the present costs does not make it impossible for the box of 40 sticks to be retailed at 1½ pice, and I am prepared to arrange . . .

Dr. P. N. Banerjea: You will guarantee that prices will not go beyond that.

The Honourable Sir Jeremy Raisman: There is one point to which I must draw the attention of the House and which might cause confusion. There are certain municipalities which levy octroi on the basis of the cost of the commodity. Although it is contrary to all rules of economics and taxation, they actually in some places levy octroi on the taxed cost of the commodity, that is to say, in the case of matches, they would levy octroi not on the intrinsic cost of the commodity, but on the cost of the commodity plus the tax which is levied by the Centre.

Dr. P. N. Banerjea: Barring those municipalities.

The Honourable Sir Jeremy Raisman: If you bar those municipalities, if you exclude the element of local taxation, then I am prepared to guarantee that steps will be taken to make it possible for the match box to continue to be retailed at a price corresponding to 1½ pice for a box of 40 sticks.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and four annas' be substituted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and eight annas' be substituted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That in clause 3 of the Bill, in clause (a) (i) of the proposed section 4, for the words 'two rupees' the words 'one rupee and twelve annas' be substituted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

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

"That after clause 3 of the Bill the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

4. In Section 19 of the Matches (Excise Duty) Act, 1934—

- (a) in clause (i) for the words 'ten pies' the words 'one anna and eight pies' shall be substituted.
- (b) in clause (ii) for the words 'one anna and three pies,' the words 'two annas and six pies' shall be substituted.
- (c) in clause (iii) for the words 'one anna and eight pies' the words 'three annas and four pies' shall be substituted."

The object of moving this new clause is to double the rate of rebate which is allowed to the cottage match industry. When in the year 1934 the rebate was allowed to the cottage match industry, the object was to foster this industry which had almost been brought to its last legs by competition with the machine-made product. It is reasonable now for the Finance Member who is seeking to double the duty on matches to accept this modest proposal to double the rate of rebate on matches produced by hand.

In this House, a few years ago, I believe it was two years ago, a Resolution was moved urging the Government to give a substantial protection to the cottage match industry as against the mill-made match industry. That Resolution was carried by an overwhelming majority of this House consisting of almost all sections. Now, Sir, I do not go so far as that on the present occasion. I want that things should remain as they stand at the present moment. When the Finance Member doubles the rate of duty, I urge that the rate of rebate for the cottage industry

should also be doubled. This is a very reasonable demand and I hope the Finance Member will see his way to accept it. I may add that it will not result in a substantial loss of revenue because the cottage match industry does not produce a large quantity of matches. The quantity produced by the cottage industries is very small compared with the huge amount which is produced by the mill industry. Therefore, there is no likelihood of a substantial reduction in revenue. I hope, therefore, the Honourable the Finance Member will accept this modest proposal of mine.

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

“That after clause 3 of the Bill the following new clause be inserted and the subsequent clauses be re-numbered accordingly :

‘4. In Section 19 of the Matches (Excise Duty) Act, 1934—

- (a) in clause (i) for the words ‘ten pies’ the words ‘one anna and eight pies’ shall be substituted.
- (b) in clause (ii) for the words ‘one anna and three pies,’ the words ‘two annas and six pies’ shall be substituted.
- (c) in clause (iii) for the words ‘one anna and eight pies’ the words ‘three annas and four pies’ shall be substituted.’”

Mr. J. D. Boyle (Bombay : European) : **Mr. President** : I wish to speak very briefly in opposing this suggestion. The point was debated at some length two years ago and I do not think it is necessary to repeat all the arguments then advanced. The point at the moment is if there is an increase in rates, there is immediately a premium on a good match. A man who is going to pay more for his matches is going to see that he gets value for his money. I venture to suggest that not even the most ardent supporter of the home made match would support the proposition that a match produced under such conditions is anything more than half as good as a properly made machine match from a factory. That is why this demand has been put up for extra protection. The higher the rate goes, the more value will the purchaser demand for his money and in this connection I shall quote a very few lines from a report which has been quoted several times in this House, namely, the report of the Tariff Board which examined this question. They said :

“We consider that the manufacture of matches organised as a cottage industry has hardly any future, and that on account of the dangerous character of some of the materials employed in it, it is not a fit industry for development on cottage lines. We cannot therefore recommend any special measures for the encouragement of cottage match factories.”

Dr. P. N. Banerjea : That is not a special measure at all.

Mr. J. D. Boyle : A special measure was introduced and on the last occasion when the rebate was given I entirely disagreed with it. It was an important departure in my opinion from the principles on which Government have decided these matters and I am all the more against the doubling of this rebate because of the mistake that was originally made.

Dr. P. N. Banerjea : A rebate was not given two years ago.

Mr. J. D. Boyle : A rebate has already been given and it is proposed to double it. Because a mistake was originally made, I do not accept the argument that because of that you should now double that mistake.

[Mr. J. D. Boyle.]

Sir, I need not go into a great number of details. I am sorry to see that my Honourable friend, Mr. Joshi, is not there, because a distinguished colleague of his, who was a member of the International Labour Office at Geneva wrote what is by far the best report on the subject of the cottage industry in relation to matches and it was made quite clear from that that the manufacture of matches as a cottage industry was peculiarly unsuitable. It was made quite clear that nobody is going to allow cottagers to make matches in their own homes; the workers are scattered over a very considerable distance and the cost of collection is so considerable that prices would be affected. A close examination of the position has shown that in all cases the workers are made to come together to a central organisation. In most cases these cottages are in a row and the workers are placed in those cottages in just sufficiently small numbers to avoid attracting the provisions of the Factory Act. There are as many as 60 people engaged in cottages which are situated side by side. Under no circumstances can you call them a cottage industry in the ordinary sense of the word. You have wretched conditions, wretched wages and, to be quite honest, they produce a wretched match.

Dr. P. N. Banerjea: Have you visited them?

Mr. J. D. Boyle: I have. With one exception, I can speak on this subject with greater authority than any Member of this House. If I may relate what occurred on the last occasion when I spoke on this matter, an Honourable friend of mine who is not in the House today but has been present all through the Session, challenged my statement that it was a wretched match and offered to produce a box. He asked me to strike one and I told him that it would not be a proper thing to do in the middle of the Assembly while sitting. He said 'they are quite safe; they will not strike' and they didn't. We took it to the lobby and struck without success quite a number of matches.

Dr. P. N. Banerjea: The whole House objected! Look up the debates.

Mr. J. D. Boyle: Now, Sir, I cannot over-emphasize the conditions under which these people work. I would just like to remind Honourable Members, since my friend, Dr. Banerjea, asks me to look at the debates last time. The two principal speakers were Mr. B. Das, and Mr. Bhulabhai Desai. Mr. Das admitted that a suitable cottage industry would have to produce a considerable number in order to be able to compete economically and he thought that an economic number for a cottage industry to produce would be 200,000 matches a day. If anybody puts forward the proposition that a cottage industry can produce 200,000 matches a day, it is not my idea of a cottage industry. Mr. Bhulabhai Desai, the Leader of the Opposition, made a frantic attempt to save the debate from the bad position into which it had got. (Interruption from Dr. P. N. Banerjea.) The Honourable Member, if he wants to interrupt, can get up and interrupt.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should not go on interrupting in this way.

Mr. J. D. Boyle: Mr. Desai attempted to raise the whole debate into a discussion on the fiscal policy of Government generally and he got into such deep water that he was arguing at one moment that the cottage

industry should be encouraged and at the next that a factory industry should be organised.

Before I sit down, I should like to quote what the Finance Member's predecessor at that time said in relation to what had fallen from the Leader of the Opposition. He said : It is clear from the speech of the Leader of the Opposition that the following is his chain of thought. First of all, we must have industries; therefore, we must have protection; and, therefore, by the process of very high protection you keep the foreign product out and you start factory industries in India. Then you get to the stage when you have your factory industry,—and another idea comes to you : Are we so right in wanting factories? Is not what we want cottage industries? We must kill these enormous and obscene growths and we must go back to the cottage industry. Therefore, you take measures for encouraging the cottage industry and for destroying the factory industry. At the end of that process, I would like to point out to you what in fact happens. Your revenue has been destroyed.

Therefore, I maintain that both from the point of view of the workers who work under wretched conditions for wretched pay, from the point of view of the consumer who gets a wretched match and on account of the revenue that is lost, there is no ground whatsoever for supporting this extra rebate.

Mr. Husenbhai Abdullabhai Laljee: I do not wish to speak at length on this motion but I do wish to say something about the cottage industry. I have been in this industry for a number of years and I can tell you this much that so far as the condition of the people is concerned, they do want some employment, as they are really starving in the villages. The conditions in our villages are quite different from those existing in Europe and that is why we do want something to be done for the cottage industry. Now, Sir, take the instance of what is being done in the cottages. We find small units and in those small units matches are being prepared, and these units do pay them whatever little they can have out of that. It is not that there is any kind of forced labour—just as we have had in some Indian States. Formerly, I mean not now, where they were made forcibly in the village, but now if in a village women do get work they most willingly work for the maintenance of members of their family to save their starving children. How is it that we should interfere? Why should we not protect them and give them some employment? What is suggested is this—do not give them any employment. They say there is no need of giving any employment to them and they should not be ever allowed to work in the cottages. Sir, the health in the cottages is very much better, provided food is provided and so on, and so far as I was interested in observing these conditions during the last ten years that this work has been going on. I find that they are going on very well but they do require some help and that help must be forthcoming.

So far as industries are concerned, so far as working by machinery under the Factories Act is concerned, certainly conditions do become bad in the cities and bigger towns and there it is that we shall have to apply the Factories Act and labour will insist upon that. Therefore, there is nothing whatever in the point, in what my friend says, about the condition of labour in cottages and about their wretched condition, nor for the matter

[Mr. Husenbhai Abdullabhai Laljee.]

of that it is right or correct to say that matches they make are not saleable. Sir, if they make matches which are not saleable, then nobody is going to buy them. I do not know how my Honourable friend, Mr. Boyle, got that match box, about which he spoke but it may be that he has got one match box which has deteriorated by reason of the climatic effect, and this naturally also happens when match boxes are manufactured with the best machinery and you can very well say the same about them. Sir, the Tariff Board pointedly in their report have said that the Indian manufacturers have manufactured one of the best qualities of matches, and that it has been pointed out in that report that a certain kind of propaganda by foreigners has been often used against the Indian manufacturer to prejudice its buyers and I hope that that sort of propaganda does exist even now. Finally, I do hope that the Government will agree that the cottage industry does deserve consideration and that they must at least give them some protection so that they may not be starving all the time.

The Honourable Sir Jeremy Raisman: Sir, this amendment has a certain *prima facie* plausibility and I must admit that it would have appealed to me if I had not taken some care to inquire into the conditions in which the cottage industry operates. It is not that any large amount of money is involved. At the same time I must rebut any suggestion that whenever a tax is increased, what is in effect a subsidy which was given for the encouragement of a cottage industry must be increased by the same amount. That obviously is untenable. A subsidy to a cottage industry should be related to the cost of producing matches and not to the duty levied on matches. But I regret to say that on such inquiry as I have been able to make into the matter, it is not merely the case that the justification for increasing the subsidy to the cottage industry is inadequate but I firmly believe that any amount which I so gave up would not find its way into the pockets of these poorer workers for whom the Members of this House are naturally sympathetic. I regret that so far as I can make out the organization of this industry, it would merely mean that, if I increased the subsidy, I should be giving money away to a class which I have no desire to help, and they are not the cottage workers. Until I can see this industry organized in a manner in which the benefits which accrued would go to the village worker, the cottage worker, I must refuse to give any additional assistance, however small, by way of an increased subsidy. I am sure that Dr. Banerjee, if he is familiar with the conditions in the industry, knows what I am referring to; I do not wish to tire the patience of the House in the matter, but the fact remains that whereas *prima facie* this is a case which would seem to have justification, in fact it is not: and if it could be proved to my satisfaction that these cottage workers would be helped, and that the necessity for a subsidy is there, I would have an open mind on the subject. For this reason, Sir, I regret I cannot accept the amendment moved by my Honourable friend.

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

“That after clause 3 of the Bill the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

‘4. In Section 19 of the Matches (Excise Duty) Act, 1934—

(a) in clause (i) for the words ‘ten pies’ the words ‘one anna and eight pies’ shall be substituted.

(b) in clause (ii) for the words 'one anna and three pies' the words 'two annas and six pies' shall be substituted.

(c) in clause (iii) for the words 'one anna and eight pies' the words 'three annas and four pies' shall be substituted."

The motion was negatived.

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

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

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

"That clause 5 stand part of the Bill."

Dr. P. N. Banerjea : Sir, I move :

"That in clause 5 of the Bill, for the words 'five annas' the words 'four annas' be substituted."

Sir, this relates to the duty on artificial yarn. I made it clear in the course of my speech on the general discussion on the Budget that I welcomed this additional duty, because I thought that it would help the natural silk industry of India. I still hold that view. But the fact is that Sir Homi Mody pointed out that this would do some harm to the artificial silk piecegoods industry and in order to accommodate him, I tabled this amendment. I, personally, hate artificiality of all sorts, but I find that Finance Members and capitalists are competing with one another in various fields of artificial activity, such as cigars, wines and Turkish baths, and I would not condemn the common man if his poverty compels him to use artificial silk in preference to natural silk. That is my object in moving this amendment. If, by reducing slightly the amount of duty on the yarn and putting on an additional duty on artificial piecegoods, some service could be rendered to the piecegoods business, I would not grudge it. But I find that my Honourable friend does not take this matter seriously. Now, Sir, I have always noticed that these capitalists make very brave speeches, but when the time comes for voting or moving amendments, their courage always fails them. With these few words I move my amendment.

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

"That in clause 5 of the Bill, for the words 'five annas' the words 'four annas' be substituted."

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) :

P.M. Sir, I want to follow up my "brave" speech by supporting the amendment and voting for it.

The Honourable Sir Jeremy Raisman : Sir, I have already said a good deal on this subject and I do not propose to say any more at this moment except that apparently the amendment was moved because Sir Homi Mody was lacking in courage and it has now been supported by him merely to preserve his facade. I oppose the amendment.

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

"That in clause 5 of the Bill, for the words 'five annas' the words 'four annas' be substituted."

The motion was negatived.

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

“That clause 5 stand part of the Bill.”

The motion was adopted.

Clause 5 was added to the Bill.

Clause 6 was added to the Bill.

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

“That clause 7 stand part of the Bill.”

Mr. Lalchand Navalrai: Sir, I move:

‘That in clause 7 of the Bill for the words ‘one-third of each such rate’, wherever they occur, the words ‘twenty-seven per cent.’ be substituted.’

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

“That in clause 7 of the Bill, for the words ‘one-third of each such rate’, wherever they occur, the words ‘twenty-seven per cent.’ be substituted.”

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

“That in clause 7 of the Bill, for the words ‘one-third’, wherever they occur, the words ‘one fourth’ be substituted.”

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

“That in clause 7 of the Bill, for the words ‘one-third’, wherever they occur, the words ‘one-fourth’ be substituted.”

Mr. Lalchand Navalrai: Sir, this clause now refers to the surcharge which is being increased from 25 per cent. to 33 1/3 per cent. The ordinary income-tax has been increased from time to time and the popular protest has been against its increase. The popular view at present is that even the ordinary income-tax has reached its taxable capacity. This question of increase in the income-tax came before this House in November last when the 25 per cent. surcharge was being raised. The fate with which the Finance Bill met at that time is well-known. It was thrown out. That marked the popular verdict with regard to the surcharge of even 25 per cent. That condition still remains. The present view of the public is also that this increase from 25 per cent. to 33 per cent. will overburden them in such a manner that they will not be able to pay even the ordinary income-tax. Sir, it is a well-known fact that the income-tax is not paid willingly, not that the people are not willing to pay but because it overburdens them. It is well-known that the income-tax is being realised either under coercion or under compulsion or by the various ways of the Income-tax Officer, into which I do not want to go at present. I only want to say this that last time a surcharge was raised against the popular view for which there is no help now. I have, therefore, suggested that it should not be further increased to 33 1/3 per cent. at once but if at all it be raised only slightly so that we may be able to judge the effect of it. I have suggested that instead of raising it at once to one-third let it be raised from 25 per cent. to 27 per cent. With these few words, I move my amendment.

Babu Baijnath Bajoria: Sir, much has been said in this House about taxation *vis-a-vis* borrowing and the theory of it has been discussed at great length both by Sir Cowasji Jehangir and has been replied to by the Honourable the Finance Member. I do not want to go into those theories but as a businessman I will say that there should be both taxation and borrowing. What I feel is that the Honourable the Finance Member has relied much more on taxation than on borrowing and has been increasing the taxation for the last year and a half. During the last one year and a half the burden of taxation has gone up by 25 crores of rupees. Then, there is the question of direct taxation and indirect taxation. Here, again, the Honourable the Finance Member has also been very unjust to the commercial community and has forced up the direct taxation very considerably during the last three years. This income-tax is one of the main heads of direct taxation. . . .

Mr. President (The Honourable Sir Abdur Rahim): These are all points of general consideration. The Finance Bill has been discussed for six days and all aspects of it have been discussed, and the Chair cannot allow them to be repeated. The Honourable Member may not have been here. The Honourable Member had better confine himself to the amendment.

Babu Baijnath Bajoria: Sir, my amendment is that the income-tax should not be increased.

Mr. President (The Honourable Sir Abdur Rahim): But the Honourable Member cannot go into general questions.

Babu Baijnath Bajoria: I am not going into general questions very much. I am just speaking on the point that the income-tax in this country is very heavy. In 1937-38 the amount realised from income-tax was 14½ crores and it has been estimated to be 40 crores in 1941-42. This is a very big increase in the income-tax and as the income-tax falls mostly on commercial people and on industries—I think I am right in saying that 75 per cent. of this tax comes from the commercial community and industries,—it is not desirable that the Finance Member should go on taxing the commercial community and the industries over and over again and increase this tax, which is already on a very high level, by further increasing the surcharge on income-tax from 25 per cent. to 33 per cent.

Mr. President (The Honourable Sir Abdur Rahim): All that has been said.

Babu Baijnath Bajoria: This is exactly my amendment. Sir, there has been an under-estimate by the Finance Member

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot go into all these points. He must confine himself to the amendment. It is a well-known rule of the House.

Babu Baijnath Bajoria: I have to prove. . . .

Mr. President (The Honourable Sir Abdur Rahim): All that has been fully discussed. The Honourable Member may not have taken part in the discussion.

Babu Baijnath Bajoria: I am saying that the surcharge should not be increased, from one-fourth to one-third.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member might like to go into the whole question, but it cannot be allowed now.

Babu Baijnath Bajoria: I am speaking only on this particular amendment.

Mr. President (The Honourable Sir Abdur Rahim): Income-tax is the most important part of the Finance Bill, and that has been discussed fully. The Honourable Member cannot go into all that. It has been fully discussed for six days and to which replies have been given.

Babu Baijnath Bajoria: I may say, Sir, that during the discussion on the Finance Bill, most of the speeches of Honourable Members concerned only with all other subjects excepting the increase of income-tax. . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is quite mistaken. The Chair has been listening to all the speeches. The Chair cannot allow the Honourable Member to go into the whole question again.

Babu Baijnath Bajoria: I only wish to refer as far as income-tax is concerned. . . .

Mr. President (The Honourable Sir Abdur Rahim): It opens up an integral part of the whole scheme.

Babu Baijnath Bajoria: If that is your ruling, Sir, then I resume my seat.

The Honourable Sir Jeremy Raisman: If I may say so, Sir, as you have pointed out, the question of the amount of direct taxation which could fairly be levied and also the amount that should have been left to be filled by borrowing was very fully discussed during the general debate on the Finance Bill and I have nothing to add to what I said at that time. My Honourable friend, Babu Baijnath Bajoria, was not here to hear that part of the debate or the discussion of the effect of the new proposed taxation on business, but I gave my reasons for thinking that the level of direct taxation which I proposed in this Budget was one which could be borne by industry and commerce in the present economic conditions of the country. Therefore, I have nothing to do but to oppose the amendment.

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

"That in clause 7 of the Bill, for the words 'one-third of each such rate', wherever they occur, the words 'twenty-seven per cent.' be substituted."

The motion was negatived.

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

"That in clause 7 of the Bill, for the words 'one-third', wherever they occur, the words 'one-fourth' be substituted"

The motion was negatived.

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

“That to part (a) of sub-clause (1) of clause 7 of the Bill, the following proviso be added :

provided that such increased surcharge shall not apply to incomes below rupees five thousand per annum’.”

Sir, one of the fundamental principles of public finance is that taxation should be adjusted to the ability of the people to pay. Now, when we levy additional taxation, we should consider whether the persons on whom this additional taxation falls have the capacity to bear this burden. Sir, in my opinion, the persons whose incomes are below Rs. 5,000 do not possess any capacity to bear the additional burden. The other day, the Honourable the Finance Member observed that persons whose incomes were below Rs. 5,000 per annum were given some amount of advantage when the new Income-tax Act was passed. That is true. But why was it given? It was given because this section, the poorer section of the middle classes deserve to get such advantage. Now, Sir, if that was so three years ago, it is incumbent on us to examine whether the conditions of this poorer section of the middle classes have improved in the meantime, so that it has now acquired greater capacity to pay or not. My own view is that this poorer section of the middle classes is worse off now than it was three years ago. The cost of living has increased substantially and persons belonging to this section have fixed incomes. Their incomes have not advanced to any extent during these two or three years, and last year an additional burden was placed on this section of the middle classes, and now to impose a further burden on this poorer section of the middle classes would be wholly unjustifiable. On this ground, I urge that this class should be exempted from the additional taxation which is to be levied on income-tax payers. If this is done, a great justice will have been done to the poorer section of the middle classes, and no great harm would ensue to the revenue. I am unable to calculate what sum will be involved, but it is possible it will amount to 25 or 30 lakhs and not much more than that, but if by sacrificing this amount of revenue you can help a deserving section of the community, I think it is the duty of the Government to do so. With these words, I move my amendment.

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

“That to part (a) of sub-clause (1) of clause 7 of the Bill, the following proviso be added :

‘provided that such increased surcharge shall not apply to incomes below rupees five thousand per annum’.”

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

The Honourable Sir Jeremy Raisman: Sir, I regret I must oppose Dr. Banerjee's amendment. It is not quite clear whether his intention is that persons with an income below Rs. 5,000 per annum should be let off the whole of the surcharge above the rates fixed on the slab system or whether his idea was that they should be let off the increase over the rate of sur-

[Sir Jeremy Raisman.]

charge which is generally taken as 25 per cent. which was fixed in November last. Strictly speaking, of course, it was only 8 $\frac{1}{3}$ per cent. for the year as a whole but it was based on the idea of a 25 per cent. surcharge for the full year.

Dr. P. N. Banerjea: I meant the increase in the surcharge.

The Honourable Sir Jeremy Raisman: I must then point out that the effect of his amendment is to exempt them from the whole of the surcharge, because what clause 7 (b) (i) does is, without reference to any previous surcharge, to enact a surcharge for the year 1941-42 of one-third, and such increased surcharge can only refer to the surcharge which is contained in the clause. However, whether his intention be to exempt them from the whole of the surcharge or from the latest increase I must oppose it. The effect of the amendment as worded. . . .

Dr. P. N. Banerjea: It is clear; the words there are "increased surcharge".

The Honourable Sir Jeremy Raisman: But the wording of the clause is "rates of income-tax.....increased in each case by a surcharge for the purposes of the Central Government amounting to one-third of each such rate". So that the words "increased by a surcharge" also occurs in the clause and there is no reference to any surcharge other than the surcharge of one-third which the Bill proposes to impose. So that the effect of the amendment as it stands would be, on a rough and ready calculation which I have endeavoured to make, that it would cost us something of the order of 43 lakhs which I certainly cannot afford. But on the merits too I pointed out on a previous occasion that this is the class which benefited by the revision of rates which was embodied in the slab scale; and it is to my mind anomalous that they should be again selected for a special exemption from a burden which is being applied to all income-tax payers. But since Dr. Banerjea says that his object was to exempt these people from the effect of the last increase in surcharge, I must point out that even at the top of this range, *i.e.*, those who are most heavily affected by this surcharge, I calculate that the effect of it is of the order of Rs. 1/8/- per month. I do not think that people who are enjoying an income of Rs. 5,000 a year or very little less than that are being asked to bear an undue burden when they are subjected to a surcharge which in their case has so small an effect. Sir, I oppose.

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

"That to part (a) of sub-clause (1) of clause 7 of the Bill, the following proviso be added.

"Provided that such increased surcharge shall not apply to incomes below rupees five thousand per annum."

The motion was negatived.

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

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

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

"That clause 8 stand part of the Bill."

Babu Baijnath Bajoria: Sir, I move:

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds per cent’ the words ‘fifty per cent’ be substituted.”

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

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds’ the words ‘fifty-five’ be substituted.”

Mr. Lalchand Navalrai: Sir, I move:

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds per cent’ the words ‘fifty per cent’ be substituted.”

Mr. Deputy President (Mr. Akhil Chandra Datta): Further amendment moved:

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds’ the words ‘fifty-five’ be substituted.”

Babu Baijnath Bajoria: Sir, the Finance Member has said that this sixty-six and two-thirds per cent. is a respectable figure of taxation though some one has whispered to him that it should be raised even to one hundred per cent. He has also made it clear that those who whispered this were very cautious people and they knew that they would not be affected. In my opinion, Sir, 50 per cent. is already a very respectable figure and sixty-six and two-thirds per cent. would be a very autocratic figure and it will be very harsh on the industries. Sir, the Commerce Member the other day said that the industries must conserve their resources for the rainy day of the future when war ends and they must not fritter away the profits which they make at the present time. But the Finance Member by the excess profits tax and the increased income-tax is taking away about 80 per cent. of those increased profits, and in my opinion he is the person who is most guilty of frittering away the resources of the companies,—frittering away in this sense that they will have to pay these taxes and will not be able to retain most of the income which they will earn at this time of war.

The yield from the excess profits tax which has been expected by the Honourable the Finance Member during the current year is only one crore more from the remaining assessments. I doubt that this is a very great under-estimate and he will get much more and there is no necessity for further increasing this excess profits tax to this high level of 66-2/3 per cent. The industries are already very heavily taxed in all directions by direct taxation and indirect taxation and by taxation from the Centre and the Provinces and local bodies, and it is not proper that they should be so squeezed that whatever money they may make they have to pay most of it in taxes either in the centre or in the provinces. Apart from this taxation we have to look also to the shareholders point of view. The shareholders of many industries have not been getting any dividend or very little dividend during the past few years, and when these industries are looking up a bit and are making profits they are naturally expecting to get a share during the time of prosperity, as they were suffering without dividends or very little dividends during times of adversity. This point has not been well looked into or given due consideration at the hands of the Finance Member. Another point is that all the industries that are making profits are not making profits out of supplying war needs. So it will be very unfair to tax those industries to this very great extent. With these words I would commend this amendment to the House.

Mr. Lalchand Navalrai: Sir, I do not know how the Honourable the Finance Member got fascinated with this 66-2/3 per cent. He has not given us any figures to show that he cannot do without this percentage. He gets 50 per cent. already, and it is not known how he arrived at this figure of 66-2/3 and not any lesser figure. I am not a man who makes excess profits. My friend, the previous speaker, may be making excess profits but I am disinterested in that direction. But my fear is this, that it may be that the production by the industry may get less: industry may get discouraged and they may say their balance of profit will not be large enough to keep them up; from that point of view I say that the percentage should be reduced. My friend, Mr. Bajoria, has asked for a reduction to 50 per cent., but I am throwing a better bait to the Finance Member—55 per cent: that is only to induce him to come round because there is no question of any figures on which we can work: we can only ask for some concessions. I would, therefore, request the Finance Member to consider the position and to come to a lesser figure than the one he has proposed.

The Honourable Sir Jeremy Raisman: Sir, I have only one or two remarks to make in opposing this amendment. I would like to draw the attention of the House to the fact that the great majority of assesseees who will become liable to excess profits tax are already established industries and trades and that in many cases the excess profits arise in present conditions with extraordinarily little effort. They arise from an enhanced turnover due to the imperative demands of the war. They require remarkably little initiative or enterprise and they involve an almost negligible element of risk. It simply is that you get a far larger turnover—there may be some increase in overheads, but these are always allowed as expenses—but the whole volume of the business has increased to a tremendous extent by circumstances for which the *entrepreneur* or industrialist is really hardly responsible at all. That is the common type to which the excess profits tax applies. Whereas, all the special arguments that are adduced against an increase in the excess profits tax are drawn from the special case of some new industry. I yield to none in my desire to stimulate these new ventures and to give them a fair chance and I believe that the provisions which were introduced in the Excess Profits Tax Act before it was passed do enable that desire of mine to be fulfilled. But I cannot allow those special arguments to be continually paraded in order to prevent the application of a higher and justifiable rate of tax to businesses and industries in whose case the question of venture or new departure hardly arises at all. I would remind the House once again that by adopting certain options for the standard periods they allowed to trade and industry as a whole the facility to choose very favourable basic periods for the calculation of excess profits, so that it is true to say that in the vast majority of cases if not in every case, a person who is called upon to pay excess profits tax is already making peak profits, apart entirely from the excess which he is making. In other words, even if it were the case that I had succumbed to the suggestions of those who advocated a hundred per cent. excess profits tax, I would still be able to claim that those to whom the tax was applied were the fortunate ones—since the new level of their profits exceeded the highest peak in any of the standard years which it was open to them to choose

Mr. Lalchand Navalrai: Why not close those industries altogether?

The Honourable Sir Jeremy Raisman: If my Honourable friend thinks that it is the same thing that where a business for instance made one lakh in the most prosperous former period, and it is making Rs. 1,10,000 under war conditions and if that Rs. 10,000 is subjected to specially high taxation—if my friend thinks that to subject it to such taxation is the same as asking it to close up altogether, then I am afraid he is beyond the reach of any argument which I can adduce. Sir, I oppose the amendments.

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

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds per cent’ the words ‘fifty per cent’ be substituted.”

The motion was negatived.

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

“That in sub-clause (2) of clause 8 of the Bill, for the words ‘sixty-six and two-thirds’ the words ‘fifty-five’ be substituted.”

The motion was negatived.

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

“That clause 8 stand part of the Bill.”

The motion was adopted.

Clause 8 was added to the Bill.

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

“That the Schedule stand part of the Bill.”

Mr. Lalchand Navalrai: I beg to move:

“That in the Schedule to the Bill, in the proposed **FIRST SCHEDULE** to the Indian Post Office Act, 1898, for the existing entries under the head *Letters* the following be substituted:

‘For a weight not exceeding one tola	one anna.
For every tola, or fraction thereof, exceeding one tola	three pies’ . . .”

We have now reached the stage of the postage on letters and the next will deal with the postage on postcards. The postage on letters is one anna and three pies, and I want that to be reduced to one anna, and that further charge should be reduced to three pies from six pies. We know of those days when the letter postage was six pies and that on cards was one pice.

An Honourable Member: Good old days!

Mr. Lalchand Navalrai: We are economically now the same or even worse off. Those were good days. Government should help in unrestricted communication, and there should be no monetary obstacle or economic obstacle in the way. This one anna and three pies was imposed in November last. Before that, since 1935-36 it was one anna on the letter, and this continued till November, 1940, when it was increased by the Finance Act of that month to one anna and three pies. That was not accepted by the House. The whole Finance Bill was on that account also thrown out. It was by certification that we have been made to pay at the rate of one anna and three pies for a letter. I submit that should not be done. This year has been a prosperous year for the postal department.

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We find that there is a surplus of 90 lakhs. When there is a deficit they will say they have to make up the deficit, and when there is a surplus they say, we won't give you any the less with regard to the charges on postal letters and cards. When there is a deficit the stamp duty should be raised, and when there is an excess or surplus it should be reduced, and the Government cannot but accept that position. Then the question arises, why is it that they are not going to reduce it? We will hear again the same old argument paraded that this is for the purpose of helping in the war effort. But, Sir, both sides have to be looked at. This reduction will not in any way or to an appreciable extent affect the war effort. It is only a question of giving convenience to people to send their letters. If the present charge is continued, people may not write so many letters, or they must have curtailed it already. I do not know how the figures are since last November. That will mean less income for the Government. From all these points of view, I should think that the same stereotyped reply should not be given. Sir, I move.

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

"That in the Schedule to the Bill, in the proposed **FIRST SCHEDULE** to the Indian Post Office Act, 1893, for the existing entries under the head *Letters* the following be substituted :

For a weight not exceeding one tola	one anna
For every tola or fraction thereof, exceeding one tola	three pies."

Sir Gurnath Bewoor (Director General, Posts and Telegraphs): Sir, the amendment which is proposed not only takes away the extra quarter anna on letters of a weight not exceeding one tola which was put on by the last Finance Act, but it proposes to reduce the charge for every succeeding tola from half an anna to quarter anna. The proposal has been supported by the argument that the Postal Department has made a surplus and, therefore, it should give relief to the user of postal service. It is perfectly true that the year 1939-40 has showed a surplus of nearly 90 lakhs.

Mr. Lalchand Navalrai: You made it for the war.

Sir Gurnath Bewoor: But it was pointed out by the Honourable the Finance Member on the occasion of his budget speech in 1940 that this surplus was due almost entirely to the increased traffic resulting from the war and must, therefore, be regarded as of a transitory nature, and that it would be unwise to base on it any policy of rapid expansion of the activities of the Department or of a reduction in the existing rates.

Mr. Lalchand Navalrai: Where are the figures to show that?

Sir Gurnath Bewoor: The surplus for the year 1938-39, which was not a war year, was only 19 lakhs of rupees. The Honourable Member knows that war was declared in September, 1939, and from the figures we have got it is clear that both the postal and telegraph traffic have increased to an enormous extent. For the current year the surplus is expected to be 101 lakhs. It is true that it is a large surplus, but this, again, is due to the increased traffic resulting from the war and to the imposition of certain increases in rates which were definitely put on as a taxation measure for the purpose of earning revenue to meet war expenditure. The taxation portion of the surplus for the current year is expected to be 33 lakhs, and

for the next year it is anticipated to be 100 lakhs, so that out of the surplus of 140 lakhs which is anticipated for the next year, the real surplus is only 40 lakhs, the remaining 100 lakhs being the proceeds of taxation. The proposal which the Honourable Member has made would in our estimate involve a loss of revenue to the total extent of 117 lakhs. This would therefore practically wipe off all the surplus for the next year and it will wipe off the effect of the taxation which was definitely put on by the last Finance Act.

It is perfectly true that an increase in the letter rate would reduce the letter traffic. Allowance has been made for it, but even after making allowance for any reduction, certain additional revenue is bound to be derived and it is on that that our estimates are based and, therefore, in the present state of the finances of the Government of India as a whole it is out of the question to give any reduction in the letter rate.

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

“That in the Schedule to the Bill, in the proposed FIRST SCHEDULE to the Indian Post Office Act, 1898, for the existing entries under the head *Letters* the following be substituted :

‘For a weight not exceeding one tola one anna.
For every tola, or fraction thereof exceeding one tola three pies.’”

The motion was negatived.

Mr. Lalchand Navalrai: Sir, I move :

“That in the Schedule to the Bill, in the proposed FIRST SCHEDULE to the Indian Post Office Act, 1898, for the existing entries under the head *Postcards*, the following be substituted :

‘Single Six pies.
Reply One anna.’”

The cost of the post card was one pice only but it came to be raised in 1936 to nine pies. That was done as an emergency measure but the promise was given that it would be reduced. In 1937 it was reduced by a popular vote because the Government would not reduce it even though there were promises to that effect. In 1936 it was reduced by a popular vote of 67 to 43. In 1938 it was again raised to nine pies by certification, as the Congress did not attend. Then, Sir, in 1939 and in 1940, also it was by certification because the Finance Bills were thrown out. In 1940, the House knows fully well that the Congress came in. This was not accepted and the Finance Bill was thrown out. With regard to this every attempt should be made to give convenience to the poor people in order to communicate with each other in these days of war, whenever they wish to communicate with their friends and relatives at long distance in the rural areas. Therefore, I request the charge may be reduced. I know the same reply would come with regard to this motion also and I need not repeat the same arguments over and over again. But I will continue my efforts till the end of the war. With these words I move my amendment.

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

“That in the Schedule to the Bill, in the proposed FIRST SCHEDULE to the Indian Post Office Act, 1898, for the existing entries under the head *Postcards*, the following be substituted :

‘Single Six pies.
Reply One anna.’”

Sir Gurnath Bewoor: I very much regret that my speech must be the same as I made last year, because the Honourable Member has made the

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same speech which he made last year. All I can say is that the argument which I advanced in connection with the reduction of the letter rate applies to the present amendment as well. I should like to point out that in the Finance Bill which was brought in last November, the post card was not touched at all out of considerations for the feelings of the Honourable Member and others of his persuasion. I would like to remove one inaccuracy. The Honourable Member said that the post card rate was reduced in 1937. I do not know what he means because actually the post card was raised to nine pies from the 15th December, 1931 and has remained at that price.

Mr. Lalchand Navalrai: It was reduced by the House.

Sir Gurunath Bewoor: The Honourable Member did not make that clear. The present proposal even with the best anticipations of increase in traffic would involve a loss of revenue to the extent of 84½ lakhs. I must on that ground oppose the motion.

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

"That in the Schedule to the Bill, in the proposed FIRST SCHEDULE to the Indian Post Office Act, 1898, for the existing entries under the head *Postcards*, the following be substituted:

'Single	.	.	.	.	.	Six pies.
Reply	.	.	.	.	.	One anna'."

The motion was negatived.

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

"That the Schedule stand part of the Bill."

The motion was adopted.

The Schedule was added to the Bill.

Clause I was added to the Bill.

The Title and Preamble were added to the Bill.

The Honourable Sir Jeremy Raisman: Sir, I move:

"That the Bill be passed."

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

"That the Bill be passed."

Maulvi Abdur Rashheed Chaudhury (Assam: Muhammadan): Sir, so many amendments have been moved and not one has been accepted, and the Bill is going to be passed by the official majority. When the Finance Bill was discussed in the last November Session, it was discussed in all its aspects by the House and the House gave its verdict. Now, let us see whether anything new has happened to make this House change its opinion. At the outset, I must make it clear, so that I may not be misunderstood. So far as this war is concerned, men and money must be found for the successful prosecution of the war. This is my view, and whatever I may say in the third reading of this Bill, I trust I may not be misunderstood. I am opposed to Fascism and Nazism and I am equally opposed to British Imperialism. In the discussion of the last Finance Bill, it came out very prominently that neither His Majesty's Government nor the Government of India could make out clearly what was the aim

for which they were fighting, whether it was for the preservation and restoration of the freedom and independence of weaker nations, and whether those principles would be applied to India.

There was a declaration of the Viceroy, but it was circumscribed by so many qualifications that it was not known whether even if the Government wanted to part with power, that power would approach that which is enjoyed by other dominions. So, Sir, this House rejected the last Finance Bill. Since then, Sir, nothing has happened for this House to change its opinion in connection with this Finance Bill. The British Prime Minister is keeping his golden silence. He has not said a word even about the doubt which is in the mind of the people of India that the British war aims will not be applied to the case of India. The Secretary of State indulges in occasional outbursts, but he belies the hope which we entertained of him since he was a man born and brought up in this country. Sir, he cannot create a new war enthusiasm; let us see, Sir, why. Sir, one reason is that time after time our Finance Member produces before this House a mixed Budget. By a "mixed Budget", I mean, not a separate budget for ordinary expenditure and a separate budget for the war. The result is that the mixed Budget always receives mixed reception. There is always a doubt in the mind of the people that there is some underhand reason for which a separate Budget is not prepared for the purposes of the war. There is always the doubt that the budget which is intended for the war will be continued as a peace measure also. That is the experience of this House, and that is the experience of this country.

Sir, when the super-tax was introduced at the time of the last war, it was distinctly understood, and an understanding was distinctly given, that that was a war measure, and that, as soon as the war would be over, that would cease to apply.

Dr. P. N. Banerjee: There is no quorum in the House?

Mr. Deputy President (Mr. Akhil Chandra Datta): There is a quorum.

Maulvi Abdur Rasheed Chaudhury: Sir, the last war was over after four years, but the super-tax is continuing even now. So, Sir, whenever any mixed budget is produced, the country becomes suspicious and cannot show its eagerness for the war. The same suspicion even now arises that the different taxes that have been proposed in this Finance Bill may continue after the war. Sir, this mixed budget is a half-measure, I should say; it cannot create a war enthusiasm. If the Honourable the Finance Member would have taken a bold policy, he would have been able to create a better enthusiasm; if he would have come out with a proposal like this, "Well, we require so much money for the prosecution of the war, this much money must be found, but I give you the assurance that as soon as the war will be over, these measures will cease to exist", then we would have approached our constituency boldly and said; "Well, gentlemen, we are in difficulty; we want money for this difficulty, but this will not continue as soon as the war will be over", and that would have created a war enthusiasm. So far as the Finance Member is concerned, he also is put in an awkward situation due to this mild measure. He cannot put up his whole scheme all at once. Sometimes he would take resort to something and squeeze out some money from here and there, just like the milching of the proverbial cow of Sir Ziauddin Ahmad. He

[Maulvi Abdul Rasheed Chaudhury.]

would then take a magic wand and approach the proverbial tiger and threaten him and kill him. Then he would take as much as he can get from that source. He would then again take a magic wand and kill the proverbial lion and squeeze out everything that he can put his hands on. Sir, there is one danger in this sort of practice in their attempt to find money for the prosecution of the war. It is true that the Finance Member gets the money he wants, but only so after a good deal of shilly-shally and after a good deal of agitation. The result is that so far as the war preparations are concerned, this country is always lagging behind, both for want of money and for want of enthusiasm.

Sir, the Finance Member said the other day that the Defence Department had prepared and trained only half a million men. He did not enlighten this House as to what proportion of this half a million men is still in India and what proportion has gone overseas. Now, Sir, this is a gigantic struggle of life and death, I should say, and these half measures ought not to have been taken for the safety of this country. Then, again, Sir, there should be a fixed principle of finding money. If it is taxation, let it be a fixed principle of taxation. If it is otherwise, that should also be fixed. But, Sir, what do we find? We do not find any fixed principle. I have said, Sir, that the empire is engaged in a gigantic struggle. It may be a very very long war nobody can say. That being so, there should be a fixed principle of taxation and a fixed principle of borrowing, so that there may not be a dearth of money at any time. Sir, at the time of the last war, the Government could create enthusiasm, because at first they introduced a ten per cent. cut on high salaries

The Honourable Sir Jeremy Raisman: No, Sir, the Honourable Member is entirely wrong.

Maulvi Abdur Rasheed Chaudhury: There was a salary cut so far as I know?

Dr. P. N. Banerjea: It was afterwards in 1931 at the time of the great depression.

The Honourable Sir Jeremy Raisman: This was afterwards in 1931.

Maulvi Abdur Rasheed Chaudhury: I stand corrected. My point is that there should be a fixed principle for finding money.

Now, Sir, if money is actually required, nobody will grudge that, but the House should be satisfied, the country should be satisfied, that there is an actual necessity for money. My Honourable friend, Sir Cowasji Jehangir, in his speech quoted facts and figures, and he found and he showed that in 1941 there was a credit balance of the Government of India with the Reserve Bank of over twenty crores. The credit balance has gone up to something like 30 or 31 crores. Now, Sir, according to the Finance Member we are in deficit for 20 crores this year. When we have got a surplus money in our hands, what is the use of fresh taxation, and what is the use of borrowing? It is an entirely wrong policy. This is not the usual policy. What do we find in our individual capacity? When we want to finance a concern, and if we have got the money in our hands, we never go to borrow. But in this case the Finance Member is borrowing about 30 crores. This House will not approve of this policy unless it is thoroughly explained.

The Honourable Sir Jeremy Raisman: Will the Honourable Member kindly read the ways and means section of the Explanatory Memorandum?

Maulvi Abdur Rasheed Chaudhury: I have read that.

Then, Sir, there has been a good deal of talk about the subject that a major portion of the money should be found by borrowing. It was pointed out by Sir Cowasji Jehangir that in the case of England over 140 per cent. of the money is borrowed to meet the expenses of the war. Here, they have decided to raise about 6 crores by taxation and the remaining 13 crores by borrowing. There is a danger in this policy. The danger is that if this war is going to be a long one, there will be difficulty in finding money afterwards. The borrowing then will have to be on a very high rate of interest. You are limiting the resources of the country by taxing people and you are reducing the paying capacity of the people by means of this taxation. This will make capital shy. On this point there have been many speeches, and I do not want to repeat those arguments, but the fact remains that this taxation is creating a scare which will react very adversely on the money market of future years. If the present resources of the country are curtailed, the future payment will be very difficult. So, this House, I think, will not approve of so large a portion of the deficit being met by taxation.

Then, Sir, as to the question of the deficit, we have got to depend entirely on what the Finance Member says. We are not satisfied that there is actually a deficit. Where is the document to show that there is actually a deficit? Has it been found out by any Inquiry Committee or by anybody else that there is actually a deficit?

The Honourable Sir Jeremy Raisman: Will the Honourable Member please, prove to me that there is a war going on?

Maulvi Abdur Rasheed Chaudhury: I approve of the suggestion made by Dr. Sir Ziauddin Ahmad in this connection. He said that before a deficit is brought about, he must be satisfied by a small Committee who could examine the deficit in all its aspects.

The Honourable Sir Jeremy Raisman: There is only one aspect of it, and that is the *minus* aspect.

Maulvi Abdur Rasheed Chaudhury: Another thing which must be borne in mind in this connection is that there is a good deal of difference between the expenditure of money for war purposes in this country and other countries. War is not always a bad thing from the economic point of view. Of course, the loss of human life and property is very regrettable, but economically it is not always a very bad proposition. From the figures which we read in the papers we find that in England, for example, unemployment has practically ceased. That is not the case in this country. If the money raised for war were to remain in this country, it will simply pass from one hand to another . . .

Mr. Deputy President (Mr. Akhil Chandra Datta): Order, order: Without meaning to interrupt the Honourable Member, the Chair owes it to the House and to itself to remind him of the announcement made this morning from the Chair that according to the agreement arrived at in the House, there will be no speeches during the third reading of the Bill. As there was some time left to us, the Chair thought it would be better to allow some speeches to be made if there were some Members who were anxious to speak. The Chair only wants to remind him about it. It should be remembered that this is the third reading of the Bill, and, therefore, the speeches should be consistent with the limited scope of the Bill. Beyond this, the Chair did not mean to interrupt the Honourable Member.

Maulvi Abdur Rasheed Chaudhury: I bow to the decision of the Chair, and I will be as brief as possible.

Sir, if the Government could have created war enthusiasm, there would have been no necessity for these taxation measures.

Now, Sir, I wish to speak a few words about propaganda. Government have got newspapers like the *Statesman* and other Anglo-Indian newspapers to voice their views. Let us see what sort of propaganda these papers have been carrying on. As soon as we open the pages of the *Statesman*, we find that it calls all the political association of this country as so many parasites of the British Government. Then, Sir, we find that some of our very best people who are doing several things for the betterment of the country are classed as belonging to the "Cranks Corner". Is this the propaganda for creating war enthusiasm in this country? I think it is not. Then, there is another widespread discontent throughout this country about the mode of treatment given out to the lovers of the country who practise Satyagraha and things of that character. Sir, in fact, in legal circles, there is a talk that all the prosecutions under the Defence of India Act for uttering anti-war slogans are illegal.

The Honourable Sir Jeremy Raisman: I submit, Sir, that the Honourable Member is not making a speech within the scope of the third reading.

Maulvi Abdur Rasheed Chaudhury: I may be permitted to explain how this comes within the scope of the Bill.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair was itself thinking that all this talk about detenus and about the treatment to the detenus do not strictly come within the scope of the third reading of the Bill. The Chair hopes the Honourable Member will be more relevant. He will confine himself to the clauses of the Bill.

Maulvi Abdur Rasheed Chaudhury: I was saying, Sir, that there can be no war enthusiasm which the Government want to see in the people of this country. There is just one thing which I wish to mention in this connection, and then I shall pass to other things. I have already said that there is already a talk in legal circles that all these prosecutions are illegal. Recently, in Gudur, in Madras Presidency, the District Magistrate held that mere uttering war slogans was not sufficient to constitute an offence under the Defence of India Act, and so he acquitted all the accused. Now, Sir, Government are in a very bad position, either they

will have to say that the Joint Magistrate's judgment was wrong, or if the Joint Magistrate was correct in his judgment, then the Government will have to set free all the prisoners. So much for war enthusiasm.

There is another small complaint I have to make. When the Supplementary Finance Bill was under discussion in November last, the Honourable the Commerce Member, for whom I have great regard, said that everybody who is not helping in the war effort is a traitor to the country. This is an insult to the country. It has also been repeated the other day by the Honourable the Home Member when he said that these people were all bad characters. Sir, war enthusiasm cannot be artificially created in this way.

Sir, the Finance Bill has come out as it was discussed at the consideration stage, not a comma has been changed, not a single amendment has been carried, and so the grounds on which the House based its criticism at the consideration stage still hold good, and I think we are entitled to discuss all those subjects now which were touched upon at that stage.

The Honourable Sir Jeremy Raisman: May I ask for your ruling, Sir? The Honourable Member has construed the position to be that it is open to him to talk on matters which were discussed at the consideration stage.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair thinks the Honourable Member will not be in order if he reopens the whole question. There are many questions which have been accepted by the House and we cannot go behind those decisions. The Chair takes it, the Honourable Member knows the distinction between the third reading and the previous reading of a Bill. The Honourable Member cannot possibly discuss all the questions which he was at liberty to discuss at the earlier stages. The Chair hopes the Honourable Member will speak within the scope of the Bill.

Maulvi Abdur Rasheed Chaudhury: I bow to your ruling, Sir. It is desirable that I should speak a few words on two or three subjects. I will not take up much of the time of the House. My Honourable friend, Sardar Sant Singh, gave facts and figures and explained how the census figures were calculated.

Sir Cowasji Jehangir: This is the third reading of the Bill.

Maulvi Abdur Rasheed Chaudhury: The question is whether we should accept these census figures as correct, or whether we should scrap them. Another startling thing which my Honourable friend, Sardar Sant Singh, referred to was about the Chief Justice of the Lahore High Court.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair should tell the Honourable Member that he is not at liberty to discuss these things at this stage of the Bill.

Maulvi Abdur Rasheed Chaudhury: I bow to your ruling, Sir. I am going to suggest how war enthusiasm could be created in this country.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member spoke a good deal about war enthusiasm, and, in the third reading, he must not go over that ground again.

Sir Cowasji Jehangir: Which is the clause of the Bill that relates to war enthusiasm?

Maulvi Abdur Rasheed Chaudhury: The Bill wants the House to vote for money, and before money could be granted, I must speak about the grievances.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair would also remind the Honourable Member that there was an agreement of the entire House that this Bill should be finished today, and, in fairness to other Honourable Members who might like to speak, the Honourable Member should be as brief as possible.

Maulvi Abdur Rasheed Chaudhury: I do not like to break the agreement, and in order to show my deference to the agreement, though I was not a party to it, I resume my seat.

The Honourable Sir Jeremy Raisman: I move that the question be now put.

Babu Baijnath Bajoria: I should like to say a few words before the debate is closed.

The Honourable Sir Muhammad Zafrullah Khan: I must point out, Sir, that the Honourable the President not only accepted the agreement, but intimated that he would see that it was enforced. I hope you will see, Sir, that the agreement is enforced because, if not, that confidence which ought to exist among all the parties in the House will be destroyed and in future it would not be possible to come to any understanding in the confidence that it would be given effect to.

Babu Baijnath Bajoria: In that case, I do not want to disturb the agreement which has been arrived at.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair has been already over-indulgent, and if any Honourable Member of the House insists upon the agreement being honoured and given effect to, then it is the duty of the Chair to see that it is given effect to.

The question is :

"That the question be now put."

The motion was adopted.

Mr. Deputy President (Mr. Akhil Chandra Datta): Does the Honourable the Finance Member wish to reply to the debate?

The Honourable Sir Jeremy Raisman: I wish to abide by the agreement which has been arrived at. I move :

"That the Bill be passed."

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

"That the Bill be passed."

The Assembly divided :

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

AYES—40.

Abdul Hamid, Khan Bahadur Sir.
Abdul Hamid, Khan Sahib Shaikh.
Ahmad Nawaz Khan, Major Nawab
Sir.

Bewoor, Sir Gurunath.
Boyle, Mr. J. D.
Buss, Mr. L. C.
Caroe, Mr. O. K.
Clow, The Honourable Sir Andrew.
Dalal, Dr. R. D.
Dehejia, Mr. V. T.
Gopalswami, Mr. R. A.
Griffiths, Mr. P. J.
Gwilt, Mr. E. L. C.
Ikramullah, Mr. Muhammad.
Imam, Mr. Saiyyid Haider.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur
Sardar Sir.

Kamaluddin Ahmed, Shams-ul-Ulema.
Kushalpal Singh, Raja Bahadur.
Lawson, Mr. C. P.

Manavidan, Raja T.
Maxwell, The Honourable Sir Reginald.
Mazharul Islam, Maulvi.
Miller, Mr. C. C.
Muazzam Sahib Bahadur Mr. Muham-
mad.
Mudaliar, The Honourable Diwan
Bahadur Sir A. Ramaswami.
Mukharji, Mr. Basanta Kumar.
Oulsnam, Mr. S. H. Y.
Pillay, Mr. T. S. S.
Rahman, Lieut.-Colonel M. A.
Raisman, The Honourable Sir Jeremy.
Rau, Sir Raghavendra.
Scott, Mr. J. Ramsay.
Shahban, Khan Bahadur Mian Ghulam
Kadir Muhammad.
Sheehy, Mr. J. F.
Sivaraaj, Rao Sahib N.
Spence, Sir George.
Thakur Singh, Captain.
Tyson, Mr. J. D.
Zafrullah Khan, The Honourable Sir
Muhammad.

NOES—19.

Abdul Ghani, Maulvi Muhammad.
Abdur Rasheed Chaudhury, Maulvi.
Azhar Ali, Mr. Muhammad.
Bajoria, Babu Baijnath.
Banerjea, Dr. P. N.
Chattopadhyaya, Mr. Amarendra Nath.
Datta, Mr. Akhil Chandra.
Deshmukh, Mr. Govind V.
Essak Sait, Mr. H. A. Sathar H.
Fazl-i-Haq Piracha, Khan Bahadur
Shaikh.

Lalchand Navalrai, Mr.
Liaquat Ali Khan, Nawabzada Muham-
mad.
Maitra, Pandit Lakshmi Kanta.
Muhammad Ahmad Kazmi, Qazi.
Murtuza Sahib Bahadur, Maulvi Syed.
Reza Ali, Sir Syed.
Siddique Ali Khan, Nawab.
Zafar Ali Khan, Maulana.
Ziauddin Ahmad, Dr. Sir.

The motion was adopted.

THE TYRES (EXCISE DUTY) BILL.

The Honourable Sir Jeremy Raisman (Finance Member) : Sir, I move :

"That the Bill to provide for the imposition and collection of an excise duty on tyres be taken into consideration"

I have already mentioned this proposed tax in my Budget speech and I also dealt with certain objections which had been raised to it in the consideration motion of the Finance Bill. It is a tax which but for technical reasons could have been dealt with in the Finance Bill, but since it is a new excise and since we have not got a general Excise Act it is necessary to make a separate Bill. My Honourable friend, Sir Homi Mody, the other day indicated certain criteria for the imposition of excise taxes. I consider that this tax fulfils the criteria which he laid down; but in addition to that it fulfils certain other very important criteris for an excise tax.

Sir H. P. Mody (Bombay Millowner's Association : Indian Commerce) : Sir, I may remind my Honourable friend that one of the criteria was that the industry should be fully protected in its own home market.

The Honourable Sir Jeremy Raisman: If by those words the Honourable Member meant that there should be in existence a protective duty I agree that the tyre industry in India would not fulfil that criterion. But if he puts on those words the more reasonable construction which I do, that the industry in its own home markets without a deliberate act of protection is already very well placed to meet foreign competition, then I consider that this industry fulfils the criteria for an excise better than many industries to whom statutory protection has been extended. It is better placed because it has certain natural advantages, because the same tyre which is produced abroad at equal or greater cost and brought to this country and which then pays the revenue duty has to compete with a tyre produced in this country under favourable conditions and, actually, in many respects at lower costs; and I believe that this industry could have been successfully established with a revenue duty lower than that which actually happened to prevail at the time when the industry was introduced. But I was going to say that there were certain other criteria than those laid down by Sir Homi Mody. He approached the matter entirely from the point of view of the industrialist. I must look at the matter from the point of view of the exchequer, and from that point of view there are certain important requirements which an excise duty should fulfil; and one of them in particular is that it should be capable of easy and efficient administration.

One of the reasons why various excise duties which have been suggested are not capable of adoption is that the products to which they relate are manufactured in so many small establishments up and down the country that in order to impose an excise it would be necessary to introduce a degree of control which would almost be tantamount to taking over the industry or making a monopoly of it—a state monopoly; and in fact that is a device to which recourse has been had in various countries, and to some extent in India when a commodity which is a desirable object of an excise is manufactured in very scattered and diverse conditions. An ideal subject for an excise is a commodity which is manufactured in a few establishments so that supervision and the administration of the tax can be concentrated and efficiently carried out. That is a criterion which I suggest Sir Homi Mody might add to those which he has mentioned.

I dealt the other day with the point which has been raised and which Sir Homi Mody, who knows better, sought to introduce, about protection and the maintenance of a relation between the excise duty and the import duty. I pointed out then that if an import duty was a purely revenue duty, then there was absolutely no reason why a fixed margin equal to that revenue duty should be maintained whenever an excise duty was imposed; and as a matter of fact our own practice in this country shows that that principle has always been understood. For instance, in the case of motor spirit, the excise duty on motor spirit is exactly the same as the import duty. There is no attempt there—much to my friend, Mr. Buss's regret apparently—there is no suggestion there that it is necessary to maintain a margin between the duty on petrol produced abroad and the duty on petrol produced in this country, because the answer would be that there is absolutely no reason why any protection should be given to the

motor spirit industry; and similar considerations apply in respect of certain other duties. It is true that in recent years many of the excise duties which have been introduced related to commodities which were already the subject of a protective duty; and in those cases it was obviously incumbent upon the Government to maintain the margin of protection; but another example where no such margin is maintained at present is the case of salt, where the duty on salt produced in the country is exactly the same as the import duty on salt manufactured abroad. Sir, I move.

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

“That the Bill to provide for the imposition and collection of an excise duty on tyres be taken into consideration.”

Sir H. P. Mody: Sir, I would just like to say that if my Honourable friend, the Finance Member, had based this measure upon the necessity of finding money, then I should have said nothing at this stage

The Honourable Sir Jeremy Raisman: I did.

Sir H. P. Mody: But when he goes on to justify it and adduces the argument that the industry is sufficiently secure in its home market, then I must join issue with him. The duty on tyres and tubes is only a revenue duty and stands at the low level of 25 per cent.: there are in the revenue tariff duties of a far heavier character, and I am sure my friend is not serious when he suggests that a revenue duty of 25 per cent. affords that measure of protection to which an infant industry is entitled. He cannot gainsay the fact that the imports of tyres and tubes are on a considerable scale, and to the extent to which this excise raises the costs of local manufacture it is crippling an industry which has just established itself, and from that point of view I submit once again that the excise is not justified without an equivalent increase in the import duty on tyres and tubes.

Babu Baijnath Bajoria (Marwari Association: Indian Commerce): Sir, I would like to know from the Honourable the Finance Member what is the proportion of tyres and tubes manufactured in this country and what is the proportion which is imported from the outside

Sir H. P. Mody: Tyres, about half and half. Tubes—local manufacture is 60 to 70 per cent.

Babu Baijnath Bajoria: and whether these tyres and tubes are only manufactured by the foreign concerns like Dunlops and Goodyears, and whether there are other factories in which Indians predominate both as regards capital and management. Another thing which strikes me is about clause 3 (2) where it says:

“Where no such value has been fixed the value of a tyre shall be deemed to be the wholesale cash price, less trade discount, for which a tyre of the like kind and quality is sold or is capable of being sold by a manufactory without any abatement, etc., etc.”

I shall illustrate it. If the value of a tyre is Rs. 100 and 25 per cent. trade discount is allowed, then the duty of 10 per cent will be levied on Rs. 75; but then that Rs. 75 will also include the value of the duty. As far as I know, in calculating any import duty the value of the duty is deducted before any assessment is made. I think that practice should also be followed in this case.

Sir Syed Raza Ali (Cities of the United Provinces: Muhammadan Urban): I just wish to say a few words on this Bill. The first thing I have to point out is this, that, according to my information, there are four companies that have established their business and built factories in India since 1935. I believe the first one was built in 1935 to manufacture tyres and tubes. So that these companies have not had more than, say, nearly five years at their disposal to establish their business. My information further is that just at present they are carrying on fairly satisfactorily and the treatment meted out to them is the same as that which is accorded to imports by the Government of India. Now, there is going to be this additional duty and that additional duty is bound to hit them. The mere statement that this industry has established itself sufficiently to compete with foreign imports is not sufficient. I am afraid the Honourable the Finance Member has not made out any case for abstaining from imposing an import duty on foreign tyres and tubes. Why should there not be any duty? What is the point? Take the revenue point

The Honourable Sir Muhammad Zafrullah Khan (Leader of the House): There is a revenue duty of 25 per cent. already.

Sir Syed Raza Ali: I mean a corresponding import duty of ten per cent. My Honourable friend said that this excise was proposed for revenue purposes.

The Honourable Sir Jeremy Raisman: Does the Honourable Member realise that to do that is to decide at one stroke without any examination whatsoever that this industry is entitled to 25 per cent. protection?

Sir Syed Raza Ali: I do not know what further examination is required, —I mean in the case of imports. I am dealing with imports, not with protection accorded to this industry. Perhaps I have got confused this afternoon, generally I am not. But my point is this. Why should there be no countervailing import duty on foreign tyres and tubes?

The Honourable Sir Jeremy Raisman: I have been explaining that for some time.

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): Even for revenue purposes.

Sir Syed Raza Ali: Even for revenue purposes,—that is exactly what I am saying. That corresponding additional duty will put a little more money into the pockets of the Finance Member and why should he not have it?

The Honourable Sir Jeremy Raisman: Because it has a protective effect. I hope the Honourable Member realises that to increase the import duty on a commodity when a large amount of it is being manufactured in this country is to take a small amount for the exchequer and to put a very large sum into private pockets.

Sir Syed Raza Ali: I am afraid I do not agree with you. That is not so. I do not see why it should have that effect. That is one point.

Secondly, I think that the time has come when the Government should look into the question of the treatment of Indian employees by these companies. That question will have to be gone into carefully at one time or another, and I believe the time has come when the Government of India should start consideration. In some Dominions I know the practice is, if a foreign company, even if it is registered in England, establishes a factory, then they are very careful to see that the nationals of the Dominion get a fair deal in the matter of employment, in the matter of treatment, in the matter of promotion and other respects. I do not think that anything of the sort is being done in India. In fact, it is more the Commerce Member than the Finance Member who is concerned with this, I dare say, but the question is a very important one. If I am right, if my information is correct, I should say that the position today is a most disastrous one. Suppose a foreign company comes here and builds a factory

Sir H. P. Mody: I think you are playing into the enemy's hands.

Sir Syed Raza Ali: I want to play into enemy's hands.

Sir H. P. Mody: Do it on other occasions.

Sir Syed Raza Ali: I have a thorough distrust of these Bombay millionaires. They care for their own £. s. d. and they do not care for the consumer. I must plead the cause of the Indian people and not of the millionaire. Suppose a foreign company, for instance, with Sir Homi Mody as a director, establishes a factory with a million pounds. They can rely on the good offices of men like him, but they are not bound at the same time to give even five per cent. of the decently paid jobs to Indians. That is a scandalous state of affairs. There is nothing to compel a foreign company that has built a factory in India even to employ five per cent. Indians. No doubt they will have to employ labourers. If they can placate Indian businessmen at the top it is all smooth sailing for them afterwards. That is a state of affairs to which we take strong objection. Again, when such a company employs Indians, it should treat Indians exactly in the same manner as they treat Europeans. The European and Indian employees should be on the same footing, there should be no preferential treatment meted out to Europeans at the cost of Indians.

Mr. J. D. Boyle (Bombay: European): Is your definition of a foreign company the same as that given by the Commerce Member yesterday?

Sir Syed Raza Ali: I am sorry I was not present here when the Commerce Member spoke. I may tell my Honourable friend what I mean. For this purpose I do accept the definition given in section 116 of the Government of India Act,—not that I am satisfied with it. I am not at all satisfied with it, let me make it quite clear. But still having regard to war conditions I am reluctantly prepared to accept that definition. But, even so, this question has to be looked into. It is the duty of the Government to see that foreign companies are not allowed to build factories in India. I have in mind purely foreign companies. When I say foreign I mean foreign, I do not mean any company registered in England or necessarily a company from a country of the British Commonwealth of Nations. But it is high time that this question was gone into very

[Sir Syed Raza Ali.]

carefully by the Commerce Member. The Commerce Member is the custodian of Indian rights. He knows the position, he knows the difficulties which our young men have to face. He knows that discrimination is practised against these young men, even by those foreign companies who have been established in India and who have been allowed to build their factories in India. It is most objectionable that these companies should be allowed to make a distinction between Indian and European employees. If they are going to do that, surely means should be found to remedy that state of affairs.

The Honourable Sir Jeremy Raisman: I should first dispose of an objection taken by my Honourable friend, Mr. Bajoria, on the definition of wholesale value for purposes of levying tax. If he will read sub-clause (2) of clause 3 of the Bill, he will find that the amount of the excise duty is to be deducted when determining the wholesale cash price for purposes of levying the duty. The wording is "the wholesale cash price, less trade discount, for which a tyre of the like kind and quality is sold or is capable of being sold by a manufactory without any abatement or deduction whatever except the amount of the excise duty payable on it at the time of issue out of the manufactory." I hope that satisfies the Honourable Member.

Babu Baijnath Bajoria: I stand corrected.

The Honourable Sir Jeremy Raisman: For the moment I was a little alarmed because I thought he had actually discovered a technical defect in the Bill.

Well, Sir, as regards the arguments of Sir Homi Mody and Sir Raza Ali regarding the position of this industry *vis-a-vis* foreign competition I can only repeat that I am perfectly satisfied that in present conditions there is no necessity to increase the import duty on foreign tyres in order to impose an excise on the indigenous industry.

Sir Syed Raza Ali: May I know what the Honourable Member means by 'present conditions'.

The Honourable Sir Jeremy Raisman: I mean in war conditions and so on. I do not rule out the possibility that circumstances may arise in which any industry may establish a claim for protection. This industry may at a later stage be able to establish a claim for protection in which case the duty on imports should be changed from a revenue to a protective duty and from that time forward it would be necessary to maintain a margin between the import duty and the excise but that is not the case at present and it is a fundamental matter of principle—and one which is of the greatest importance—that the Members of the House must realise that it is fatal without any inquiry whatever and without any case being established to take the line that because there exists an import revenue duty any taxation which is levied on the same commodity produced in the country must automatically be added to the tax on imports of that commodity.

I have already instanced the case of salt and the case of motor spirit as commodities in which there is not a single pie of difference between the excise duty and the import duty. There is no element of protection because

they are after all revenue duties. Both the import duties in this case and the excise duty are purely revenue duties and in the absence of any determination of the claim of the industry to protection and of the amount of protection that should be given to it, I claim that I am absolutely free to treat them as revenue duties and to fix them independently at the level which I consider most suitable for revenue purposes. I claim that I am at this moment completely unhampered by any considerations other than revenue considerations but I may add that I have borne in mind the position—I have carefully made my own judgment of the position—of the industry. As a matter of fact, before this tax has been imposed, I have been in correspondence with the principal producers of tyres in this country. I have a great deal of information about their production and the prices at which they sell their tyres and I am satisfied—and I cannot do more than tell the House—that it is possible to impose this excise without inflicting any undue hardship on the industry.

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

“That the Bill to provide for the imposition and collection of an excise duty on tyres be taken into consideration.”

The motion was adopted.

Clauses 2, 3, 4, 5, 6, 7 and 8 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir Jeremy Raisman: Sir, I move:

“That the Bill be passed.”

There is only one point that I would like to mention to the House, which has not arisen, as Mr. Kazmi did not move his motion and that is I contemplate that if it is possible to do so administratively, which I hope it will be, tyres for bullock carts will be exempted from this duty, because I think that the bullock cart tyre is an innovation which should be encouraged by every means in our power as it is capable of saving the country lakhs and lakhs of rupees in the deterioration of roads and also animals and for that reason I am prepared to make every effort to prevent any increase in the price of bullock cart tyres.

Babu Baijnath Bajoria: The Honourable Member has not informed me as to how many factories there are and how many are Indian?

The Honourable Sir Jeremy Raisman: I will tell him the names of the factories and he can judge for himself. The factories are: The Dunlop Rubber Co., India, Ltd., The Good Year Tyre Rubber Co., India, Ltd., the Firestone Rubber Co. Ltd., and the Indian Tyre and Rubber Co., India, Ltd. I do not know the detailed constitution of these firms but precisely for the reason that I hold myself free and unconcerned with any protective considerations, for the same reason, I was not directly concerned with matters such as Sir Raza Ali raised and which certainly would be matters which would come under consideration if and when the question of protection for the industry is under examination.

Sir F. E. James (Madras: European): May I put the Honourable Member one question? Will the excise duty be refunded in the case of tyres and tubes which are exported from India to other countries?

The Honourable Sir Jeremy Raisman: Yes. Every excise duty is refunded if the articles are exported out of the country.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That the Bill be passed."

The motion was adopted.

THE EXCESS PROFITS TAX (AMENDMENT) BILL.

The Honourable Sir Jeremy Raisman (Finance Member): Sir, I move:

"That the Bill further to amend the Excess Profits Tax Act, 1940, be taken into consideration."

This Bill, Sir, has unfortunately a somewhat formidable appearance, but I believe that it will be found by those who have studied it, I believe it has been found, that it is really quite a simple measure and that its operation is beneficial to the taxpayer. When the rate of excess profits duty is changed for a subsequent chargeable accounting period as compared with previous chargeable accounting periods, it is obviously necessary to cater for cases where the chargeable accounting period falls partly during a fiscal year in which the rate was at one level and partly during a fiscal year in which the rate was at another level. That is one type of thing you have to cater for and the Bill in as simple language as this type of legislation permits endeavours to lay down the proportions in which that should be done. The second thing is that as the House is aware deficiencies of profits occurring in certain periods, that is, profits less than the standard profits, have to be offset against excess profits occurring in other periods, and in certain cases refunds of tax have to be made. Well, the effect of this Bill is to enable the taxpayer to get the most advantageous offset of any losses that accrue, and even in cases where he has already received a refund, the Bill enables the matter to be reopened, so that he can exercise his choice and have a settlement made against the tax levied at higher rates. There is one other very minor amendment, which has been included to correct an inadvertent omission. Sir, I move:

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

"That the Bill further to amend the Excess Profits Tax Act, 1940, be taken into consideration."

The Chair understands the Honourable Member (Dr. Banerjea) does not wish to move his amendment?

Dr. P. N. Banerjea (Calcutta Suburbs: Non-Muhammadan Urban): Sir, I will just say a few words on the motion for consideration. I gave notice of an amendment, because I received two telegrams from the commercial community of Calcutta, and I will place these two telegrams before the House and before the Honourable the Finance Member in order that he may be able to remove their misapprehension. The first one is from the Bengal National Chamber of Commerce; it runs thus:

"Reference Press Report Excess Profits Tax Amendment Bill, Committee Bengal National Chamber strongly protest against proposed cancellation of deficiency of profits occurring before March end being iniquitous particularly in view of too rigorous provisions of the Act calling for relaxation in favour of assesseees. While Committee reserve further comments pending study of detailed provisions of Bill, they urge necessity of its circulation for enabling commercial community express opinion on same."

Then, the second telegram is from the Indian Chamber of Commerce. It reads thus :

"Reference Excess Profits Tax Amendment Bill, newspapers report that deficiency of profits occurring before March end will be cancelled. Such step will be very iniquitous specially having regard to fact that excess profits tax is already too onerous. There is rather need for improvement in favour of assessee particularly for excess profits tax not being realisable in respect of diminishing depreciation owing written down value calculation. Other provisions of amending Bill not reported in Press and hence Committee Indian Chamber unable express opinion on such provisions if any. Committee emphatically submit that sufficient time should be given for public to express considered opinion before placing Bill for consideration by Select Committee or Assembly."

Sir F. E. James (Madras : European) : Sir, I do not propose to discuss the merits of the Bill, but I do wish to enter one slight element of disagreement with the description of the Bill on the part of the Honourable the Finance Member; he said that it was a beneficial Bill. Well, no taxation Bill has ever been beneficial, and this Bill would not have been necessary had not the rate of the excess profits tax been increased to sixty-six and two-thirds per cent.; in other words, it is true that, when the dentist has taken out fifty per cent. of your teeth, and before he feels he is obliged to take out a third of the remaining half, he will obviously give the patient an anæsthetic, but the patient can completely pass out during the process—that is really the meaning of this Bill, and I think the Honourable Member should in future take pains to describe these measures in more accurate terms. I remember, again—I do not know whether he is the present Finance Member or one of his predecessors—a Finance Member, in introducing a taxation Bill, went on to say that it hit him more than it hit those who were going to pay that tax. Well, we disbelieved that statement, and we are also not inclined to believe the statement just made about the present Bill being a beneficial one.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Sir, so far as this Bill is concerned, after the House has passed the excess profits tax Bill raising that tax to sixty-six and two-thirds per cent., this is a consequential amending Bill and I have very little to say in connection with this Bill. Sir, I would, however, like to draw the attention of the Honourable the Finance Member to the fact as to how this Excess Profits Tax Act is being applied or is being enforced on people by the E. P. T. Officer. Sir, I have received complaints from several persons that this Act is being very harshly applied, and as a matter of fact the complaint has come to me that a high inspecting officer from headquarters went to Calcutta and also to Bombay and he unduly influenced the assessment of cases when they were pending before the E. P. T. Officer. He even went so far as to have the books of those assessee retained in his office or of the income-tax officer there and he would not return the books. Sir, as a matter of fact he took over the assessment from the hands of the income-tax officer and he did what he could to squeeze out from the different parties concerned. Sir, I think this is not the intention of this Legislature nor of the Honourable the Finance Member that the income-tax officer or the excess profits tax officer—in most cases they are one and the same person—should be interfered with by higher officers when the case is pending before these income-tax officers. When, of course, the case is decided by them, then it can be reviewed by the inspecting Assistant Commissioner or it can be appealed against by the assessee if he is dissatisfied. Sir, in a case in Bombay I understand that the bank account of

[Babu Baijnath Bajoria.]

an assessee has been attached—and it is a very big firm—and he has been asked to pay, I understand, some twenty lakhs or thirty lakhs of rupees or more,—and this is my information, Sir, that his bank account has also been attached.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Is the Honourable Member talking of income-tax, or of excess profits tax?

Babu Baijnath Bajoria: Income-tax, super-tax or excess profits tax—all three.

Sir Cowasji Jehangir: So your remarks apply to all three?

Babu Baijnath Bajoria: Yes, to the administrative machinery of all these three Departments, the administration is the same in all three cases. Sir, as I also said in my previous speech, this Excess Profits Tax Act is neither understood thoroughly by the assessee nor by the lawyers nor by the Excess Profits Tax Officers themselves! It is a new Act; there might be omissions, there might be mistakes by the assessee, there might be mistakes by the Excess Profits Tax Officer. If there is any mistake, they should not take advantage of any omissions which may have been inadvertently or unknowingly made by the assessee. Sir, this is a point which I would like the Honourable the Finance Member and Mr. Sheehy who is in charge of this Department to take note of. Another thing that I wish to say is that it is a matter of common knowledge that throughout the country coercion is used to subscribe to war funds

Mr. President (The Honourable Sir Abdur Rahim): This has nothing to do with the motion before the House.

Babu Baijnath Bajoria: I am making a suggestion about the excess profits tax.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should not do that now.

Babu Baijnath Bajoria: Sir, I am one of those who want that we should give all possible help in man, money and material for the successful prosecution of the war, but so far as coercion is concerned, I would be the last person to agree to it. What I would like is that war gifts or donations and subscriptions to war funds should be allowed as an expense in computing the excess profits tax or the income-tax or the super-tax as the case may be. This will not only help the assessee but it will also help the Government inasmuch as it will induce more people to give war donations and war subscriptions.

The Honourable Sir Jeremy Raisman: The Finance Department will heed every subscription list!

Babu Baijnath Bajoria: I was requested to make this suggestion and I have done so. I think it is a very reasonable suggestion and must be accepted. Those clubs, companies and associations who were not allowed by their rules to make donations were allowed to regularise their donations

when a special Act was passed by this House last November. So, I say that so far as war gifts are concerned, whether they are in kind or in cash, they should be allowed as an expense in computing the income-tax or the super-tax or the excess profits tax as the case may be. With these words, I commend this Bill for the favourable consideration of the House.

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muham, madan Rural): Sir, I join my friend, Dr. Banerjea, in complaining that the Government did not give us sufficient time to consult our constituencies. I had a general complain on the occasion of the general discussion of the Finance Bill that the Government never reveal their cards till the last moment. They know that we have. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had a reply this morning, the Chair thinks. What is the use of going into it again? The Honourable Member must confine himself to the motion before the House.

Dr. Sir Ziauddin Ahmad: I will confine myself to the Bill before the House. We had no time to consider the pros and cons of the Bill before us and the Honourable the Finance Member has not given any report of the Income-tax officers as to how the Excess Profits Tax Act is working which has necessitated this change within a year. I may tell the Honourable the Finance Member that the reason for not getting proper information is that the staff is very much handicapped by over work. I will draw his attention to page 23 of the Explanatory Memorandum where he will find that the total cost of the staff in the year 1936-37 when we collected only 15.34 crores was 89 lakhs and now when the collection has gone up to 35.62 crores, the cost of collection has gone down to 84 lakhs. This really shows that you are either employing less staff or you are employing a staff on lower salaries to do this higher work. I know it definitely and this is the time to mention it that the Income-tax staff is so hard pressed that they have to work from morning till evening and they have got no time to themselves. If you have such an overworked staff, it is impossible for them to do their work efficiently. We had a case of evasion of income-tax raised on the floor of the House and my friend, Mr. Bajoria, left the story only half told. But I think it is very desirable that your staff ought to be increased, if not in proportion to the income, it should at least be incommensurate with the increase in the income. If you have a staff sufficient to cope with this situation, then the cases of evasion will be minimised. I think it is very desirable that we should give some kind of leisure to the Income-tax Department staff. Having regard to the amount of work that they are doing, I think the staff should be increased by at least 20 per cent., including the Income-tax officers and their Inspectors and the clerical establishment. Unless you increase your staff, it is impossible to detect accurately the cases of evasion which are not few in number but are fairly large. You cannot really get the true picture of your Department unless you increase the staff.

My friend, Mr. Bajoria, said that he was ready to help Government in men, money and material as long as the money did not go out of his pockets.

Babu Baijnath Bajoria: I did not say that.

Dr. Sir Ziauddin Ahmad: That is my interpretation. In this particular case you should be ready to give money and material not only of your neighbour but also from your own pocket.

Then, there is another point which I wanted to emphasise in connection with this Bill. In addition to the Income-tax Bill which we passed, there is an official document called the "Instructions to the Income-tax officers". I do not see any reason why there should be any confidential document. If there are any instructions to be given, they ought to be public property and a copy of it should be laid on the table of the House and we should know what those instructions are. It is rather unfair to the assessee to have one law which may be passed by this House and there should be another set of rules called the 'Confidential documents' handed over to the Income-tax officers. I think it is but fair that the assessee should know fairly well and very clearly what he has to pay and the assessor, that is, the Income-tax officer, ought to know very well how much he is to charge and what action he is to take. Both from the original Bill and from this Bill I find it exceedingly hard for either the assessor or the assessee to know exactly what the existing rules are. So, I lay stress on this occasion on the fact that the Finance Member should seriously consider the situation and every effort should be made to see that all his rules about the Income-tax Department are framed in a very clear language. There should be no instructions behind the curtain. Everything should be public and everything should be open to the assessee. At present these confidential documents make the people exceedingly suspicious. They say that the intention of the Government is to get money on some excuse or other. This impression ought to be removed. There should be a clear understanding that the Government want a fair dealing. I know that they practise fair dealing but, unfortunately, the way in which the thing is being done creates a wrong impression upon the minds of the people. So, I suggest that this impression should be removed. I know that assesseees also are not honest persons.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has not yet spoken a word about the Bill.

Dr. Sir Ziauddin Ahmad: This is the Excess Profits Bill and, therefore, it is relevant to refer to the manner of assessing. It is very desirable that we should also have our staff sufficient in number who may be able to catch such assesseees who are not willing to reveal their books in a straightforward manner. Therefore I very much emphasize that the whole business ought to be straightforward and everybody should know where he stands and they should know what the penalties for evasion are, and the staff we employ should have sufficient leisure and sufficient time to do the work efficiently.

Mr. J. F. Sheehy (Government of India: Nominated Official): Sir, I should like to deal with one or two points which were raised by some Honourable Members. The first was the point raised by my Honourable friend, Dr. Banerjea, that the Chambers who sent him the telegram were worried about the previous set-off of a deficiency being cancelled. I can give them the assurance that there is no catch in that at all. The only reason why we are going to cancel the previous set-off is in order to give the assessee the option of setting off the deficiency against the profits earned in a period when the tax rate is higher. I hope that will satisfy him.

Now, Sir, my Honourable friend, Babu Baijnath Bajoria, raised a point about the inspecting officer who went round and interfered with the I. T. O. or E. P. T. O. when he was making the assessment. That officer goes round on behalf of the Board in order to improve the working of our subordinate officers and it is only right that he should interfere or that he should be there to help the officers when they are actually making the assessment and not criticise them after they have made the assessment. It is in pursuance of our policy of improving the administration that he is going round and helping officers and criticising them while making the assessment.

Babu Baijnath Bajoria: Is there any provision in the Act for this that the I.T.O. should be helped by any superior officer?

Mr. J. F. Sheehy: Just as the Inspecting Assistant Commissioner can advise the Income Tax Officer.

Dr. P. N. Banerjea: But when there is an appeal, he should not do it.

Mr. J. F. Sheehy: The Appellate Assistant Commissioner is entirely independent. When an assessment is made on the advice of the Inspecting Assistant Commissioner you can go to the Appellate Assistant Commissioner who is entirely independent and from there you can go to the Tribunal and from the Tribunal you can go to the High Court. The administrative side of the Department is on the other hand engaged in trying to tighten up the machinery and making it more efficient.

Dr. P. N. Banerjea: There should be no interference on the judicial side.

Mr. J. F. Sheehy: There is no interference at all on the judicial side.

Babu Baijnath Bajoria: I was not saying about the judicial side. As far as I know if the Income-tax officer finds any difficulty in making an assessment, then he goes to the Inspecting Assistant Commissioner to have any points clarified by him. But it is not for the Inspecting Assistant Commissioner, of his own accord or of any superior officer from the Board of Central Revenue to go and sit by the side of the Income-tax officer and help him, or rather prejudice him in the assessment.

Mr. J. F. Sheehy: If there is an officer who is not very clever or who is not very efficient, he is not likely to know the defects until somebody points them out to him. However, that is the way we are administering the Department and we are trying thus to make it more efficient.

As regards the particular case that my Honourable friend, Babu Baijnath Bajoria, referred to, I had a full report of that particular case and I was satisfied that the Commissioner of Income-tax had justification for doing what he did. I will not say any thing more about that. My Honourable friend, Babu Baijnath Bajoria, also said that the E.P.T. Act was a very difficult Act and that we ought to give some guidance to the assessee. We have issued instructions to our officers. Any assessee can go to the E.P.T.O. and if the E.P.T.O. is not able to give him the advice

[Mr. J. F. Sheehy.]

he seeks, he has instructions to send the case to the Central Board of Revenue where Mr. Ayers will advise on it. While I am on that point, I may touch on the point that my Honourable friend, Dr. Sir Ziauddin Ahmad, raised about publishing some notes and instructions for assesseses' guidance as to how this Act is to be worked. In the first place, I may point out that there must be at least a dozen books published on this Act since it was enacted—at least I get one every fortnight or so—so that if he buys one of these books he will presumably get there all the guidance he needs. Apart from that, we have now decided to publish a little book of notes and instructions for the guidance of assesseses and I hope it will be on sale in about six weeks time.

Dr. P. N. Banerjee: What about confidential circulars?

Mr. J. F. Sheehy: These are administrative and concern purely departmental matters. They do not concern the public at all. They are instructions to our officers.

Babu Baijnath Bajoria: Will Mr. Ayer's advice be assessing with penalty?

Mr. J. F. Sheehy: I cannot tell you what his advice will be. My Honourable friend, Babu Baijnath Bajoria, also referred to war gifts. The same question was raised in the House of Commons not so long ago and I remember seeing an answer given to the effect that the Government were not concerned with the way in which income is spent, after it has been earned. On principle they will never allow war gifts as an expense of a business. In England, for example, where there is 100 per cent. excess profits tax, obviously the whole of the gift would be at the expense of the revenue.

My Honourable friend, Dr. Sir Ziauddin Ahmad, also referred to increase of staff. I have got the figures here of the various increase that we have made in all the provinces and I can show them to him at any time. The statement is too long to be read out. We have, generally speaking, given the Commissioners all the staff they wanted to administer this Act. We have given in all I think about 15 Additional Income-tax Officers posts for somewhat less than 3,000 assesseses, that is one income-tax officer for about 200 assesseses.

Sir Cowasji Jehangir: When he says that the total cost in 1937-38 is lower than today, it cannot be correct.

Mr. J. F. Sheehy: Higher. In those days you had a large extra staff for smaller incomes of Rs. 1,000 to Rs. 2,000.

Dr. Sir Ziauddin Ahmad: I wish to draw the attention to the explanatory memorandum. During the last six years the cost of collection has diminished by five lakhs, actually the amount collected has increased by 2½ times. This shows that the staff has increased.

Mr. J. F. Sheehy: It is quite clear that there need not be any fixed relation between the cost of collection and the amount collected, because the same staff is required to collect income-tax in a slump period as you employ to collect income-tax in a boom period. I do not think I have got anything more to say on the points with which I am concerned.

Mr. President (The Honourable Sir Abdur Rahim): The Question is: "That the Bill further to amend the Excess Profits Tax, 1940, be taken into consideration."

The motion was adopted.

Clauses 2, 3, 4, 5 and 6 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir Jeremy Raisman: Sir, I move:

"That the Bill be passed."

I will only touch on Sir Frederick James' remark and say that I still maintain that since the Excess Profits Tax has been fixed by the Finance Bill at sixty-six and two-thirds per cent., the effect of the relevant clause in this Bill is to enable that intention to be carried out in a manner which is helpful to the taxpayer. With regard to Sir Ziauddin Ahmad I have not been able to find which column on page 23 he was quoting from.

Dr. Sir Ziauddin Ahmad: I was quoting columns 4 and 5 on page 23 of the Explanatory Memorandum.

The Honourable Sir Jeremy Raisman: It is the percentage that has gone down. I think my Honourable friend was stating the actual amount. It is less than it used to be in the years 1935-36 and 1936-37. That is because the tax on incomes between one thousand and two thousand was a bad tax in the sense that a very large proportion of the yield had to be spent on administration. It did not satisfy one of the criteria of a good tax. I hope this may never have to be quoted against me but it is a fact which I cannot deny, and, therefore, the exclusion of that class from the tax had the effect of improving the percentage of the cost of collection of the whole tax.

I will only add that the two cases that my Honourable friend, Mr. Bajoria, referred to were cases which have come to my personal notice and I do not consider that they are cases which reflect upon the administration of the department either in regard to income-tax or the excess profits tax.

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

"That the Bill be passed."

The motion was adopted.

THE PROTECTIVE DUTIES CONTINUATION BILL.

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar (Member for Commerce and Labour): Sir, I move:

"That the Bill to extend the date up to which certain duties characterized as protective in the First Schedule to the Indian Tariff Act, 1934, shall have effect, be taken into consideration."

This Bill relates to four items,—to iron and steel manufactures, to silver thread and wire (including so-called gold thread and wire mainly made of silver) and to sugar. The duties on all these items expire at the end of this month. It is proposed by this Bill to extend the period of protection for another year, that is, till the end of March, 1942. Taking the case

[Diwan Bahadur Sir A. Ramaswami Mudaliar.]

of silver thread and wire, it is obvious that it is impossible to calculate in the present circumstances on the articles imported or imported at artificial prices the actual level of duty that may be required for the purpose. The same is the case virtually with reference to sugar, though there are other considerations also which have entered into a decision on this question. Some of them I adverted to when I spoke the other day in reply to the debate on the Finance Bill. As regards iron and steel manufactures, to a certain extent the same consideration applies, that it is impossible at the present time to measure the level of protection. But to be fair to the House and to the general public, I should like to add that the question whether any protection is necessary at all for this industry is also engaging the consideration of Government. It is possible that this industry, after all the years of protection that it has enjoyed, after all the sacrifice that the consumer has made, may find itself in a position to stand on its own legs; and it is this consideration that has made me or made Government confine the period of protection at present to one year. It may be some consolation to the consumer, and I venture to make bold to say this in any case that the long period of protection for this industry may either come to an end soon or that the quantum of protection required, if at all, will be very materially reduced. In either case the present is not the time when we can come to any settled conclusion. It is not possible, if the policy of protection has to be abandoned, to here and now definitely fix what level of revenue duties in that case would be required for this article. As the House will easily realise, if protective duties are to be removed, it does not mean that the import of this commodity will be free of all duties. A level of revenue duties will then have to take the place of the present system of protective duties, and when Honourable Members go through the customs tariff and find out the large numbers of commodities which are subject to revenue and protective duties, and so on, Honourable Members will realise that even the question of fixing a proper level of revenue duties requires careful consideration; and that is the reason why at the present time we propose merely to extend the period of protection by another year.

Sir, I move.

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

"That the Bill to extend the date up to which certain duties characterized as protective in the First Schedule to the Indian Tariff Act, 1934, shall have effect, be taken into consideration."

The Assembly then adjourned till Eleven of the Clock on Monday, the 24th March, 1941.