

*Friday,
23rd February, 1912*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. L

April 1911 - March 1912

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OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA.
ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS
UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 TO
1909 (24 & 25 VICT., c. 67, 55 & 56 VICT., c. 14, AND 9 EDW. VII, c. 4).

The Council met at Government House, Calcutta, on Friday, the 23rd
February 1912.

PRESENT :

His Excellency BARON HARDINGE OF PENSHURST, P.O., G.O.B., G.O.M.G., G.O.V.O.,
G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*,
and 58 Members, of whom 51 were Additional Members.

OATH OF OFFICE.

The Hon'ble Mr. Wheeler made the prescribed oath of allegiance to the
Crown.

DEATH OF SIR JOHN JENKINS.

His Excellency the President : " Since the last occasion on which the
Council met in this place, and while the hearts of all were still beating
with the joy and enthusiasm created by the visit of Their Imperial Majesties to
Calcutta, a sudden reminder reached us of the inexorable character of the laws
of nature, and death unexpectedly deprived India and the Government of India
of one of their most valued and trusted servants. It was only two days before
Their Imperial Majesties left Calcutta for Bombay that Sir John Jenkins was
present at the meeting of my Executive Council, apparently in the best of
health, and yet a week later he had breathed his last. There are probably many
here who knew Sir John Jenkins much longer than I know him; some who
even knew him better. But all I can say is that no one possibly liked and re-
spected him more than I did. Combined with a magnificent brain and a forceful
character, he had great kindness and sympathy of heart—qualities which
endeared him to all those who knew and understood him. Potty jealousy and
meanness had no place in his character, and it might be said of him, as was
written by Pope of an eminent English statesman :—

' Statesman, yet friend to truth of soul sincere,
In action faithful and in honour clear ;
Who broke no promise and served no private end.'

[The President; Sir Guy Fleetwood Wilson; Babu [23RD FEBRUARY 1912.]
Bhupendranath Basu; Sir Harcourt Butler.]

"After more than thirty years spent in the Presidency of Bombay, during which period he occupied some of the highest posts held by Civilians, he was appointed Member for the Home Department of the Viceroy's Executive Council. In that capacity I am able to bear testimony to his Imperial patriotism, to his high sense of loyalty to his colleagues and friends, to his conciliatory attitude in all matters connected with the Home Department, his invariable desire to set wrong right, and his constant wish to forget and to obliterate the memory of all that during the last few years is best forgotten. Quite recently the Secretary of State had appointed him Member of his Council in London, and great as I felt his loss would be to me and to the Government of India, I gladly welcomed the appointment of Sir John Jenkins to London, as I fully realized that in the ever-changing conditions of this great Empire his presence and advice would always be in harmony with the legitimate sentiments and aspirations of the people of India. Just as his prospects of happiness and usefulness to India and to England were brightest, death has claimed him, and although it is not for any of us to question the will of Providence, we may, with reason, give expression to our profound regret at the loss we have all sustained. To me personally he was a most loyal and devoted colleague and friend, whose experience and knowledge of India and her people were as extensive as they were priceless. To India, in my opinion, his loss is irreparable. To Lady Jenkins and her family we all, I am sure, pour out our deep and heartfelt sympathy in their bereavement. May she find comfort and consolation in her sore distress, and may the soul of our late colleague and friend rest in peace."

BERAR REVENUES.

The Hon'ble Sir Guy Fleetwood Wilson laid on the table a statement* showing by Major Heads the Provincial share of Revenue earned in Berar for the years 1904-05 to 1909-10, which was promised in his reply given to the question put by the Hon'ble Rao Bahadur R. N. Mudholkar at the meeting of the Legislative Council held on the 18th September 1911.

QUESTIONS AND ANSWERS.

The Hon'ble Babu Bhupendranath Basu asked :—

"Will the Government be pleased to state—

- (1) The number of appointments in British India in the Indian Educational Service.
- (2) How many of these are held by Europeans and how many by Indians?
- (3) How many appointments of Europeans have been altogether made in this service since its creation in the year 1896 and how many of Indians?
- (4) How many officers serving in the Provincial Educational Service have been promoted to the Indian Educational Service since the year 1897?"

The Hon'ble Sir Harcourt Butler replied :—

- (1) The number of appointments is 211.
- (2) The number of Europeans is 208 and the number of Indians is 3.
- (3) The number of Europeans appointed since 1896 is 210 and the number of Indians appointed since 1896 is 2.
- (4) Since 1897 only two members of the Provincial Educational Service have been promoted to the Indian Educational Service."

* *Vide* Appendix No. 1.

[23RD FEBRUARY 1912.] [*Babu Bhupendranath Basu; Sir Harcourt Butler; Sir Reginald Craddock; Sir Guy Fleetwood Wilson; the President; Mr. Dadabhoy.*]

The Hon'ble Babu Bhupendranath Basu: "As regards the two members promoted, may I ask which of them are Indians and which Europeans?"

The Hon'ble Sir Harcourt Butler: "Both were Europeans."

The Hon'ble Babu Bhupendranath Basu asked:—

"Has the attention of Government been drawn to the report of the proceedings of a meeting of the District Board of Dacca appearing in the *Dacca Herald* of the 15th January 1912, regarding the presentation of an address of welcome to His Excellency the Viceroy on his visit to Dacca?"

"Is it true that the Civil Surgeon observed at the meeting that the Royal boons were not to be regarded as boons but as a controversial matter, and further that as His Majesty did not go to Dacca there ought not to be any mention of his visit in the address to His Excellency?"

"Does the Government intend to take any notice of the incident?"

The Hon'ble Sir Reginald Craddock replied:—

"The Government of India have seen the report in the *Dacca Herald* to which reference is made, and have ascertained that it was not an accurate account of what occurred at the meeting, and that the Civil Surgeon did not use the words attributed to him.

"The Government of India do not intend to take any notice of the incident."

The Hon'ble Babu Bhupendranath Basu asked:—

"(a) Has the attention of the Government of India been drawn to an article in the *Pioneer* referred to by Mr. Montagu in his speech in the House of Commons on 26th July 1911?"

"(b) Will the Government be pleased to state what steps they have either taken or propose to take in the matter?"

The Hon'ble Sir Reginald Craddock replied:—

"The Hon'ble Member is apparently referring to a letter—not to an article—which appeared in the *Pioneer* of the 26th June 1911. The Government of India have seen the letter in question but do not intend to take any action in the matter."

SUSPENSION OF RULE.

The Hon'ble Sir Guy Fleetwood Wilson asked His Excellency to suspend rule 10 of the rules for the discussion of matters of general public interest, in order to admit of the discussion of the Hon'ble Mr. Dadabhoy's Resolution before the legislative business.

The President declared the rule suspended.

INCOME-TAX.

The Hon'ble Mr. Dadabhoy: "My Lord, I beg to move that—

This Council recommends to the Governor General in Council that, in view of the present increased cost of living, the minimum of income assessable to the income-tax be raised to Rs. 1,500 a year.

"The Resolution contains my reason in brief for moving it. The cost of living has lately increased, and on that ground I appeal to Government

to raise the limit of exemption to Rs. 1,500 a year. To remove all doubts on the subject and to establish the necessity of the remission, I will further down enter more fully into the facts connected with the increase. I must also satisfy Hon'ble Members that the adoption of the Resolution will not seriously affect the financial position of Government.

"The income-tax, though not favoured in many countries in Europe and America, has been familiar in India, for, with temporary spells of suspension, it has been in existence in one form or another for half-a-century. The extraordinary strain consequent upon the Mutiny and the assumption of direct government by the Crown accentuated the financial necessity of Government which disturbed its financial operations for a series of years, while the commercial and industrial activity following in the wake of the transfer of the administration with the resultant accession of income pointed to the source from which to raise the additional revenue necessary to put the finances in order. Thus it was that in 1860 the first income-tax was imposed, to be abolished a few years later by Sir Charles Trevelyan. After only one year of surplus following the repeal, the Right Hon'ble Mr. Massey revived the tax as a license-tax in 1867, and converted this into a certificate-tax in 1868. In 1869 necessity forced the hands of Sir Richard Temple, and a general income-tax was imposed which was repealed early in the seventies. Then, in 1880, the tax was revived, and, with a slight modification in the limit of exemption in 1903, it has been in existence ever since. There are two outstanding facts in this history - that during the first years the tax was unpopular, and there was a tendency to tamper with it on every occasion of temporary prosperity; and, further, that it has now received the sanction of time and has become a permanent feature of our fiscal arrangement. But it behoves us to make it as equitable in its operation as possible. The Resolution before the Council has been brought forward with the object of making the tax more equitable in one direction. The exemption is founded upon the just principle that the amount required for the necessaries of life should not be taxed. This amount must necessarily be a changing quantity. It varies with the cost of living, and any increase in that cost must *per se* be ground for greater liberality in this matter of exemption.

"My Lord, the assessable minimum of Rs. 500 was fixed so far back as 1869. It may have been sufficient and equitable at that time. But a few decades after it became apparent that that minimum would have to be raised for 'the relief of.....the struggling members of the middle class,' and the state of the finance in 1903 enabled Lord Curzon to remit the tax upon all incomes below Rs. 1,000. I do not think Government at that time was convinced that the highest limit of exemption was reached. The circumstances point to a different conclusion. In 1904, Lord Curzon referred to the remission of taxation allowed the previous year in terms which warrant the inference that Government contemplated a still larger remission in the income-tax also :

'Last year we gave to India the first remission of taxation she had enjoyed for twenty years. We sacrificed thereby about £1,400,000 annually in respect of the salt-tax and the income-tax; but we gave to the people what in my judgment was their due, and we so arranged our remissions as to bring relief as far as possible to those classes that best deserved it. If our resources continue to expand, I should like to look forward to a day when we may proceed even further.'

"But, my Lord, I do not seek to justify the Resolution by any promise of Government. I take my stand upon a higher ground. I submit that the justice of the case demands that a higher limit of exemption should be fixed. 'The struggling members of the middle class' for whom Lord Curzon's Government evinced such concern deserve sympathetic treatment, and since 1903 the cost of living has increased to such an extent that a reconsideration of the limit of exemption would be an act of bare justice. On September 15th last the *Statesman* observed :

'In India.....the tax (income-tax) remains to this day in the crudest and least scientific form of which it is capable. Here, it is essentially a poor man's tax.'

"For the purposes of the Resolution an elaborate discussion of the features of the Indian tax, which distinguish it from the English income-tax and

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[Mr. Dadabhey.]

make it less equitable is not needed, although later on I shall have to mention some of them. The points now before the Council are, whether, apart from controversial questions, the cost of living has increased since 1903, and whether the increase justifies a further remission?

"Now, my Lord, it is a notorious fact that prices had shown an upward tendency since 1903 until they reached a point in 1907 and 1908 which forced the attention of Government by its seriousness. In reply to a question in Council in 1908 by my friend the Hon'ble Sir Gangadhar Chitnavis, Government stated that the subject of high prices was under consideration. In 1909, the Hon'ble Finance Minister, in reply to my question on the subject, said:

'The Government fully recognise the high importance of the rise in prices, and it is engaging the most careful attention.'

"In 1910 I followed up the matter, and Government, although not appointing the desired Commission of Inquiry, deputed a high officer to collect facts relating to the abnormal rise in prices. The investigation is now being made. But the information so far available is sufficient to establish the existence and the permanent nature of the rise and the consequential distress to men of modest means.

"In the Parliamentary Blue Book on the *Moral and Material Progress and Condition of India during 1909-10* it is pointed out:

'The rise in the prices of commodities in India during recent years has been the subject of much discussion Where wage rates are more or less customary, or where incomes are more or less fixed as in the case of pensioners, public and private employes, and the professional classes, the increased cost of living is a serious matter.'

"This rise is all-round, and almost every commodity is dearer to-day than it was a few years back. The following extract from the official table of prices of 11 articles imported, 28 articles consumed in India or exported, and food-grains proves the gravity of the situation:

Year.	Index Number of articles imported.	Index Number for articles consumed or exported.	Index for food-grain (retail prices).
1873	100	100	100
1903	88	103	126
1904	93	101	117
1905	96	116	117
1906	105	130	170
1907	116	113	160
1908	107	151	231
1909	99	134	105

"The alarming feature of the variations shewn here is that, while the appreciation in values is general, the rise in the prices of food-grains is the heaviest, the scale in 1909 being nearly 55 per cent. higher than that of 1903. And this notwithstanding the decline in 1909, caused by meteorological and agricultural conditions which can only be regarded as exceptional, as will appear from the following official account in *Prices and Wages in India, 1911*:

'The wheat crop of 1909 showed an advance on the previous year..... The monsoon was exceptionally favourable, and there was a considerable increase in the total outturn of the staple crops. There was a phenomenal rice crop in Burma and the two Bengals, the extended cultivation in the latter having been stimulated by low prices of jute. As a result there was a general decline in prices in 1909. The timely and well-distributed winter rains brought fine crops to harvest in the spring of 1910. The monsoon of that year was on the whole favourable and the crops good. Prices continued to fall; but in the case of rice a strong demand from China operated to keep the rates at the level of the previous year, particularly in Burma.'

"Whatever the explanation, the broad fact remains that the level of prices, especially of food-grains, in 1910 was much higher than that of 1903. In 1911 there was not much of an improvement in the situation, slight local variations not being taken into account. An examination of the history of prices in India since 1861 reveals the facts that, through one cause or another, there has been a steady enhancement, and that high prices are more or less a normal feature of modern conditions. In *Prices and Wages in India* (1911) the observations about the rise in prices during the quinquenniums 1886-90 and 1891-95 are instructive:

'It is difficult to find adequate reasons for the great rise in prices which took place during these five years, for the 1889 famine in Ganjam (accompanied by distress in Orissa and scarcity in Bihar) was only of local importance and prices had already reached their highest point in 1888. The export trade in food-grains was not larger than the preceding quinquennium.

'The high prices ruling during 1886-90 were still further raised in 1891-92 by prolonged drought, causing scarcity and distress in Madras, Bombay, the Dekkhan, Behar and Upper Burma. A strong Indian demand for rice was coupled with large exports, and at the same time there was an unprecedented exportation of wheat owing to the failure of crops in Europe, so that Indian prices rose almost to famine levels. With better seasons prices fell, but the lowest point reached in 1891-95 was still above the average level of the previous quinquennium.'

"The italics are mine. The facts noted during the decade indicate the line which prices usually follow, at least in India. They elude scientific calculations, and when once there is abnormal inflation, the lowest point reached at the subsequent subsidence is generally higher than the average preceding the rise. Increased facilities both within the country and without prevent any appreciable decline, and there is a strong tendency towards equalisation in values all the world over. The figures of the years 1903-1909 shew that the rise was not spasmodic, but was steady, and indications are not absent that prices will swing round the high level of 1909. At least the hope of a reversion to the level of 1903, high though it was, has not any sound basis in the facts disclosed by the history of the past fifty years. The Government of India, while admitting the rise in prices, is evidently unable to come to a definite conclusion about its permanent nature, and is waiting to be assured on the point by departmental investigation. But the belief that it is to some extent due to, what the Finance Minister describes as, 'world factors', should dispel any lurking suspicion that it is only temporary, and not permanent. 'World factors' do not exert their causal influence only for a period, and will not disappear from the Indian economic situation unless we are going to live in utter seclusion from the world, of which there is precious little chance. In at least one Government publication it is admitted that 'the rise must to some degree be permanent.' The following description of the economic conditions in *The Administration of Bengal under Sir Andrew Fraser, K.C.S.I.*, will be accepted by the public as correct in regard to the whole of India:

'This extraordinary rise in the prices of food-grains has not been confined to this Province and cannot be ascribed to any single cause. Prices have risen all over India; and the rapidity of the rise has attracted attention in other Provinces as well as in Bengal. It is obvious that with the present facilities of intercommunication between all parts of the country, a general rise of prices in other Provinces must inevitably lead to a corresponding rise in the Province. Modern conditions, in fact, tend more and more to form a world-wide market ... to expose the grain markets of this country to international influence; and this phase of the economic development of the country has no doubt largely contributed to a general rise in the prices of food-grains. These considerations, moreover, seem to lead to the conclusion that the rise must to some degree be permanent.'

"My Lord, whether this rise in prices is partially beneficial to the agriculturist or not, is another matter; but that it has increased the cost of living admits of little doubt. It is no comfort to the poorer middle classes even if it is proved that wages have also increased in the same proportion; but the extent of the increase is not free from doubt. The statistics so far published have not, according to the note in the Blue Book, been collected either with care or scientific accuracy and discrimination. They provide therefore an insecure basis for generalisation. In 1911 only a regular wage census was undertaken, but the results are not before the public yet. Reports from all the Provincial Governments have not reached the Government of India.

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But the assumption that wages have increased proportionately will add force to the case of the poorer middle classes. Wage-earning classes do not pay the income-tax; any amelioration in their condition leaves the question of the limit of exemption unaffected. The fact that wages of domestic labour have increased simultaneously with the recent enhancement in prices only adds to the difficulties of the humble *bhadralog*, whether in receipt of a lean annuity, a modest pay or pension, or a precarious income from trade or profession. The two causes combined make the cost of living far more burdensome in his case. And it is for the relief of this class of men that I plead for the limit of exemption to be raised to Rs. 1,500. It cannot be that the purchasing power of the rupee having gone down considerably, even a small tax on incomes ranging from Rs. 1,000 to Rs. 1,500 is not felt by the country. My information is that it *is* felt by the assesses. The contrary supposition is opposed to human probabilities. The truth is, if the grievance is not so articulate, it is none the less real.

"My Lord, the Indian income-tax is assessed upon principles different to those underlying the tax in the United Kingdom and Germany, and makes it more onerous to the respectable poor. In the former country, not only is a certain income exempted from assessment, but abatement according to the scheduled rates is allowed from even larger incomes, on the principle laid down with scientific precision by Mill:

'that incomes above the limit should be taxed only in proportion to the surplus by which they exceed the limit.'

"£160 being the limit of exemption in England, abatement of £160, £150, £120 and £70 is allowed from incomes of £160—£400, £400—£500, £500—£600 and £600—£700, respectively. In case of joint income of husband and wife below £500, the wife can claim exemption for her income from her separate business; in case of incomes under £500, an abatement of £10 is allowed for each child under 16 years old. In the Federal State of Prussia too, according to *Diplomatic and Consular Report No. 4626 of 1911*, deductions are allowed for dependants and children from all incomes below 6,500 marks or Rs. 4,875, one mark being equal to 1s. or as. 12. Such abatements are foreign to the Indian procedure. The rates, again, are fixed on more equitable principles in England. Distinction is made between 'earned' and 'unearned' incomes. Prussia maintains an elaborate table of graduated rates upon incomes ranging from 900 marks to 10,500 marks or from Rs. 675 to Rs. 7,875. In the assessment of incomes under 12,500 marks or Rs. 9,375,

'there is . . . a proviso that . . . consideration may be taken for any special circumstances which may have an unfavourable effect on the tax-paying capacity of the person to be assessed.'

"Austria-Hungary and Japan follow the Prussian method of assessing incomes on a graduated scale of rates. In Japan the rates also vary according to the nature of the assessable income, three different schedules being maintained.

"My Lord, I mention these facts with the object of inviting the attention of Government to some of the harsh features of the Indian tax, and of impressing upon Hon'ble Members the desirability of making its administration less oppressive to the bulk of the people. The suggested larger exemption will at least afford relief in one way. Should appeal to precedent be necessary, the English practice will provide an inspiring example. The limit of exemption in England is, as pointed out above, £160 or Rs. 2,400 a year. In Prussia the assessable minimum is nominally 900 marks or Rs. 675, but, by reason of the deductions allowed and the concessions in assessment made in special circumstances, in practice it works out to a much higher figure. Moreover the tax upon incomes below Rs. 1,011 (1,350 marks) is very light. For an income of 2,100 marks or Rs. 1,575 the Prussian tax is 31s. or Rs. 23 4-0, whereas the Indian tax is Rs. 35. The exemption under the Indian Income-tax Act of 1903, it is true, is apparently more liberal than that of Prussia, but the different conditions make a fair comparison impossible.

"My Lord, the acceptance by Government of the suggestion contained in the Resolution will involve a loss of about 30 lakhs of rupees in annual

revenue, 29½ lakhs being the amount of total collection in 1909-1910 upon 'incomes exceeding Rs. 1,000 but less than Rs. 1,500.' Making allowance for normal expansion in the revenue, 80 lakhs of rupees would approximately represent the highest revenue collection from this source. The adoption of the Resolution would necessitate the surrender of this annual income. Now the question is, can the loss be faced at present without detriment to public interests? There are insistent calls upon the Exchequer for more adequate provision for primary education and the improvement of sanitation which must be met. The extinction of a productive source of revenue in the abandonment of the cultivation of, and trade in, opium also looms ahead. The question therefore arises, can the suggestion be received with equanimity, or even be reasonably made?

" My Lord, I yield to none in my enthusiasm for mass education and sanitary improvement, and I would be sorry if the grants on these heads are not liberal and expansive. But my enthusiasm in the cause of education and sanitation does neither blind me to the other needs of the country, nor prevent me from advocating the cause of a deserving class of our fellow-subjects. If justice demands that relief should be given to the middle class by the remission of a tax, be it ever so small, I would certainly request Government to afford it. That the remission for which I now move Government is necessary to meet the justice of the case, the statements of facts made, and the arguments advanced, above will have made clear to the Hon'ble Members. That the tax upon small incomes is not inconsiderable, will also have appeared to the Council in the light of the practices of other countries. Apart therefore from the financial results of the measure I recommend, on its merits, it deserves sympathetic consideration at the hands of Government. I have also a lively faith that the raising of the limit of exemption will not seriously disturb the estimates of Government. This year the public revenue has far outstepped our calculations. The Railways alone have yielded us a large income. The opium revenue also is better by two crores of rupees. The net result of the year's operations, it may be confidently predicted, will be that, notwithstanding extraordinary expenditure, the annual budget will shew a large surplus. And the retrenchments in expenditure which the Hon'ble Sir Guy Fleetwood Wilson has so thoughtfully and courageously enforced, and for which the country is so deeply grateful to him, ensure to the public finances a permanent relief. Efforts are being made even to maintain the Army more economically. The proposed alterations in the organisation and administration of the troops, both British and Indian, which will shortly be scrutinised by a Commission presided over by Field-Marshal Sir W. G. Nicholson, are expected to effect large economies of a permanent nature. Surely, in view of this actual and prospective conservation of resources, the remission of tax suggested is not of so appalling a character as to disable Government and to necessitate a proportionate curtailment of its grants for education and sanitation. It is also by no means certain that the retention of the income-tax upon incomes exceeding Rs. 1,000 but less than Rs. 1,500 a year will increase those grants. The revenue will not be earmarked for the support of education and the improvement of sanitation. Our anxiety for education and sanitation need not therefore interfere with our votes on the Resolution now before the Hon'ble Members. The fall in the revenue, consequent upon the remission, may not after all be so much as 80 lakhs of rupees. Normal expansion in the revenue from the income-tax must, in the ordinary course, to some extent at least, recoup the loss. In the assessment of the income-tax the procedure now is different in different Provinces; the practice is not uniform. On 10th February 1910, the Hon'ble Finance Minister admitted in his reply to my question on the subject that the rules were framed by Provincial Governments. Although they may be assumed to follow 'the same lines,' there must be some diversity as to details. The Hon'ble Sir Sassoon David, by his questions of the 20th and 27th March 1911, drew Government's attention to the existing disparity in the percentages allowed in different Provinces for depreciation in machinery and buildings, as also in the method of estimating the capital cost. The adoption of a uniform method, it is hoped, will result in an accession of revenue. The Mahajana Sabha of Madras has also pointed out the absence of uniform rules for the assessment of the profits of insurance companies. Some doubt hangs about

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these profits in the absence of a clear definition. The conclusion that the scope for improvement in the administration of the tax, with a corresponding increase in revenue, is limited, is not justified by these circumstances. But if all these considerations are to be put aside and some compensation must be found, in my humble opinion, the rate of the tax should be raised by one pie per rupee upon incomes of Rs. 30,000 a year and upwards. Through the courtesy of my friend the Hon'ble Sir James Meston, whose well-merited elevation is a source of sincere joy to all of us here, but the withdrawal of whose genial and inspiring presence from the Council will leave a void which it will be difficult to fill, I find the revenue at present collected upon such incomes is, at 5 pies per rupee, 50½ lakhs of rupees. An additional pie in the rate will yield an additional revenue of over 10 lakhs of rupees a year. With increased industrial and commercial activity in the country, this loading will prove far more productive in the future. Sound economic principles and the examples of progressive countries will sanction the extra taxation of large incomes for the relief of small ones. If it appears so desirable, to avoid putting extra pressure upon individuals, the rate of 6 pies per rupee may be charged upon incomes of Rs. 50,000 a year, instead of Rs. 30,000 a year, and upwards. In 1909-10, the total income from the tax upon such incomes at the existing rate was 41 lakhs of rupees. Without taking into account normal growth, the extra pie will yield something over 8 lakhs of rupees. And these large incomes of Rs. 50,000 and upwards are mostly profits of companies. Individuals will not be burdened with the extra pie. With his ingenuity and superior knowledge, the Hon'ble Finance Minister may be able to devise other and more satisfactory means of recoupment if it is thought imperatively necessary. But howsoever the loss is made up, let justice be done and relief be afforded to the struggling middle classes whose lot, my Lord, is harder to-day than it was in 1903."

The Hon'ble Sir Gangadhar Chitnavis : "My Lord, it is a fundamental principle of direct taxation that the amount required for the necessaries of life should be exempt. In fixing this amount in India, the initial mistake has been not to make any allowance for dependants and children. The authorities have likewise been misled by the appearance of inexpensiveness of the simple way of life of the average Indian. But with civilisation, the proverbial simplicity is fast disappearing, the luxuries of the preceding generations are becoming the necessaries of the present, fresh wants are following in the wake of imported ideas. It is time this fact, broad and patent, should be recognised in the administration of the income-tax. Government should also note that allowances for dependants and children are even more necessary in India than in England where they are made. In England a man lives for his wife and children, whereas in India the joint family system imposes upon the Hindu a heavy responsibility for the support of agnate and cognate relations in addition to the duty of maintaining his wife and children according to his position in life. Neighbourhood and example have impregnated the Muhammadans with similar notions of communal existence. The net result is, that in India for one earning member of society there are numerous others who are dependent upon him for sustenance. Early marriage is another contributory and potent cause of encumbrance. Two other facts accentuate the evil of high prices and wages in the case of the humble clerk, the pensioner, and the average trader and professional men. Religious injunction makes it imperative for the Hindu and the Muhammadan to perform certain religious and social ceremonies, which are costly. However opposed they may be to the canons of political economy, Indians cannot avoid them. Their private charity is inculcated by the religions of both the great communities to a degree not in accord with Western notions of communal duty. In assessing the cost of living for purposes of the Income-tax Act, regard must therefore be had to all these circumstances, and if due allowance for each is made, the limit of exemption would automatically expand. Since this is not made in individual cases and is not practicable, according to my conceptions of Government duty, the taxable minimum should be generally raised to Rs. 1,500. Roughly speaking, there has been an increase of 50 per cent. in the cost of living since 1903.

[*Sir Gangadhar Chitnavis ; Mr. Subba Rao.*]

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“ My Lord, the remission advocated will be a wise act of statesmanship. I have said before, and I repeat it to-day, that altered economic conditions have created some amount of unrest in the country, and this unrest, from the nature of the case, will outlive the beneficent political results of the Royal Visit. The unrest might be made infinitely more harmful by the insidious manipulations of the educated poor. It is desirable, nay necessary, that this class of men should not be discontented, and should be won over to the side of Government by sympathy and grace. The remission will affect this class most, and although not much by itself to alleviate the misery of small means, will demonstrate to them the sympathetic concern which Government feels for them. And this conviction will be one more link in the chain of gratitude which binds them to British rule.

“ My Lord, this Resolution deserves favourable consideration, but in recommending it to Government, I would leave it to them to determine the order of precedence it should receive among the other schemes of remission of taxation they may have in view when the financial condition of the country admits their doing so.”

The Hon'ble Mr. Subba Rao : “ My Lord, the speech delivered by the Hon'ble Mr. Dadabhoj raises important questions as to the lines on which the incidence of the income-tax may be modified. But fortunately we are not called upon to consider this large and intricate question. The present proposal is simply to raise the minimum of assessable income from Rs. 1,000 to Rs. 1,500, and as pointed out by the Hon'ble Mover, it involves a surrender of nearly 30 lakhs of our revenue. I fully appreciate the solicitude of the Hon'ble Member to give relief to those whose incomes are between Rs. 1,000 and Rs. 1,500. But I regret I am unable to give my support to the Resolution moved by the Hon'ble Member.

“ In the first place, it appears to me that the Resolution is most inopportune in the present financial circumstances of the country. Money is most urgently needed in so many directions—for the extension of education, general and technical, sanitation and various other important matters. The Hon'ble the Finance Minister finds that he is confronted with the near extinction of the opium-revenue. He is unable to meet the growing demands made on him, notwithstanding the economies which he is earnestly trying to enforce on all sides. In these circumstances it is not right, in my opinion, that we should forego nearly 30 lakhs of rupees of our revenue.

“ In the second place, there is no complaint heard that the tax on incomes between Rs. 1,000 and Rs. 1,500 inflicts any great hardship. We have numerous District and Provincial Conferences held annually in different parts of the country. We have the annual session of the Indian National Congress bringing to the notice of the Government the wants and grievances of the people. There is the All-India Moslem League speaking for the Muhammadans in this country. Has any of these bodies during these several years raised its voice on behalf of the class of people for whom the Hon'ble Member shows so much solicitude? Has any of them formulated any grievance with respect to them? After the income-tax was passed in 1886 the Indian National Congress from 1887 onwards was urging strongly upon the Government that the taxable minimum should be raised to Rs. 1,000, on the ground that ‘ the administration of income-tax, especially as regards incomes below Rs. 1,000, has proved extremely unsatisfactory.’ This grievance was urged all over the country at District Conferences, Provincial Conferences, etc. It was nearly sixteen years before the Government could see their way to grant the prayer, and that only when the Treasury was overflowing with surpluses. And when the minimum was raised to Rs. 1,000 with effect from the 1st of April 1903, the Indian National Congress on behalf of the people expressed its thanks to the Government for thus affording the necessary relief.

“ I may point out one peculiarity in this connection. When the minimum was raised to Rs. 1,000, a considerable number of those who had been exempted, *i. e.*, those whose incomes were between Rs. 500 and Rs. 1,000,

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had the honour of being promoted to the Rs. 1,000 class. From the statement* furnished to me by the courtesy of the Hon'ble Sir James Meston, we find that under Part IV, dealing with ordinary trade and professional incomes, which is the material portion bearing on the subject in hand, the average annual rate of increase under grade Rs. 1,000 to Rs. 1,250 for the three years preceding the raising of the minimum, i.e., for 1900-01, 1901-02, 1902-03, was 1,045 in the number of assesseses and Rs. 22,350 in the amount paid. But when we pass to the next two years after the minimum was raised, we find that the number of assesseses increased suddenly in the first year by 12,423 and the amount paid by 2.78 lakhs, and in the second year by 16,593 and 3.39 lakhs as compared with 1902-03. Apparently owing to the loud complaints raised by the people, the figures for the succeeding years in the number of assesseses and the amount paid have rather gone down, so that the number of assesseses and the amount paid by them for 1909-10 were less than those for 1904-05. These figures demonstrate clearly how, when the minimum was raised, the benefit did not in an appreciable number of cases reach those for whom it was intended. Similarly, if the Hon'ble Member's proposal were accepted, one result would be that an appreciable number of those whose incomes are below Rs. 1,500 would find themselves placed in a higher class.

"If the present unsatisfactory way of administering the Act should continue, I hope some means will be found to improve the present state of things. I would like to advocate the abolition of the last grade of Rs. 1,000 to Rs. 1,250 and fix the minimum at Rs. 1,200 a year. This would effectuate the intention of the Government to really exempt those whose incomes are below Rs. 1,000. This may be done when the finances are in a condition to allow it.

"In the third place, there does not seem to be any strong grounds why those whose incomes are really between Rs. 1,000 and Rs. 1,500 should escape the tax. They are generally clerks, traders and other professional men forming part of the large middle class of the country. They do not in many cases contribute substantially to the exchequer except in the shape of the income-tax. It is pointed out by the Hon'ble Mover with great force and at great length, that prices have risen since the year 1903, justifying an increase in the minimum of assessable income. There is no doubt an upward movement in prices perceptible not only in India, but all over the world. We have to wait and see the true nature of this movement and how far it affects the ability of this class of people to pay the tax. It appears to me, that, after all, those who get Rs. 80 a month can without much inconvenience afford to contribute two rupees a month out of it to the revenues of the country.

"In this connexion, I may venture to state that the chief complaint with regard to the income-tax is not so much its incidence as the way in which it is administered. The people are entirely at the mercy of assessing officers. No opportunity is given when the tax is imposed, and the way in which appeals are disposed of is highly unsatisfactory and irritating. This is a favourite theme, dilated upon at District and Provincial Conferences, and I hope that the Government will find a remedy for this. We ask that a non-official agency, something like the Panchayat, should be associated with the assessing officer both at the time of the imposition of the tax and in the disposal of appeals. I believe that the proposal of the Hon'ble Mr. Gokhalo to associate District Officers with Advisory Councils will go a great way to mitigate the hardship now felt in the administration of the Act."

The Hon'ble Mr. Muhammad Shafi.—"My Lord, with all possible good-will for the class of my countrymen whom the Hon'ble Mr. Dadabhoy would absolve from liability to contribute directly towards the maintenance of the Indian Administration, I regret I am unable to give my support to the Resolution so ably moved by my Hon'ble friend. I am unable to support his Resolution not only because with the increasing needs of the country involving heavy expenditure on the part of the State, the Indian Exchequer can ill-afford the loss resulting from the proposed remission, but also because, should the Government be in a position to grant relief by remission of

taxation, there are classes which stand in more immediate and urgent need of such relief than the one whose cause my Hon'ble friend has advocated to-day.

" My Lord, barely nine years ago successive prosperity budgets enabled the Government to raise the taxable minimum limit of income from Rs. 500 to Rs. 1,000 per annum. That beneficent measure brought relief to multitudes of the lower middle class on whom the increased cost of living due to changed conditions did press more or less heavily and, in consequence, gave deep satisfaction. And though the conditions under which we live have, since then, changed to a certain extent so as to make the cost of living slightly higher, more particularly in the larger towns, nevertheless there has been no general demand for the further relief which is recommended in this Resolution. Several sittings of the National Congress have been held since then: the All-India Muslim League, founded in 1906, has met on various occasions. But neither of these representative bodies has raised its voice in asking for further relief to this class of tax-payers. And apart from the silence of these two influential organizations, even the most careful observation fails to reveal the existence of any real demand for the reform in taxation advocated by my Hon'ble friend.

" My Lord, the reasons for this absence of a general demand are not far to seek. The melancholy picture presented by the Hon'ble Mr. Dadabhoj of those whom he seeks to benefit in this Resolution is, I venture to submit, somewhat overdrawn. Whatever the measure of the rise in the cost of living during the last nine years, it is not those of our countrymen whose income ranges from Rs. 1,000 to Rs. 1,500 a year who have been, comparatively speaking, really hard hit by this increase. It is the great multitude belonging to the lower strata of the middle class including those who were exempted from payment of income-tax in 1908 upon whom the increased burden has mainly fallen, as also upon the still wider agricultural circle whose voice, I cannot help thinking, seldom reaches this Council Chamber, and whose stalwart shoulders have become accustomed to the heavy load they have learnt to bear with patience and resignation.

" During the Budget Debate of 1903, the Hon'ble Mr. Gokhale rightly observed that the proceeds of the Assessed Taxes were the only receipts which came exclusively from the middle and upper classes of the people. He was of course referring to those whose sources of income are, in the main, other than agricultural. Now this, I venture to say, is the very class of the Indian peoples who have relatively derived the greatest benefit from the conditions of increasing peace and prosperity brought about by the British Government and yet, according to my Hon'ble friend, they ought to enjoy all the benefits resulting from the existing conditions without contributing their proper share of the heavy expenditure involved in their maintenance. A peasant proprietor having but an acre or two of agricultural land, yielding a wretched pittance hardly sufficient for keeping body and soul together, may have to contribute a large slice of his scanty income to the Government Treasury, nevertheless it is not he who stands in special need of any relief. It is the members of the non-agricultural middle class who earn from Rs. 88 to Rs. 125 a month, whose share in the upkeep of the administration is but a drop in the ocean and who can well afford to pay the small contribution levied from them in the shape of income-tax who, according to my Hon'ble friend, must be relieved first and foremost from even this slight burden. A careful enquiry into the sources of deposits in the Post Office Savings Banks would show that the major portion of these deposits represents the savings of the very class whom this Resolution seeks to benefit. It is our agricultural classes that form the most stable element in the Indian population: they constitute not only the backbone but the whole frame of the Indian army. Whenever the State is in a position to grant some relief in the form of reduction of the fiscal burden, it is the peasant proprietor and the poorer agriculturist whose claims ought, above all, to receive special consideration at the hands of Government.

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Mr. Muhammed Shafi; Maharajadhiraja Bahadur of Burdwan; Mr. Gokhale.]

"My Lord, one more reason for the absence of a general demand for the fiscal reform adumbrated in the Resolution under discussion deserves to be specially mentioned. I feel sure that a large section of my countrymen whom the Hon'ble Mr. Dadabhoy has in view themselves realise that the increasing needs of the country requiring heavy expenditure make the contemplated change undesirable. Only the other day, on the auspicious occasion of the Imperial Coronation Durbar at Delhi, the Government frankly recognised its paramount duty in the matter of a wider diffusion of education among the masses and announced, for the carrying out of that laudable intention, the handsome recurring grant of 50 lakhs a year over and above the ordinary educational expenditure. This munificent gift to the Indian peoples has sent a thrill of delight in the hearts of all sincere well-wishers of the country. The remarkable educational activity observable on all sides is one of those gratifying features of the existing situation which mark the turning of a new leaf in the history of India, and will prove a source of incalculable good to the country. The establishment of an increasing network of elementary schools throughout the length and breadth of the Indian continent and the gradual adoption, as the financial conditions of the country permit, of steps towards making elementary education ultimately free so as to bring it within easy reach of the masses, without resort to the inquisitorial and irritating methods adopted in certain quarters, constitute the foremost need of the time. And I cannot but express my deep satisfaction at the thought that the Government of India fully realise their obligations in regard to this great and urgent need of the people. The heavy and increasing expenditure necessarily involved in the faithful discharge of this high obligation when considered together with the prospective loss of the opium revenue must make it obvious that the remission of this contribution by the non-agricultural classes towards the upkeep of the Indian administration is, under these circumstances, an impossibility. A goodly share of the benefits arising from this increased expenditure on educational, sanitary and other public undertakings will be reaped by these very classes, and will in itself constitute a relief which they ought heartily to welcome in preference to exemption from payment, once a year, of a petty sum which they can well afford in return for the manifold blessings which they enjoy under a system of settled Government hitherto unknown in this country.

"With these few remarks, my Lord, I regret I am unable to give my support to this Resolution."

The Hon'ble Maharajadhiraja Bahadur of Burdwan: "My Lord, I am sorry my friend Mr. Dadabhoy has brought this Resolution just now. But apart from personal feelings regarding this Resolution, which in many respects is laudable, I cannot help thinking with my Hon'ble Colleague Mr. Subba Rao that it is most inopportune to bring it at the present juncture. We know perfectly well that at the present moment the mind of educated India is very much centred in the educational problems in this vast peninsula—not quite a continent as Mr. Shafi has said. But what I wish to point out in this connection is that we have not only got to consider the educational requirements in the immediate future, but also many other pressing needs including the vast outlay in building a worthy Imperial Delhi as well as the recurring expenses in connection with it hereafter. Also we have got to consider the Dacca University and many other things that will be cropping up in these inordinate times. For these reasons, my Lord, I think it would be advisable for Mr. Dadabhoy to withdraw his Resolution, and to bring it up when another state of affairs exists."

The Hon'ble Mr. Gokhale: "My Lord, I agree with my Hon'ble friends Mr. Subba Rao and the Maharaja of Burdwan that the Hon'ble Mr. Dadabhoy has not selected an exactly opportune moment for the discussion of this question. Not only are we on the eve of the extinction of our opium-revenue, but even taking the date on which this discussion comes up, we are now only within a week of the introduction of the next Financial Statement. I think it would have been much more convenient if the discussion had taken place at any rate

after the Financial Statement had been introduced, because then we should have known exactly how we were likely to stand next year. My Lord, a definite proposal for a remission of taxation can at any time be justified only on two grounds: first, that the condition of the finances of the country is so prosperous that some sort of remission is possible; and, secondly, that there is unquestionable hardship caused by a particular impost. Now as regards the first, *viz.*, the condition of our finances, I think its prosperity is a matter which is open to very serious doubt. Only the year before last, the Hon'ble Finance Minister imposed fresh taxes on the country, because, in his view of things, the revenue then raised was not sufficient for the requirements of the State. It is true that last year there was a surplus and possibly, owing to the extraordinary circumstances of the year that is about to close, there will be another surplus announced next month. But to determine if a margin of revenue over expenditure is available so as to remit taxation, we must take a larger view of our finances than what would be obtained if we confined our attention to one or two years only. Very probably in 1913, if the opium-revenue is really extinguished, our finances will pass through a very trying time. I do not think, therefore, that any proposal involving remission of taxation should be seriously considered by this Council until we know where we stand so far at least as our opium-revenue is concerned. But apart from that, there is expenditure, and large expenditure, required in various directions. There is the question of mass education, to which an Imperial grant of 50 lakhs a year has already been promised, and which, I hope, will grow more and more as year follows year. There is also the necessity of providing money for sanitation, and then I think one of the great needs of the country is that there should be larger grants-in-aid regularly made to Local Bodies to enable them to perform their work satisfactorily. I think, therefore, that even if it is found that a surplus of revenue exists over the expenditure of the country when the next Financial Statement is introduced, there are so many directions in which that surplus could be usefully spent, and remission of taxation is not the only form in which it can be employed to the advantage of the people. But I will put these considerations aside, and take up the other question, *viz.*, whether this impost causes an unquestionable hardship to the class for whom my Hon'ble friend Mr. Dadabhoj has spoken to-day. Now, my Lord, there is no doubt that, from one point of view, all imposts are burdensome. If every tax is to be discussed solely from the standpoint of those who pay it, I do not think that there will be any tax which will escape adverse criticism. But the State has to look at it from another standpoint. The State has to look at the whole scheme of taxation, first, from the standpoint of its own necessities, and, secondly, from the standpoint of the comparative ability of the different classes to pay their particular share of the total revenue raised from the community. Now, judged by this standard, I really do not think that the class for which my Hon'ble friend seeks a remission has any substantial grievance. It is true that our minimum taxable limit is Rs. 1,000 a year, whereas in England, as my friend has pointed out, it is £160. But we must take into account the different money values in the two countries—a point which Mr. Dadabhoj has ignored altogether. From that point of view, a man who earns a thousand rupees a year here is really better off than one who earns £160 in England. My Hon'ble friend's chief argument in favour of his motion is the rise in prices that has taken place since 1903. It is true that there has been a serious rise in prices in recent years, and that must hit hard every buyer of commodities. But have the necessities of the State diminished? If not, how can the burden of taxation be reduced merely because prices have risen? Again, if there is a real surplus, which can be devoted to a reduction of taxation, which class is most entitled to relief? These are the questions which have to be considered, but which my Hon'ble friend has not considered. He compares present prices with those of 1903. But he takes no account of the remissions of taxation which have been made since 1903, and from which the class for whom he has spoken has benefited along with other classes. Thus the salt-duty, which was two rupees a maund in 1903, has been reduced by two successive remissions to one rupee a maund, and this fact must be taken into account in making a comparison.

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[Mr. Gokhale.]

My friend has quoted an extract from Lord Curzon's speech, claiming that Lord Curzon promised to raise the minimum limit of the income-tax to a higher figure when the circumstances of the country permitted it. Now I was in the Council at that time, and I am quite sure that that was not the idea present to Lord Curzon's mind. What he had in his mind was that the salt-duty would be further reduced, and that promise has been liberally carried out by the Government by two further reductions.

"In judging of the comparative ability of different classes to pay, the point to be really considered is whether the scheme of taxation, taken as a whole, hits any one class harder than any other class. Now from that standpoint I have no hesitation in saying—and I have urged this view again and again in this Council—that the poorer classes of this country bear really a larger burden than the class to which my Hon'ble friend has referred or the classes above them. The upper and the middle classes of the country contribute really much less to the Exchequer than our poorer classes relatively to their resources. We have only to glance at the various heads of our principal revenue to see that this is absolutely correct. Our revenue is mainly derived from land, salt, excise, (opium I will leave out, as the opium-revenue is contributed by the foreign consumer), customs, stamps, registration, assessed taxes, forests and provincial rates. Now the land-revenue—in raiyatwari tracts at any rate—is largely contributed by very poor people. It is an open question whether this revenue is rent or tax. My own view is that it is partly rent and partly tax. And to the extent to which it is a tax, its burden in raiyatwari tracts falls on very poor people. Then take salt. The burden of salt-revenue falls the heaviest on very poor people. Of course every class consumes salt, but the bulk of it is consumed by the masses of the people. It is the same thing with excise-revenue; the bulk of the excise-revenue comes from the pockets of very poor people. The class for whom my friend has spoken does not use country liquors and therefore it pays nothing to the State under the head of excise. Then under stamps and registration, the poorer classes contribute, relatively speaking, much more than the class whose annual income is between one thousand and fifteen hundred rupees. Under customs, too, the poorer classes bear their share of the burden, though here probably the classes above them contribute more. Under forests, they have to pay for their fuel and the grazing of their cattle. It is only the income-tax from which they are free, but taking the whole scheme of taxation, I maintain that their share of the burden is relatively much heavier than that of the middle and upper classes. No clear case, therefore, has been made out for giving special relief just now to the class mentioned by Mr. Dadabhoj. There are, however, one or two suggestions which have come from my Hon'ble friend with which I am in agreement. I think that while the minimum taxable limit might be kept at Rs. 1,000, the principle of abatement should be introduced into this country. It is a just principle and is found in operation in many civilized countries; and I think it is only just that there should be some abatement granted to those who are just above the minimum limit. I think those whose incomes are between Rs. 1,000 and Rs. 1,500 or Rs. 1,000 to Rs. 2,000, should have some reduction made as regards the amount on which the tax is assessed. Then I also agree that in the case of joint stock companies or those who have an income of Rs. 50,000 a year, there might be a little higher rate of taxation. I do not think that that will hit anybody much, but will make up to some extent for the loss that will be occasioned by the granting of abatements in the case of those whose incomes are between Rs. 1,000 and Rs. 2,000. I also agree with my friend the Hon'ble Mr. Subba Rao that the chief grievance in connection with the income-tax is the manner in which the tax is collected. The assessments are notoriously haphazard, and there is no real relief in the shape of appeals, as they are now heard. Some better machinery has got to be devised in order to give relief to those—and their number is large—who suffer from the vagaries of the assessing officers. If that were done, and if the principle of abatement were introduced with a higher rate for those who are above a certain limit, I think the requirements of the situation would be largely met."

[*Mr. Madge ; Sir Guy Fleetwood Wilson.*] [23RD FEBRUARY 1912.]

The Hon'ble Mr. Madge : " Agreeing as I do with the inopportune character of this Resolution, I should have taken no part in the discussion but for the entire omission to note a fact which ought to be kept in mind in all discussions on income-tax in this country. There is in it, working side by side, a higher and a lower standard of living, call it foreign and indigenuous, European and Indian, or what you will. Leaving these adjectives to adjust themselves, I would call attention to the fact that there is a class of people here who are obliged to adopt the higher standard of living in order to preserve the decencies of life, but whose means are growing smaller from year to year from causes to which I need not refer on the present occasion. For them both the income-tax and a number of other burdens are exceedingly severe. If I am unable to vote for this Resolution, it is because, after thinking over the matter for a long time, I do not see how an increasing minority can be relieved in a scientific way ; but I do hope that the Hon'ble Finance Member will keep this matter in mind in times to come, so that those who are compelled on very small incomes to preserve the decencies of life under a higher standard of living may be relieved as far as possible."

The Hon'ble Sir Guy Fleetwood Wilson : " My Lord, my Hon'ble friends Mr. Subba Rao and Mr. Gokhale and others—and I should like for a moment to pay a tribute to the remarkably able exposition of a new Member, Mr. Muhammad Shafi—have I think dealt so successfully with the Resolution of my Hon'ble friend Mr. Dadabhoj that there is not really very much for me to say. But I hope that my Hon'ble friend will not consider me lacking in courtesy, nor unmindful of the importance of the Resolution which he has moved, if I answer him with some brevity ; I hope also that he will not take it ill if I point out that the Hon'ble Member, whose remarks are always entitled to consideration and respect, appears to me to be drifting into a remarkably illogical attitude. Last year he attacked the cotton-duties ; this year he assails the income-tax. If he had his way, our revenues would apparently continually diminish, whilst the claims upon them, which he concurrently presses, would steadily increase.

" There can be but one logical and practical outcome of such a policy if carried into effect. It would land us in bankruptcy.

" I cannot undertake to follow the Hon'ble Member or his supporter over the ground which they have traversed in regard to the increased cost of living, owing to the rise in prices.

" It is not certain what the precise effect or extent of the rise in prices has been. An enquiry into the question is in progress, and until the report has been received and considered the Government of India are unable to accept any particular figures such as those given by the Hon'ble Mr. Dadabhoj or any particular deductions which may be drawn from them.

" I may point out however, for what it is worth, that if the increase in the cost of living means a decrease in the purchasing power of a given income, it likewise means, in the same way, a decrease in the purchasing power of the amount paid in the tax.

" I may also observe that it is hardly accurate to say that the income-tax is not favoured in many countries in Europe and America. It is not unlikely that in America a federal income-tax would have been introduced long ago had it not been for technical difficulties connected with the Constitution. There is no federal income-tax, but there are local income-taxes to be found in the States. Some European countries have heavy income-taxes. If I rightly remember, the present British Chancellor of the Exchequer called the income-tax the centre and sheet anchor of the British financial system.

" I may remark that to raise the assessable minimum income for income-tax from Rs. 1,000 to Rs. 1,500 would mean a loss to the revenue, taking the figures of 1909-10, of approximately 20½ lakhs. This is nearly 12½ per cent. of the whole proceeds of the income-tax. I think that all will agree that this is not the time to sacrifice such an important slice of our revenue.

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"If anything, the question that arises is, whether the old minimum of 500 rupees, which was in force up to 1903, might not be reverted to. I do not advocate such reversion at the present moment, but it appears to me to have as much in its favour as the proposal of my Hon'ble friend opposite.

"The class to which the proposal would afford the suggested relief consists largely of the very people who are least entitled to relief in the interest of the general tax-payer. The relief would principally affect the assesses under Part IV of the Income-tax Act, in Schedule II, and it is, I am afraid, notorious that such assesses are lightly assessed compared with those under other Parts of the Income-tax Act.

"The income-tax at present presses lightly on the people. It hardly touches more than 11 in 10,000. In the United Kingdom the proportion is 220 in 10,000, and it must be remembered that agricultural incomes pay the tax. In India the proportion in some rural districts is so low as one in 1,949.

"I was not able to follow what point my Hon'ble friend was making out of his figures, but I think there is one small point of detail on which my Hon'ble friends seem to be under a slight misapprehension. The abatements in certain European countries for the sake of children and dependents are, I believe, anti-Malthusian in their purpose. No similar encouragement to large families has yet been demanded as a part of our fiscal policy in India.

"I should like to give the minimum limits in several countries in Europe. In continental countries the minimum assessable limit is generally very much lower than in India, though I think it will be agreed that the scales of income are distinctly higher. In Prussia it is £45; in Wurtemberg, Saxony, Baden, Hesse, these vary from 25 to 45 pounds; in Austria it is £50; in Sweden it is £24½; in Norway £18; in Denmark £33 to £44; in Holland it is as high as £54; in Italy it comes to £16 to £32, with no exemption for pure property income; and in Spain it varies from £31 to £45.

"On the whole, I believe that the Council will think the Government of India are acting wisely and in the best interests of the community at large in refusing to accept the Resolution of the Hon'ble Member; and accordingly I have to state that we are not able to accept that Resolution."

The Hon'ble Mr. Dadabhoj: "My Lord, with the very extensive programme of legislative work before us this afternoon, I feel I cannot detain this Council much longer than is absolutely necessary, but at the same time I feel it my duty to reply to a few observations that have fallen from Hon'ble Members. To my great surprise, I have heard it repeated by four or five Members—and what struck me most was that that statement was repeated by the Hon'ble Finance Minister—that this was the most inopportune time for moving this Resolution. My Lord, I fail to see what is the exact psychological moment when a Member of this Council can bring up a Resolution for the reduction of taxation. If it is brought up at some other period, it will be confronted with the same argument that that is the most inopportune time and the state of the finances of the country will not permit of a reduction. I therefore most respectfully submit that there is very little of value in this contention. My friend the Hon'ble Mr. Subba Rao started the debate with opposing the motion. He has pointed out very correctly to this Council that the Conferences held in different parts of the country from time to time and the Congress itself have not suggested this matter of a further reduction of the income-tax. I am sorry that he brought into the discussion the deliberations of these bodies. But I know as much as my Hon'ble friend, and he would have admitted it if he had been a little more candid as to why this matter has not been taken up by these Conferences. There is, I may say, a general belief that the income-tax is the only tax which the Europeans pay, and that by a remission a large section of this class would be exempt from taxation; and it is that very reason mostly which has actuated those public bodies from not touching it.

"I congratulate my friend the Hon'ble Mr. Muhammad Shafi for having distinguished his maiden speech by opposing a very popular measure. I have listened with interest to his speech as well as to his arguments.

[Mr. Dadabhoy; Sir G. Fleetwood Wilson; [23RD FEBRUARY 1912.]
Mr. Syed Ali Imam.]

"There are two main arguments that have been brought forward to-day against the Resolution, and they are that by a remission of this taxation the masses will not be benefited, and that the very people who will be benefited by this Resolution do not pay any other taxes. Now the first of these arguments raises a false and an altogether irrelevant issue. We are not at present concerned with any large scheme of financial relief, so that we may take into consideration the relative merits of the various forms of taxation. It is not as if it were the case that the Government of India had found a permanent source of increased revenue and wished to distribute the surplus equitably and properly, and therefore remission in this or that direction should be first started. That is beside the question, and that point does not legitimately enter into the controversy. The miserable life of the rural population and the agriculturist has also been referred to. I should be the first, my Lord, to welcome any scheme and support any reasonable proposal for financial relief to the agricultural classes; but because relief cannot be given to the humble villager, it does not follow as a natural consequence that no other class should have a reasonable consideration shown to them. The statement that the rural population, as Mr. Gokhale argued, pays more into the Treasury in the way of taxes than the urban population, is also extraneous to the present question. The proposition is by no means well-established. Land yields, no doubt, the largest portion of our revenue, and the incidence of the taxation falls heavily upon all persons dependent upon it; but the view that the taxes upon land which the agriculturist has to pay form part of the cost of production and the agricultural produce which is covered by its price, at least raises debatable points. These taxes are a revenue charge and not a capital charge, and in discussing their ultimate influence upon village life, various circumstances will have to be considered.

"My Lord, I anticipated opposition to this Resolution; but I brought it forward because I firmly believe that it is by constantly bringing forward the needs of a deserving class of people that the Government will see their way to afford relief. I have no doubt that the Resolution will be lost; but despite what has fallen from my Hon'ble friend the Finance Minister, I have no doubt that before long the entire scheme of income-tax will undergo a most careful revision. With these words I commend my Resolution to the Council."

The Resolution was put and rejected.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble Sir G. Fleetwood Wilson: "My Lord, I beg to present the Report of the Select Committee on the Bill further to amend the Indian Stamp Act, 1899. The only amendment is shown in italics on the Bill, and I do not propose to make any remarks at this stage."

INDIAN LUNACY BILL.

The Hon'ble Mr. Syed Ali Imam: "My Lord, I beg to move that the Hon'ble Sir Reginald Craddock be added to the Select Committee appointed to report on the Bill to consolidate and amend the law relating to lunacy."

The motion was put and agreed to.

DELEGATION BILL.

The Hon'ble Mr. Syed Ali Imam: "I beg to move that the Hon'ble Sir Reginald Craddock, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Saunders and the Hon'ble Mr. Wheeler be added to the Select Committee appointed to report on the Bill to provide for the delegation of executive powers and duties in certain cases."

The motion was put and agreed to.

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CO-OPERATIVE SOCIETIES BILL.

The Hon'ble Sir Robert Carlyle: "My Lord, I beg to present the Report of the Select Committee on the Bill to amend the law relating to co-operative societies. I propose to discuss the Bill to amend the law on another day."

INDIAN POST OFFICE (AMENDMENT) BILL.

The Hon'ble Mr. Clark: "My Lord, I beg to present the Report of the Select Committee on the Bill to amend the Indian Post Office Act, 1898. Only two amendments of any importance have been made in this Bill. The first is the omission of clause 2 of the Bill which gave the Post Office power to charge special rates for parcels in certain localities. The second is in regard to clause 3 of the Bill as introduced which gave the Post Office power to charge fees for inquiries. The general power was objected to and it was decided to restrict it to value-payable articles."

WHITE PHOSPHORUS MATCHES PROHIBITION BILL.

The Hon'ble Mr. Clark: "My Lord, I beg to present the Report of the Select Committee on the Bill to prohibit the importation, manufacture and sale of matches made with white phosphorus. Only one trifling alteration has been made in this Bill, namely, that the date of its coming into operation has been postponed for six months."

INCHCAPE CONFERENCE.

The Hon'ble Mr. Gokhale: "My Lord, I beg to move—

that this Council recommends to the Governor General in Council that all papers and correspondence relating to the appointment of Lord Inchcape to conduct his present inquiry into the Railway Administration of India, which may be in the possession of the Government of India, be laid on the table of the Council.

"Hon'ble Members have no doubt read in the papers that last month an inquiry was held here into certain matters connected with the Railway Administration of this country by Lord Inchcape, with the assistance of a Conference attended by the Chairman of the Railway Board and other officers of Government on the one hand and by the Agents and some of the Directors of the several railway companies on the other hand. Now there are several points connected with this inquiry which appear to be shrouded in obscurity and need clearing up, and my object in bringing this question before the Council today is to invite the Government to throw what light they can on those points. One unfortunate circumstance connected with this affair is that the public have been left to pick up what information they could entirely from unofficial sources, from articles and paragraphs in newspapers. From beginning to end there has been absolutely no official statement of any kind on the subject. Towards the end of last year, a paragraph went the round of the Press, and that was the first intimation we had of this inquiry, that Lord Inchcape was coming out to India this cold weather to look into certain matters that had arisen between the Railway Board and the Railway Companies. As, however, there was no official announcement of the appointment, many of us naturally thought that the paragraph only represented an attempt on the part of some clever journalist to anticipate events, intelligently or otherwise. At the beginning of this year, however, we were told, again by the newspapers, that Lord Inchcape had actually arrived, and later on that he had set about making arrangements to hold his inquiry. Then we saw—this too in the papers—that a Conference was held, to which I have already referred—a Conference at which the Hon'ble Mr. Clark was present as an interested visitor and which was attended by the Hon'ble Sir James Meeson with a sort of a watching brief on behalf of the Finance Department. Finally, my Lord, we learnt yesterday from the newspapers that Lord Inchcape

had completed his labours and was going to submit his report to the Secretary of State by last evening's mail. Now the first question that arises in this connection is, why was no official statement even made at any stage of these proceedings on this subject? Government very rightly issue Press notes now on many matters, either to supply information or to remove misapprehensions. Only the other day a Press communiqué was issued by the Education Department, correcting a mis-statement that had found its way into the columns of the papers that out of the 50 lakhs of Imperial grant to Education announced at Delhi, 12 lakhs had been assigned to Bombay. If it was thought necessary to set right a mis-statement of that comparatively minor character by means of a Press communiqué, I really do not understand why no Press communiqué was ever issued on this subject of Lord Inchcape's inquiry. It cannot be said that there was no adverse criticism on the subject in the Press. So far from that being the case, many Indian newspapers, and at least two Anglo-Indian papers, the *Indian Daily News* of Calcutta and the *Times of India* of Bombay, had passed very strong criticism on the whole proceeding, the criticism of the *Times of India* being the most direct and the most powerful. My first question, therefore, is, why was no official statement of any kind issued at any time on the subject so as to prevent or remove misapprehensions in the public mind? My second question is, what was exactly Lord Inchcape's position in this inquiry? It has been suggested—I have seen it in the papers, I think it was in the *Indian Daily News*—that Lord Inchcape had come out to this country as a sort of a plenipotentiary from the Secretary of State; and the *Times of India* spoke of Lord Inchcape's 'mission' in connection with railway matters. The impression left on my mind, after carefully reading what has appeared in the papers, is that Lord Inchcape undoubtedly came with a large and undefined discretion, the terms of reference not being fixed and the scope of inquiry not being settled beforehand. Now I want to know if this is true, and, if so, whether any representation was made by the Government of India to the Secretary of State in regard to this matter. The next question that arises is, if Lord Inchcape really came out like this with an unfettered discretion, what was the position of the Government of India in the matter? No one recognises more than I do the importance and necessity of Parliamentary control over Indian affairs, and that control, we all see, can be exercised only through the Minister who is responsible to Parliament for India. And no one questions the Secretary of State's competence to order an inquiry in regard to any affair connected with the administration of India. What I contend, however, is that such inquiry must be through the regular channel. If a Royal Commission is appointed, the Commission would necessarily report to the King; but if a Committee is appointed or an individual deputed to make any inquiry, it is only right and proper that the report of such a Committee or individual should be submitted through the Government of India. If what we have read in the papers be true, namely, that the report of Lord Inchcape has been sent direct to the Secretary of State, I wish to ask why this clearly irregular procedure has been adopted; also if there has been any protest against this on the part of the Government of India as a whole.—for the procedure adopted is calculated to lower the Government of India in the eyes of the people,—or on the part of the Industry and Commerce Department, or on the part of the Finance Department. I can call to mind three instances where individual experts selected by the Secretary of State came out to this country to advise the Government. But they were appointed either at the instance of the Government of India or in consultation with that Government. Thus Sir Hamilton Frere-Smith came out to inquire into the condition of factories; Mr. Robertson came out to inquire into our Railway administration; and Mr. Newlands came out to enquire into the working of the Telegraphs. But in all these cases, though the appointment was made by the Secretary of State, it was made either at the instance of, or in consultation with, the Government of India; and these individual experts submitted the results of their inquiry to the Government of India in the first instance, which the Government of India then forwarded to the Secretary of State, as they always do in all important matters. I believe the forthcoming

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inquiry by Sir William Nicholson's Committee will also proceed on similar lines, and the report will be submitted through the Government of India and not to the Secretary of State direct. If the Secretary of State is to send out an officer of his own or a private individual—and Lord Inchcape is only a private individual now—to make an inquiry into matters of administration, independently of the Government of India, and if the results of such inquiry are to be communicated direct to him, I must say that this would be a dangerous innovation, opening the door wide to serious complications, and unless a protest is made in time both by the Government of India and by this Council against proceedings of this character, I am not sure that harm—and serious harm—will not be done in future even if no harm has been done in the present case.

“ My Lord, there is one more point in this connection, about which I wish to say a word. It is a matter of common knowledge that the relations between the Railway Board and the Railway Companies have not been very smooth for the past two or three years, because the Railway Board has tried to tighten its control over the Railway Companies mainly in connection with the growth of working expenses. Well, the Railway Board in its turn has responded to pressure put upon it, first, by the Finance Department, and, secondly, by the criticisms that have been offered here by non-official Members, in the matter. I rejoice that the Railway Board is now exercising a firmer control over the companies, and I earnestly hope that it will become even more stringent in the future. If, however, such control is felt to be a grievance by the Companies, the proper way to deal with the grievance is to order a regular inquiry into it. One cannot help thinking—and I base myself only on what has appeared in the papers—that the powerful Railway Companies, with their influential Directorates, and their comparatively easy access to the Secretary of State in London, have succeeded in inducing the India Office authorities to send out Lord Inchcape so that matters might be made easier for them. Of course I have no official authority for making this statement, because nothing is known authoritatively, but this is the impression left on my mind by all that has appeared in the papers on the subject. Now in a matter of this kind, it is not the interests of the Companies only that have to be considered, but the interests of the taxpayers also must be taken into account, and the interests of the taxpayers are represented in this controversy first by the Finance Department and next by the Railway Board. Moreover, it cannot be said that Lord Inchcape is an expert in matters of railway administration. As a matter of fact, in that respect we have at the head of the Railway Board a gentleman, with almost ideal qualifications, one who was an Agent of an important railway and is now a trusted officer of Government responsible for spending its money economically. However, whatever may be thought of the necessity of inquiring into the matters at issue between the Railway Board and the Railway Companies, I feel bound to say that such inquiry should not have been entrusted to Lord Inchcape. My Lord, I refer to this aspect of the question, because an important point of principle is involved in it. Lord Inchcape is the senior partner of a big commercial house in this country, having extensive dealings with Railway Companies. Of course everybody has the highest respect for his Lordship personally; after a most distinguished career as a business man in India, he retired to England, and there he was for a number of years a member of the Secretary of State's Council; he has served the State in various capacities with conspicuous ability, and his services have raised him to his present eminent position. No one will for a moment suggest that such a man is likely to be influenced in the recommendations that he would make by his business relations with Railway Companies; but there is such a thing as an unconscious bias from which even the most eminent of men are not free, and it is casting no reflection on Lord Inchcape to say that, as a great business man, he is apt to be more impressed by the importance of increased railway expenditure and the difficulties of Railway Companies than by the necessity for those safeguards which have been devised by the Finance Department and by the Railway Board to ensure economic administration. If his recommendations, therefore, result either in relaxing the control of the Railway Board over the growth of working expenses or in increasing the

annual budget of Capital expenditure on railways, this Council will certainly have very serious cause for complaint. There is thus room for very real anxiety in the public mind as to what the whole of this proceeding will lead to, and I have brought this motion before the Council in the hope that papers will be laid on the table and all doubts cleared up in the matter."

The Hon'ble Mr. Mudholkar : "My Lord, I rise to support the Resolution moved by my friend the Hon'ble Mr. Gokhale. Hon'ble Members must have seen from the Agenda paper that I proposed to put certain questions in regard to the origin, scope, constitution and methods of the inquiry which Lord Inchcape was deputed to make. These questions were sent so far back as the 6th of January, but I believe that as they could not be put before Council unless there was ten days' clear notice, they were not included in the Agenda paper of the 10th January. Since my questions were communicated to the Legislative Department, two things have happened. One is that the Inchcape Committee has held its sittings and finished its labours. Indeed, we are informed that its report has been sent by the mail of yesterday direct to the Secretary of State. Another thing that has happened is that Mr. Gokhale gave notice of the Resolution he has just moved; and I saw in the Agenda list which I got two days back that it was put down for discussion and consideration to-day. In these circumstances, it seemed to me that the object I had in view would be better attained if I withdrew my questions and, in speaking on the Resolution, urged what I had to say about the extraordinary character of the procedure followed in regard to this Committee. In saying what I do, I am only giving voice in this Council to the complaints of the public and to the extreme dissatisfaction with which the appointment, constitution and proceedings of this Committee have been regarded by men of all classes in the country. It has roused indignation and alarm; and the silence which has been observed on the subject and the secrecy in which the whole thing is shrouded have intensified popular dissatisfaction. The public, my Lord, have every right to complain. The railways are amongst the most valuable concerns of this country; and it has every right to say that, on such important matters, there should be no deliberations in camera, that no discussion of policy, means or procedure should be conducted without a due representation of the people and that persons qualified to speak are heard. In the case of this Committee, the general bewilderment has been increased by the conflicting statements which have been put forward at different times. We were told in the beginning that Lord Inchcape's mission was in connection with the complaints of Railway Companies about the control exercised over them by the Railway Board in regard to expenditure. We were also told that Lord Inchcape was sent out because of the failure of the Government of India and the Railway Board to comply with the recommendations of the Committee on Indian Railway Finance and Administration, over which he, as Sir James Mackay, presided four years ago. Now there can be no two opinions that both these subjects are of the gravest importance. Yesterday, however, we were told that there was a considerable misunderstanding in the whole affair, and that Lord Inchcape only came as a sort of a conciliator and advisor in regard to certain difficulties which have arisen between the Railway Companies and the Railway Board, and between different Railway Companies, and that it was after all rather matters in the nature of details with which he had to deal. It is difficult to reconcile these statements. And in regard to the second, the first thing that strikes one is its belated character. If the scope of the Mission was of such a limited character and so harmless, why was it not so stated at the very beginning? Why were not the terms of reference published? What harm was there in conducting the inquiry publicly? Another thing to be noted is that the version which assigned a large scope to this Committee not only held the field unchallenged for several weeks, but derived considerable support from quarters presumably well-informed. There is, first of all, a special article in the *London Times* of the 5th December. Then at the half-yearly meeting of the Great Indian Peninsula Railway held about the same time, the Chairman, Colonel Firebrace, referred to "the drastic orders of the Government of India issued

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in 1909 under which they were compelled to reduce expenditure so far as possible in anticipation of diminished earnings in the Indian Budget. These orders coupled with others also practically took away from the London Boards of the Indian Railway Companies most of the powers with which the Secretary of State for India had only shortly before invested them. In common with the other Companies, they had strongly protested against these orders with the result that the Secretary of State for India had arranged for a Conference to be assembled at Calcutta at which the various Chairmen of the railways were invited to be present. Remarks of a similar character were made at the half-yearly meeting held in December by the Bombay, Baroda and Central India Railway and the East Indian Railway Companies also. People, therefore, still refused to believe in this belated protestation of the Conference being 'a wee little thing.'

"There is an impression, my Lord, that the Committee was appointed by the Secretary of State at the request of the Companies, and not on the recommendation or initiation of the Government of India or even with their co-operation. We are unable to say how far this impression is correct. I am only giving voice to the impression which exists in the country. It is clear that the Government of India had no hand in the composition of the Committee. The Committee is not to report to the Government of India but direct to the Secretary of State. There arise, under these circumstances, my Lord, certain grave constitutional issues. Is it right on principle that the Secretary of State should, on the complaint of some body in England, appoint, without reference to the Government of India, a Committee of this kind to investigate into the complaints against the control exercised by the Railway Board? Was not the proper course to ask these Companies to put in their complaints and to send these complaints on to the Government of India for the whole Council to deal with them in the presence of both the sides? The Government of India consists of the Governor-General and the Members of Council, and they were certainly competent to consider whether the Railway Board were exercising an unjustifiable control. If the decision of the Government of India was unpalatable to these Companies, there was another remedy open. They could have taken the matter, as it were, by way of appeal, to the India Council, and there a similar procedure could have been followed. If it appeared to the Secretary of State that an independent Committee should be appointed, the proper method would have been to suggest the course to the Government of India. By the letter of the law it is true the Secretary of State possesses the chief power. But usage, public convenience and official etiquette demand that he should not interfere in matters in which the Government of India can grant redress or take action.

"Secondly, the terms of reference should have been published. The secrecy which has been observed was utterly uncalled for, and it was highly unsound and wrong in principle.

"Thirdly, the Committee should have included representatives of the Indian community and of the different great interests which exist in this country.

"Fourthly, the inquiry ought to have been made publicly, and evidence of experts and informed persons invited.

"The question of railway expenditure is one in which the country is deeply interested. In some recent years the working expenses over most of the railway lines had increased alarmingly, the increase being in some cases as high as 10 to 15 per cent. Instead of showing any net gain, there was a net loss on State Railways of 19 lakhs in 1908 and of 43 lakhs on guaranteed lines. The Railway Board were, under these circumstances, morally justified in exercising their power of control. They have done a most valuable duty to the public, and instead of being blamed they deserve our thanks and our gratitude. There is another aspect of the matter also which has to be considered, my Lord, and that is in regard to what is called the expenditure on capital account not being raised to the extent proposed by the Mackay Committee. Now, the Government of India have during the last six years

[*Mr. Mudholkar ; Sir Vitthal Das D. Thackersey ; [23RD FEBRUARY 1912.]*
Sir Cecil Graham.]

which ended with 1910-11 extended railway communications by no less than 4,000 miles. That cannot be considered at all a slow pace of progress. It is to be remembered that in regard to capital expenditure there are limits to safe borrowing, and the Government of India and the Secretary of State's Council certainly had the interests of the country in the advancement of railway communications fully in view. And again, if there was any matter on which the Secretary of State wanted information, the proper procedure would have been to appoint a Committee in consultation and in co-operation with the Government of India. Increase of the railway debt means also a further increase of taxation on the people, and that is a matter in which the people have great interest, and it is very curious that in a matter in which the people are interested, whether we look to the working expenses side of the question or that in regard to capital outlays, the people were given absolutely no information at all of what was being done.

"My Lord, I consider that the procedure which has been followed is not calculated to smooth the working of the administration or to enable this Council to discharge the duties which fall to it, and I therefore support Mr. Gokhale's motion for laying on the table the papers on the subject."

The Hon'ble Sir Vitthal Das D. Thackersey : "My Lord, I support the Resolution that has been moved by my Honble friend Mr. Gokhale. One thing, I think, we should very clearly bear in mind, and that is that in such matters this Council ought to stand up for the dignity of the Government of India. But there are other reasons why, my Lord, I am supporting this Resolution. I intend to bring forward shortly, perhaps within a day or two, a Resolution on the railway policy of the Government of India. When it was reported in the papers that Lord Inchcape was coming, it naturally occurred to me to find out why he was coming, or whether the Indian commercial community would get an opportunity of discussing its several grievances when this Committee is sitting. Enquiries were made and Government officers naturally refused to give any information. We could get some information from the Press, but all we could get was that he was coming; and at one place it was reported that even the Secretary of State's Despatch to the Government of India on this subject came just about the time he was going to arrive. I do not know how far this is true, but it was reported. My Lord, we have been waiting for a proper Committee of inquiry. I must not anticipate my own speech in support of my intended railway Resolution, but the principal grievance is that by the present policy of the Railway Administration in fixing rates the Indian industries are placed at a disadvantage in competition with foreign articles imported. I had long talks with the Chairman of the Railway Board, the Hon'ble Sir T. R. Wynne, who takes keen interest in these matters; but he could give me no better explanation than that the Railway Board had no control over the railways when the rates were fixed within the maximum and the minimum allowed. My Lord, if, as has been reported, Lord Inchcape came here to lessen the control of the Railway Board, I think we all feel that the time has come for greater control by the Railway Board, in the interests of Indian industries and Indian commerce. After all, my Lord, when we look into the contracts of the Railway Companies, what do we find? Considerably over 80 per cent. of the capital is either guaranteed or supplied by the revenues of India; less than 20 per cent. belong to the Railway Companies. And more, their interest in the net profits of Indian railways is limited to 5 per cent. of the income over and above the minimum fixed, while the interest of the Government of India is 95 per cent. Are we to believe that the Railway Board, as representing the Government of India, should lessen the control when our interest is 95 per cent., and leave the control in the hands of those who have the interests of only 5 per cent? For these reasons, my Lord, I support this motion."

The Hon'ble Sir Cecil Graham : "My Lord, in the absence of knowledge as to what the scope of this Committee was, it is very hard for me to take up any definite attitude on this Resolution. But what I really want to do is to dissociate the European commercial community from the remarks which fell

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from the Hon'ble Mr. Mudholkar when he said that there was general dissatisfaction and indignation at this Committee ever being appointed. I think that until we know further what the Committee's powers were and what it had to report on, it is impossible for us to take up any position one way or another, either objecting or otherwise; but I am perfectly certain that the commercial community which I represent are fully confident that any report made by the Committee presided over by Lord Inchcape must be a most business-like and impartial one."

The Hon'ble Mr. Clark: "I must confess, my Lord, that I have been a good deal puzzled at the amount of conjecture which this Conference over which Lord Inchcape has recently presided has given rise to, but the wording of the Resolution which has been put down to-day to some extent explains it. The Hon'ble Member speaks of the appointment of Lord Inchcape's Committee 'to conduct his present inquiry into railway administration in India,' and the Hon'ble Mr. Mudholkar in the question which he put down on the same subject uses practically the same language. Now, I quite agree that if Lord Inchcape had come out here to conduct so large a matter as an inquiry into the whole railway administration of this country, and no official explanation whatever had been given, that would have been a very extraordinary thing, and Hon'ble Members would have had a very good reason for pressing Government on the subject. But nothing of the kind has been done. There has been no Committee, consequently there have been no terms of reference, and there has been no inquiry of any sort at all. I can explain the matter in a very few words: it is a very simple one. Certain questions were outstanding between the Railway Board and the Railway Companies. It seemed better to the Secretary of State that these questions should be dealt with by a Conference rather than by correspondence which is apt to be prolonged. Hon'ble Members know that the Agents of the Companies here are only Agents of their Directors at home, and correspondence consequently is a long business involving constant references to London. The Secretary of State therefore thought that these matters should be discussed by a Conference in India. Lord Inchcape was coming out to India in any case this cold weather, I believe, and it was arranged that he should act as Chairman of this Conference. The Conference consisted, as the Hon'ble Members have said, of several Chairmen of the Companies and of the Railway Board. The Conference met, and discussed the subjects at issue with entirely satisfactory results. The Conference was of an entirely informal nature, and the Government of India do not think it necessary to lay any papers on the subject upon the table of the House. The Hon'ble Mr. Gokhale has complained that we did not think it necessary to correct various reports in the papers. I would point out that if we are to correct all the remarks that get into the papers, there will be no end to it, and the Government of India would place itself in this position, that should anything appear in the papers which is not accurate and which it does not correct, it would be immediately open to attack, as we have been to-day, for not doing so. I would also point out that the Hon'ble Mr. Mudholkar, as he told us himself, put down a question on the subject quite early in January, and it seemed far better that any explanations that were required should first be conveyed in this manner to Hon'ble Members in this Council."

The Hon'ble Mr. Gokhale: My Lord, it may appear strange to this Council that while a Member of the Government of India is prepared to—I won't use the word 'condone,' but I will say accept—what has been done by the Secretary of State in this matter, non-official Members should stand up and urge the view that the proceeding detracts from the dignity and the position of the Government of India. But the Hon'ble Mr. Clark has carefully evaded the direct issues which I had put to him. What I wanted to know was—was the Government of India consulted before Lord Inchcape was appointed? Did the Government of India agree to the inquiry being conducted by Lord Inchcape in the manner he did? And are the Government of India prepared to accept the position that the Secretary of State may send out anybody he likes to make an inquiry independently of the Government of India and to

[*Mr. Gokhale ; Division.*] [23RD FEBRUARY 1912.]

send a report to him behind the back of the Government of India? Of course, a report, submitted to the Government of India, must go to the Secretary of State in the case of such inquiries before final orders are passed. But that is another matter. What I object to is the report going direct to the Secretary of State, for practically it means that the whole inquiry is independent of the Government of India. If the Hon'ble Member is prepared to accept such a position for the Government, of which he is a member, all I can say is that that is not the position which the Government of India should hold in these matters. As the purpose of my motion has not been met by the answer that the Hon'ble Member has given, I must press for the Resolution being put to the vote."

The Council divided :—

Ayes—19.

The Hon'ble Pandit Madan Mohan Malaviya, the Hon'ble Nawab Abdul Majid, the Hon'ble Maulvi Syed Shams-ul-Huda, the Hon'ble Raja Pramada Nath Ray of Dighapatia, the Hon'ble Maharajahdiraja Bahadur of Burdwan, the Hon'ble Babu Bhupendranath Basu, the Hon'ble Mr. Sachchidananda Sinha, the Hon'ble Mr. Mazharul Haque, the Hon'ble Mr. Subba Rao, the Hon'ble Raja of Kurupam, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Mudholkar, the Hon'ble Sir G. M. Chitnavis, the Hon'ble Mr. Muhammad Shafi, the Hon'ble Khan Zulfikar Ali Khan, the Hon'ble Malik Umar Hyat Khan, the Hon'ble Mr. Jinnah, the Hon'ble Mr. Bhurgri, and the Hon'ble Sir Vithaldas D. Thackersey.

Noes—38.

His Honour the Lieutenant-Governor of Bengal, the Hon'ble Sir Robert Carlyle, the Hon'ble Sir Harcourt Butler, the Hon'ble Mr. Syed Ali Imam, the Hon'ble Mr. Clark, the Hon'ble Sir Reginald Craddock, the Hon'ble Sir G. Fleetwood Wilson, the Hon'ble Major General Sir M. H. S. Grover, the Hon'ble Mr. Maclagan, the Hon'ble Mr. Gordon, the Hon'ble Mr. Porter, the Hon'ble Mr. Enthoven, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Brunyate, the Hon'ble Sir A. H. McMahon, the Hon'ble Mr. Lyon, the Hon'ble Mr. Saunders, the Hon'ble Sir James Meston, the Hon'ble Mr. Fremantle, the Hon'ble Mr. Todhunter, the Hon'ble Surgeon General Sir O. P. Lukis, the Hon'ble Mr. Sharp, the Hon'ble Mr. Carr, the Hon'ble Mr. Arthur, the Hon'ble Mr. Fyffe, the Hon'ble Mr. Madge, the Hon'ble Sir C. W. N. Graham, the Hon'ble Mr. Phillips, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Meredith, the Hon'ble Maung Mye, the Hon'ble Mr. Gates, the Hon'ble Mr. Slacke, the Hon'ble Sir Charles Stewart-Wilson, the Hon'ble Mr. Dempster, the Hon'ble Sir T. R. Wynne, the Hon'ble Mr. Kenrick, and the Hon'ble Mr. Kesteven.

So the Resolution was rejected.

The Council adjourned to Monday, the 26th February 1912.

W. H. VINCENT,

*Secretary to the Government of India,
Legislative Department.*

CALCUTTA ;

The 29th February 1912.

APPENDIX No. 1.

Statement showing by Major Heads the Provincial share of Revenue earned in Berar,
for the years 1904-05 to 1909-10.

(In thousands of rupees.)

Heads of Revenue.	1904-05.	1905-06.	1906-07.	1907-08.	1908-09.	1909-10.
Principal Heads of Revenue :						
I. Land Revenue	41,58	42,16	44,61	44,72	41,88	42,81
IV. Stamps	4,45	4,00	4,35	4,92	5,41	6,03
V. Excise	18,35	25,23	40,78	23,38	13,24	10,70
VIII. Assessed Taxes	1,20	1,29	1,21	1,16	1,06	98
IX. Forest	6,61	7,17	7,27	8,19	5,96	5,95
X. Registration	1,03	1,23	1,00	1,30	1,38	1,45
	78,20	81,70	99,28	83,67	73,93	77,01
XII. Interest	18	10	12	10	18	26
Receipts in Civil Departments :						
XVI A. Law and Justice—Courts of Law	49	43	52	51	78	71
XVI B. Law and Justice—Jails	21	22	5	5	4	4
XVII. Police	66	62	72	76	4	0
XIX. Education	37	41	44	42	50	57
XX. Medical	2	1	1	
XXI. Scientific and other Minor Departments	3	8	31	28
	1,75	1,00	1,77	1,62	1,67	1,66
Miscellaneous :						
XXII. Receipts in aid of Super- annuation	24	25	24	40	49	44
XXIII. Stationery and Printing	3	3	3	3	2	2
XXV. Miscellaneous	18	45	10	14	1	9
	45	73	42	57	52	55
Other Public Works :						
XXXI. Civil Works	21	13	16	19	22	24
Total	75,85	84,47	1,01,75	88,55	76,52	79,72

Note.—The Provincial share has been calculated in accordance with the terms of the present settlement.

Statement showing by Major Heads the Provincial share of Expenditure incurred in Berar, for the years 1904-05 to 1909-10.

(In thousands of rupees.)

Heads of Expenditure.	1904-05.	1905-06.	1906-07.	1907-08.	1908-09.	1909-10.
Direct demands on the Revenues :						
1. Refunds and drawbacks	12	19	17	17	20	26
2. Assignments and Compensations	2	2	2	2	2	2
3. Land Revenue	11,83	11,90	15,31	15,92	15,69	15,01
6. Stamps	13	12	13	11	15	16
7. Excise	17	31	52	51	57	50
10. Assessed Taxes	...	4	3	5	5	5
11. Forest	2,51	2,55	2,51	3,19	3,14	3,43
12. Registration	47	18	47	19	51	52
	18,28	18,67	19,49	20,49	20,63	20,97
Salaries, etc., of Civil Departments :						
18. General Administration	59	61	69	55	72	74
19A. Law and Justice—Courts of Law	3,12	3,27	3,41	2,00	4,06	3,90
19B. Law and Justice—Jails	64	88	72	55	49	46
20. Police	5,28	5,30	5,48	6,56	6,09	6,18
22. Education	2,56	3,29	3,17	3,30	3,61	3,81
24. Medical	1,42	1,44	1,29	1,21	1,27	1,13
26. Scientific and other Minor Departments	15	59	23	37	53	50
	13,00	15,38	14,99	16,44	17,28	17,12
Miscellaneous Civil Charges :						
29. Superannuation etc., Pensions	1,15	1,47	1,55	1,62	1,65	1,68
30. Stationery and Printing	9	8	10	19	2	2
32. Miscellaneous	1,20	95	53	61	87	66
	2,80	2,50	2,18	2,45	2,64	2,20
Other Public Works :						
45. Civil Works	6,18	8,52	14,40	15,92	8,79	9,00
Total	41,52	46,87	51,06	54,30	49,24	49,36

Notes.—The Provincial share has been calculated in accordance with the terms of the present settlement.

APPENDIX No. 2.

Statement referred to in the Hon'ble Mr. SUNDARAO's speech on the Hon'ble
Mr. Dadabhai's Resolution on Income-tax.

Grade R1,000- 1,250.

PART IV.

	Year.		No. of Assesses.	Amount. R
Old limit	{ 1900-01	. . .	41,511	5,41,844
	{ 1901-02	. . .	43,673	8,82,341
	{ 1902-03	. . .	44,915	9,08,700
New limit	{ 1903-04	. . .	57,348	11,87,162
	{ 1904-05	. . .	61,538	12,47,448
	{ 1905-06	. . .	60,508	12,20,285
	{ 1906-07	. . .	60,730	12,24,142
	{ 1907-08	. . .	59,507	11,85,375
	{ 1908-09	. . .	59,724	11,91,356
	{ 1909-10	. . .	61,384	12,20,088