

18th March 1942

THE LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume II, 1942

(11th March to 2nd April, 1942)

FIFTEENTH SESSION OF THE FIFTH LEGISLATIVE ASSEMBLY, 1942



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LEGISLATIVE ASSEMBLY.

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Mr. N. M. JOSHI, M.L.A.

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LEGISLATIVE ASSEMBLY

Wednesday, 18th March, 1948.

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

MEMBER SWORN.

Mr. Venilal Tribhovandas Dehejia, M.L.A. (Government of India: Nominated Official):

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

DEARTH OF AND DISCRIMINATION IN THE TREATMENT METED OUT TO DOCTORS IN THE ARMY.

203. *Bhal Parma Nand: (a) Will the Defence Secretary be pleased to state if it is a fact that there is a great dearth of Doctors in the Army? If so, will he please state the reason therefor?

(b) Is it a fact that Licentiates of Singapore, Ceylon, and other countries are being taken in the Indian Medical Service? If so, why are Indian Licentiates being denied the same privilege?

(c) What is the starting pay of an I. M. D. Assistant Surgeon (Indian cadre) as compared with that of his colleague in the British cadre? Why is there such racial discrimination?

(d) Is it a fact that a deserving V. C. O. of the regular army and its various departments can get a King's Commission? If so, how is it that a V. C. O. of I. M. D. is never offered a King's Commission?

(e) Is it a fact that compounders are being recruited in the I. M. D. on a starting pay of Rs. 70 per mensem?

(f) Are Government aware that nurses after completing three months training are offered Rs. 168 per mensem and they have to work under Assistant Surgeon I. M. D. (Indian Cadre)?

(g) What messing arrangements are made for Members of the I. M. D. while on active Military service?

(h) Do Government intend to substantially increase the pay of military Assistant Surgeons, I.M.D. (Indian Cadre) consistent with their rank of Assistant Surgeon in order to attract more Doctors?

(i) Is it a fact that the pay offered to an I.M.D. Assistant Surgeon (Indian Cadre) is Rs. 75, i.e., the same as was previously offered to Sub-Assistant Surgeons, I.M.D.?

Sir Gurnath Bewoor: (a) Owing to the large expansion of the Defence Forces of India, there is a considerable demand for Doctors which has not yet been satisfied.

(b) In order to be eligible for appointment to the Indian Medical Service a candidate must possess a medical qualification registered in Great Britain and Northern Ireland under the Medical Acts in force at the time of his appointment or an Indian medical qualification recognised under section 11(I) of the Indian Medical Council Act, 1933, and registered in British India under one of the Provincial Medical Acts. Licentiates of Singapore and Ceylon are taken in the Indian Medical Service, as the qualification possessed by them is a registrable qualification. The Indian Licentiate Diplomas, being of a lower standard, are not recognised under the Indian Medical Council Act and the holders are, therefore, ineligible for commissions in the Indian Medical Service.

(c) The starting pay of an Indian Medical Department Assistant Surgeon (Indian Cadre) is Rs. 75 per month, and of Assistant Surgeon (British Cadre) Rs. 200 per month. Under the existing rules which came into force in 1935, Assistant Surgeons of British Cadre must hold a medical degree, while Assistant Surgeons of the Indian Cadre need only be Licentiates. The higher starting pay of members of the British Cadre is therefore due to their higher professional qualifications and there is no question, therefore, of any racial discrimination. I may, however, add that Assistant Surgeons of the Emergency Branch of the Indian Medical Department, Indian Cadre, who are recruited from among private medical practitioners, receive an emergency allowance of Rs. 125 per month, in addition to pay, thus bringing their pay to Rs. 200 per month. Civil Sub-Assistant Surgeons, who are transferred to the Emergency Branch of the Indian Medical Department, Indian Cadre, receive a civil allowance of Rs. 50 per month, in addition to their pay.

(d) There is no analogy between Viceroy's Commissioned Officers of the Indian Medical Department and Viceroy's Commissioned Officers of the regular army. Suitability of an officer of the Indian Medical Department for commission in the Indian Medical Service must depend upon his professional qualifications. Any officer of the Indian Medical Department, who possesses the necessary basic professional qualifications and is in other respects suitable, is considered for emergency commission in the Indian Medical Service.

(e) No; Compounders are being recruited in the Indian Medical Department on a starting pay of Rs. 50 per month in the scale of Rs. 50—5—75.

(f) Members of the Auxiliary Nursing Service, India, on completion of their three months' training and on passing the qualifying examination under the scheme and when called up for military duty, receive a starting pay of Rs. 168 per month. These Nurses work under the immediate supervision of the matron or senior nursing sister, but they are required to carry out such orders and instructions relative to the treatment of the sick and ward management as may be received from the officer in charge of the wards. In the absence of the officer in charge of a ward or of an orderly

officer, the Assistant Surgeon in sub-charge of the ward or the member of the Indian Medical Department on orderly duty, is in charge of the patients, and the nurses carry out the treatment prescribed. Members of the Indian Medical Department do not interfere in the actual nursing of patients.

(g) Assistant Surgeons of the Indian Medical Department, Indian Cadre, get a free issue of rations and dine in a mess with the other Viceroy's commissioned officers of the unit.

(h) There are no proposals to increase the pay, but certain proposals are under consideration with a view to improve the conditions of service, as for example, to increase the percentage of promotions to higher ranks. I would also invite the attention of the Honourable Member to the reply I have given to part (c) of his question.

(i) In pursuance of the recommendation of the Indian Medical Department Conference, the designation of Sub-Assistant Surgeons of the Indian Medical Department, Indian Cadre, has been changed to Assistant Surgeon. The officers who were previously recruited as Warrant Officers on Rs. 70 per month and had to serve for five years before they were promoted to the rank of Jamadar on Rs. 75 per month, are now recruited on a starting pay of Rs. 75 per month and are given the rank of Jamadar straightaway.

Mr. Jamnadas M. Mehta: Is it a fact that there are 41,000 medical men in this country?

Sir Gurnath Bewoor: I cannot say yes or no, as I have not got that information.

Mr. Jamnadas M. Mehta: Is it true that the very acute shortage of medical men is being felt by the military authorities?

Sir Gurnath Bewoor: Yes, Sir.

Mr. Jamnadas M. Mehta: Cannot the military authorities use the services of these licentiates who are thousands in number?

Sir Gurnath Bewoor: They are being recruited to the Indian Medical Department.

Rao Sahib N. Sivaraaj: With reference to the answer to part (b) of the question, will the Defence Secretary be pleased to state whether the term "Indian licentiates" includes licentiates, for instance, of the Indian School of Medicine, Madras?

Sir Gurnath Bewoor: I have no information of that school. If the Honourable Member will put a question, I will ascertain the facts.

Rao Sahib N. Sivaraaj: In any case, may I ask the Defence Secretary if he will be pleased to consider the question of the recruitment of the licentiates of Indian Schools of Medicine wherever they exist in India?

Sir Gurunath Bewoor: They are eligible for recruitment to the Indian Medical Department if they are licentiates.

Rao Sahib N. Sivaraj: Is the Defence Secretary aware that there are many Schools of Medicine in India and that licentiates are sent out from these schools?

Sir Gurunath Bewoor: What are the schools the Honourable Member is referring to?

Rao Sahib N. Sivaraj: I am referring to the Indian Schools of Medicine.

Sir Gurunath Bewoor: Are they Ayurvedic or Unani schools?

Rao Sahib N. Sivaraj: I do not know?

Sir Gurunath Bewoor: If the Honourable Member does not know them, I am afraid I cannot answer.

Mr. Jamnadas M. Mehta: Is it a fact that the Indian Medical Council of Graduates as against licentiates have recommended that the distinction between them and the licentiates may be done away with?

(After putting the question, the Honourable Member did not resume his seat and was still standing.)

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must resume his seat when he has put his question.

Sir Gurunath Bewoor: I am not aware of it. The question should really be addressed to the Honourable Member in charge of the Department of Education, Health and Lands.

PROVINCIAL CIVIL MEDICAL SERVICE OFFICERS IN CIVIL LINE REQUIRED TO SIGN BOND FOR MILITARY DUTY.

204. *Bhai Parma Nand: Will the Defence Secretary be pleased to state if it is a fact that P. C. M. S. officers in the Civil Line are required to sign a bond for military duty, while there is no such bond for P. M. S. officers?

Sir Gurunath Bewoor: Provincial Civil Medical Service Officers are the same as Provincial Medical Service Officers. The Honourable Member is apparently referring to the distinction between Provincial Civil Medical Service and Provincial Subordinate Medical Service. If so, the answer is that members of the latter are required to sign a bond for military duty. In certain provinces, however, (e.g., Madras and Orissa) such bonds have also to be signed by Provincial Medical Service Officers.

INCOME-TAX DEPARTMENT BRIBERY CASE IN BENARES.

205. *Mr. Muhammad Azhar Ali: (a) Has the attention of the Honourable the Finance Member been drawn to a letter appearing in the *Pioneer* of the 4th October, 1941, under the caption "Bribery Case" about an Income-tax Officer of Benares? If so, will he please state the result of the enquiry, if made?

(b) Will Government be pleased to place the records of the case on the table of the House?

(c) Is it a fact that there is an affidavit on the record of the case in which it has been clearly stated that the Income-tax Officer who initiated the enquiry proceedings put undue pressure on an important witness to compel him for making a false statement about payment of bribe? If so, what action was taken against the said Income-tax Officer?

(d) Is it a fact that the said Income-tax Officer has since been promoted to the post of Assistant Commissioner? If so, was any report about his conduct in the case made by the Commissioner to the Government of India? If not, why not?

(e) Is it a fact that all the Income-tax Officers are appointed by the Commissioner of Income-tax? If so, why in contravention of the Provisions of the Government of India Act, was the Income-tax Officer (being lower in rank than the appointing authority) permitted to conduct the inquiry proceedings against the clerk?

(f) Is it a fact that the whole case originated from communal hatred?

(g) Will the Honorable Member please state whether he would be prepared to entrust the case to a Court of Law in order to purge the Department of similar communal aggrandisement in future?

The Honourable Sir Jeremy Raisman: (a) Yes. The proceedings were dropped in the absence of conclusive evidence against the accused.

(b) No. It will not be in the public interest to do so.

(c) Yes. No action was taken against the Income-tax Officer since Government were satisfied that no action was required.

(d) Yes. The reply to the latter part is in the negative. There was no need for a report regarding the officer in question.

(e) Yes. The reply to the latter part of the question is that there has been no contravention of the provisions of the Government of India Act and that it is open to the appointing authority to entrust the enquiry to any officer superior in status to the accused.

(f) There is no foundation for this suggestion.

(g) No.

Pandit Lakshmi Kanta Maitra: With reference to the answer to part (a) of the question, do I understand the Honourable Member to say that no proceedings were initiated against this gentleman?

The Honourable Sir Jeremy Raisman: No, Sir, I said the proceedings were dropped in the absence of conclusive evidence against the accused. That implies that some proceedings were started.

Pandit Lakshmi Kanta Maitra: At what stage the proceedings were dropped?

The Honourable Sir Jeremy Raisman: They were dropped at the stage at which it was clear that there was no sufficient conclusive evidence.

Pandit Lakshmi Kanta Maitra: Do I take it that no charge was framed on the evidence recorded?

The Honourable Sir Jeremy Raisman: A charge was framed and the inquiry proceeded. In fact, it was like a trial in which the accused was acquitted.

Dr. Sir Ziauddin Ahmad: Were the Government satisfied that it was not a true case?

The Honourable Sir Jeremy Raisman: No, it was a case in which there was no sufficient evidence to substantiate the charge. They were not satisfied of the contrary.

Qazi Muhammad Ahmad Kazmi: If the charge had been proved, why was the accused acquitted?

The Honourable Sir Jeremy Raisman: There was no formal charge. There was sufficient material on which proceedings could be begun, but the Inquiring Officer came to the conclusion that there was no sufficient evidence to establish the charge against the accused.

Pandit Lakshmi Kanta Maitra: Do I take it that the gentleman in this case was summoned before the court, evidence was recorded in the court, a charge was framed and a judgment was ultimately delivered on this case?

The Honourable Sir Jeremy Raisman: Except that there was no court because these were departmental proceedings, all the stages mentioned by the Honourable Member were gone through.

Mr. Jamnadas M. Mehta: May I ask what did actually happen?

The Honourable Sir Jeremy Raisman: What happened was that the officer who made the inquiry carefully went into the evidence and submitted a report which came to a conclusion. The conclusion was that there was no sufficient evidence to substantiate the charge.

Pandit Lakshmi Kanta Maitra: Was the inquiry held by the departmental officers?

The Honourable Sir Jeremy Raisman: Yes, these were departmental proceedings.

Dr. Sir Ziauddin Ahmad: Did Government refer the matter to the Legal Remembrancer also?

The Honourable Sir Jeremy Raisman: No.

Mr. Muhammad Azhar Ali: Is there any very great reason why Government are not prepared to place the record of these proceedings on the table of the House?

The Honourable Sir Jeremy Raisman: Certainly; it would be most undesirable to do so.

**REFUND OF FINES OF SATYAGRAHIS CONVICTED MERELY FOR GIVING
NOTICE OF INTENTION.**

206. *Qazi Muhammad Ahmad Kazmi: In view of the rulings of High Courts that mere giving notice of one's intention to offer satyagraha did not constitute an offence, will the Honourable the Home Member please state the attitude of Government regarding the refund of fines of those who were convicted of the alleged offences and subsequently let off due to said interpretation of law?

The Honourable Sir Reginald Maxwell: There was only one such case in the Delhi Province. In that case the fine imposed had not been paid, but it was remitted when the person concerned was released. In the Punjab I understand that the procedure was to order the refund of fines. In the United Provinces I understand that fines already paid were not refunded but that those not paid were not realised. These were the only Provinces concerned.

Qazi Muhammad Ahmad Kazmi: In view of what the Honourable Member has said just now, may I ask for the reasons why the fines were not remitted when the conviction had been found to be illegal?

The Honourable Sir Reginald Maxwell: I am not aware of the reasons. The matter rests with the Provincial Government to decide.

Pandit Lakshmi Kanta Maitra: Do I take it that the initiative for this refund was in the hands of the Provincial Governments or was it in the hands of the Central Government?

The Honourable Sir Reginald Maxwell: The initiative in the matter of refunds rests with the Provincial Governments.

Qazi Muhammad Ahmad Kazmi: Will the Honourable Member be pleased to refer to the United Provinces Government the practice of the Punjab Government for their approval?

The Honourable Sir Reginald Maxwell: No, Sir.

Qazi Muhammad Ahmad Kazmi: Why not?

The Honourable Sir Reginald Maxwell: Because it is not my business.

NEXT EXODUS TO AND FROM SIMLA.

207. *Bhai Parma Nand: (a) Will the Honourable the Home Member kindly say what are the Departments of the Government of India with their Attached Offices going up to Simla next summer season, and with what percentage of their respective strength?

(b) What are the non-essential Departments which are not moving to Simla and the reasons therefor?

(c) What is the number of officers and clerks who are at present residing in tents and private houses in Delhi and how many of them will be allotted Government quarters for the forthcoming summer season?

(d) What is the number of Officers and clerks who will move to Delhi from Simla for the winter season of 1942-43 and the reasons therefor?

(e) What is the number of officers and clerks who are coming to Delhi from other stations and where will their offices be located and the staff accommodated?

(f) Is there any truth in the rumour that only such offices shall be moved to Simla which have not been to Simla for several years past? If the reply be in the affirmative, do Government propose to keep in view the special difficulties and inconveniences to the employees in the matter of carrying their goods and arranging for residences in Simla?

The Honourable Sir Reginald Maxwell: (a), (b) and (d). Final decisions have not yet been taken as regards the officers and staff of Departments and Attached Offices who should move to Simla this summer. Government do not regard any of its Departments as non-essential.

(c) The information is not readily available and the advantage to be gained from collecting it would be out of all proportion to the labour and time involved in doing so.

(e) None. There is therefore no question at present of locating such offices or accommodating such staff in Delhi.

(f) No. The second part of the question does not therefore arise.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to unstarred questions Nos. 48 and 52 asked by Qazi Muhammad Ahmad Kazmi on the 11th November, 1941.

OFFICIATING APPOINTMENTS OF MUSLIMS TO GAZETTED POSTS IN THE IMPERIAL VETERINARY RESEARCH INSTITUTE.

No. 48.—(a) and (b). Officiating appointments to gazetted posts are generally made from amongst the members of the staff, with due regard to seniority and merit.

It may be explained that it is not necessary to consult the Commission in regard to the selection for appointment to a Central Service Class II by promotion from a subordinate service, or to a temporary post in a Central Service Class I or Class II, if the post is not likely to last for more than one year, or in the case of an appointment for a period of more than an year but less than three years, if the Commission advises that the appointment may be made without consulting them.

(c) and (e). Such appointments have been made on 54 occasions since 4th July, 1934. They relate to short vacancies, and in some cases, the same individual got an officiating appointment more than once. These 54 appointments went to 24 individuals, 4 of whom were Muslims and 20 non-Muslims (Hindus, Sikhs and Europeans). Four were outsiders and two others held permanent Government posts outside the Imperial Veterinary Research Institute.

(d) Two of these posts, viz., the Class I posts of Assistant Serologist and Entomologist, were filled by the Director of the Institute after advertisement. These two posts were advertised because candidates with special qualifications not possessed by officers already on the staff of the Institute and available to officiate in the posts were required.

CHANGE IN PROCEDURE FOR APPOINTMENT TO CLERICAL VACANCIES IN THE IMPERIAL VETERINARY RESEARCH INSTITUTE.

No. 52.—(a) and (b). The rule referred to by the Honourable Member was made by the Director to ensure that the claims of men who have temporarily worked at the Institute satisfactorily for at least one year may receive due consideration for appointment to permanent vacancies. A copy of the rule is attached herewith for information of the Honourable Member.

(c) 5 Hindus (including 1 member of the scheduled castes) and 3 Muslims awaiting substantive appointments to permanent clerical posts were in employment at the institute in January, 1938.

(d) 3 Hindus and 2 Muslims.

(e) Yes. The second part does not arise.

(f)—(j). Do not arise.

Copy of rules, No. G./2368, dated the 3rd December, 1936.

In order that all applicants for permanent posts at this Institute shall be treated as fairly as possible, a return showing the names of the candidates, who have been tried for at least a year in temporary and officiating appointments and shown themselves to be satisfactory, should be submitted to this office once a year.

The first return should be submitted by 15th January, 1937, and should show :

1. Name and age of applicant.
2. Qualifications.
3. Date of first appointment at this Institute.
4. Kind of post for which recommended.
5. Other remarks.

Information promised in reply to unstarred question No. 22 asked by Qazi Muhammad Ahmad Kazmi on the 18th February, 1942.

UNITED PROVINCES SUBORDINATE MEDICAL SERVICE MEN DECLARED UNFIT BUT ORDERED FOR OVERSEAS MILITARY DUTY.

(a) Only one member of the Provincial Subordinate Medical Service of the United Provinces was examined by the Civil Surgeon, Jaunpur, and was declared unfit for military duties.

(b) He appeared before the Provincial Medical Board, Lucknow, on the 14th August, 1940. The Board did not declare him unfit for military duties, but recommended two months' leave for treatment.

(c) On the expiry of the leave he was examined by the Civil Surgeon, Jaunpur, who declared him unfit for military duties.

(d) The Inspector General, Civil Hospitals, United Provinces, on the recommendation of the Provincial Medical Board, Lucknow, which examined the abovementioned member of the Provincial Subordinate Medical Service of the United Provinces, subsequent to the Civil Surgeon's report, declared him fit for military duties in category "C".

(e) Yes.

(f) Yes; on the 5th September, 1941.

(g) The reply to the first part is in the affirmative. As regards the second part, the Specialist's opinion was that the Sub-Assistant Surgeon was fit for service-overseas.

(h) Yes; he was suffering from a chronic disease—duration 2½ years.

(i) Yes; he has been detailed for duty with a Field Unit proceeding overseas.

(j) Medical Categorisation is constantly under review, according to the progress of the disability. The Sub-Assistant Surgeon in question has been placed in Category "B" and he has, therefore, been rightly detailed for duty overseas.

(k) Does not arise.

Information promised in reply to parts (b) and (c) of unstarred question No. 33 asked by Mr. N. M. Joshi on the 6th March, 1942.

EXTENSIONS TO ENGINEERING DEPARTMENT OFFICERS ON RAILWAYS.

(b) As far as can be readily ascertained there are nine Engineering Graduates at present receiving training on the North Western, Bengal and Assam, East Indian and Great Indian Peninsula Railways, and all of them are Indians, the number of Engineering Graduates serving as subordinates on the Bengal and Assam and Great Indian Peninsula Railways is 24 and all of them are Indians.

(c) Seven of the nine Engineering Graduates referred to in the first part of the reply to part (b) are being given practical training with a view to confirmation in the Indian Railway Service of Engineers.

MOTION FOR ADJOURNMENT.

CLOSING OF CERTAIN LATRINES TO THE CLERKS OF THE RAILWAY CLEARING ACCOUNTS OFFICE.

Mr. President (The Honourable Sir Abdur Rahim): I have received notice of a motion of adjournment from Mr. Jamnadas Mehta who seeks to adjourn the business of the Assembly today to draw attention to a definite matter of urgent public importance, namely: the grave danger to the health and safety of seven hundred clerks of the Railway Clearing Accounts Office in Delhi created by the action of the Railway Board in closing to the clerks of the office the use of four out of the six latrines formerly available to them.

What is the reason given for the closing of these latrines to Indian clerks?

Mr. Jamnadas M. Mehta (Bombay Central Division: Non-Muham-madan Rural): That is not known.

Mr. President (The Honourable Sir Abdur Rahim): When were they closed.

Mr. Jamnadas M. Mehta: This matter became public yesterday at a meeting of the Railway Clearing Accounts Office clerks.

Mr. President (The Honourable Sir Abdur Rahim): But when were they closed?

Mr. Jamnadas M. Mehta: That was not disclosed. They were closed some time ago. But the fact was not published till yesterday.

Mr. President (The Honourable Sir Abdur Rahim): The closing of these latrines may have caused inconvenience to the clerks, but the question is whether it is a matter of public importance within the meaning of the

rules in order to justify the adjournment of the business of the Assembly which certainly is of public importance. I rule that the motion is out of order.

Mr. Jamnadas M. Mehta: May I make a submission, Sir?

Mr. President (The Honourable Sir Abdur Rahim): No.

ELECTION OF MEMBERS TO THE STANDING FINANCE COMMITTEE FOR RAILWAYS.

Mr. President (The Honourable Sir Abdur Rahim): I have to inform the Assembly that the following members have been elected to the Standing Finance Committee for Railways:

- (1) Mr. Muhammad Muazzam Sahib Bahadur,
- (2) Sir F. E. James,
- (3) Sir Muhammad Yamin Khan,
- (4) Pandit Lakshmi Kanta Maitra,
- (5) Sir Abdul Halim Ghuznavi,
- (6) Khan Bahadur Mian Ghulam Kadir Muhammad Shahban,
- (7) Rao Sahib N. Sivaraj,
- (8) Mr. Muhammad Nauman,
- (9) Mr. Lalchand Navalrai,
- (10) Maulvi Syed Murtuza Sahib Bahadur, and
- (11) Nawab Siddique Ali Khan.

HOME DEPARTMENT DECLARATION OF EXEMPTION ISSUED UNDER THE REGISTRATION OF FOREIGNERS ACT.

The Honourable Sir Reginald Maxwell (Home Member): Sir, I lay on the table a copy of the Home Department Declaration of Exemption No. 1/7/42-Political (E), dated the 10th March, 1942, issued under the Registration of Foreigners Act, 1939.

No. 1/7/42-Political (E).

GOVERNMENT OF INDIA.

HOME DEPARTMENT.

New Delhi, the 10th March, 1942.

Declaration of exemption.

In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and

visitors who are not foreigners, shall not apply to, or in relation to, Monsieur J. Schim van der Loeff, Trade Commissioner for the Netherlands East Indies in India so long as he holds that post.

V. SHANKAR.

Deputy Secretary to the Government of India.

THE INDIAN FINANCE BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim): The House will now resume consideration of the Indian Finance Bill.

The Honourable Sir Jeremy Raisman (Finance Member): Sir, when I moved the motion for consideration of the Finance Bill, I appealed to the Honourable Members of this House to have regard to the circumstances of the present emergency and to regulate their speeches accordingly. My Honourable friend, Mr. Jammadas Mehta, thought that that was not a very happy appeal, but I consider that his own speech was an example of the fact that my appeal did meet with a measure of response. Although the debate has now proceeded for five days, I would like to say, if I may Sir, that it has revealed a considerable volume of opinion on many matters which are of urgent consequence at the present moment, and that it has emphatically not been a debate on the ordinary peace time topics which are accustomed to be ventilated on the general discussion on the Finance Bill. I would say, Sir, that the points which have been brought out in the speeches of Honourable Members have been of the very greatest interest and concern both generally and to the Government, and they have furnished an opportunity to Members on these Benches to explain the policy of the Government in regard to many matters which are a subject of contemporary criticism, and in regard to which public opinion has not always been very well informed.

Now, Sir, as regards my own part in this debate, I have found comparatively little which calls for any considerable reply by me, but I will endeavour to deal with such points of substance as have been raised in the course of the debate.

My friend, Sir Frederick James, was good enough to observe that the general reception of my budget proposals in the country had been such that it was unnecessary for him to make any considerable comments on the financial proposals. Well, Sir, there have been comments of two kinds. The greater volume of comment has taken the usual line about the weight of the burdens which are being imposed on the country, but there has also been a note of criticism that the sacrifice which the country is being called upon to bear at the present time is, if anything, disproportionate to the needs of the present situation. Sir, I find myself much more impressed by the latter type of criticism than by the former, and I feel under a greater necessity to defend myself against those few but enlightened critics who think that more should have been demanded of the taxpayer at the present time. I can only say that the Budget takes some time to prepare. The process lasts weeks, if not months, and it will rarely be found that the Budget reflects the actual situation in which the country finds itself on the day when the Budget speech is made. I am free to admit that events were moving exceedingly rapidly during the time when these proposals were being formulated, and that if I had had to deal a few weeks earlier with the situation which actually existed at

the end of February, I should probably have been disposed to make more drastic proposals than are actually included in the Bill now before the House. However, I have a message of encouragement; there is still time, and there is hope

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Second Finance Bill?

The Honourable Sir Jeremy Raisman: Now, Sir, I come to the actual points which have been raised in connection with the Budget, and in particular, I want to try and clear up some of the misunderstanding which exists on the question of Lease-Lend Supplies. There has been criticism in certain quarters that if these Lease-Lend Supplies were dealt with in a different way, there would be no deficit whatever either in the current year or in the forthcoming financial year. The suggestion is that all we have to do is to credit eleven crores in the current year and 34 crores in the year 1942-43 and *hey presto* the deficit has vanished. This illusion is something like the illusion which beset people in Great Britain, at one time, when they thought that Russia might win the war for them. In this case the critics seem to think that America can balance the Budget for us. Now, Sir, I am afraid that I must dispel that illusion, but in order to do so I must take the House a little further into the details of this subject than I did in the course of my Budget speech. I think the best introduction would be to deal with a question which was addressed to me by my friend, Sardar Sant Singh. He asked, how is it that the portion of the defence expenditure debitable to His Majesty's Government is so much larger than that debitable to the Government of India seeing that presumably the number of troops in India is considerably larger than the number of troops actually in service overseas. Well, Sir, the answer to that question is that the main expenditure is incurred under the head of military stores, and under the arrangement with His Majesty's Government all expenditure on the purchase, manufacture and storage of these articles is charged to His Majesty's Government while India bears only the cost of stores issued to troops in India or to specific Indian reserves. In other words, at the present time, His Majesty's Government carries the residual liability for the large volume of stores which are produced or purchased or stored in India before they are actually issued for use.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): For use where?

The Honourable Sir Jeremy Raisman: For use wherever it may be, but until they have actually been issued for the use of Indian troops serving in India or reserved for use by such troops, they are at the charge of His Majesty's Government, and that amounts to a very large sum. In addition, it is, of course, obvious that forces engaged in active operations overseas are much more expensive to maintain than forces which are under training and are on a more or less peace time basis in this country. It is the actual operations of war which are so wasteful and so expensive, and since so far happily no operations have actually taken place within the borders of India, the cost of troops, even though more numerous on Indian

[Sir Jeremy Raisman.]

soil, is much less than the cost of the troops sent overseas and actually engaged in operations. Well, I answer that question of Sardar Sant Singh, because it clears the ground for an understanding of the Lease-Lend position.

Now, I must first explain that in order to assist India in expanding her defence forces, His Majesty's Government have agreed hitherto to provide free of cost to India, with one important exception, the equipment needed for those expansions to the extent to which it cannot be found from indigenous sources. In other words, we raise the troops at our own charge and we equip them with whatever can be provided in India. The remaining equipment which cannot be provided in India is provided by His Majesty's Government, but hitherto His Majesty's Government have not charged us for that equipment. That has, besides saving us crores of money, saved a lot of accounting because much of that equipment is not produced in commercial conditions and cannot be priced in the ordinary way. But, as I said, there was one exception to that arrangement. The exception concerns vehicles of all kinds, lorries, tanks, armoured cars, etc., and for the provision of such of these as are not obtained from the United Kingdom, India is liable. It will thus be clear that, excluding vehicles of all kinds, the extension of lease and lend facilities to India has, generally speaking, hardly affected her defence budget, since she has all along been receiving equipment and stores obtained from the United States of America for the equipment of her expanded army, navy and air forces free of charge. In respect, therefore, of these supplies the relief which is provided by the Lease and Lend arrangements is felt entirely by His Majesty's Government. I hope I have made that clear.

Sir Cowasji Jehangir: The Honourable Member said that all vehicles, armoured cars, etc., are paid for. But he has just now concluded by saying that in the case of those that do come from America the cost is borne by England.

The Honourable Sir Jeremy Raisman: I said the position in the case of vehicles was that any vehicles that did not come from the United Kingdom we had been liable to pay for hitherto, and, therefore, except for those vehicles, there is really no change in the position as a result of Lease and Lend, because all the equipment which we used to get from abroad was furnished to us by His Majesty's Government free of charge.

Sir Cowasji Jehangir: Even from America?

The Honourable Sir Jeremy Raisman: Even from America,—anything which we did obtain via His Majesty's Government. Properly speaking, therefore, it is only in the case of vehicles for the defence services supplied from the United States of America that India could expect any benefit from the Lease and Lend arrangements.

Now, the sum of Rs. 84 crores mentioned in my budget speech represented a very rough estimate indeed of the value of stores that may conceivably be received in India during 1942-43 under the Lease and Lend arrangements. Approximately, three-fourths, that is to say, about 25 crores of this sum represents vehicles of all kinds. Of the vehicles covered by this sum of 25 crores the great bulk will, it is anticipated, be required

for the maintenance and initial equipment of troops from India serving overseas in the Middle East, Iraq, Burma and Ceylon. The whole cost of it is borne by His Majesty's Government. A relatively small number of these vehicles is expected to be needed for the use of troops serving in India, and provision has been made in our revenue estimates for the value of these vehicles notwithstanding the fact that they may, if our anticipations are not falsified, be received without cash payments under Lease and Lend. The amount so provided in respect of vehicles that may be received on Lease and Lend terms during the current year and the next year are Rs. 50 lakhs in the current year and Rs. 150 lakhs in the next year. That is the total amount that can possibly be affected by Lease and Lend, and it has been included in our defence estimates. It may happen that owing to changed developments in the war situation, substantially larger numbers of the Lease and Lend vehicles may have to be retained for utilisation with troops in India. If that happens the amounts which I have mentioned would, of course, be correspondingly increased, and in that case it might be necessary to reconsider our policy in this matter.

I hope I have made it clear that in the circumstances, and in view of the amounts which have actually been included in the budget on this account, the manner of the treatment of these Lease and Lend receipts could not possibly have made any substantial difference to our budgetary policy. In fact, I would say that the amounts are so small as to be within the margin of error, and therefore, they affect neither our taxation nor our borrowing proposals.

Sir Cowasji Jehangir: May I put one question? My Honourable friend mentioned that about $1\frac{1}{2}$ crores worth of vehicles have been debited to Indian revenues for the purpose of accounting. Then our war effort is increased to the extent of Rs. $1\frac{1}{2}$ crores. My Honourable friend said that our effort will cost us Rs. 133 crores. It is not only Rs. 133 crores, but it is Rs. $1\frac{1}{2}$ crores more because it is Lease and Lend and it has not been paid for and he has not included it in the 133 crores which he has asked us to sanction.

The Honourable Sir Jeremy Raisman: The Honourable Member has in mind the position in the United Kingdom.

Sir Cowasji Jehangir: That is so.

The Honourable Sir Jeremy Raisman: In the United Kingdom if we say that the budget is 4,500 millions sterling, then it has been pointed out that that is not the complete measure of Britain's war effort, because there is a large sum in addition for which payment is not made and which does not appear in their budget. In the case of the United Kingdom that is true, and in reply to a question the Chancellor of the Exchequer admitted the correctness of that. In the case of India, on the basis of accounting hitherto adopted, that would not be correct. Strictly speaking, the sum of Rs. 133 crores for India's defence expenditure includes Rs. $1\frac{1}{2}$ crores worth of goods, which we expected to receive from America. But I must point out if, for instance, those vehicles are received from Canada, then we shall not get them free of charge and, therefore, provision in the budget will be necessary. In the circumstances we decided that we should not, at this stage, assume any credit for that $1\frac{1}{2}$ crores worth of vehicles.

[Sir Jeremy Raisman.]

I would again remind Honourable Members that it is possible that a very large volume of stores and equipment and weapons from America will arrive in India in the course of the forthcoming year. I have no doubt that it will be quite a considerable amount, but the majority of that will represent stores, etc., which were formerly provided at the cost of His Majesty's Government and which entered into the figure of Rs. 400 crores or so which I mentioned in my budget speech. The financial relief on that account will be felt by His Majesty's Government, though, of course, India will benefit from the equipment and weapons, etc., utilised for the equipment of forces required for the defence of India. I hope, Sir, that I have disposed of the major uncertainty in regard to this subject because I have made it clear that there could be no question of the taxpayer or even the lender to Government being asked to make a greater sacrifice on account of the way in which we are at present treating the accounting of these Lease and Lend stores.

Sir Cowasji Jehangir: May I ask the Honourable Member one question? He only mentioned vehicles of the value of $1\frac{1}{2}$ crores. There must be other articles too. Am I to understand that although there is a chance of getting all these materials on credit—you call it Lease and Lend but in ordinary language it is credit—you have still included that in your budget of 133 crores which you asked this House to sanction in anticipation of your having to meet other expenditure of which you are not at present aware. Is that the position?

The Honourable Sir Jeremy Raisman: The position is that at least 181½ crores of military expenditure is anticipated, whatever happens, whether we get articles on credit or whether we do not, out of this 133 crores. It is in any case at our charge whatever happens. Therefore, the only amount that can possibly be affected by a different treatment of Lease-Lend is $1\frac{1}{2}$ crores.

Mr. Huseinbhai Abdullahhai Laljee (Bombay Central Division; Muhammadan Rural): Up to now all that we have got is with our own monies?

The Honourable Sir Jeremy Raisman: I am afraid the Honourable Member has not understood me. We have received certain Lease-Lend equipment but since it is equipment which would have been paid for by His Majesty's Government if it had been paid for at all, it has made no difference to us. In fact, you may say that we were already on a better than Lease-Lend basis with His Majesty's Government and, therefore, the stepping in of America as a supplier on a Lease-Lend basis could not greatly improve our position.

Sir Cowasji Jehangir: What you are nervous about is that instead of getting it as a gift you may have to get it on credit and want to make an allowance for that. That is the position.

The Honourable Sir Jeremy Raisman: I will now turn to another point and I will allay the anxiety of my Honourable friend, Sir Henry Richardson, that I might in the press of debate have overlooked the

points which he raised. I must apologise to him for having omitted to answer those points in the previous discussions. The first point which he raised was in regard to the conditions to be attached to Government's share of the amount to be put into what I might call the re-equipment reserve for industry. He suggested that it was rather difficult to ask companies, etc., to decide whether they would put in their share without knowing more clearly what Government's intentions were about the smaller share which they would put in. Well, Sir, I realised this difficulty at the time when I formulated the scheme and I, therefore, attached conditions or features to the assessee's contribution which were calculated to make it a more or less reasonable investment on its own and entirely apart from the contribution which Government would make. I said that it would be repayable within 12 months after the end of the war and also I was prepared to pay a rate of interest which in relation to the presumable period for which that sum would be invested was fixed at two per cent. which may be said to be the reasonable rate for short to medium term money, say, four or five year money. But my Honourable friend, Sir Henry Richardson, is not satisfied with that. He has got his eye on the other piece of cake which we have promised to put on the plate and he wants to know how much of that is really jam. Well, Sir, I am prepared to meet his doubts to this extent. I am not at this moment in a position to state what conditions Government can reasonably attach to this refund. My feeling is broadly that Government would be anxious to see that such money should not be dissipated in ordinary current consumption. It should not, for instance, merely be used to increase dividends to shareholders but that it should be utilised in order to strengthen the position of the industry concerned after the war. I am not in a position to formulate those conditions precisely and that is why I said that I would refer the matter to the Post-war Reconstruction Committee but I am prepared to do this. I am prepared to keep the offer open for a longer period, that is up to the 30th June. In the meantime I would ask my Honourable colleague, the Commerce Member, to have the matter dealt with as expeditiously as possible in that Committee, so that we may be in a position to give some more precise indication of what we have in mind to the assessees and enable them to see that it is really worth their while to take advantage of the scheme. I do not think I can do anything more at this stage.

Sir Cowasji Jehangir: May I ask the Honourable Member for an assurance rather than a question? Will it ever happen that the contribution paid by Government may be put into a general fund for the advantage of the whole industry and not of the individual concern that pays the original contribution?

The Honourable Sir Jeremy Raisman: That is a very interesting point and I think that in the course of the time which will be available, Government may be able to elicit the views of industry itself on the best way of treating these sums. I cannot say that the idea actually entered our heads

Sir Cowasji Jehangir: It is so in England.

The Honourable Sir Jeremy Raisman: It may be so in England.

Sir Cowasji Jehangir: If there is any chance of that, then I am afraid his whole object will be frustrated. The only condition on which he would succeed would be that the Government's portion will go back to that individual concern which pays the original sum.

The Honourable Sir Jeremy Raisman: As a matter of fact, I had assumed that myself but I said that the Honourable Member's suggestion was an interesting one.

Sir Cowasji Jehangir: I put a question. I did not mean to suggest that. But if it is in the mind of the Government, then let us know from now that you are going to consider it.

The Honourable Sir Jeremy Raisman: I made it quite clear, I think that that was not actually in our minds but then I have also made it clear that we have not attempted to formulate any precise or rigid conditions. We will have an open mind on the subject and we should be glad to receive the suggestions of commerce and industry on this very important matter.

The other point which Sir Henry Richardson raised and which was also raised by Sir Abdul Halim Ghuznavi was in regard to the liability to tax of the Government's contribution. Well, Sir, I am afraid that I cannot give him any comfort. It must be remembered that this sum since it has been treated as Excess Profits Tax has been exempted from income-tax and super-tax and, therefore, the moment it ceases to be Excess Profits Tax and, if as is made clear by my Honourable friend, Sir Cowasji Jehangir, it then becomes the income of the individual concerned, then it must obviously be liable to income-tax and super-tax at that time. My Honourable friend, Sir Henry Richardson, said that the tax to which it became liable should be in some way limited to the tax to which it would be liable at the present time or in the financial year, 1942-43. I have had that suggestion examined, but I am afraid that it is quite impracticable. After all, the provision now included in the Finance Bill does not by itself make that contribution liable to tax. What happens is that on the contribution being refunded, it then becomes ordinary income and I cannot see how anything we can reasonably do just now could prevent it from being the income of the year in which it is received by the assessee.

Sir Cowasji Jehangir: Is it not a gift from the Government?

The Honourable Sir Jeremy Raisman: Even if it were a gift, it seems to me it must be part of the ordinary business income of the firm in question and must be liable to tax. Of course, that does not mean that in every case, the tax would be levied. In the case of a concern, for instance, which had made a loss and which needed this amount for ordinary financing, the sum, unless it was greater than the loss incurred, would not be liable to tax. On the other hand, in the case of a concern which had already made much profit, it is clear that the amount would be liable to the maximum rate of tax. I am afraid that nothing that we can do can bind either the Government or the Legislature at the time when these monies are paid out to refrain from treating those sums as taxable receipts of the year in which they are paid out.

Dr. Sir Ziauddin Ahmad: I hope the Government will not forget that money paid by them is the taxpayers' money and the profit is the profit on account of the consumers of India.

The Honourable Sir Jeremy Raisman: I am not likely to forget that.

Now, Sir, I proceed to another matter and that is the unfortunate position of the Chettiers and other businessmen who have been the victims of heavy loss during the military operations in Malaya and Burma. I have not had the opportunity in the last few days to receive and discuss this matter with the deputation which is here to wait upon me and that is why I deprecate the use of strong expressions on this subject in this House before I had really had time to go over the matter with the persons affected and make up my mind what relief is reasonably possible.

Maulana Zafar Ali Khan (East Central Punjab: Muhammadan): May I ask the Honourable Member to take note of the fact that it is not only the Chettiers who have suffered loss of their assets and their income, but there are others also, Hindus and Muslims, who have invested crores in Malaya and Burma and nothing is left for them? Everything is gone.

The Honourable Sir Jeremy Raisman: I merely mentioned the case of Chettiers as one class whose case has been mentioned in this House. I realise there are others who are affected, but I do deprecate the attitude which says

Dr. P. N. Banerjee (Calcutta Suburbs: Non-Muhammadan Urban): On a point of personal explanation, Sir. Will the Honourable Member point out the strong language used by me?

The Honourable Sir Jeremy Raisman: I have not got the verbatim record before me, but I think the Finance Department, which after all includes myself, was accused of being very stony-hearted or of being hard as stone.

Dr. P. N. Banerjee: That was said after the intervention of the Honourable Member. What occasion was there for the Honourable Member to interrupt me and tell me that?

The Honourable Sir Jeremy Raisman: The interruption was provoked by the suggestion that the Honourable Member thought that not only the local officials, the Commissioner of Income-tax and the Income-tax Officers were pursuing the ordinary processes of law, as they were bound to do under the Act, but also that the headquarters here was pursuing a callous policy. That was what evoked my interruption. That was entirely untrue.

Dr. P. N. Banerjee: Will the Honourable Member find out whether I said that.

The Honourable Sir Jeremy Raisman: I have not got a record in my hand.

Dr. P. N. Banerjee: It is wholly incorrect.

Mr. President (The Honourable Sir Abdur Rahim): Order, order.

Dr. P. N. Banerjee: The Honourable Member says that I made an untrue statement. I must say that it is wholly incorrect. It is unworthy of the Honourable the Finance Member to make such an assumption.

The Honourable Sir Jeremy Raisman: I shall leave the matter to the record. My impression was that he said that the Central Board, which after all operates immediately under my charge and the headquarters organisation here, was not prepared to make any allowance for the unfortunate plight of these people. That did seem to me an unjustifiable suggestion, since we are currently dealing with the matter and I am prepared to hear all that these people have to say and to try to devise the most suitable measures of relief, but I must point out

Dr. P. N. Banerjee: Why was the Honourable Member so impatient then yesterday?

The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar (Commerce Member): You are impatient now.

The Honourable Sir Jeremy Raisman: It is just like a person who has been hurt saying 'do not come near me'. How can the Income-tax Department know what exactly is the plight of these people, unless it can get into contact with them and hear what they have lost and what exactly is the damage, what form of relief is the most suitable. It is just like dealing with a burnt child which will not allow you to find out and look at the damages it has suffered. One cannot come into contact with the question unless one discusses and asks whether a certain course will be suitable, or whether a certain other course will be suitable and, finally, one must decide what is fair both to these unfortunate people themselves and also to the general taxpayer.

Dr. P. N. Banerjee: Who asked you not to take these steps?

Mr. President (The Honourable Sir Abdur Rahim): Order, order. The Honourable Member must not go on interrupting.

The Honourable Sir Jeremy Raisman: I proceed now to another matter which was mentioned by other speakers and particularly by my Honourable friend, Mr. Jamnadas Mehta, and that was about the large sterling balances which are accumulating in the Reserve Bank. My Honourable friend, Mr. Mehta, seemed to think that because these represent a very large percentage of the assets of the Bank, therefore, some damage was being done to Indian commerce and Indian industry. But, surely, he realises that no matter in what form the reserves may be held, the thing that matters is the monetary policy pursued by the Bank. Now, Sir, all these sterling reserves are represented by rupees in circulation in India, and, therefore, even if the whole of these reserves were held in gold and even if the whole of them were held in India, it would make no difference to the amount of monetary facility which is available for industry in this country. Actually, the Reserve Bank, although it has

been criticised once or twice in the course of the discussion, has, in consultation with the Government of India, pursued a policy which has been highly advantageous to industry since the outbreak of war. It has resisted any tendency to depart from a cheap money policy and has throughout secured the conditions which would make cheap finance available to industrial development during this period. That, I consider is the greatest service which the Central Banking Institution can possibly render to the country, at a time like this. I do not understand in what form the Honourable Member would prefer to hold those sterling balances having regard particularly to the way in which they arise, namely, by payments to us from His Majesty's Government.

Dr. P. N. Banerjea: What is the exact amount of these balances at 12 Noon, present? Can the Honourable Member tell us now?

The Honourable Sir Jeremy Raisman: I regret I have not with me at this moment the actual figure of the amount, but can tell him this that last Friday the percentage of the assets, gold and sterling, to the total amount of notes issued was 61.

Dr. P. N. Banerjea: What is the amount of gold?

The Honourable Sir Jeremy Raisman: The amount of gold stands at 44 crores, valued according to the Reserve Bank Act, which is the old value. Strictly speaking, of course, that gold is worth now at least double that amount, *viz.*, 88 crores.

Dr. P. N. Banerjea: Is that held in London?

The Honourable Sir Jeremy Raisman: No, in India.

Dr. P. N. Banerjea: And no gold is held in London?

The Honourable Sir Jeremy Raisman: No, not now. So that, the percentage is not quite as large as my Honourable friend thought. But I would point out that it is precisely at the present moment that the percentage has been changing rapidly because of the payments which have had to be made in connection with the repatriation of our sterling debt. It is this sterling which has to be used in order to repay the bond-holders. Therefore, the amount of these sterling assets is very sharply affected by the repatriation payments and there are more to be met before the end of the next financial year.

Mr. Jamnadas M. Mehta (Bombay Central Division: Non-Muhammadan Rural): Is there any other country in the world which maintains its central banking balance outside the country to this extent?

The Honourable Sir Jeremy Raisman: As far as I understand it, every country in the world maintains a reserve for its currency outside its country in the financial sense. In other words, the only reserve you can have for your currency, apart from gold, is foreign exchange. That is what you can call upon in time of emergency in order to maintain the value of your currency.

Mr. Jamnadas M. Mehta: I said, to this extent.

The Honourable Sir Jeremy Raisman: External reserve, which is the usual way in which economists refer to this kind of reserve, must be external. The extent of it I am not in a position at the present moment to say. But if the Honourable Member will refer to the publications of Geneva on this subject I think he will find that the position of India is, if anything, very satisfactory compared with most countries at the present time.

Dr. P. N. Banerjee: Is it meant that other countries place 60 or 70 per cent. of their reserves in foreign countries?

The Honourable Sir Jeremy Raisman: I mean that there are too many countries at the present time which have no reserves either inside or outside the country.

Dr. P. N. Banerjee: That is a different matter altogether.

The Honourable Sir Jeremy Raisman: Whereas, India has a large reserve, first of gold which is held at a value considerably less than its true value and, secondly, of sterling. And after all we are in the sterling area and we cannot hold our external reserves in any other form.

Sir Vithal Chandavarkar asked me what we were going to do with our sterling balances. That is a question to which I cannot give an answer at this moment. What we have done hitherto is to use them in the best possible way for the advantage of the country, namely, by extinguishing external debt, by buying up railways and so on; and we shall endeavour to continue to use them, as opportunities present themselves, in the best possible way. But it is not easy to know how opportunities can be utilised during the war. The obvious use of these sterling balances would be, when the hostilities are over, for the importation of all the plant, machinery, arrears of physical depreciation of railways and so on, which have been occurring during the war, to replace all these. In fact this is the re-equipment and rehabilitation reserve for the whole country. But we must wait on the development of events. We cannot foresee what the morrow may bring forth, and it may even be that India's liabilities may rise in a form which will tend to reduce the extent of these sterling balances. However, it is interesting that Honourable Members are disposed to complain of the size of them; I hope they will not be disposed to complain if the size should begin to diminish.

Maulana Zafar Ali Khan: May I ask one little question? Under the Lease-Lend arrangements have we to pay for the supplies from America in gold?

The Honourable Sir Jeremy Raisman: The answer is, no.

I now go on to another point. My Honourable friend, Dr. Banerjee, thought that I had not dealt with the suggestions for economy in administration. On the contrary, Sir, I think that I gave a full reply on that point at the time of the debate on the budget. I pointed out that, after all Government was a machine consisting of human beings, that Government were being asked to do far more than they were

ever being asked to do before, and that the human beings comprising it could not, therefore, undertake further duties and yet be reduced in numbers; so that you cannot reduce the numbers of the staff. As regards his proposal for a salary cut I have only this to add to what I said before. I do not pretend that Government officials in receipt of salaries could not possibly be asked to make further sacrifices. That was not my position; but what I do say is that there is no reason why they alone should be asked to make further sacrifices. If my Honourable friend, Dr. Banerjea, is prepared to recommend that in addition to the income-tax and super-tax included in the Finance Bill there shall be levied on every person receiving from Rs. 250 upwards, whether he be a Government official or a businessman or anybody else, a cut ranging from one per cent. of his income to ten per cent., then I would welcome his suggestion; and will he obtain sufficient support from his Party to enable me to carry that out? But that is entirely a different matter. What I said was,—and I do not care how many newspapers misrepresent me,—that of people in particular income classes at the present moment you will find that the Government servant had a better case for not being subjected to a cut than the other occupants of those particular groups; in other words, that a far larger number of the non-Government servants in those groups would consist of war-time profiteers and men whose incomes had been increased as a result of the war.

Dr. P. N. Banerjea: Try to reach them, if possible.

The Honourable Sir Jeremy Raisman: I would be very glad if I could reach them. But I would welcome it if my Honourable friend, instead of concentrating his attack on those who had been most adversely affected by developments since the war, would ask that greater sacrifices be called for all round.

There is one other point in regard to economy in administration which I should like to touch on, and that is in regard to the placing of contracts. There have been accusations thrown out throughout the debate regarding the reckless way in which contracts are placed and my Honourable friend, Sir Homi Mody, has dealt with his side of that business. But I want to draw the attention of the House to the fact that the whole of these transactions is done with the concurrent scrutiny of members of the Finance Department. One of the heaviest strains which has been placed on my Department is the finding of personnel to man the various ramifications of the Supply Department. To hear Honourable Members speak, you would think that the Supply Department simply throws money at people who are almost ashamed to take it. You would never imagine the scene which is actually the case, namely, the officer of the Supply Department and his Financial Adviser sitting at the table for long and weary hours opposite a man who claims that he is already making a tremendous sacrifice in offering Government the goods at the price which he is suggesting. It takes a long time, it takes a lot of patience, it takes a lot of nervous energy before the gap which exists between the supplier's idea of a fair and reasonable price and our idea of that price can be bridged, and I can assure you that the point at which they finally meet is a good deal nearer where we started off than where the supplier started.

[Sir Jeremy Raisman.]

Whilst I am on this subject, there is one point of general importance which I would like to make clear. Businessmen who supply goods to Government are apt to think that if they suggest a price which is lower than that ruling in the bazar then they are making a very fair and generous offer. They want to know what we mean by a fair and reasonable price. If an article is selling in the bazar for Rs. 10 and they offer it to us at Rs. 9-8-0 or Rs. 9-4-0 then they think that they are making a great gesture and a great sacrifice. But now the horrible hard-faced Finance Officer says "but what did it cost you?". He says to the supplier, "I want to see your accounts. I have an idea that this only costs you Rs. 7 and, if so, my idea of a fair and reasonable price is not Rs. 9-4-0 or Rs. 9-8-0 but something based on Rs. 7." He may say, "I consider that if you get Rs. 7-8-0 you will be doing very well." Now, I want to make it clear here that our conception of a fair and reasonable price has no relation to the conditions ruling in the bazar, because we know that in many cases our own demands have created those abnormal bazar conditions. It is because we are the biggest consumer in the field that the prices for the civil consumer may go very high and, therefore, we are not interested in what is the price in the bazar. When the supplier says that the price is Rs. 10, we are not interested. Our conception of a fair and reasonable price in war time is a price which is based on the cost of production or the cost of acquisition of the article with some reasonable percentage of profit. It is not based on the speculative cost or the bazar cost of the article minus a concession which the supplier thinks he ought to make to us.

Sir Cowasji Jehangir: May I ask the Honourable Member, while admitting his theory, whether he is sure he is putting it into actual practice?

The Honourable Sir Jeremy Raisman: Well, Sir, I am making this statement here and now because it is with me a question of policy and that is what we seek to achieve. I do not say that, in every instance, in every purchase which has to be made, sometimes under very heavy pressure, of some comparatively small quantity, I do not say that it is always possible to argue this out to its last conclusion, but I do say that that is our conception of what is a fair and reasonable price and that is the policy which we wish to enforce.

Sir Cowasji Jehangir: What about the middleman from whom Government buy? There are small things but large amounts of money are involved. Why go to the middleman? And has he heard that the middleman makes enormous profits?

The Honourable Sir Jeremy Raisman: I have heard this and we deprecate being put in a position in which we have to go to a middleman and to deal on the basis of a speculative price at which he could possibly acquire those goods, and that is why such a burden of planning and looking forward is thrown on the Supply Department. It is only by having a plan for the obtaining of your requirements that you can possibly avoid or attempt to avoid that situation, but, of course, if the emergency

arises and if it is absolutely vital that a limited quantity of certain goods should be obtained immediately for purposes of the war, then we sometimes. . . .

Dr. Sir Ziauddin Ahmad: Very often.

The Honourable Sir Jeremy Raisman: have either to submit to extortion or requisition the goods. (Interruption). We do make use of the power of requisition too.

Now, I would like to go on to the next point on which I wish to make a few observations, and that is the subject of silver which was touched upon by my friend, Sir Yamin Khan. He seemed to imply that it was a mistake to increase the tax on silver because the price was already very high. While, as a matter of fact, we have not made a substantial increase, so to speak, in the tax on silver, what happened was that silver being included in the general tariff it was necessary as a formal matter to equalize the excise on silver with the custom duty, because those two have always been equal. But he also made some remark on the control of price of silver. He seemed to think that it was a hardship for the poor man that the price had gone so high. Our policy in the past in regard to silver when it was threatened by the opposite process, namely, that the price was falling very low, our policy was to attempt to support it because we regarded silver as being the store of value of the masses throughout India and there is no doubt that a very large amount of silver is in the hands of the people of this country. Therefore, to the extent that the price of silver has gone up the value of that asset in their hands has been increased. But, says my Honourable friend, if they want to obtain any more now they have to pay a very high price. Well, Sir, I do not know that I can entirely help that. I do not consider that that is a serious hardship on the poor man which Government is called upon to provide a remedy for. We have been providing silver in response to demands in order to attempt to prevent sharp and speculative rises in the price of this metal. But we are not prepared to follow the market to all heights. The speculators get the bit between their teeth and they run this metal up to a most ridiculous price. Now, anybody who knows anything about the world position of silver knows that the outlook in normal conditions of this metal is what is known as a very heavily bear outlook. America is full of silver which it does not know what to do with. The world production of silver in the years before the war was greater than the world demand, and the future before silver was a steadily downward one. Now, owing to the circumstances of the war, owing to restrictions on exchange and so on it has become inevitable that a ring fence should be placed round our Indian markets for the time being and within this ring fence the speculator has found a wonderful opportunity to play his games. Well, I am glad to say that many of these gentlemen will burn their fingers very badly. . . .

An Honourable Member: They have already.

The Honourable Sir Jeremy Raisman: Some of them have already received severe burns in the last few days

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): May I point out to the Honourable Member that when I spoke about silver the price was Rs. 94 and even 95 per hundred tolas, and today it is Rs. 82-8-0?

The Honourable Sir Jeremy Raisman: Exactly; that only illustrates what I was saying. I may say that although the Finance Department is a very large holder of silver, I am very gratified to see the fall in price, and I have very little sympathy for those who have been affected by it. I only hope it will teach them a lesson. . .

An Honourable Member: Why not sell the stock now?

The Honourable Sir Jeremy Raisman: I have to keep silver for coinage purposes. I cannot use all my silver in order to defeat the tricks of the speculators; but my point really is that this is not a matter of hardship to the poor man because, if anything, the extent of the rise by increasing the value of his existing holdings more than neutralises the hardship which he is placed in if he wishes to increase his stock.

There are only two or three other points I would like to deal with. I would deal in one or two sentences with the point raised by Sir Henry Gidney about matches. I am afraid he got hold of the wrong end of the stick—in so far as it was the match stick, he was also in danger of burning his fingers, because he had insufficient knowledge of the subject! What I said last year in this House was that I was prepared and anxious to make it possible for the box of 40 sticks to be sold at $1\frac{1}{2}$ pice, that is, two boxes for three pice. I also said in response to a suggestion in regard to boxes of fifties, that I would do what I could to make it possible for such boxes to be marketed at two pice, that is, half an anna. I pursued that subject and I did so adjust the duty that the manufacture of boxes of fifties became possible and the firm to which the Honourable Member made reference assisted me in those efforts. What happened subsequently was that the retail price control machinery which is in the hands of Provincial Governments did not function as it should have done. Not all the Provincial Governments took advantage of the circumstances I had created to insist that the box of 40 should be sold at $1\frac{1}{2}$ pice and no more and that the box of 50 should be sold at $\frac{1}{2}$ anna; and what is more many dealers were not interested in the box of 50, although the firm in question proceeded to manufacture 50's at once and practically greatly reduced, if it did not cease, the production of 40's. The dealers were more interested in trying to sell a box of 40's at $\frac{1}{2}$ anna, and they were, as I say, not prevented by the Local price control arrangements. That has been rectified now. . . .

Sir Cowasji Jehangir: Can the Honourable Member tell us who suggested making these boxes of fifties in this House first?

The Honourable Sir Jeremy Raisman: I think it was either my Honourable friend, Sir Cowasji Jehangir, or Sir Homi Mody, or Mr. Huseinbhai Laljee; but in any case the suggestion was taken up and was accepted by the very firm on which my friend, Sir Henry Gidney, thought fit to cast aspersions.

Lieut.-Colonel Sir Henry Gidney (Nominated Non-Official): No, Sir, I did not cast any aspersions. I repeat again I did not. I said that by introducing the 50's you threw open the flood gates of dishonesty by the small vendor charging the same for 40's as he should have done for 50's.

The Honourable Sir Jeremy Raisman: On the contrary, by introducing the 50's we tried to close the flood gates of dishonesty. The swindle was when the box of 40 was being sold for $\frac{1}{2}$ anna instead of $1\frac{1}{2}$ pice. By introducing 50's we made it possible for the retail dealer to give full value to retail purchaser of a single box. If a man wanted to buy one box then formerly he could only get a box of 40 for $\frac{1}{2}$ anna. By introducing 50's we made it possible for him to get full value for his half anna

Mr. Hussinbhai Abdullabhai Laljee: May I ask one simple question whether at the last Budget Session, this company supported the suggestion of 50's or 40's?

The Honourable Sir Jeremy Raisman: I am in a position to state that at that very time the company were prepared to assist in the marketing of a box of fifties.

Sir Abdul Halim Ghuznavi (Dacca Mymensingh: Muhammadan Rural): The capital of the company is 50 per cent. Indian.

The Honourable Sir Jeremy Raisman: My Honourable friend, Mr. Jamnadas Mehta, has referred to a certain discrepancy in the figures. I wish he had not referred to it in the course of the debate, because I could easily have dealt with it in personal discussion with him. But since he has raised it, I must endeavour to dispose of it. He was unable to understand why, when I said that the yield of taxation at the existing level was 140 crores, he was unable to reconcile that figure with the figure given in statement 13, at page 20 of the Explanatory Memorandum, where the total net revenue in 1942-43 is shown as 144 crores odd and the cost of tax collection at 426 lakhs. If my Honourable friend had looked at the last column of that statement, he would have seen that the deficit was shown as 35 crores, which would have made him realise that the figures on this line are the figures, after the new taxation included in the Finance Bill is taken into account. The estimated yield of taxes at the existing level is 140 crores, and the additional taxation imposed in the Finance Bill is estimated to yield 12 crores, so that the gross revenue would be 152 crores. From that you have to deduct not merely the cost of collection of taxes, which is shown as 426 lakhs, but also certain other charges with which I will not bother the House at this moment—but the total deductions amount to nearly 767 lakhs and that is how the figure of 144 crores is arrived at

Mr. Jamnadas M. Mehta: On what page can I find this Rs. 7 crores?

The Honourable Sir Jeremy Raisman: I shall be glad to indicate privately to my Honourable friend exactly the information he wants.

My Honourable friend, Sir Henry Gidney, raised a point which I am afraid I am not in a position to deal with at this moment, but I am

[Sir Jeremy Raisman.]

having it examined; and that is the question regarding the rate of interest allowed by courts on decrees. I am not sure exactly what our position is or what our powers are; but it is a suggestion which I will take up and have looked into.

There is only one point more with which, I think, I need detain the House, and that is the frequent remarks which Honourable Members made about what they regarded as a mythical or invisible increase in the national income, because they were not able to see where this increase occurred. I can assure Honourable Members that by every index by which national income can possibly be measured certain factors show large increases. We know that payments are being made by Government themselves on a scale far larger than before. We know that production has been tremendously stepped up; we know that a very large increase has occurred in the number of persons employed, and it is not merely the payments which we make on our own behalf or on behalf of His Majesty's Government to capitalists or millionaires, as some of my friends said, which go to swell the national income, but the wage Bill has very greatly increased. The income of the classes which cater for these wage-earners has again increased throughout the scale. In fact, it is almost solely the unfortunate people whom my friend, Professor Banerjea, wishes to subject to a special cut who have not been affected by the tremendous increase in the economic activity which has resulted from the war. I realise that in many cases the increases in income have been largely neutralised or out-balanced by increases in the cost of living. That is another matter, but when I was talking of an increase in the national income, I was referring to additional rupees which are being earned by this country at the present time as compared with the pre-war position.

Well, Sir, I have done. I can only, in conclusion, add my support to those Honourable Members who have appealed to this House and to the country generally to face the realities of our present situation and to summon up their reserves of confidence, courage and persuasion in order to make the country more fit to face the ordeal which it must undergo in the coming months. I myself see great signs of hope on all sides. I have no doubt whatever that the forces, that the resources on our side are capable of ensuring the ultimate victory, and that the main requirement at this moment is to keep the hearts of the people high and to keep their gaze fixed on the sun lit uplands beyond, as Mr. Churchill so happily phrased it, and not on the darker features of the landscape. I hope, Sir, that every Honourable Member of this House will do his best, will take his place in that national war front for which His Excellency the Viceroy so eloquently appealed and will help this country to play a worthy part in the great struggle which is facing humanity. (Applause.)

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

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the rate of the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to vary the rate of the excise duty on kerosene leviable under Section 5 of the Indian Finance Act, 1922, to vary the rate of the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to levy customs duties in addition to the duties of customs leviable under the

Indian Tariff Act, 1934, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax and to continue the charge and levy of excess profits tax and fix the rate at which excess profits tax shall be charged, be taken into consideration."

The Assembly divided:

AYES—49.

Abdul Hamid, Khan Bahadur Sir.
 • Ahmad Nawaz Khan, Major Nawab Sir.
 Aiyar, Mr. T. S. Sankara.
 Ayers, Mr. C. W.
 Bewoor, Sir Gurunath.
 Caroe, Mr. O. K.
 Chandavarkar, Sir Vithal Narayan.
 Chettiar, Dr. Rajah Sir S. R. M. Annamalai.
 Clow, The Honourable Sir Andrew.
 Dage, Seth Sunderlal.
 Dalal, Dr. Sir Ratanji Dinshaw.
 Dalpat Singh, Sardar Bahadur Captain.
 Dam, Mr. Ananga Mohan.
 Datta, Mr. Akhil Chandra.
 Dehejia, Mr. V. T.
 Deshmukh, Mr. Govind V.
 Ghiasuddin, Mr. M.
 Ghuznavi, Sir Abdul Halim.
 Gidney, Lieut.-Colonel Sir Henry.
 Gopalaswami, Mr. R. A.
 Griffiths, Mr. P. J.
 Haider, Khan Bahadur Shams-ud-Din.
 Imam, Mr. Saiyid Haider.

Ismail Ali Khan, Kunwar Hajee.
 James, Sir F. E.
 Jehangir, Sir Cowasji.
 Kamaluddin Ahmed, Shams-ul-Ulema.
 Khurshid, Mr. M.
 Khushalpal Singh, Raja Bahadur.
 Laljee, Mr. Huseinbhai Abdullabhai.
 Lawson, Mr. C. P.
 Maxwell, The Honourable Sir Reginald.
 Mehta, Mr. Jamnadas M.
 Miller, Mr. C. C.
 Mody, The Honourable Sir Homi.
 Muazzam Sahib Bahadur, Mr. Muhammad.
 Parma Nand. Bhai.
 Pillay, Mr. T. S. S.
 Prior, Mr. H. C.
 Raisman, The Honourable Sir Jeremy Richardson, Sir Henry.
 Sarker, The Honourable Mr. N. R.
 Scott, Mr. J. Ramsay.
 Sheehy, Mr. J. F.
 Sivaraj, Rao Sahib N.
 Spence, Sir George.
 Sultan Ahmed, The Honourable Sir.
 Symons, Mr. N. V. H.
 Thakur Singh, Captain.

NOES—16.

Abdoola Haroon, Seth Haji Sir.
 Abdul Ghani, Maulvi Muhammad.
 Azhar Ali, Mr. Muhammad.
 Essak Sait, Mr. H. A. Sathar H.
 Ghulam Bhik Nairang, Syed.
 Ismail Khan, Haji Chaudhury Muhammad.
 Kailash Behari Lal, Babu.
 Liaquat Ali Khan, Nawabzada Muhammad.

Muhammad Ahmad Kasmi, Qazi.
 Murtuza Sahib Bahadur, Maulvi Syed.
 Nauman, Mr. Muhammad.
 Siddique Ali Khan, Nawab.
 Umar Aly Shah, Mr.
 Yamin Khan, Sir Muhammad.
 Zafar Ali Khan, Maulana.
 Ziauddin Ahmad, Dr. Sir.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): The House will now proceed to consider the Finance Bill clause by clause. The question is:

"That clause 2 stand part of the Bill."

Mr. Jamnadas M. Mehta: I move:

"That in clause 2 of the Bill, the words 'and four annas' be omitted."

I raise my voice of protest against the maintenance of the poor man's burdens in this hour of war. The Government must be carried on in such a manner that the civil population should suffer the minimum hardship. So long as food grains, salt, kerosene and other bare necessities of life are taxed, I say that the Government are neglecting the most important part of their duty during the war. It has been admitted that salt is a very

[Mr. Jammadas M. Mehta.]

necessary article of human existence and one of the Secretaries of State for India himself admitted eighteen years ago in Parliament that salt tax is a pernicious tax. I, therefore, cannot support this provision in the Bill that the salt tax must be maintained at Rs. 1-4-0. Salt enters into every day requirements of the poor, and it is, therefore, necessary that when the earnings of the poor have remained low, when the agricultural prices are being controlled in the interests of the conduct of the war and of the consumer, it is necessary that those who bear the biggest burden in all walks of life should be relieved to some extent. And this salt tax is the burden which the poorest of the poor bear and which they must not be allowed to bear any more. There is some irony in the increase of this salt tax during the last ten years. It was one rupee in 1931, and I am surprised that after 1931 Government should have added to the burdens of the poor, and except for two or three years, in every succeeding year the cost of living has slowly and slowly gone up until it is in the present stage, the height of which is known to every one of us. In 1931, Government on the one hand promised to make salt cheaper for the poor.

The House knows that in 1930 there was a great campaign of breaking the Salt Act. At that time the burden was one rupee per maund, and the Government came to a compromise with those who had broken the Salt Act, that they themselves believed that the poor of this country should have free salt and Government allowed certain parts of the country everyone to collect salt without payment even of one rupee per maund. That was the position which Gandhi-Irwin Pact of 5th March, 1931 disclosed. Strange to say, within 26 days after that Pact when 75,000 people had gone to jail to have repeal of the Salt Act, when the Government themselves had agreed that the poor man's salt should not be taxed,—the self-same Government, within 26 days, imposed an addition of four annas in the rupee, which means increasing the salt tax by 25 per cent. The same protestants who broke the Salt Act have never seen the irony, the anomaly of their conduct, that for 75,000 people going to jail, they got an addition to the taxation on salt by 25 per cent. If the voice of the country was to count, these 75,000 people who went to jail for the repeal of the Act should have obtained this consolation at least that the salt tax will not be increased. Instead, after ten years we find that the Government are maintaining this tax which is a great burden on the poor, particularly, when the latter's income has diminished in its purchasing power. The Finance Member gets very warm when somebody like my friend and Leader, Dr. Banerjee, calls upon him to tax the better paid Government servant by a salary cut. He gets warm. He says, "Look at the people who are making money in the war and the largest incomes are made by them. On the other hand, Government servants are bearing all the taxes. You are objecting to the rich men being taxed and you are asking for a separate independent additional cut on the salaries of the Government servants, which will not apply to the people who are making money with both hands by contracts and other methods during the war". May I suggest to my Honourable friend that it is comparing like with unlike? I understand his warmth when he stands up the Government servants against people who are making money by

contracts and other ways. Compared to them, the Government servant must be protected. But the Honourable the Finance Member swallows a camel and strains at a gnat. That is what I do not understand. When he stands up for the Government servant on 250 as against the contractors and businessmen who are making money, I am entirely with him but he forgets his own principle that the people who bear the largest burden should not be mulcted. There he forgets what he has been establishing himself with a considerable degree of cogency and warmth. You cannot swallow camels and strain at gnats. As against the contractors and other money makers during the war, the Government servant is to be sympathised with. If you tax Government servants over 250 they are not going to starve. They are not going to live in a stable instead of in a bungalow which they are doing at present. They are not going to give up any of their ordinary amenities to which they are accustomed and which they should be assured as public servants, but what I cannot understand for my life is the Honourable the Finance Member's very exuberant sympathy for the Government servant as against the money maker, his indifference to the poor man's salt. Why does he forget the very scanty budget of these people whose salaries are Rs. 16, 25, 30 and 50. Are they better off than the Government servants on 250? Look at the contrast. Look at the way you treat the Government servant on Rs. 250 and over and the way in which you treat these poor people who have to put up with already very enhanced prices of the necessaries of life. The purchasing power of their salaries has gone down and you are imposing other taxes on top of that and you still maintain the salt tax at Rs. 1-4-0. For all these reasons I submit to the House that they should accept my amendment. The poor man should not be taxed any further, at a time when prices have risen all round. Therefore I move this amendment.

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

"That in clause 2 of the Bill, the words 'and four annas' be omitted."

Babu Kailash Behari Lal (Bhagalpur, Purnea and the Sonthal Parganas: Non-Muhammadan): I rise to join my voice to that of Mr. Mehta. My contention is that Mr. Mehta has made some concession regarding the cut on the salaries of Government servants. I am not for showing even that much of concession. It is true that Government servants have to bear taxes just as businessmen have. But Government servants owe some duty greater than that of businessmen. The businessmen are not paid to see the Government running. It is primarily the concern of those who have to see that the Government is carried on and they should be more charitable and set an example to the businessmen as a whole and then the time will come for us to tell the businessmen that in the interest of the country they should also make a sacrifice. Our Government which is carried on so lavishly have made some concession up to Rs. 1,000.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must really not go into all that now. This subject has been discussed before. The Honourable Member must confine himself to the amendment.

Babu Kailash Behari Lal: My point is that whatever amount Government expect to get out of this salt tax can be got by a cut in the salaries of Government servants who get over Rs. 1,000 per month. They could have made some sacrifice to set an example to others.

Mr. President (The Honourable Sir Abdur Rahim): That is not the amendment. The Honourable Member must not go into that.

Babu Kailash Behari Lal: I am supporting my friend, Mr. Jamnadas, that whatever relief Government wants may be got by showing sacrifice

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has said that very often.

Babu Kailash Behari Lal: It is apparent that the Government servants cannot justify their high salaries and tax the poor man's salt. With these words I support the amendment.

Mr. Ananga Mohan Dam (Surma Valley *cum* Shillong: Non-Muhamadan): Sir, I rise to support the amendment of my friend, Mr. Mehta, and to record my emphatic protest against the salt tax imposed by the Government. The four annas increase in the poor man's salt is a great burden, which the Honourable the Finance Member is not expected to understand. These people cannot take their morsel of rice without salt and they have not enough to buy clothing, and yet they have to pay this salt tax. Public opinion in the country is for the removal of the salt tax altogether. The Congress agitated for this for years and years, and Mahatma Gandhi himself led a movement against the salt tax. It is a vehement protest against the imposition of the salt tax by the Government of India. This tax cannot at all be justified in consideration of the other sources of income and the other sources of expenditure before the Government of India. They could easily avoid taxing the poor man's salt, and moreover they could ensure the sympathy of the people who are asked to fight this war, because it is the common people who will provide the labour necessary for the prosecution of the war. It is up to the Government to remove this tax and give as much relief as possible to the poor people as they are entitled to. Their hardships have been increased on account of the rise in prices due to the war, and, over and above this, a primary necessity of life such as salt has been taxed. It is a very sad irony of fate that our people cannot see eye to eye with Government. Whatever the people want, the Government will refuse. Whatever the people would like to have, the Government will refuse. It is sad that we have no control over the financial policy

Mr. President (The Honourable Sir Abdur Rahim): That is a political question, and so the Honourable Member cannot discuss it now.

Mr. Ananga Mohan Dam: We pay the piper, and we are, therefore, entitled to call for the tune. However, I hope the House will
 I P.M. remember the fate of the poor people due to this burden of taxation. Sir, I oppose the provision introduced by the Government in this measure.

The Honourable Sir Jeremy Raisman: Sir, when I saw this amendment on the paper, I thought that my Honourable friend was indulging in the kind of move which people make when they move a cut in a grant in order to draw attention to the inadequacy of the sum provided by Government for that particular purpose. I thought that my Honourable friend, Mr. Jarnadas Mehta, was going to remind me that at a time like this, you could not possibly get the maximum war effort, unless you called on every man, woman and child in the country to make his or her or its contribution, however small, to the cost of that effort. Instead of this, what do I find? I am surprised that my Honourable friend seriously meant that at the present time, we should reduce the duty on salt and that we should, by distributing about one anna per head per annum to the whole population of India, give up at this time, a sum of two crores of revenue. In order to support his amendment, he had to awaken the echoes of old, unhappy, far off things and battles long ago. I think it is a pity that he should try to revive those echoes at this present time. He had to go on and to talk about other irrelevant matters. The simple fact is that salt is one of the few items in regard to which Government, being itself the main producer, has maintained the price. It is true that certain elements which affect the retail prices of salt, such as cost of transport have increased, but Government have made no increase whatever in the price of salt and I myself have not made any increase in the duty since the beginning of the war. I think my Honourable friend may well rest content with that position. I think if he were able to secure an equally satisfactory position in regard to the other essentials which enter into the cost of living of the poor man, he would be very fortunate. I entirely realise that in the poor man's budget, even a pie may count, but I do think that at a time like the present we cannot be criticised for pursuing a policy of indifference to or oppression of the poor man when we maintain the level of the salt duty at the same level at which it has been for the last ten years. Sir, I oppose the amendment.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That in clause 2 of the Bill, the words 'and four annas' be omitted."
(The Chair asked "Ayes" and "Noes" to stand in their places.)
The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 2 stand part of the Bill."
(The Chair asked "Ayes" and "Noes" to stand in their places.)
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."
(The Chair asked "Ayes" and "Noes" to stand in their places.)
The motion was adopted.
Clause 3 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 4 stand part of the Bill."

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

"That clause 4 of the Bill be omitted."

Clause 4 of the Bill seeks to impose an excise duty on kerosene at a higher rate than prevails at the present moment. By another amendment I shall propose later on that a similar proposal of the Honourable the Finance Member to add to the customs duty on kerosene be also omitted, but that is not before us now.

Sir, kerosene is one of the prime necessities of life to the poor,—to the poorer section of the middle class and to the poorest classes of the population. It is almost as necessary as wheat, barley, pulses or bajra, to the poorest classes. As such, it is undesirable to impose a further burden on the poorer section of the middle class and the poorest classes of the population. In this connection, Sir, I wish to point out that this is not the first time that the duty on kerosene is being raised. It was a few years ago that a similar increase was imposed. We all know that the poor people at the present moment are subject to many hardships. The cost of living has gone up very much.

The Honourable Sir Jeremy Raisman: To what increase is my Honourable friend referring? There was no increase in duty on kerosene two years ago.

Dr. P. N. Banerjee: Was there no increase at all?

The Honourable Sir Jeremy Raisman: I think my Honourable friend is mistaken.

Dr. P. N. Banerjee: Was not kerosene coupled with petrol a few years ago?

The Honourable Sir Jeremy Raisman: No, Sir.

Dr. P. N. Banerjee: Perhaps my memory is wrong. I would withdraw that remark. But I am not sure as yet whether the Honourable the Finance Member is right. Let him find out from his records whether he is right or whether I am right. For the present I will suspend my expression of views on this point.

Sir, it is a fact well known to everybody that the prices of foodstuffs have gone up very high and that the prices of other necessary articles such as cloth and fuel have also gone up. Now, the poorer section of the middle classes has a fixed income and this income has not substantially increased along with the rise in prices. As regards the poorest sections of the community, those who are producers of certain agricultural commodities have to a certain extent benefited by the rise in prices. But among the poorest classes also, there are some who have not benefited. They are the landless labourers on the fields, and also the cultivators who cultivate crops other than food crops.

So we must take into consideration the difficulties to which these classes of people will be put by a rise in the price of kerosene. Kerosene is the thing which lights the lowly homes of these poor people and it is also needed to light their hearths. To seek to impose an additional burden on the poor people by this means is extremely unfair and extremely unreasonable. Sir, I pointed out the other day that there are other ways.

by which the required amount can be obtained. I will not repeat what I said on those occasions but I will again point out that if those other proposals are accepted by the Finance Member the hardships on these people would be much less than the hardship on the poorest sections of the population. Therefore, I once more appeal to him to spare the poor people on this occasion as they have been subjected to various measures of taxation during the last two years and a half. I appealed to him twice before and this is my third appeal to him. If there is any feeling of sympathy or pity left in Government I hope the Finance Member will give a willing ear to this appeal.

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

"That clause 4 of the Bill be omitted."

Mr. Jamnadas M. Mehta: Sir, I move:

"That in clause 4 of the Bill, for all the words occurring after the words 'the words' in the third line, the words 'of two annas and four pies shall be substituted,' be substituted."

The reason why I move this is not that I want it to be increased by even one pie, but I thought that a direct negation might perhaps not be in order; and, therefore, after my friend's amendment this also has, in my humble opinion, a value that if we cannot succeed in omitting the clause altogether we may be able to persuade the House that something less than what is proposed by Government might be imposed. Sir, referring to the Annual Statement of Sea-borne Trade of British India, Vol. I, page 3, we find that the total imports of all kinds of oil, vegetable, mineral and animal, in 1939-40 were Rs. 18,64,40,431 in the financial year which closed on the 31st March, 1940. No figures thereafter are available and I take it that that is at least the amount which has been imported into this country in the subsequent two years. In spite of the difficulties of shipping and other things during two years of the war, the increase of the imports of oils of all kinds is evident, and, therefore, as oil is one of the very essential articles, possibly Government will manage to produce the necessary amount of shipping for carrying oil. I, therefore, submit that this figure may be taken as the figure which will be worked up to in the year 1942-43 and that we shall have about Rs. 18,64,40,431 worth of oils of all kinds imported into this country. How much of that is exactly kerosene I do not propose to consider. But I find from the accompaniment to the budget that the expected Government income by customs duties on the imports of kerosene oil is three crores in the year 1942-43. The result is that if the last year's income is borne out even in the current year, the additional money that the poor people will have to pay will be somewhere near one crore of rupees.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue after Lunch.

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

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

Mr. Jannadas M. Mehta: Sir, I was saying that the customs duties on kerosene are budgeted at three crores of rupees in the Explanatory Memorandum, and total duties on oils of all kinds seem to be somewhere near eight crores. This shows that very nearly half of the customs duty are coming from the poor man's pocket, and when you take it in conjunction with other items of taxation on the poor man's budget you will feel that the Government's method of financing the budget are in great need of revision. Besides, there is no principle. A general increase of 20 per cent. is taken, whether the article is a luxury, or an amenity or an essential necessity, there is consideration given to the capacity of the people to bear that and, therefore, I estimate, even if the budget estimates are correct, that they will conceal 60 lakhs of additional burden on the poor man. But I am not sure at all that this three crores is the real income on the customs duty. In the current year although Rs. 3,50,00,000 were shown in the budget, the revised figure is four crores. Further, I am afraid that this is an under-estimate and conceals the total burden of taxation on kerosene oil. For these reasons, Sir, I suggest that the House should not countenance any additional burden in this respect, however small. We have already disposed of the salt duty. The Honourable the Finance Member said that it comes to only one anna per head per annum of the whole population of India. That may be so, but one anna means four days' milk for the poor man's child. Now, has he or has he not some obligations to those who are working and assisting in the production of necessary supplies for the prosecution of the war? I ask him in all seriousness and make an earnest appeal that there are ways and ways of financing the huge expenditure on the war but that should not ignore that those who can least afford it should be least subjected to it. 60 lakhs on the one hand, two crores of rupees on salt and several other crores which we shall consider when we reach other items—in that way the total burden on the poor this year will be in excess of what they can stand to the extent of several crores. If you take into account all these, you will be disposed to consider that the Finance Member must use his talents for finding out better methods of taxation than taxing the slender resources.

I say this in particular, because this year it is proposed to pay three crores of rupees towards debt. It is necessary really to pay back that three crores of debt this year? Can you not postpone the repayment of debt when on the one hand you are borrowing? If this three crores of repayment of debt was postponed immediately, you will get a relief of three crores. It is not required for the purposes of the war; it can wait. India has been discharging its indebtedness at a rapid pace. In England almost all the burden of debt is unproductive and yet the necessities of the life of the poor are religiously considered because there is sure to be a great deal of discontent if the poor worker is starved. You may take work from him, you may increase his hours of work, but if you deny him the bare elements that make for his very small living, then you are not behaving squarely with him. The burden of this war must be equitably borne, and those who are giving their lives should be spared against those who may be paying whatever amount of income. That is the equitable way of distributing the burden. The life of the worker is given to the war. He expects that his essential elementary needs shall not be made more costly. For these reasons, Sir, I agree with Professor Banerjea's amendment, but

for fear that it might be ruled out altogether, I have proposed that something less than what is proposed by Government might be imposed. It is only if his amendment is defeated that I shall press for this. Sir, I move.

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

"That in clause 4 of the Bill, for all the words occurring after the words 'the words' in the third line, the words 'of two annas and four pies shall be substituted,' be substituted."

Mr. Amarendra Nath Chattopadhyaya (Burdwan Division: Non-Muhammadan Rural): Sir, I know it is difficult to have an amendment passed by this House. Yet when the Honourable the Finance Member wants to levy a tax on articles which are so necessary for the very existence of the poor man, we cannot but move these amendments. Sir, in support of Dr. Banerjea's motion, I will speak a few words which I know will fall flat. But, however, as a matter of duty I shall do it.

Sir, in our country it was generally the custom in all the villages to use castor oil. That castor oil has been ousted and has been replaced by kerosene. In the cities—practically everywhere—we find electricity but in villages where we had castor oil, we find every home, every cottage, using kerosene oil. In 1938-39 we find that 225,705,000 gallons of kerosene have been used by Indian people. Sir, the customs duty was three crores and today we are going to have it increased by another 60 lakhs. It is true Government require more money. The war is there and Government require more and more money, but, Sir, the Honourable the Finance Member might have found out other sources of taxation than taxing these poor people. The whole burden of this kerosene falls practically on the villagers who are mostly agriculturists and partly industrial workers. These agriculturists have been doing their best and their hardest to prepare the food for the soldiers who are fighting on the battle-fields; and if they are handicapped in this way,—the soldiers will not be able to carry on in the field. The prices of food have gone up already—it should be the duty of the officers in charge of finance to find out how these people should be relieved of further burdens and those burdens should be put on those shoulders which can bear those burdens. We do not know anything about finance here except what has been discussed and how this taxation is calculated and on what principles. It should be the paramount duty of the Finance Member always to avoid controversies regarding these taxes which will fall on the poor people, particularly industrial labour and agricultural labour, without whose help it is not possible to carry on this war work. We appeal to him now to consider at least this tax on kerosene, and to find out in what way he could avoid this tax and shift it to some other place. It is on the contentment of labour, industrial and agricultural, that the future progress of the war depends. Do not make them discontented on any ground. I know war requires mints of money, and His Majesty's Government has got these Lend-Lease arrangements and has been trying to get all financial help as far as possible from America but for India to bleed and to be bled is absolutely impossible. We have man power; our men will die and suffer; but our men have no money. They cannot really supply money to the Government but they can give their

[Mr. Amarendra Nath Chattopadhyaya.]

blood. Under the circumstances I propose that this clause 4 be deleted; and if the Finance Member cares to create another item of taxation he may consider it hereafter. For the present, let these poor agriculturists and labourers who live in the 700,000 villages of India be free from this burden of taxation. With these words I support Dr. Banerjea's amendment.

Babu Kailash Behari Lal: Sir, I must raise my voice of protest against this taxation and support the amendment moved by Dr. Banerjea. Already the price of kerosene oil has risen high and perhaps the Honourable Member may not be aware that even before the proposed excess taxation there is a scarcity of kerosene oil in villages. I can narrate the experience of my district, where poor people could not get this oil for days together and the spectacle was like that of a black-in. We have got accustomed to black-outs in big cities where there are amenities of electric supply. But in the poor man's villages there is no electric supply and this is the only source which could light their homes; and in the absence of kerosene oil what can be the condition of the poor people can be better imagined than described. In spite of price control in the districts as the Government officials are very strict in the matter of price control, there has been a rise in the cost; and of all the things for which the people have suffered most, this kerosene oil is a thing which must be considered. I have got the experience that in the grocers' shops where kerosene oil and salt are sold, there was a rush to purchase kerosene oil when they heard that the oil had arrived after a dearth of several days. There was such strict control that poor people could not get it. There was a lot of protest and afterwards the middle class people could get some supply with great difficulty. If this is the condition even when there is no proposed taxation, what can be the fate of the poor people when there is taxation and increase in price due to that? So this must be considered and the Government should withdraw their hands from taxation of the poor man's salt and kerosene oil.

The Honourable Sir Jeremy Raisman: Sir, anybody listening to these discussions would think that this was a budget in which new burdens had been laid heavily on the poor. I claim that I have throughout kept before me in my budgetary policy the aim of avoiding as far as possible the laying of excessive burdens on the poor man. It is impossible in any reasonably broad-based system of taxation entirely to avoid the taxation even of the poor. My Honourable friend, Mr. Jamnadas Mehta, seemed to imply that in England taxation on the necessities of the poor is non-existent. I can assure my Honourable friend that that is not the case. The necessities of life in England—the poor man's cup of tea and the poor man's glass of beer, which in a country such as England is virtually a necessity—are taxed; and what is more, taxation on them has been further increased during the war. There is, in addition, a system of purchase taxes which has been imposed since the beginning of the war which applies to a very large range of commodities. It is not possible in any country, however much one may dislike it, entirely to avoid taxing commodities which, whilst they are used by the upper and middle classes, are also used by the poor. But I would like to clear the minds of Honourable Members a little on the subject of kerosene.

In the first place, let me dispose of the suggestion by Professor Banerjea that this is the second time since the war that I have touched this tax. The position is that the excise duty on kerosene has remained the same until now since the Indian Finance Act, 1931. That is the last occasion on which this duty was increased, and no increase has been made by me since the beginning of the war. Now, the excise duty on kerosene is of course leviable on the indigenous supply, and broadly speaking, in normal times the indigenous supply is only about one-fifth of the whole. Previously, when Burma was part of India, the kerosene which was subject to the excise was a considerable part of the whole; it probably was more than half. At that time it was a frequent subject of controversy in this House that the excise duty which was leviable on Burma kerosene, as well as Indian kerosene should be equated to the customs duty, that there should not be two different rates of duty, one on imported kerosene from other countries and one on Burma and Indian kerosene. It was constantly urged in this House that the excise duty should be equated. I know that the reasons for that were that it was felt that this differential gave an advantage to the oil companies which marketed the Burma oil. But the present position is that under the trade agreement which we made with Burma last year we obtained freedom, at any rate for the period of the war, to levy on Burma kerosene the ordinary import duty which is levied on all imported kerosene. So that the only kerosene which remained subject to a specially low rate of duty was that small fraction of the total supply which is produced in India. Now, Sir, it has never been regarded as a duty which had a protective aspect; there has never been any such suggestion. On the contrary, there has been the strongest objection to any suggestion that the oil industry in India required to be protected against foreign imports, and therefore it is purely a question of revenue policy that the excise duty should be equated to the import duty, and that increase, as I say, only applies to a fraction, normally speaking, of the total supply. It is true that the general increase in the customs duty which is dealt with in another clause also affects kerosene, and it is against that increase, I understand, to which my friend, Professor Banerjea, wishes to register his objection. That does not strictly arise on this particular clause, and I submit that the effect of this clause by itself is not very substantial and that the Honourable Member's objection arises more relevantly on the clause which increases the customs duty . . .

Dr. P. N. Banerjea: The two will have to be taken together.

The Honourable Sir Jeremy Raisman: If my friend succeeded,—not that I hold out any hope that I could assist him to do so,—but if he succeeded in exempting kerosene from the increase in the import duty, then he would have gained the major part of what he seeks to gain . . .

Dr. P. N. Banerjea: That depends upon you.

The Honourable Sir Jeremy Raisman: But I regret I cannot hold out any hope to him. I must be quite firm on this, because I do claim that this is a Budget in which we have shown the utmost regard for the poorest classes, but it is quite impossible in a country of this size where 99 point something per cent. of the population belongs to what can be called the poorest classes, it is impossible at any time and particularly in war time,

[Sir Jeremy Raisman.]

to budget on the basis that no burden whatsoever shall fall so broadly as to affect all classes of the population. With the best will in the world, it is not possible to secure that ideal. For these reasons, Sir, I must oppose the amendment.

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

"That clause 4 of the Bill be omitted."

The Assembly divided:

AYES—11.

Banerjee, Dr. P. N.
Dam, Mr. Ananga Mohan.
Deshmukh, Mr. Govind V.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Laljee, Mr. Husenbhai Abdullabhai.

Maitra, Pandit Lakshmi Kanta.
Mehta, Mr. Jamnadas M.
Muhammad Ahmad Kazmi, Qazi.
Neogy, Mr. K. C.
Parma Nand, Bhai.

NOES—33.

Ahmad Nawaz Khan, Major Nawab Sir.
Aiyar, Mr. T. S. Sankara.
Ayers, Mr. C. W.
Bewoor, Sir Gurunath.
Caroe, Mr. O. K.
Chandavarkar, Sir Vithal Narayan.
Clow, The Honourable Sir Andrew.
Daga, Seth Sunderlal.
Dalal, Dr. Sir Ratanji Dinshaw.
Dalpat Singh, Sardar Bahadur Captain.
Dehejia, Mr. V. T.
Gopalaswami, Mr. R. A.
Ismail Ali Khan, Kunwar Hajee.
James, Sir F. E.
Jehangir, Sir Cowasji.
Kamaluddin Ahmed, Shams-ul-Ulema.
Khurshid, Mr. M.

Khushalpal Singh, Raja Bahadur.
Lawson, Mr. C. P.
Maxwell, The Honourable Sir Reginald.
Miller, Mr. C. C.
Muazzam Sahib Bahadur, Mr. Muhammad.
Mudaliar, The Honourable Diwan Bahadur Sir A. Ramaswami.
Pillay, Mr. T. S. S.
Prior, Mr. H. C.
Raisman, The Honourable Sir Jeremy.
Richardson, Sir Henry.
Scott, Mr. J. Ramsay.
Sheehy, Mr. J. F.
Sivaraaj, Rao Sahib N.
Spence, Sir George.
Symons, Mr. N. V. H.
Thakur Singh, Captain.

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

"That in clause 4 of the Bill, for all the words occurring after the words 'the words' in the third line, the words 'of two annas and four pies shall be substituted,' be substituted."

The Assembly divided:

AYES—11.

Banerjee, Dr. P. N.
Dam, Mr. Ananga Mohan.
Deshmukh, Mr. Govind V.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Laljee, Mr. Husenbhai Abdullabhai.

Maitra, Pandit Lakshmi Kanta.
Mehta, Mr. Jamnadas M.
Muhammad Ahmad Kazmi, Qazi.
Neogy, Mr. K. C.
Parma Nand, Bhai.

NOES—36.

Abdul Hamid, Khan Bahadur Sir.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Aiyar, Mr. T. S. Sankara.
 Ayers, Mr. C. W.
 Bewoor, Sir Gurunath.
 Caroe, Mr. O. K.
 Chandavarkar, Sir Vithal Narayan.
 Clow, The Honourable Sir Andrew.
 Daga, Seth Sunderlal.
 Dalal, Dr. Sir Ratanji Dinshaw.
 Dalpat Singh, Sardar Bahadur Captain.
 Dehejia, Mr. V. T.
 Ghuznavi, Sir Abdul Halim.
 Gopalaswami, Mr. R. A.
 Ismaiel Ali Khan, Kunwar Hajee.
 James, Sir E. E.
 Jehangir, Sir Cowasji.
 Kamaluddin Ahmed, Shams-ul-Ulema.

Khurshid, Mr. M.
 Khushalpal Singh, Raja Bahadur.
 Lawson, Mr. C. P.
 Maxwell, The Honourable Sir Reginald.
 Miller, Mr. C. C.
 Muazzam Sahib Bahadur, Mr. Muhammad.
 Mudaliar, The Honourable Diwan Bahadur Sir A. Ramaswami.
 Pillay, Mr. T. S. S.
 Prior, Mr. H. C.
 Raisman, The Honourable Sir Jeremy.
 Richardson, Sir Henry.
 Scott, Mr. J. Ramsay.
 Sheehy, Mr. J. F.
 Sivaraj, Rao Sahib N.
 Spence, Sir George.
 Sultan Ahmed, The Honourable Sir.
 Symons, Mr. N. V. H.
 Thakur Singh, Captain.

The motion was negatived.

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

"That clause 4 stand part of the Bill."

The Assembly divided:

AYES—34.

Abdul Hamid, Khan Bahadur Sir.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Aiyar, Mr. T. S. Sankara.
 Ayers, Mr. C. W.
 Bewoor, Sir Gurunath.
 Caroe, Mr. O. K.
 Chandavarkar, Sir Vithal Narayan.
 Clow, The Honourable Sir Andrew.
 Daga, Seth Sunderlal.
 Dalal, Dr. Sir Ratanji Dinshaw.
 Dalpat Singh, Sardar Bahadur Captain.
 Dehejia, Mr. V. T.
 Ghuznavi, Sir Abdul Halim.
 Gopalaswami, Mr. R. A.
 Ismaiel Ali Khan, Kunwar Hajee.
 James, Sir E. E.
 Jehangir, Sir Cowasji.

Kamaluddin Ahmed, Shams-ul-Ulema.
 Khurshid, Mr. M.
 Khushalpal Singh, Raja Bahadur.
 Lawson, Mr. C. P.
 Maxwell, The Honourable Sir Reginald.
 Muazzam Sahib Bahadur, Mr. Muhammad.
 Mudaliar, The Honourable Diwan Bahadur Sir A. Ramaswami.
 Prior, Mr. H. C.
 Raisman, The Honourable Sir Jeremy.
 Richardson, Sir Henry.
 Scott, Mr. J. Ramsay.
 Sheehy, Mr. J. F.
 Sivaraj, Rao Sahib N.
 Spence, Sir George.
 Sultan Ahmed, The Honourable Sir.
 Symons, Mr. N. V. H.
 Thakur Singh, Captain.

NOES—9.

Banerjea, Dr. P. N.
 Dam, Mr. Ananga Mohan.
 Deshmukh, Mr. Govind V.
 Kailash Behari Lal, Babu.
 Maitra, Pandit Lakshmi Kanta.

Mehta, Mr. Jannadas M.
 Muhammad Ahmad Kazmi, Qazi.
 Neogy, Mr. K. C.
 Parmanand, Bhai.

The motion was adopted.

Clause 4 was added to the Bill.

Clause 5 was added to the Bill.

Mr. Deputy President (Mr. Akhil Chandra Datta): The question is: "That clause 6 stand part of the Bill."

Mr. Govind V. Deshmukh (Nagpur Division: Non-Muhammadan): Sir, I move:

"That after clause (c) of the proviso to clause 6 of the Bill, the following new clause be inserted, and the subsequent clause be re-lettered accordingly:

'(d) machinery comprised in Items Nos. 72, 72(1), 72(2), 72(3), 72(6), 72(7), 72(8), 72(9) and 73 of the said Schedule'."

Clause 6 of this Bill reads:

"Where any goods chargeable with a duty of customs under the First Schedule to the Indian Tariff Act, 1934, or under the said Schedule read with any notification of the Central Government for the time being in force, are assessed to duty there shall up to the 31st March, 1943, be levied and collected as an addition to and in the same manner as the total amount so chargeable, a sum equal to one-fifth of such amount."

Sir, this clause refers to the First Schedule of the Indian Tariff Act and my amendment refers to certain items in this Schedule to which I propose to make a reference. I will not mention in detail all the items which are covered by the amendment. Item 72 of the Tariff Act refers to machinery not driven by manual labour and animal labour. In other words, it refers to machinery driven by power, may be electric power or any other power. But such machinery is not driven by animal or manual labour. Then item 72(1) makes no distinction between power machinery and labour machinery or machinery which can be driven by animals. Item 72(1) says:

"The following textile machinery and apparatus by whatever power operated, namely, healds cords and heald knitting needles, etc."

There are several items under item 72(1), some relate to hosiery machinery, cord machines and so on.

Then item 72(2) refers to printing and lithographic material, namely, presses, lithographic plates, composing sticks, chases, imposing tables, lithographic stones, stereo blocks and so on.

Then item 72(3) refers to component parts of machinery as defined in Items Nos. 72, 72(1) and 72 (2). In other words, the component parts of such machinery which is driven by manual or animal labour.

Then items 72(4), 72(5) and 72(6) refer respectively to passenger lifts and component parts and accessories thereof, domestic refrigerators and machinery and component parts thereof, meaning machines or parts of machines to be worked by manual or animal labour, not otherwise specified.

Then item 72(7) refers to water lifts, sugar mills, sugar centrifuges, sugar pug mills, oil presses and parts thereof constructed so that they can be worked by manual or animal power and pans for boiling sugar cane juice.

Then item 72(8) refers to agricultural implements such as winnowers, threshers, mowing and reaping machines, binding machines, elevators, seed and corn crushers, ploughs, cultivators, scarifiers, harrows, seed drills, agricultural tractors and so on.

Then item 72(9) refers to dairy and poultry farming appliances.

Item 73 refers to electrical instruments, apparatus and appliances not otherwise specified, excluding telegraphic and telephonic.

I do not like to waste the time of the House by referring to all the items. I have referred only to such items as are the basis of agriculture and which will help the agriculturists. As regards cottage industries, I refer to such items as hosiery machines, cord machinery and all those things which go to help the cottage industry and which would go to make a man utilise his spare time to earn a little more money—may be through agriculture or some other form such as hosiery manufacture and so on. In hosiery, women also can work and thus get some extra money. By taxing these things, you are making it more difficult for the agriculturist or for the women to use their spare time and earn money. It may be argued that these articles are taxed on the same principle as you tax kerosene or you impose a salt tax. You say there is a precedent in England also where the necessities of life are taxed. Well, my answer is that no doubt the tax is there. But look at the margin of saving which the wage-earner in England has after paying taxes as compared to the margin of saving of an Indian workman. In England there is a government which is solicitous about the welfare of the poor people. Is there a government here in India which is solicitous of the welfare of the masses and which wants to leave a small margin between what he earns and what he pays as tax? I submit there is no such Government. I cannot understand the mentality of a Government which taxes the necessities of life, which taxes the implements used by the agriculturists on which his livelihood depends. I do not know whether there is any precedent in any other part of the world for this. Even if there is any precedent, I do not want that to be followed in this country, particularly when you find that the Government here are not solicitous about the comforts and welfare of the poor. The question of deficit in budget on account of increasing the war efforts was brought out. I said, I am prepared to support war efforts. I said that I would support all measures that are necessary for making India fit for defence. I also said that the civil defence of the country as much as military defence should be self-sufficient. I know even my money is wanted. I see the reasonableness of this. But what is the sense in taxing the poor man and depriving him of the implements of agriculture on which his livelihood depends. I am not able to follow this argument.

The Honourable the Finance Member expressed the hope that after the war, India will be found to have reserved funds. He also said that India should exhibit fortitude and patience. Today the agriculturist has the fortitude and patience. But if things go on like this his fortitude may break down and he may lose his patience. Today his position is that he is left to fight with elements and you now impress upon him the necessity for fortitude and patience and the necessity of not yielding whatever the loss he might be put to. You want him to hold out till the very last moment. No doubt the poor man in this country has great patience and fortitude, but if the Government go on taxing the necessities of life as they are doing at present, if they go on taxing the agricultural implements, then he can no longer put up with it. I wish the Government adopt my amendment. What would be the effect of this amendment? If this amendment is accepted, what will happen? The proviso to clause 6 of the Bill excepts from the condition of duty some of the things, salt comprised in item 25(1), motor spirit, raw cotton and some other things.

[Mr. Govind V. Deshmukh.]

In other words, if Government accept this amendment it will help the agriculturist, the poor middle class man and the women who want little things at home to eke out their very existence. The acceptance of this motion will mean that they exempt under this proviso customs duty on these articles and it will be a great relief to the poor agriculturist. I hope Government will see the reasonableness of this amendment and accept it. In these days they want to promote war efforts and they want equipment and food to maintain their army. Can there be any equipment if you tax power machinery and textile machinery in such a way that the import of machinery will be made impossible and the food production will be greatly curtailed? You are after a drive for food production. If the agriculturist has no implements how is he to produce food and how will you sustain your army? I plead in the name of the agriculturist that you should not add any duty to all these articles that I have named; and if your army is to be sustained you should not do it. The action of my Honourable friend just now is like that of man who stands on the branch of a tree and lops off that very branch with an axe. This reduction in the income of the poor agriculturist and the putting of additional duty on implements will only mean that he will be thrown on the streets. I have already warned Government that you cannot expect infinite funds of patience and fortitude in a man who is starving, whose life has been made miserable for years together. You cannot expect him to live on nothing. He is your blood bank, he sustains you; be not ungrateful to him and do not hinder him from earning his bread. I again appeal to you that the implements he needs should not be saddled with this additional duty. After the agriculturist gets his corn threshed he has to winnow it; and if he does not possess a winnower he has to wait for days together for a strong breeze to blow with the help of which he can separate the two, the chaff and the grain. Even months are spent in anticipation of a breeze, and if that does not come he stands on a *charpoy*, takes a little basket and some grain and two men stand in front with a piece of cloth creating some sort of a breeze. You will realise that if you provide them with these things so much man power will be saved which can otherwise be utilised. For utilising man power you have raised the age in all branches of the army; why should you waste all this man power waiting for months for God to take compassion on the poor fellow and send him a strong breeze? It is, therefore, in Government's own interest to accept this amendment. Let these men survive and help you to fight your battles by producing food and sustaining your army. It will be also in the interest of the refugees and evacuees who will have to be provided with food when they come here. Therefore in Government's own interest I ask them to accept this amendment.

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

"That after clause (c) of the proviso to clause 6 of the Bill, the following new clause be inserted, and the subsequent clause be re-lettered accordingly:

'(d) machinery comprised in Items Nos. 72, 72(1), 72(2), 72(3), 72(6), 72(7), 72(8), 72(9) and 73 of the said Schedule.'

Dr. P. N. Banerjee: Sir, I rise to support this amendment. Two of the most urgent needs of the country just now are industrial development and

agricultural improvement. How can the industry of the country be developed and agriculture improved? The answer is. By the use of machinery. Therefore, it is necessary that machinery should be made available to a greater extent than is the case now. At present a great deal of difficulty arises in the importation of machinery by reason of the lack of shipping facilities. But it is unfortunate that Government are adding to these difficulties by imposing an additional import duty of 20 per cent. That is not right. The country has cried out again and again for industrialisation and agricultural improvement. At this time for Government to come forward and hinder the development of industries and improvement of agriculture is a very wrong policy to adopt. I therefore hope that the Finance Member will see his way to accept this amendment, and I may assure him that there will not be much loss of revenue if he accepts it; it may be a few lakhs which he can easily afford to spare.

Sir Vithal Narayan Chandavarkar (Bombay Millowners' Association: Indian Commerce): Sir, I support this amendment and in doing so I may assure the Finance Member that I am not resiling at all from the position that I took up when I spoke on the Finance Bill. I wish Government had not added this item to the list of items in respect of which they have imposed a surcharge. The position is this, there is, as Dr. Banerjea said, a considerable amount of control over imports. As far as the textile industry is concerned, we can only get a priority certificate and license to import if we get a certificate from the Supply Department to the effect that the machinery ordered is required for executing Government contracts. I had myself ordered out some winding machinery for which I could not get freight space. When the Supply Member told us in September last that Government were in urgent need of increased production of *Dosuti*. I wrote to Government that I can supply more *dosuti* if I could get out the winding frames which I had ordered; and after that I got a license, and the machinery came in, and I was able to give more *dosuti* to Government. We cannot import any machinery accessories or stores now unless they are required for war effort, and I feel that the proposed increase in duty might prevent or restrict that war effort and, therefore, Government should not have included the item relating to machinery etc., in the Bill. There is another aspect of the question. If there was an industry in this country which manufactured machinery, accessories, spare parts and other stores incidentally required for the manufacture of textiles, which are included in the Schedule under discussion, I may not have opposed the proposed surcharge.

I do not know whether the Finance Member knows that as early as in or about June, 1937, the Defence Department sent us a Circular saying that a national emergency might arise and they wanted to know exactly what the position would be with regard to such articles as were imported from abroad. They did not think in terms of encouraging local manufacture of such articles. They only referred to the question of storage of such imported articles. Our Association, in a reply sent to the Defence Department about September or October of that year, wrote a very exhaustive note classifying all our requirements into various categories: those which could be easily manufactured here, those which could be manufactured with a certain amount of difficulty, and those which we thought ought to be manufactured but for which we wanted Government support. We further wrote to the Defence Department that we were prepared to discuss further

[Sir Vithal Narayan Chandavarkar.]

the ways and means of manufacturing such articles, so that if a national emergency arose, there would be no need for importing them. I know it is a fashion, even among some of my own millowner friends, to criticise us for not taking action in these matters, but, as you know, nobody will take the risk of starting a new industry in respect of which there is severe competition from foreign countries, unless Government were prepared to give an assurance of adequate tariff assistance. Recently, in regard to the Aluminium industry, Government came forward and gave such assurance and, I believe, there has been a fair response—at least that is my information. We wrote our letter in the autumn of 1937, and even now we have not received any response from the Defence Department or the Commerce Department or any other Department of the Government of India. So, I do not think that Government are proceeding in the right way and, as pointed out by Professor Banerjea, Government will not be able to get a large revenue from the proposed surcharge on the item under discussion. On the other hand, it is going to restrict our freedom in regard to the import of machinery which we may require for war purposes. I do not know how far the handloom industry is affected by the shortage of healds and other stores. If Government had responded to us in 1937, I would not have been surprised if enterprising industrialists had come forward and started industries for the manufacturing of spinning machinery and accessories. It is true that certain factories for the manufacture of looms have been started—I give the instance of Kirloskar's factory. But we cannot get even their looms freely, because the supply of raw material is also restricted; and for almost everything, as I have said, we have to ask for priority certificates—and rightly so; I do not blame the Government; for war is now our main concern. In these circumstances, if a surcharge is levied, people will think twice before launching on new schemes even if such schemes are necessary to help in the war effort, and, therefore, I submit that Government should not persist in their proposal to impose an additional levy.

Sir, I forgot to mention one matter. In the letter we wrote to the Defence Department in the autumn of 1937, we suggested that, with the co-operation of the iron and steel industry and Government, we were prepared to consider the possibility of starting enterprises in this country for the manufacturing of accessories, spare parts, etc., used in cotton mills which would prove helpful in the case of a national emergency. But no action was taken in that matter, and now it is being proposed to raise the duty. Sir, I do not think the Honourable the Finance Member has realized our difficulties and how the proposed increase might discourage war effort, or at least make people think twice before importing machinery from abroad even if the ordering of such machinery is going to help the war effort.

We are not making any fabulous profits as the Honourable the Finance Member told us this morning. His representatives sit opposite the representatives of various manufacturers and cut down the prices. And if it is true—and I have no doubt it must be true—that they cut down the price from Rs. 10 to Rs. 7/8/-, the cost price being Rs. 7, I do not think there can be any scope for making any fabulous profits. Such being the case, there can be no temptation for increasing the output even if it helps

the war effort. It is from this point of view, Sir, that I would like to support the amendment moved by my Honourable friend, Mr. Deshmukh.

The Honourable Sir Jeremy Raisman: Sir, the Government are sympathetic to the object of this amendment. Particularly we are influenced by the consideration—in addition to the arguments mentioned by my Honourable friends, Mr. Deshmukh, Professor Banerjee and Sir Vithal Chandavarkar—we are influenced by the consideration that machinery at the present time which may be imported for the establishment of a new industry will form the capital of this industry and that owing to the conditions of the war there is no doubt that the prices of machinery are high and that freights, and shipping difficulties greatly increase the initial cost of establishing the plant, and, therefore, we are reluctant to add anything more to the initial capital cost of setting up industries. But my Honourable friend's amendment is technically incorrect. It is cast too wide in some respects. Now, items 72 (7), 72 (8) and 72 (9) are already free under the tariff. Therefore, the Finance Bill does not impose any additional duty in their case. So it is unnecessary to include those in the proviso. Then there are two more items: 72 (6) is an item which is at present subject to a revenue duty of 25 per cent. *ad valorem*. It is not subject to the machinery rate of 10 per cent. and for the same reason it is not treated on the same level as machinery proper and there is no particular reason why it should be exempted from the operation of the surcharge. Similarly, item 73—electric instruments not otherwise specified excluding telegraphs and telephones. That also is not subject to any special machinery rate. It is subject to 30 per cent. The standard rate is 30 per cent. and the preferential United Kingdom rate is 20 per cent. If my Honourable friend will exclude these items and will confine his amendment to what I call 'machinery proper' which is already admitted on our own principles under the tariff to the 10 per cent. rate, then I would be prepared to accept his amendment. The amendment would then run:

"machinery comprised in Items No. 72, 72(1), 72(2), and 72(3)."

Mr. Govind V. Deshmukh: Sir, I am prepared to accept it.

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

"That after clause (c) of the proviso to clause 6 of the Bill, the following new clause be inserted, and the subsequent clause be re-lettered accordingly:

'(d) machinery comprised in Items Nos. 72, 72(1), 72(2), 72(3), of the said Schedule.'

The motion was adopted.

Mr. Deputy President (Mr. Akhil Chandra Datta): The next amendment is No. 1 on Supplementary List No. 1.

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

"That after clause (c)—now clause (d)—of the proviso to clause 6 of the Bill, the following new clause be inserted and the subsequent clause be re-lettered accordingly :

'(e) kerosene as comprised in Item No. 27(4) of the said Schedule'."

I rise once again to plead the poor man's cause. I pointed out on the previous occasion, and my friends also pointed out, how the poor man was going to be affected by the increase in the duty on kerosene. I need not repeat those arguments; but I must say that the argument advanced in favour of the raising of the import duty and the excise duty on kerosene appears to me to be unsound. My Honourable friend, the Finance Member, said that the burden of additional taxation should fall on the poor as well as the rich. I pointed out several times before that he could on the present occasion spare the poor and leave them alone. I will not repeat what I said before, but I will urge once more the necessity for exempting from additional taxation one of the prime necessities of life for the poor man. The Honourable the Finance Member said a few minutes ago that the amendment which I moved then was not of much consequence, but if I succeeded in getting this amendment of mine accepted, then it would go a considerable distance in helping the poor people. He did not hold out any hope, I admit; but people do change their minds and people do change their hearts. So I appeal once again to him; I hope there will be a change in his mind and also a change in his heart and that he will accept this amendment.

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

"That after clause (c)—now clause (d)—of the proviso to clause 6 of the Bill, the following new clause be inserted and the subsequent clause be re-lettered accordingly :

'(e) kerosene as comprised in Item No. 27(4) of the said Schedule'."

The Honourable Sir Jeremy Raisman: Sir, I have already indicated my attitude in this matter, and I regret that I am unable to respond to Professor Banerjee's appeal. I was hoping that he might perhaps change his own mind or heart on this matter in order to assist me to deal with the tremendous difficulties with which I am faced at present. Mr. Jamnadas Mehta, in talking about kerosene, said that it would be quite simple to replace the whole of the kerosene revenue if I omitted from the budget the provision of Rs. 3 crores for the reduction or avoidance of debt. To omit that would produce no miracles whatever. That three crores is the amount which I am bound to set aside for various sinking funds and annual payments and so on. It is not a sum fixed by itself, which I deliberately set aside because that would not have very much meaning when I am running a deficit of 35 crores. It would be absurd to put three crores aside on the one hand and be short of 35 crores on the other. The position is that this three crores is actually required to be paid into certain sinking funds or certain annuities under the provisions of legislation or contract, and that is why it has to appear in the Budget. If my Honourable friend likes he may set that off against an increase of 35 crores in our debt which will result from the present budget, so that there is no money there which can be diverted to another purpose. For this reason, Sir, I must plead that I too am a poor man with regard to this matter and I regret that I must oppose the amendment.

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

"That after clause (d) of the proviso to clause 6 of the Bill, the following new clause be inserted and the subsequent clause be re-lettered accordingly :

'(e) kerosene as comprised in item No. 27(4) of the said Schedule'."

The Assembly divided :

AYES—10.

Banerjee, Dr. P. N.
 Chattopadhyaya, Mr. Amarendra Nath.
 Dam, Mr. Ananga Mohan.
 Deshmukh, Mr. Govind V.

Kailash Bahari Lal, Babu.
 Maitra, Pandit Lakshmi Kanta.
 Mehta, Mr. Jamnadas M.
 Muhammad Ahmad Kazmi, Qazi.
 Neogy, Mr. K. C.
 Parma Nand, Bhai.

NOES—35.

Abdul Hamid, Khan Bahadur Sir.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Aiyar, Mr. T. S. Sankara.
 Ayers, Mr. C. W.
 Bewoor, Sir Gurunath.
 Caroe, Mr. O. K.
 Chandavarkar, Sir Vithal Narayan.
 Chettiar, Dr. Rajah Sir S. R. M. Annamalai.
 Clow, The Honourable Sir Andrew.
 Dalal, Dr. Sir Ratanji Dinshaw.
 Dulpat Singh, Sardar Bahadur Captain.
 Dehejia, Mr. V. T.
 Gopaldaswami, Mr. R. A.
 Griffiths, Mr. P. J.
 Imam, Mr. Saiyid Haider.
 Ismael Ali Khan, Kunwar Hajee.
 James, Sir F. E.
 Jehangir, Sir Cowasji.

Kamaluddin Ahmed, Shams-ul-Ulema.
 Khurshid, Mr. M.
 Khushalpal Singh, Raja Bahadur.
 Lawson, Mr. C. P.
 Maxwell, The Honourable Sir Reginald.
 Miller, Mr. C. C.
 Muazzam Sahib Bahadur, Mr. Muhammad.
 Mudaliar, The Honourable Diwan Bahadur Sir A. Ramaswami.
 Pillay, Mr. T. S. S.
 Prior, Mr. H. C.
 Raismann, The Honourable Sir Jeremy.
 Richardson, Sir Henry.
 Scott, Mr. J. Ramsay.
 Sheehy, Mr. J. F.
 Spence, Sir George.
 Sultan Ahmed, The Honourable Sir.
 Thakur Singh, Captain.

The motion was negatived.

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

Mr. Jamnadas M. Mehta : Sir, I move :

"That to the proviso to clause 6 of the Bill, the following be added at the end :
 '(e) Protected articles'."

The effect of this amendment will be that among the exempted articles will be added "protected articles". These are mentioned at page 3 of the memorandum accompanying the Budget papers, and so far as I have been to roughly add them, they are expected to produce during the budget year about 75 lakhs of rupees. Sir, there is an unreality about this taxation. They have no value either to the industries or to the public, and whatever justification there may be when protection is needed, I see no good reason why, when the protection is unnecessary the Government should, in the name of protected industry, continue to levy taxation which has become unnecessary. If you note the articles, Item III, under Protective Duties, you will find that sugar is expected to produce two lakhs and three thousand. It is absolutely clear, after what has happened in the Netherland East Indies, whatever danger of competition that existed, if it did exist at all, apart from the difficulty of shipping freight and other difficulties, whatever danger existed before, has altogether disappeared.

[Mr. Jamnadas M. Mehta.]

Our sugar industry does not need any protection today, because there is no other sugar which can under-sell it if the duty did not exist. What is the good then of keeping up a heavy rate of duty which is expected to produce very little, but which has another effect, which is not desirable at all, that effect is that to the extent that this duty affects the local manufacturers they will keep up the prices. They are now able to produce all that India needs. They will be enabled to add to their actual cost the whole cost of this duty which has ceased to be effective on account of the events which have occurred, and the only effect of it will be that the public who use the sugar will have to pay the element of duty to the manufacturers who will continue to sell sugar at the price of their cost plus duty. What is the advantage to anybody? Government get little

Sir Cowasji Jehangir: How much is it? What does it cost?

Mr. Jamnadas M. Mehta: The expectation is that if the duty is reduced by a few annas, and if it was enforced till 1946, it was expected to prevent foreign sugar from under-selling. That was the whole object of the duty. Now, is that object being served? To my mind, it cannot be served, and Government themselves by the figure of two lakhs and three thousand admit it cannot be served, so that the only people who gain by it are the manufacturers. These people are not compelled to increase the prices of sugarcane or to improve the wages of their employees or to improve their housing conditions or medical assistance which the workers need, and I know to some extent the conditions in which these workers are placed, and those conditions are simply distressing. Therefore, unless some conditions are imposed on people who enjoy this protection,—and today they enjoy it with a vengeance,—without a competitor they will add such cost of the duty as they can conveniently do to their sugar prices. Government are buying sugar on a large scale. The public have to buy that sugar because there is no other and cheaper sugar. In my opinion, therefore, these additional customs duties in the name of protection are unreal and ineffective so far as Government are concerned, but are a very powerful source of taxation on the consumers of sugar. Therefore, I would suggest that amongst the exempted articles such of those protective duties as are really ineffective today so far as the Government revenue is concerned but might be a burden on the poor consumer, without benefiting the State, without benefiting the worker, need not be continued for the sake of the war. I am not insisting that all these protective duties must necessarily disappear. A choice may be made out of this list, of those which have this consequence of not benefiting the State and of continuing to be a burden.

Sir Cowasji Jehangir: If the sugar does not come into the country, nobody pays.

Mr. Jamnadas M. Mehta: But the customs duty being there, the local manufacturer will, in addition to his cost of manufacture of sugar, always add as much of the duty as can be conveniently added.

Sir Cowasji Jehangir: Is there no duty on the sugar made here?

Mr. Jamnadas M. Mehta: He will see that even the small sugar that comes cannot compete.

Sir Cowasji Jehangir: Is that why he raises his price?

Mr. Jamnadas M. Mehta: Yes. I will tell Sir Cowasji what is likely to happen if there is no duty of this kind. The manufacturers themselves will have competition. What is the basis of protection under the Fiscal Commission's Report? That it will set up internal competition. That competition is not set up if you continue this thing. There is no advantage to the State, there is no advantage to the consumer, the only beneficiary of this duty will be the capitalist manufacturer for nobody's advantage. The same can be said about other articles. As regards iron and steel the Tatas have said from the housetops that they need no protection, and yet you are giving protection in the name of steel and iron industry. I was told by the Honourable the Commerce Member the other day that the Tatas were selling steel at a cheap rate and, therefore, they were not making any big profits there. If that be so, why maintain this duty? Nobody's purpose is served and therefore I suggest that such of the items as are under the protective duties list, which produce no revenue but constitute an unnecessary burden on the consumer, should be removed. Sir, I move.

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

"That to the proviso to clause 6 of the Bill, the following be added at the end:
'(e) Protected articles.'"

The Honourable Sir Jeremy Raisman: There is much in what the Honourable Member has said with which I agree, and if I felt that these protective duties were at the present moment actually operative and that as protective duties they actually determined the level of prices of commodities in this country at this time, I should certainly consider that it was necessary to do something on the lines of the amendment moved by my Honourable friend. But the position is that in the abnormal conditions of today it is not the level of duty on imports of this kind which is affecting the prices of indigenous products of these classes. In fact, it may be said that at the present moment, whatever imports there may be under these heads, the duty on those is practically of a revenue character, and there is no reason why, if our object is to raise some additional revenue from such imports as are still able to reach this country, we should make an exception in the case of these duties. The point that my Honourable friend is concerned about is that the prices of indigenous products may be affected, that they may rise still further because of this increase in the protective duties. But that is not so. In the first place, we can deal with a movement of that kind by price control. In the second place, and this is more important, if we felt that the internal producer was taking advantage of this increase in the protective duty to raise his prices, we could easily by executive action reduce the protective duty again, because we have power to adjust protective duties from time to time if it seems necessary, to the level required to ensure as much protection as is necessary and no more. But as my Honourable colleague explained the other day when moving for the continuance of the *status quo* in regard to these protective duties, the whole of our former ideas on this subject are at the present moment completely inapplicable. There is in existence, owing to world circumstances, a measure of protection which is greater than anything which we ever intended or any Tariff Board would be prepared to concede, and, therefore, we have to deal with this question of internal

[Sir Jeremy Raisman.]

prices on its merits as a separate problem. For these reasons, I do not think it necessary to go to the extent of exempting protective duties from this overall surcharge.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That to the proviso to clause 6 of the Bill, the following be added at the end: "(e) Protected articles."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 6, as amended, stand part of the Bill."

Sir F. E. James (Madras: European): This clause imposes a flat surcharge of 20 per cent. on all customs import duties with a few exceptions. I am glad to note that it is limited in its operation to one year, which seems to be a recognition of the emergency character of what, after all, is an indirect tax.

The Honourable Sir Jeremy Raisman: That is the intention.

Sir F. E. James: As the Honourable Member knows, we have had some unfortunate experience of some of these surcharges in the past. Indeed, I believe that the first import duty levied in this country was levied for the purpose of recouping the exchequer for the expenses of the Boer War; but that was never abolished. But this has got to be, and I accept it, although I am bound to say that, personally, I dislike a flat surcharge, because, as the Honourable Member himself would admit, it is thoroughly unscientific in its application. I take it that it was not possible to introduce a varied schedule of surcharge, levying heavier rates on imports which are not really as essential as others. But my point at the moment is that I would like my Honourable friend to state categorically that this is an emergency surcharge which will be removed as soon as the emergency disappears, whether that is at the beginning of the financial year or whether it is during the financial year.

I would also like him to tell the House whether the whole question of revision of the revenue tariff is one of the subjects to which the Post-War Reconstruction Committee will give some attention. At the same time, when the time comes—and it may come sooner than some people think,—when some of the present restrictions can be removed, and when the flow of trade begins again, it will be essential that the Government then in power should have some general plan in its mind as to the way in which the revision of the revenue tariffs will take place.

I fully realise that no one can foresee the conditions that will be present in the world after the present war stops. Indeed there may be a continuance of the emergency for many months after the actual signing of the armistice. But it is such an important matter that I would like to hear from my Honourable friend whether it is on the agenda of one of the Post-War Reconstruction Committees. After all, not only in the United Kingdom but in most of the other countries which are at war, certainly on the Allied side, there is machinery for making plans now to meet the conditions which will arise after the war, and I hope that this is one of the subjects which is under the Government's consideration.

The Honourable Sir Jeremy Raisman: I wish first to assure my Honourable friend, Sir Frederick James, that I entirely agree with him about the unsatisfactory and undesirable nature of the flat over-all emergency surcharge on the customs duties and that in specifying that this additional amount should be levied and collected up to the 31st day of March, 1948, it was clearly in our minds that unless this was re-enacted it would cease to exist; unlike the previous surcharges which have taken the form of an amendment of the tariff which had definitely to be repealed before the previous level of duties could be restored, this will *ipso facto* lose its force unless it is re-enacted.

On the second point which really more directly concerns my Honourable colleague, the Commerce Member, in whose portfolio the Post-War Reconstruction Committees fall, I understand, and of course it is quite clear that it must be so, that the question of trade and tariff policy after the war is one of the main matters to be considered and I think there is a special committee to deal with that subject. It is quite clear that nothing could be of greater importance for the reconstruction of the world after this war than a clarification and revision of all our ideas on this subject and I have no doubt that it will figure very prominently not only in national but also in international discussions. I trust that this is what my friend wished to know.

Sir F. E. James: There is only one point which I referred to and which has not been touched upon. I take it that should the circumstances warrant, the Government would be prepared to revise or remove the surcharge by executive action, if necessary.

The Honourable Sir Jeremy Raisman: The position really is that if the war were suddenly to collapse and if trade began to resume anything like its former volume it would be possible to remit this surcharge because in those circumstances the revenue available would be larger than our estimates.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 6, as amended, stand part of the Bill."

The motion was adopted.

Clause 6, as amended, was added to the Bill.

Clause 7 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim): The question is: "That clause 8 stand part of the Bill."

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

"That sub-clause (5) of clause 8 of the Bill be omitted."

Sir, this amendment is a consequential amendment to amendment No. 14. The object of this amendment is to exempt incomes from Rs. 1,000 to Rs. 2,000 a year from taxation. Incomes below Rs. 2,000 came in for taxation probably in 1915, and in 1919 the limit of taxation was raised to Rs. 2,000. In 1931 again the Government after 12 years lowered the limit of taxation to Rs. 1,000. Then after continuous protests from this

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House for a long period it was removed and again in the 12th year, that is, in 1942-43 it is being suggested again. So this disease seems to be recurring every 12th year and I submit that the Government have to consider whether this recurrence every 12th year is justified either by previous experience or the present condition. In 1926 the Government appointed an Income Tax Inquiry Committee and the question was thoroughly agitated before that committee and the committee came to the conclusion that the lowest limit which can be rendered liable to taxation would be Rs. 2,000. That is a recommendation against which we find no other recommendation of any expert or any body of experts to the contrary. That continues to be the recommendation of the experts but the Government in 1931 thought of bringing about this taxation as an emergency measure on account of the conditions prevailing at that time. But it is remarkable that in 1931 when this tax was proposed a salary cut was also proposed and this time the salary cut is not to be found but only this taxation has been proposed. In 1933 the results of this taxation seemed to have appeared to Government so attractive that Sir George Schuster in this House proposed that this tax may be made a permanent tax and this limit was made a permanent one. It is to be remembered that in 1931 when this tax was passed as an emergency taxation it was not with the consent of this House. The House rejected that and it was by the use of certification that this taxation was brought in. Now, Sir, after 1933, the suggestion of Sir George Schuster does not seem to have been confirmed by this House and so in 1936 or 1937 the Government seem to have thought of dispensing with this tax. Now, Sir, there are many points from which tax has got to be considered. I made an enquiry from the Finance Department as to what benefit this tax would bring to the Government. I have not been able to find and I think the Finance Department has not worked it out as to what will be the enhanced income on account of this taxation. Unless we know the real amount by which the Finance Department will suffer on account of the acceptance of this amendment, how can we know the demerits or merits of the amendment. I, however, have looked up the previous debates and find that in 1935 when this question was raised, the then Finance Member, Sir James Grigg said that the Government would lose about 50 lakhs.

Mr. President (The Honourable Sir Abdur Rahim): Is the Honourable Member now speaking to sub-clause (5).

Qazi Muhammad Ahmad Kasmi: Sub-clause (5) is only consequential.

Mr. President (The Honourable Sir Abdur Rahim): But the Honourable Member has no amendment to the other sub-clauses.

Qazi Muhammad Ahmad Kasmi: Yes; I submit that this amendment will follow from the amendment No. 14. The Government have here brought the main amendment in Schedule II, and sub-clause 5 of clause 8 is only consequential and relates to that.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member ought to confine himself to sub-clause (5).

Qazi Muhammad Ahmad Kasmi: Sub-clause (5) is nothing by itself. It is only consequential to Schedule II.

Mr. President (The Honourable Sir Abdur Rahim): If it is nothing in itself, then why does he not omit it?

Qazi Muhammad Ahmad Kasmi: If it is passed at this stage, then it cannot be touched again when we discuss Schedule II. If the Government are prepared, I am quite ready to move the other amendment to Schedule II, and both may be discussed together.

The Honourable Sir Jeremy Raisman: Perhaps it would be better if the Schedule also can be taken.

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

The Honourable Member can now move his amendment.

Qazi Muhammad Ahmad Kasmi: Sir, I move:

"That clause (a) of part I-A of Schedule II to the Bill be omitted."

Sir, I think it would further facilitate the procedure if, with your permission, I can move amendment No. 15 also, so that there may be no necessity to make any further speeches.

Mr. President (The Honourable Sir Abdur Rahim): Very well.

Qazi Muhammad Ahmad Kasmi: Sir, I move:

"That for clause (a) of part I-A of Schedule II to the Bill, the following be substituted:

(a) Where the total income exceeds Rs. 1,000 but does not exceed Rs. 2,000, a sum of Rs. 10 in six monthly instalments of Rs. 5 each shall be payable by the assessee."

Sir, I submit that in the absence of figures, the House is in a disadvantageous position, not only the House but also it is difficult for the Finance Department to justify this particular addition of taxation. But any way looked at from my point of view, it was rather difficult for me to proceed without figures and so that I looked up the debates of 1935 when this question was agitated in this House. Sir James Grigg who was then the Finance Member in defending the retention of this lower limit of Rs. 1,000 suggested that the loss to the Finance Department by the acceptance of the amendment would amount to fifty lakhs of rupees. In that fifty lakhs, he did not in any way deduct the large sums of money that were to be saved to the Department by the abolition of the extremely large staff that had to be employed for collecting and assessing the tax on incomes between Rs. 1,000 and Rs. 2,000. That was only an approximate amount with which this House, in the absence of figures, cannot agree. The point is that with a view to get these fifty lakhs of rupees the Government propose to harass a very large number of people. Now, Sir, who are the persons who would pay this tax. Government have justified their position time and again, regarding the hardships that will be done to the people getting Rs. 10,000 to Rs. 20,000, a year if any cut in salaries were to be imposed. I submit that when this tax limit was lowered on the previous occasion, there was the cut in salaries simultaneously in force. But this time the Government say that the cut in salaries cannot be imposed because people who are drawing more than Rs. 2,000 up to Rs. 80,000 a year, a cut on their salaries will be a hard blow in the present circumstances. They say that this tax will be light in the case of people drawing between Rs. 1,000

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and Rs. 2,000. This kind of logic passes my understanding. I know the Finance Members change every fifth year and therefore the statements made by the previous Finance Members do not bind the present Finance Member. There is no doubt that sometimes old Finance Members got muddle headed.

The Honourable Sir Jeremy Raisman: I am not an old one.

Qazi Muhammad Ahmad Kazmi: I admit that. Any way, with their clear brains in these days they think that this salary cut has nothing to do with the taxation of incomes between Rs. 1,000 and Rs. 2,000. Who have got to pay this tax? People who have got large families. Unfortunately in every country and probably in this country the number of family members increase with the decrease in income. The lower the income the larger the family.

The Honourable Sir Jeremy Raisman: Varies inversely.

Qazi Muhammad Ahmad Kazmi: I am now reminded of a case in which I appeared in the court. A poor man brought a suit for restitution of conjugal rights. The judge asked him whether he had another wife. To this he replied in the affirmative. The court then asked him what he was earning. He replied he was earning eight annas a day. The court then questioned him as to how he could maintain two wives with only eight annas a day. I then just brought to the notice of the court that if poor men are prohibited from having two wives, and the rich people hardly have one, how will there be a future generation in this country. So you have to help them to maintain a progeny; and if rich people are not capable of reproducing so lavishly as the world requires the poor people will have to do it, and you must create circumstances in which they can do it. From the reports of different foreign countries you find that they are encouraging large families by providing special prizes for children, special loans for people who want to marry, remission of these loans with the birth of children, etc. That is how they look at the question and help to increase their population and promote family life. Here in our present circumstances we need more and more man power and you have got to encourage large families. For that I say the Income-tax Department should consider such remissions or exemptions from taxation as are to be found in other countries. In England itself they allow remissions of taxation in the case of certain families. No such provision is found here, and the income-tax limit is being lowered for these people. For a man earning Rs. 1,000 a year a family of ten will be found to be the average, because ideas here are different from ideas in the West where husband and wife make the family: here you find a family consisting of not only husband and wife, but sisters and their sons, cousins and their sons, father and mother and so on. You have to realise these things and then consider whether a man earning Rs. 1,000 is in a position to pay the tax.

There is one thing more, that the income-tax authorities have to be satisfied as to the amount of the income; otherwise they cannot assess as to what amount of tax you will be payable by the assessee. Section 28(4) of the Income-tax Act was enacted with a view to afford convenience to the Income-Tax Department and to the public at large. It runs thus:

"If any person fails to make the return required by any notice..... and has not made a return or a revised return.....or fails to comply with all the terms of a notice.....or, having made a return, fails to comply with all the terms of a notice.....the Income-tax Officer shall make the assessment to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment," etc.

Evidently it was intended that in the case of accounts not being available the Income-tax Officer would make the assessment to the best of his judgment. But in actual practice this section is thoroughly misused; and I am sure the Finance Member and those members of the Board of Revenue who have knowledge of its working know that it is misused in a hundred per cent. of cases. This section is construed by the Income-tax Officer as a penal section and made a handle to raise the amount of taxation to anything they like.

The Honourable Sir Jeremy Raisman: Sir, I submit that the Honourable Member is going far beyond the scope of the amendment.

Mr. President (The Honourable Sir Abdur Rahim): Yes, I think the Honourable Member should confine himself to the amendment.

Qazi Muhammad Ahmad Kasmi: The relevancy of my point will appear from the next two sentences. What I maintain is that there is no provision in the Income-tax Act under which when a person does not submit proper accounts a just and proper assessment can be made. I think that is relevant to the point I am making that there is no means by which people with incomes between Rs. 1,000 and Rs. 2,000 can satisfy the income-tax Officer that the accounts that they have maintained during the year are correct accounts; and they cannot maintain accounts of the standard which is required by the income-tax authorities. To say that there is Section 239(4) which would come to his aid as the assessee can reasonably expect the Income-tax Officer to just enquire about his income and assess him to the best of his judgment but when the Income-tax Officer uses this section for penalizing the assessee in case he doubts the accuracy of the accounts that he has maintained throughout the year, then how can this section help. If the Income-tax Officer finds a mistake of Rs. 5 and assesses my income at Rs. 3,500 or Rs. 4,000 whereas the income as shown by my accounts book is Rs. 2,000, then I say that it is absolutely making a bad use of the section, and it would be nothing but stone-heartedness to act in that manner.

Now, Sir, as to accounts. I do not know, but I presume that the Honourable the Finance Member must have got a considerable staff for keeping details of his household expenses, because I think that with all the manifold duties that he has to discharge in this House and elsewhere he would find very little time to note down the details of his accounts. And if he does note down the details of his account, then he is really a marvelous man. Sir, if we just were to look into the accounts of most of the gentlemen who have come to this place, you will find that nobody will be able to tell you how much he has spent during his stay at Delhi or whether he has not already overspent. . . .

Mr. President (The Honourable Sir Abdur Rahim): That relates to the administration of the Department. That does not come within the scope of the amendment. The Honourable Member must confine himself to the amendment.

Qazi Muhammad Ahmad Kazmi: Sir, I will confine myself to the amendment. I was saying, Sir, that nobody can keep proper accounts, and

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must discontinue that part of his speech. It is surely a matter of administration, and it applies as much to tax on incomes of higher level as well.

Qazi Muhammad Ahmad Kazmi: That is how the Government is going to enforce those Acts without providing for the accounts. Section 22 of the Income-tax Act provides. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is still harping on accounts.

Qazi Muhammad Ahmad Kazmi: What else can I do? The amendment relates to. . . .

Mr. President (The Honourable Sir Abdur Rahim): No. The Honourable Member must not do that. My ruling is that it is not necessary.

Qazi Muhammad Ahmad Kazmi: Sir, I am prepared to submit to your ruling, but my point is that the law requires that accounts must be produced.

Mr. President (The Honourable Sir Abdur Rahim): However, it is not relevant at this stage.

Qazi Muhammad Ahmad Kazmi: Anyway, Sir, it is admitted by us all, and even the Government, I think, would admit that the ordinary type of people who are to be taxed and who have got incomes between Rs. 1,000 and Rs. 2,000 cannot produce before the Income-tax Department proper accounts which can be relied upon. This is a thing on which I doubt very much even if the Honourable the Finance Member. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has said that more than once.

Qazi Muhammad Ahmad Kazmi: Now, Sir, after making that submission, I would like to draw the attention of the Honourable Member to one thing more. The system under the previous Act—when the incomes between Rs. 1,000 and Rs. 2,000 were liable to taxation—was that the Income-tax Officer was required to make a summary assessment and the assessee had a right to produce his accounts and satisfy the Income-tax Officer to the contrary.

Mr. President (The Honourable Sir Abdur Rahim): Again the Honourable Member is really harping on that. It is only a question whether this levy of income-tax is justified or not.

Qazi Muhammad Ahmad Kasmi: I submit that the previous practice of the Government of India, in the enactment of this particular amendment, of assessing the income between Rs. 1,000 and Rs. 2,000 was not so hard as the present one.

Mr. President (The Honourable Sir Abdur Rahim): That question does not arise now.

Qazi Muhammad Ahmad Kasmi: And, therefore, it is absolutely unjustifiable. Sir, there is one thing which I have got to say. . .

Pandit Lakshmi Kanta Maitra (Presidency Division: Non-Muhannadan Rural): Sir, I rise to a point of order. When certain changes in the Income-tax are made in this House and when those proposed changes as embodied in the Finance Bill involve changes in procedure for realization of those taxes, is it not. . . .

Mr. President (The Honourable Sir Abdur Rahim): I believe there are other provisions in the Income-tax Act relating to that matter which are not under consideration now.

Pandit Lakshmi Kanta Maitra: I am submitting to the Chair that these Finance Act proposals relate to scale of taxation. Section 24 of the Income-tax Act and what follows after that lay down certain procedure by which those taxes are to be realized, and those specific provisions there do not fit in well. . . .

Mr. President (The Honourable Sir Abdur Rahim): That is not part of this Bill.

Pandit Lakshmi Kanta Maitra: As some part of this Bill and proposals made thereunder do not fit in with the existing scheme of the Income-tax Act, is it not open to an Honourable Member to refer to it.

Mr. President (The Honourable Sir Abdur Rahim): You cannot amend anything which is not part of the Bill.

Pandit Lakshmi Kanta Maitra: I am only asking whether it is open to a Member of this House. . . .

Mr. President (The Honourable Sir Abdur Rahim): It is open to any Honourable Member to say that the realization of income-tax of this character will entail hardship, but to discuss the provisions of enactments which are not before the Assembly is not relevant.

Pandit Lakshmi Kanta Maitra: I am sorry I could not make myself understood to the Chair. I am basing my case not on the basis of hardship. My point is that the present proposal involves considerations of certain provisions in the body of the Income-tax Act as it obtains at present, and it will be difficult, if this financial proposal is adopted, to make it fit in with the existing scale of taxation under the Income-tax Act, and I ask if in those circumstances it is not open to a Member of this House, while discussing that amendment, to refer to it.

Mr. President (The Honourable Sir Abdur Rahim): There is no amendment to that effect. I have pointed out to the Honourable Member that

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it is open to any Member of this House to point out that to realize incomes down to that level may entail special hardship. To that extent the Honourable Member is perfectly at liberty to commend his proposal.

Qazi Muhammad Ahmad Kasmi: Sir, I would not go beyond that. What I mean is that under the present conditions this amendment will cause very great hardship and when a similar amendment was previously proposed or enacted in 1931 it had certain safeguards by which that hardship was not felt and I say that the Honourable the Finance Member ought to have at least included those safeguards which would have lessened the hardships. Now, Sir, the question is that under some provisions we are only asked to deposit certain sums of money, and the relevancy of all the talk that I have made in this Honourable House would appear when I will show you, Sir, from the proposed amendment itself that every word of that amendment involves question of accounts. . .

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member cannot make his speech without referring to irrelevant matters, I shall have to ask him to sit down.

Qazi Muhammad Ahmad Kasmi: Sir, this is a separate matter to which I wish to refer. I will draw your attention to that. The amendment runs:

"Notwithstanding anything contained in sub-section (1) or sub-section (2) no tax shall be payable in cases to which sub-paragraph (a) of paragraph A of Part I of Schedule II applies where the assessee deposits with the Central Government in such manner and in accordance with such conditions as the Central Government may by rule prescribe for the purposes of this sub-section an amount representing not less than one rupee for every complete unit of twenty-five rupees by which his total income exceeds seven hundred and fifty rupees."

It is a pure and simple question of accounts. Unless he proves that his income was 1,150 rupees and deposits a certain prescribed sum, say, Rs. 16, he will not be safe. If it is proved on an inspection of the accounts that his income, instead of being 1,150, was 1,200, and the amount he has deposited in the bank is one rupee less, the result will be that he will be liable to all the penalties that are open. . .

Mr. J. F. Sheehy (Government of India: Nominated Non-Official): That is not correct.

Qazi Muhammad Ahmad Kasmi: I just inquired about it, and I am prepared to submit, if any satisfactory explanation is given . . .

Pandit Lakshmi Kanta Maitra: You can call for the accounts for three years!

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member will carry on.

Qazi Muhammad Ahmad Kasmi: Then the question is. . .

Mr. President (The Honourable Sir Abdur Rahim): The Assembly is adjourned till tomorrow.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 19th March, 1942. . .