

*Wednesday,
14th January, 1914*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. LII

April 1913 - March 1914

ABSTRACT OF PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS,

From April 1913 to March 1914.

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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 INDIA COUNCILS ACTS, 1881 to 1909
(24 & 25 Vict., c. 67, 55 & 56 Vict., c. 14, AND 9 Edw. VII, c. 4).

The Council met at the Council Chamber, Imperial Secretariat, Delhi, on
Wednesday, the 14th January, 1914.

PRESENT :

The Hon'ble SIR HARCOURT BUTLER, K.C.S.I., C.I.E., Vice-President, *presiding*,
and 51 Members, of whom 45 were Additional Members.

THE REPEALING AND AMENDING BILL.

The Hon'ble Sir Ali Imam said :—" Sir, I move that the Bill to amend certain enactments and to repeal certain other enactments be referred to a Select Committee consisting of the Hon'ble Mr. Vakil, the Hon'ble Mr. Arbuthnott, the Hon'ble Nawab Saiyid Muhammad, the Hon'ble Mr. Huda, the Hon'ble Raja Sir Muhammad Ali Khan, the Hon'ble Sir William Vincent, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Das, the Hon'ble Mr. Laurie, the Hon'ble Mr. Donald and myself. These names are mentioned in the List of Business, but I wish to add to the Committee the names of the Hon'ble Mr. Achariar, the Hon'ble Mr. Pandit, the Hon'ble Mr. Wynch and the Hon'ble Mr. Cobb."

The motion, with the additions proposed, was put and agreed to.

The Hon'ble Mr. Madhu Sudan Das said :—" Sir, I wanted to speak on this Bill —"

The Hon'ble the Vice-President said :—" I am afraid the question has been put now. The Hon'ble Member must defer his speech till a later occasion."

[*Mr. Rama Rayaningar.*] [14TH JANUARY, 1914.]

RESOLUTION FOR THE PUBLICATION OF THE REPORT OF THE ARMY-IN-INDIA COMMITTEE.

The Hon'ble Mr. Rama Rayaningar said:—"Sir, I beg to move:—

That this Council recommends to the Governor General in Council that the reports of the Army-in-India Committee presided over by Field Marshal Lord Nicholson be laid on the table.

"After the statements made from time to time in this Council as well as in the House of Commons on behalf of Government about the Report of the Army-in-India Committee, or what is better known as the Nicholson Committee, a word of explanation is necessary as to the reasons which prompt the present motion. Hon'ble Members will believe me that these are absolutely unconnected with idle curiosity and a desire to embarrass Government. I am a lay man, and like most non-official members repudiate all claim to special knowledge of the requirements of military administration. The idea therefore of impeaching the correctness of the Committee's conclusions could not have crossed my mind. Again, I have sufficient loyalty in me not to seek a disclosure of the military secrets of the administration. With all this, if I still press for the publication of the Report, I do so from the conviction that non-official public opinion about the recommendations of the Committee, to be effective and productive of good, must be expressed and recorded before the Secretary of State has finally passed orders on them. Hon'ble Members have been told by Government quite recently that the Report is 'still under the consideration of the Government of India and the Secretary of State' This is just the time therefore when we should place our views before the Government of India after a careful study of the recommendations of the Committee. It is the financial aspect of the Report that interests us most, and for their bearing upon it, there are two large and urgent questions demanding solution, the questions (1) of the admission by nomination of the scions of Indian aristocratic families of approved loyalty into the commissioned ranks of the Army, regarding the desirability of which there is already a fairly strong expert and lay opinion, and (2) of the extension to Indians of the privilege of serving their King and country as volunteers. Now, we are absolutely in the dark about the terms of reference to, and the proceedings of, the Nicholson Committee, and without their Report before us, we have no means of knowing if these two urgent questions received from them the careful consideration their importance demands. On both points the Indian public have a good deal to submit for the consideration of Government, and we claim to have our say before final orders are passed upon the Committee's Report.

"Sir, I have full faith in the Government's desire to deal generously with us. The appointment of the Nicholson Committee and the Slade Committee give evidence of the good intentions of Government. The Committees were not the outcome of public agitation. The whole truth about them is that steady growth in public expenditure alarmed the late Finance Minister, and Sir Guy Fleetwood Wilson lent an attentive and sympathetic ear to the suggestions of Hon'ble Members. On 30th March, 1910, he foreshadowed in this Council an inquiry into the whole question of expenditure. The Nicholson Committee dealt with only a branch of this general inquiry. On 5th August, 1910, Government stated the inquiry should be departmental. The public had no precise idea then about the scope of the inquiry. We did not even know that military expenditure would be subjected to any examination. We were afterwards agreeably surprised to find that military expenditure in both its branches would be examined by different expert Committees with a view to ascertain the possibilities of retrenchment. The country is grateful to Sir Guy Fleetwood Wilson for his 'watchful' interest in the matter. According to the Financial Statement of 1913, 'the Nicholson Committee's Report, which is expected shortly, will deal with the possibility of effect-

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[*Mr. Rama Rayanigar; Malik Umar Hyat Khan; Raja Kushal Pal Singh.*]

ing further economies in military expenditure.' This was a message of hope to the people. The question has consequently more than once been asked as to when the report could be ready and whether, when ready, it would be laid on the table. But the idea of Government appears to be to suspend publication of the Report until the Secretary of State has decided upon a course of action with regard to the Committee's recommendations. This is disappointing. Whatever may have been the procedure in the past, the course now sought to be followed is not in harmony with the present advanced policy of Government. We claim a hearing before judgment. For aught one knows the non-official public may not be in a position to help by their criticism in the solution of the difficult problems involved; it may likewise be that the Committee have put the popular side of the case as high as it can be, and the Secretary of State is already in possession of all the materials necessary for a safe and weighty pronouncement. But that is not exactly the point. The point is, we, who are most vitally interested in the momentous issues, expect that facilities will be afforded us to know all about the Report before it has passed through the final stage at the hands of the Secretary of State. Once the Secretary of State has passed final orders any suggestions we might make on the strength of the Committee's recommendations will be stale and useless. It is this feeling, this necessity of an opportunity to formulate our views before final decision, that underlies the present Resolution."

The Hon'ble Malik Umar Hyat Khan said:—"Sir, as this Resolution deals with the Nicholson Committee I will be justified if I, as a soldier, make some observations. I have already expressed my views fully in writing on the subject and have submitted them to the authorities concerned and it will be unnecessary now to repeat them to-day. I was told that some of my views were liked by the authorities, who gave them their careful consideration, for which I am thankful. Their Excellencies the Commander-in-Chief and the Viceroy have done a great deal in elevating the social status of the Indian officers in the Army and I am personally aware that they have evinced their keen sense of thankfulness for that. Their Excellencies' names would always be remembered by them with gratitude and affection. If the Committee can effect one fundamental reform touching the enhancement of the pension of a private soldier it will be all we wish for. From about a century there has been no move in the direction. It is admitted on all hands that the cost of living has since doubly increased and it is time that the question of the increase of pensions be considered. The soldiers spend the best part of their lives in faithful service of their country and none would like to see them in straitened circumstances in their old age. The grant of land has been a great boon for them and though a specified area has been set apart now the amount is not sufficient to meet the necessary demand. The other necessity, which is equally important to be dealt with, is to raise the pay of young British officers. Their expenditure and mode of living are equal to that of an officer in higher rank with more pay, and there is every possibility of these young officers being forced to run into debt, especially when they get married. I am glad to find that some measures have been adopted to remove their long-standing grievances about their promotion. Though the change may affect the few, there is no doubt that it will afford immense satisfaction to a majority of others. I hope that the same reform in an altered shape will be introduced among Indian officers. If these reforms, with some others which I have already submitted in writing, were effected, I would not trouble myself to inquire what the views of the Nicholson Committee were. I am personally indifferent to what the Resolution asks for."

The Hon'ble Raja Kushal Pal Singh said:—"Sir, I desire to associate myself with the request which has been made by my Hon'ble friend, Mr. Rama Rayanigar, for the publication of the Report of the Nicholson Committee.

[*Raja Kushal Pal Singh ; Major-General Birdwood.*] [14TH JANUARY, 1914.]

“ Last year Sir Guy Fleetwood Wilson said :—

The question of Army expenditure generally has been under the consideration of the Army-in-India Committee, presided over by Field-Marshal Lord Nicholson. Their report, which is expected shortly, will deal with the possibility of effecting further economies in military expenditure.

“ There is a general feeling in India that economies in military expenditure can only be effected by giving direct commissions to qualified Indians of approved loyalty. It seems necessary that the Government should give an opportunity to the people to express their opinion on the report. When the proposals of the Committee have been sanctioned by the Secretary of State, it will be too late for the public to offer any suggestions.

“ Martial races have been waiting for years in the hope that careers in the Army will be provided for the scions of their landed aristocracy. It was expected that during the tenure of office of Lord Minto, who did so much to meet the aspirations of the Indian people, for which his Lordship's name is justly honoured throughout India, the question of direct commissions in the Indian Army for martial races would be an accomplished fact. But the scheme formulated by his Lordship, which had the full support of his Council and of His Excellency the Commander-in-Chief, was negatived by the British Cabinet.

“ The announcement of the boon of direct commission was expected at the time of the Coronation Durbar at Delhi. But the Coronation Durbar came to an end without the fulfilment of the hopes so fondly cherished by martial races. When France and Russia trust their African and Asiatic subjects with commissioned appointments in the Army, it is inconceivable that England, the greatest Asiatic power in the world, should long exclude her loyal Indian subjects from these appointments. We, therefore, await the publication of the Report of the Nicholson's Committee with great anxiety. We are longing to hear that, as the result of the deliberations of this Committee, the long deferred question of direct commissions has been decided in favour of Indians of approved loyalty.

“ With these few words I beg to support the Resolution before the Hon'ble Council.”

The Hon'ble Major-General Birdwood said :—“ It is evident from the speeches which have just been made by the Hon'ble Mr. Rama Rayanagar and the Raja Kushal Pal Singh that they are unaware that on two occasions, in May and August last year, Mr. Montagu, on behalf of the Secretary of State for India, announced in the House of Commons that the report of the Army-in-India Committee could not be published. If His Majesty's Government is unable to make these proceedings public, it must be obvious that it is not open to the Government of India to adopt a different course, even if they wish to do so. But I think Hon'ble Members will themselves realise, if only from a perusal of the terms of reference laid down for the Committee, the inexpediency in the public interests of publishing these proceedings. As, apparently, the Hon'ble Mover of this Resolution is unaware of these terms of reference, and as there may be other Hon'ble Members who are not fully conversant with them, I will read them out : they are as follows :—

Firstly, to carry out a comprehensive survey of various circumstances requiring the use of military force, which may arise out of the external and internal situation in India under the conditions which now exist or may probably arise during the next few years.

Secondly, to consider and report on the numbers and constitution of the armed force which should be maintained in India to meet these obligations.

Thirdly, to consider and report whether any, and, if so, what measures for the reduction of military expenditure are compatible with the efficient maintenance of that force.

“ It will, I think, be apparent to Hon'ble Members that the first and second terms of reference must of necessity have entailed much investigation into and discussion of highly important and secret questions affecting our relations with outside powers, their attitude towards us, their potentialities for mischief if so disposed, and our own probable course of action in case of certain eventualities.

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THE ARMY-IN-INDIA COMMITTEE; RESOLUTION FOR
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[14TH JANUARY, 1914.] [Major-General Birdwood; Mr. Rama Rayaningar.]

To make public all that has been said or written upon such subjects would not only involve the grave risk of giving umbrage abroad, but, by disclosing the calls upon our forces and our probable dispositions in case of need, would place in the hands of possible enemies of India information which might be of the utmost value to them and which could be used with the greatest detriment to ourselves. No civilised nation which is worthy of the name could possibly dream of making such information public property.

"I notice that the Hon'ble Mr. Rama Rayaningar is hopeful that the Nicholson Committee may have been able to make recommendations which would enable the Government of India to reduce its military expenditure, and I rather gathered that he is apprehensive that we may not take advantage of this advice. Here again, I would like to refer to Mr. Montagu's speech on the Indian Budget. I quote from the *Times* of 8th August last. Mr. Montagu's statement is this :—

The report is a confidential document, comparable to the reports on similar subjects drawn up by sub-committees of the Committee of Imperial Defence. It cannot be published * * *

In order to dispose of hopes on the one hand, and fears on the other, I want to state one general conclusion, that there is, I fear, no chance of any reduction of expenditure either on the British Army in India or on the Indian Army.

"May I hope that it will be of some small consolation to the Hon'ble Mover of this Resolution to realise that he is evidently included among those referred to in Mr. Montagu's speech, and leave it to him to decide whether on this occasion, it is his best hopes or his worst fears that have been dispelled. In view of what I have said, from which the general trend of the Committee's report will be gathered by Hon'ble Members, I think that perhaps the Hon'ble Member may desire to withdraw his Resolution."

The Hon'ble Mr. Rama Rayaningar said :—"I thank the Hon'ble Major-General Birdwood for giving us some insight into the terms of reference to the Nicholson Committee; and, in view of the explanation he has offered, I withdraw the Resolution."

The Resolution was accordingly withdrawn.

**RESOLUTION FOR APPOINTMENT OF ADVISORY
BOARDS TO ASSIST IN MAKING ASSESSMENTS
UNDER THE INCOME TAX ACT.**

The Hon'ble Mr. Rama Rayaningar said :—"Sir, the Resolution I next move runs thus :—

That this Council recommends to the Governor General in Council that Local Governments be consulted as to the desirability of advisory boards composed of non-official gentlemen nominated by the Revenue Heads of the Districts being formed to assist officials in the work of assessment under the Income Tax Act.

"Hon'ble Members will notice that the request herein made does not involve a surrender of revenue on the part of Government. The reform advocated relates to the method of assessment, and has no direct connection with the revenue which the tax yields. It seeks to effect an improvement in the machinery employed in the preliminary process of ascertainment of assessable income. It is useless to ignore the fact that, however equitable on principle, the income tax is the most unpopular of all the taxes levied by Government. But the financial needs of the Administration require that it should be maintained, and its repeal is neither within the range of our vision nor is it at all desirable. This is no reason, however, why the administration of the Act should not be improved and placed upon a popular basis. Financial and political con-

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[*Mr. Rama Rayanigar.*] [14TH JANUARY, 1914.]

siderations alike would counsel the adoption of a method of assessment best calculated to remove inequalities and make the working of the Act more considerate and equitable.

"Sir, it has never been the desire of Government to levy the tax except in a just manner. In their anxiety to secure the proper amount of revenue with the least hardship, Government have framed from time to time rules for the guidance of revenue officers, and suggestions of reform from the local administrations receive the most careful and earnest consideration of this Government. But the truth must be faced that the chief object of the Act and the voluminous rules framed under it has been only imperfectly achieved, that the existing method of assessment, except in parts of one province, leaves much to be desired both as regards its freedom from complaint and productiveness; and, further, that the assessment throughout British India, barring a small area, is unequal in its incidence and is either above or under the right level. As has been remarked more than once, the tax, as at present levied, weighs with undue severity upon persons least able to bear the burden. The result is, the percentage of objections and appeals is unduly high, and remissions are not inconsiderable. This is a state of things which cannot be regarded as satisfactory.

"Sir, practically in all the provincial reports for the triennium ending 31st March, 1911, there is a general dissatisfaction at the assessment. I take up Bombay first. The Local Government there observe :

The figures would seem to indicate that the rich and well-to-do assesses in the mofussil escape paying a large proportion of the tax to which they might be assessed. The Commissioner, Southern Division, attributes the stationary character of the receipts in his division to a want of thoroughness on the part of the assessing officers.

"The Central Provinces Government go more fully into the question and record the following opinion :

There is admittedly much under-assessment; unless a number of Deputy Commissioners are unduly lenient in the disposal of objections, there must also be a good deal of over-assessment; for the percentage of successful objections is high, and we cannot conclude that all of the persons who have a reasonable ground of objection go to the trouble of filing petitions, producing evidence and submitting accounts.

"Again :—

The general conclusion..... is that our methods are too amateurish.

"The Punjab Government remark :

The Lieutenant-Governor agrees that there are grounds for ascribing the unsatisfactory results in part to defective method of assessment.

"The United Provinces Government observe that :

The high percentage (of successful objections and appeals in some districts) was due to a want of proper care in assessments. In Dehra Dun the Superintendent admits that 'there is ground for improvement in initial assessments.'

"The Burma Government point out :

The difficulty in making assessments under the present law is shown by the number of objections and the amount of the reduction of the demand.

"The report of the Governments of Madras and Bengal likewise give clear evidence of the fact that inaccurate assessments are prevalent in these presidencies. In Madras :

The number of objection petitions presented during the period amounted on an average to 10,998 or about 33 per cent. of the average number of assesses. The average percentage of the petitions which proved successful, either wholly or in part, to the total number presented shows an increase from 23.78 to 24.31. The average percentage of successful (revision) petitions to the number presented has . . . slightly increased from 26.1 to 26.7.

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"The Beagal report does not give details of appeals, but refers to the institution of three civil suits against assessment, even though barred under the law. The high percentage of exemptions on revision in one district 'is ascribed to defective assessment' It is practically the same story all over. Whether the assessment errs on the side of leniency or on the other side, it is defective. An attempt must be made for the removal of the defects. The fact that the jurisdiction of the civil court is barred by section 29 of the Income-Tax Act places a serious responsibility upon the revenue authorities, and Government would be wise to associate with them non-official advisers with local knowledge in the initial process of assessment. In my humble opinion such association will take away much of the odium of the tax and be otherwise beneficial both to Government and the people. It stands to reason that local people would have a more accurate and reliable knowledge of the financial condition of the residents than the most experienced and efficient official assessor can possibly have. The experiment has been tried with conspicuous success in a great part of the United Provinces. The Local Government report shows:

Non-official assessors were consulted in most districts and the assistance given by them was found to be generally useful, especially in cities and large trading centres.

"Dealing with objections and appeals, the report refers to the percentage of the difference between the original and the final demand in some of the districts, and notes:

In Fyzabad it is attributed to the activity of the Special Officer appointed to revise the assessments. In Partabgarh it is reported to be due to the fact that a tahsildar framed his assessment without consulting the non-official assessors.

"Clearer evidence of the excellence of the work done by non-official advisers it would be difficult to find. An appeal for improvement founded upon such testimony will I am sure, have a sympathetic hearing from the Government.

"Sir, Hon'ble Members will have noticed that the central idea in the Resolution is the formation of Advisory Boards of non-officials, and the other parts of it are, what may be called, the adjective portion. The reform must at the inception be hedged round by limitations. Whatever course future experience might suggest, for the present the appointment of non-official assessors must be by nomination, and the nomination should for weighty reasons be in the hands of the Revenue Head of the district whose local knowledge will be found invaluable in the matter of selection. In the experimental stage it is a wiser course to secure the co-operation of the local revenue authorities by leaving the formation of the Boards in their hands. And then the Resolution suggests that Local Governments should be consulted on the subject. It is the Local Governments which are, after all, responsible for revenue collection, and it is only fair that they should have an opportunity of expressing their views on a matter relating to collection. There is the further reason that the system, to be workable, will have to be adapted to the varying local conditions by slight local modifications which the Local Governments will be best able to suggest. I do not anticipate any serious opposition from the local administrations once the Central Government decide to introduce the reform. I can speak for Madras with some degree of assurance, and I feel confident the present enlightened and sympathetic Head of the Administration there will welcome such a measure. I have no reasons to assume that the other provincial administrators, all experienced officers imbued with a high sense of duty towards the people committed to their respective charge, will be less enlightened in their appreciation of the reform. Hon'ble Members will accordingly be pleased to adopt the Resolution."

The Hon'ble Sardar Daljit Singh said:—"Sir, the Hon'ble Mover, I think, has made out a very strong case for the introduction of the reform suggested in his resolution. It seems that in the United Provinces the method of consulting non-official assessors in a large number of districts was tentatively introduced and has proved a success. So far as my province

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[*Sardar Daljit Singh*; *Maharaja Manindra Chandra Nandi of Kasim Bazar*; *Raja Kushal Pal Singh*; *Malik Umar Hyat Khan*; *The Vice-President*; *Mr. Donald*] [14TH JANUARY, 1914.]

is concerned the practice of consulting non-official men in the matter of assessing income tax is already followed, but in present circumstances the assessing officer, who generally does not belong to the district, picks up the non-official adviser in a haphazard way, and the latter does not always carry a sense of responsibility in giving his advice. The proposed system would, I am sure, be a source of satisfaction to the public on the one hand and reduce the number of objection petitions on the other, while it would at the same time safeguard against any undue assessment caused by the lack of true information.

“ With these few remarks, Sir, I beg to support the Resolution.”

The Hon'ble Maharaja Manindra Chandra Nandi of Kasim Bazar said:—“ Sir, in speaking in support of this Resolution I may venture to point out that advisory boards for different purposes have already been created in various provinces, so that the proposed advisory board will not be an innovation. The income tax has been found difficult of working in many countries since it is extremely difficult to find the actual income of any person in many cases. For the same reason the incidence of the income tax is often unsatisfactory. Incomes are frequently calculated on insufficient data; and the burden, which is a difficult one to discharge, of proving the actual income to have been erroneously estimated, falls upon the person taxed. In these circumstances the idea of associating non-official gentlemen with officials in the work of assessment under the Income Tax Act appears to be an admirable one, and accordingly I have pleasure in supporting the Resolution.”

The Hon'ble Raja Kushal Pal Singh said:—“ Sir, the very lucid and exhaustive speech of the Hon'ble mover renders it unnecessary for me to offer any further remarks to show the reasonableness of the Resolution which he has placed before the Council and which has my cordial support. The following extract from the Report on the Administration of the Income Tax in the United Provinces of Agra and Oudh clearly proves the usefulness of the non-official assessors :

Non-official assessors were consulted in most districts and the assistance given by them was found to be generally useful, especially in cities and large trading centres. The assistance is specially valuable in fixing the relative wealth of assesseses.

The Hon'ble Malik Umar Hyat Khan said:—“ Sir, I rise to support the Resolution, because I cannot see any reason why a trader possessing a thousand rupees enjoys immunity from taxes, while a zamindar has to pay even on a single pice he obtains from the products of his land. The traders deriving all money from the zamindars should pay some portion of it to the Government. The difficulty that I noticed in the Punjab Colonies was that unfortunately the people chosen spoke in consistence with the wishes of the authorities. I saw this myself. The Government should not choose the men rather the public should do so, as only then would they be responsible for saying what was wanted. The great difficulty we have is that, according to the Bengal settlement, the Bengalese do not pay as much as we do here in the Punjab.”

The Hon'ble the Vice-President said:—“ Order, order. The Hon'ble Member is not in order in referring to the settlement of Bengal.”

The Hon'ble Malik Umar Hyat Khan said:—“ Sir, I support the Resolution.”

The Hon'ble Mr. Donald said:—“ Sir, I have no particular information as to the detailed procedure of assessment or the methods followed in particular provinces outside Bengal and Bihar. Each province has its own

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particular methods of assessment and its own particular agency; and it is possible that in some provinces non-official assistance is utilised. But I gather that the system, which prevails in Bengal and in Bihar and Orissa is somewhat different from that in other provinces; and some account of that system will probably be of interest to Members. Before, however, proceeding to give details of that system I should like to refer to some of the remarks of the Hon'ble mover. He said, with reference to the report on income tax of the Province of Bengal for the year 1911, 'the report of the Government of Bengal likewise gives clear evidence of the fact that inaccurate assessments are prevalent.'

"I have in my hand the Bengal Report for the year 1911. It has the following remarks on the question of assessment:—'The percentage of exemptions on the number of persons originally assessed was 1·5 in 1910-11, and 1·4 in each of the two preceding years; that of remissions on the original demand 1·5, 1·7 and 1·7 respectively' that is to say, the original demand as assessed by assessors was after revision by Collectors, by Commissioners and by the Board of Revenue reduced by only 1·5 per cent. The details are given in one of the tables appended to the report and they show that as a result of appeals to Commissioners or to the Board of Revenue the Commissioners reduced the demand by Rs. 500—out of a total of almost Rs. 50 lakhs—while the Board of Revenue dismissed every appeal that was lodged before it. I think these figures will show that the assessment in Bengal cannot be described as either inaccurate or inequitable. As to the agency which is employed in Bengal, all districts possess official assessors, some districts have whole-time assessors employed solely in one district, while other districts are grouped together for the purpose of assessment with one assessor for two or more districts. These officers are all whole-time officers, they are carefully chosen and are well paid; no one is appointed to the post of assessor unless he has shown that he has qualifications for the post, either by general knowledge or by officiating during a vacancy. These men are under the immediate supervision of a Deputy Collector of Income tax, an officer of experience, who is a touring officer and is able to check work on the spot. This officer himself deals with the assessment of larger trading centres and his work is under the supervision of the Collector.

"In Calcutta, we have a whole-time staff consisting of a Collector of Income tax, generally a senior member of the Provincial Civil Service, a Deputy Collector and an officer who examines Marwa-i accounts. There are several assessors working under the Collector, their number is, I think, nine; and they are all whole-time officers. Briefly, the system in Bengal is one of official whole-time assessors. Certain rules are laid down for the guidance of these officers, and one of these rules reads as follows:—

In villages where any Municipal Act is in force, or in which the Chaukidari Act VI of 1870 has been introduced (i.e., throughout the whole Presidency), assessors should avail themselves of local information obtainable from Municipal Commissioners and local panchayats. Objections should be tested, as far as possible, with their assistance; and every endeavour made to obtain by patient and careful personal inquiries reliable information as to the circumstances of persons liable to assessment.

"In short, our system is one of official assessors who endeavour to utilise local information as far as possible. The figures which I have quoted show, I think, that this system is very effective in securing equitable and accurate assessments. I would not favour the introduction of advisory boards. Matters relating to the financial circumstances of an individual are generally matters that should be considered as confidential between the individual and the officers of the State; they are so treated at present, and many persons would resent their financial circumstances being subjected to investigation by a board composed of their neighbours. Informal consultation may be well and good, but the constitution of a formal board would, I think, intensify rather than diminish the unpopularity of the tax."

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[*Mr. Madhu Sudan Das.*] [14TH JANUARY, 1914.]

The Hon'ble Mr. Madhu Sudan Das said :—“ Sir, I had no intention of speaking on this motion; and, but for the remarks which fell from the Hon'ble Member who just sat down (Mr. Donald), I would not have made any remarks.

“ The Resolution before the Council is one which simply seeks that the Governor General in Council should consult the Local Governments as regards the desirability of establishing advisory boards. It does not go the length of asking the Governor General in Council that this Council should lay down any rule that advisory boards should be constituted under every Local Government. As a matter of fact, information has been laid before this Council now, during the discussion on this Resolution, that in some provinces at any rate these advisory boards have existed and worked with success, and their help has been appreciated by the Government. Consequently, under the circumstances, if such non-official advisory boards have proved successful and been of useful service in some provinces, it is very reasonable for any Member to ask the Governor General in Council that other Local Governments be consulted as to whether similar advisory boards should not be constituted under other Local Governments. The question as to whether a system which exists under the Bengal Government or any other Government is efficient does not arise at all in the present stage of the discussion, and is not within the scope of the Resolution which is before the Council. The arguments and the grounds which have been urged by the Hon'ble Member who sat down just now are of a character which do not at all support the supreme efficiency of the system which exists in Bengal. It has been said that so many appeals were made to the Collector and so many to the Commissioner, and, last of all, so many to the Board of Revenue, with the result that the Board of Revenue rejected all the appeals, and the Commissioner gave some help in a very few cases. What does that suppose? How can the Appellate Court do justice if there is actually erroneous and incorrect information at the bottom? The question before the Council is, Sir, as to whether advisory boards are not likely to be more helpful in giving information as regards the real income of any individual; and one has to compare whether the opportunities which an officer as an assessor has of collecting such information are better than the opportunities which local men living among the people and having opportunities of gathering information from their neighbours are likely to have.

“ It has also been stated that the assessment is a matter which is confidential between the assessee and the officer, and in the same breath it has been admitted that the officer consults other people informally. Where is there then the confidence between the assessee and the officer? He consults other people, gathers information from them and proceeds on the information thus received, and makes the assessment. I do not see where the confidence is maintained. On the contrary it has been stated that if an advisory board is constituted, it is more likely to hamper and impede the work. Are we to understand, Sir, that persons who are taken into the advisory boards are likely to give incorrect information, while those very persons, if they are left outside, are likely to give more correct information? I should be inclined to think that a person who is charged with a responsibility and has a position of responsibility given to him by appointing him to a board would realise his responsibility better and be likely to give more correct information, at any rate information which is more reliable than that of a person who is at random consulted by an assessor when he visits the place, meets the man and asks for information; and the man who gives the information may be a man who bears a grudge to the person who is to be assessed. A board is more likely to be free from such bias in giving information, because it would be a body. Without taking into consideration whether the system existing in Bengal is sufficient or efficient, the Council has before it simply this Resolution, that the other Local Governments be

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[*Mr. Mathu Sulan Das; Rai Sita Nath Ray Bahadur; Sir Ibrahim Rahimtoola.*]

consulted on the ground that the system has proved helpful and good and satisfactory under some Local Governments. With these remarks I support the Resolution."

The Hon'ble Rai Sita Nath Ray Bahadur said :—" Sir, it must be said that no tax is so unpopular as the income tax ; because it is a direct tax. It is something in the nature of an inquisitorial tax, because it seeks to pry into the secrets of a man's business. We cheerfully pay all kinds of indirect taxes without our being aware of having paid them. It is rarely the case that non-officials are consulted in Bengal in the matter of income tax. The responsibility of gathering information lies absolutely with the income tax assessors. They go about from place to place and gather information, but people who are reliable are rarely consulted as to whether particular persons should be assessed or not and what should be the amount of the assessment. At the same time it must be said that, though theoretically it would be a very good thing to have an advisory board to give advice to an income tax deputy collector or a collector, it would be difficult and troublesome to practically carry it through. I quite agree with the Hon'ble Mr Donald that we merchants in Bengal would resent it, if our business secrets were divulged to a third person who is not an official. In these circumstances I am sorry that I cannot see my way to support the Resolution."

The Hon'ble Sir Ibrahim Rahimtoola said :—" Sir, the Hon'ble mover has, in support of his Resolution, urged that he wants these advisory boards to be appointed : firstly, in the interests of Government themselves to ensure better assessments and larger revenue from this tax ; and secondly, in the interests of the public, who will, in his opinion, be protected by the appointment of these boards. Now, Sir, taking the first point, namely, Government interests, I think it would be well if we left them to organise efficient means by which they could collect this tax which, as has been very rightly pointed out by the Hon'ble Rai Sita Nath Ray, is a very unpopular tax.

" The question that I propose to deal with is the second one, namely, whether these advisory boards can be regarded as conducing to the public interest, and in that respect, Sir, I feel that the arguments that have been advanced by the Hon'ble Mr. Donald and the Hon'ble Rai Sita Nath Ray Bahadur are very convincing. People who are mostly engaged in trade, commerce and industries would not like that their incomes should be investigated ; and in the case when appeals are made and they are required to produce their books, that their books should be inspected by any non-official agency appointed by Government. I think there will be very strong opposition to any attempt that may be made in this direction from the large body of people who are engaged in business. I therefore trust, Sir, that this Council will not accept the Resolution even though it has been put in such a harmless form. The mover of this Resolution desires that this Council should ask the Governor General in Council to consult Local Governments in order to ascertain their views in regard to the appointment of these advisory boards ; but, Sir, I think we ought to be first satisfied whether the measure advocated is one which is likely to prove beneficial or helpful before we pass a Resolution inviting the opinions of Local Governments upon it. As far as I am able to judge, it appears to me that, far from being in any way useful or acceptable to the public, the appointment by nomination of non-official element for the purpose of helping officers in the matter of determining assessments and investigating appeals would be very strongly resisted.

" Then, Sir, some of the arguments which have been advanced by Hon'ble Members in support of the Resolution go to my mind quite counter to it. One or two Hon'ble Members said that the men who will be invited to serve on the advisory boards and who will be nominated by Government may give cause to

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serious objection. The best procedure is the one that is followed in Bengal, as explained by the Hon'ble Mr. Donald, and as far as I am aware, it is adopted in Bombay also. The whole-time paid officers of Government make independent inquiries and then serve a notice of assessment. If the man is dissatisfied with the amount at which his assessment has been fixed, he has the remedy of appealing to the Collector, who investigates the matter and is authorised to call upon the appellant to prove by the production of his books whether he has been over assessed. I am quite prepared to admit that the procedure is not a perfect one; and, if public opinion is really to be complied with, the best course is to abolish this tax altogether; but as that is not within the scope of practical politics, I am inclined to think that the procedure now adopted, though not perfect, may be continued; because any idea of non-official element, unpaid and honorary, being associated in the matter of determining the amount of tax payable on the income made by any man in business is open to serious objection and will be very strongly resented.

"For these reasons, Sir, I cannot support the Resolution."

The Hon'ble Mr. Abbott said:—"Sir, I regret I am unable to support this Resolution on the ground of the interests of business men. Important secrets would be divulged. The less number in these secrets the better."

The Hon'ble Khan Bahadur Mir Asad Ali Khan said:—"Sir, the Resolution which has just been moved is a very simple one. The Hon'ble mover merely wishes to ascertain the opinions of the Local Governments and nothing else. I do not think it is necessary to argue on the present system or on the future systems of the income tax. If the Hon'ble mover wishes to know only the opinions of the Local Governments on the subject, I am in support of this Resolution."

The Hon'ble Sir William Meyer said:—"Sir, I should like at the outset to congratulate my Hon'ble friend the mover on the moderate and business-like speech in which he has brought this subject before the Council and which has produced a most useful and interesting debate. My Hon'ble friend has cited official reports to show the difficulty of obtaining satisfactory assessments of income tax when this is not collected, to use a fiscal term, 'at the source'—for instance on known salaries or on the holders of Government paper—and has to be realised on private profits which must often be of a problematic character. My Hon'ble friend Mr. Donald has rightly pointed out certain qualifications which must be made in this connection as regards the mover's criticisms; but the fact remains that no one who has had to take part as an official in the work of income tax assessment can fail to have been impressed with the enormous difficulty and complexity of this task. On the one hand, there is one's duty to the general body of taxpayers, for every unduly lenient assessment and every fraudulent concealment of income means so much loss to the public revenues, and therefore so much additional burden on the country as a whole. On the other hand, there is one's duty to the individual payer of income tax, to see that he is not harassed by inquiries of a too inquisitorial nature. Difficulties of this character are common to income tax collectors all the world over. Philosophers and statesmen agree that the principle by which people contribute to the State in direct proportion to their incomes is one of the soundest of all economic maxims; but we are at present very far from the ideal of civic duty which was looked forward to by the late Mr. Auberger, under which each individual would contribute to the necessities of the Commonwealth voluntarily and fairly in proportion to his abilities. We are, alas, still in the *Kali Yuga*, in which the State has to get its dues out of reluctant contributors. Even in England, where the assessing machinery is much more complete than here, and where the feeling of community

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of interests between the State and the taxpayers is more developed, there are many cases, as evidenced by the occasional sending of 'conscience money' to the Chancellor of the Exchequer that the due payment of the tax has been successfully evaded. I may remark parenthetically that the Indian Chancellor of the Exchequer has hitherto never been gratified by penitential offerings of this character. In India the difficulties which beset the path of the official assessor are specially great. They have been well stated in terms the vividness of which does not suggest the source from which they are taken—which is an official report. 'The task of assessing such incomes,' says the report in question, 'may be compared to the problem which would confront the officers of the Inland Revenue in England if they were required to assess a number of traders ranging in status from an ice-cream vendor to a provincial banker, and keeping their accounts in Norman French, written in black letter on easily detachable slips of parchment.' I may also allude to the traditional *bania* who is said to keep three sets of accounts, one for himself, one for his partner and one for the *Sarkar*. In these circumstances we naturally desire all the assistance we can get, and I fully sympathise with the idea put forward by my Hon'ble friend for facilitating the work of income tax assessment.

"On the other hand, I must point out that the policy which the Hon'ble mover has at heart is by no means so simple as might at first sight appear, and as regards this aspect of the case, it is my duty to utter a few words of caution. I have always liked to think that the Government of India possesses some of the attributes of Ganesh, the god of success and wisdom, and, just as Ganesh is symbolised by an elephant, so it is incumbent on Government to adopt the traditional caution of that animal, and to make sure that the ground in front of it is firm before advancing thereon. Now in the case before us I am prepared to admit that in localities where the employment of private agency for public or semi-public purposes is already organised and familiar to the people, and where some idea of civic duty has sprung up, the constitution of advisory boards, as contemplated by the Hon'ble mover, might have some chance of success, and of being worked with advantage both to the tax gatherer and to the taxpayer. At the same time I must confess that I feel considerable qualms as to the fate which would attend such boards in other localities. Even in the most favourable circumstances, the duty of sitting in judgment to assess one's neighbour's income is one that requires for its proper performance a high sense of civic duty and an indifference to unpopularity in discharging it. A less virtuous mortal sitting on such a board might be apt to reflect that as he does unto his neighbours, so they and the assessing officer may presently do unto him; and, in certain cases, I fear that such boards might be led to promote the principle of mutual help and co-operation in a way which would not at all be to the interests of the State. The chief difficulty in this respect lies in the case of rural areas and small towns.

"I take it that my Hon'ble friend realises the impossibility of having the same advisory board for the whole of a large district, and in Madras, the Province from which we both come, the districts are very large. He means, therefore, I suppose, to have a number of small and distinct local boards which would be differently constituted in different localities. It is here that the difficulty I have mentioned will come in, the difficulty of obtaining a board which will command the confidence alike of the assessee and of the assessing officer. My Hon'ble friend does not need to be reminded by me that, to take our own Province, local factions run high in many places, and this materially adds to the difficulty of impartial assessment in the way he contemplates.

"There is also the difficulty of publicity, to which attention has been very properly and forcibly drawn by the Hon'ble Sir Ibrahim Rahimtoola as well as by the Hon'ble Mr. Donald and the Hon'ble Mr. Sita Nath Ray. Apart from the question of intentional evasion of tax, the ordinary assessee who is engaged in commercial pursuits naturally shrinks from the idea of having

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the records of his transactions placed before neighbours and possible rivals, for that, I take it, is what a board would involve. Take for instance the holder of a liquor shop. How would he like his accounts to be placed before an assessor who might derive from them the knowledge which would enable him to be a successful opponent in the next shop sales? I believe that this feeling against revealing the true state of one's affairs is at the root of many of the inaccurate statements put before official assessors. I cannot think that it will be diminished by having to take non-officials also into confidence.

"Nevertheless, for reasons I shall presently give, I am prepared to accept my Hon'ble friend's motion as he has worded it. I am glad that he realises the necessity of very full consultation with the Local Governments, for, though income tax is levied under an Imperial enactment, its assessment and collection are left entirely to the Local Governments and their establishments, and in view of the extraordinarily varying conditions of different parts of the country, this could not be otherwise. So far as my information goes, in many provinces the existing practice already conforms indeed, in large measure, to what the Hon'ble mover desires. Mr. Donald has given us some interesting information in regard to Bengal and Bihar. And in the United Provinces and the Central Provinces, official assessors are enjoined and encouraged to make the fullest use possible of persons of respectability, such as municipal commissioners, and of such bodies as village punchayats, in making assessments and in testing objections against assessments. My Hon'ble friend Mr. Hailey informs me too that in this new Province of Delhi he has introduced a similar system. In various other provinces also the advisability of obtaining all possible non-official assistance is laid down. I cannot find, however, that in any province there is any definite and explicit rule making it compulsory for officials to adopt this practice, nor is there any definite procedure laid down as to the way in which the opinions of the non-official assessors are to be obtained and recorded. The extent of this practice doubtless varies with the personal feelings of individual officials as well as, of course, with the special circumstances of each locality.

"Having regard to the different circumstances of different parts of the country and to the undesirability of undue interference with Local Governments, I could not have been a party to a resolution which would have involved any mandatory instructions to the Provincial Administrations, but, as the resolution is worded, this is not the case. The Governor General in Council is merely recommended to consult Local Governments as to the desirability of establishing non-official boards of advice to be nominated by Collectors, for the purpose of income tax collection. My Hon'ble friend Sir Ibrahim Rahimtoola objects even to this course, but I do not think that at this stage his objection is well founded. The Government of India are not bound by the resolution to propose, and do not intend to propose, any definite action. They will merely consult Local Governments as to the practicability of applying, if and where it is considered expedient, the policy advocated in the Resolution. The Local Governments will no doubt consult local public opinion on the subject and give due weight to any such objection as those which have been put forward by my Hon'ble friend. I may add too that where a person prefers for the sake of secrecy not to take non-official assessors into his business secrets, it would clearly be perfectly open to him, even where the advisory board is the usual method of procedure, to waive the right of calling in the board and to ask that he may be dealt with by the official assessor alone. I am sure that if my Hon'ble friend said that he had every confidence in the Collector and very little in the advisory board, and applied for assessment *in camera* so to speak, the request would readily be granted. In view then of these facts, that the Resolution is in no way of a mandatory character, and that we are merely asked to feel the pulse of Local Governments and through them of local opinion on the method proposed, I am prepared to accept the Resolution on behalf of the Government of India."

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[14TH JANUARY, 1914.] [*Mr. Rama Rayaningar.*]

The Hon'ble Mr. Rama Rayaningar said :—" Sir, I feel highly thankful to the Hon'ble Sir William Meyer not only for the acceptance of my Resolution, but also for the kind references he has made to my speech. Some of the Hon'ble Members, including the Hon'ble Mr. Donald of Bengal, object to the appointment of non-official advisory boards. But, Sir, since the Resolution has been accepted, I will not attempt to answer any of the objections on this occasion. As the Hon'ble Sir William Meyer has observed, the matter will be placed before the Local Governments. There will thus be an opportunity for discussion. I do not therefore wish to take up the time of the Council in replying to the speeches of the Hon'ble Members who opposed the Resolution.

The Resolution was put and adopted.

The Council adjourned to Friday, the 16th January, 1914.

W. H. VINCENT,
Secretary to the Government of India,
Legislative Department.

DELHI:

The 22nd January, 1914.