

Thursday, 27th March, 1930

THE
COUNCIL OF STATE DEBATES

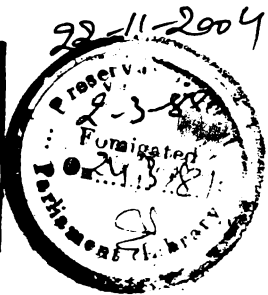
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SECOND COUNCIL OF STATE, 1930



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COUNCIL OF STATE.

Thursday, 27th March, 1930.

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

MEMBERS SWORN.

The Honourable Major-General John Wallace Dick Megaw, C.I.E., M.B., V.H.S., I.M.S. (Director-General, Indian Medical Service).

The Honourable Mr. Thomas Everard Tichborne Upton (Legislative Department : Nominated Official).

INDIAN FINANCE BILL.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary): Sir, I beg to move that the Bill further to amend the Sea Customs Act, 1878, to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, and further to amend the Indian Paper Currency Act, 1923, and the Indian Finance Act, 1926, as passed by the Legislative Assembly, be taken into consideration.

Sir, I do not think that it is necessary for me at this stage to make any lengthy speech. The Finance Bill this year, besides the usual features, contains the various proposals for new taxation which were announced by the Honourable the Finance Member in his Budget speech and by me in this House at the time of the introduction of the Budget. It includes, therefore, the proposal to re-introduce the duty on silver, to increase the import duty on sugar, to alter the taxation in two respects in respect of kerosene; to raise the cotton duty rate from 11 to 15 per cent. and to reduce the export duty on rice; and also it incorporates a small change in the rates of income-tax and super-tax.

There are one or two points, however, to which I think I should draw attention. In connection with the duty on silver, the House will observe that a new clause—clause 4A—has been incorporated in the Bill since it was introduced. The object of this clause is to maintain the existing protection for certain local industries, silver manufactures, and in particular the industry of making silver thread, which is an important industry in certain local areas in India. The effect of the import duty on silver naturally would be that the raw material of these industries would be more expensive and therefore, while at present they are protected by a 30 per cent. duty, they would be

[Sir Arthur McWatters.]

adversely affected. We have calculated that an increase in the import duty of 8 per cent. on manufactured articles of that class would restore to them approximately the position which they are now in. We propose that this change will have effect for one year only and in the meantime the matter will be considered by a Tariff Board. The other matter also in connection with silver is that a Bill has been introduced in another place to levy an excise duty on silver produced in India at the same rate as the import duty but with a full rebate in case of export. The reason for this is that the effect of the new silver duty will be to raise the price of silver in India and if the excise were not imposed, local producers of silver would obtain the difference, and it seems a case in which it is fair to impose a corresponding excise.

The House will observe that there are a number of amendments on the paper. I do not propose to deal with them at all in detail now but I should like to say this in a general way that we do regard it as important that the House should support us now and pass this Bill in the form in which it has very fortunately reached us from the other House, without any alteration. There are difficult times ahead of us—ahead of every country—and in India in particular we have to look forward in the fairly near future to big changes which will increase our liabilities and obligations, and therefore the Honourable the Finance Member has asked the Legislature to support him by passing a Budget which is, as I expressed it the other day, of unquestionable strength, and, if the House agrees with me that this Bill should be passed as it stands, I think we may look forward to the future with every confidence. The Finance Member finally has asked me to express his regret that the course of business in another place may prevent him from coming over to-day. That, Sir, is all I think I need say at this stage.

I move.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, the other day when the Budget debate was going on in this House, the Honourable the Finance Member made some observations in defence of the estimated revenue which he expected to derive from fresh taxation. Then I wanted to reply in support of my contention that the Government estimate of the fresh income was very much under-estimated, and the Honourable the President then ruled that I could further deal with the subject on the day when the Finance Bill was being considered. Sir, as far as the income from silver is concerned, my estimate is that there will be at least a difference of 50 lakhs in the expected receipts of the extra duty, that is, that the revenue will be 50 lakhs more than the estimate. In reply to this, the Honourable the Finance Member said the other day :

“ I am quite prepared to admit that as regards the silver duty what we have taken is a very conservative estimate, but I would also point out that in the case of all other estimates we have been budgeting as though conditions were going to be normal. I think that if one was running an ordinary business, one would say in regard to the year which is before us that we ought to take into account at least the chance that conditions as regards trade may not be quite normal, and I certainly feel it necessary to have a margin of safety in all our estimates.”

From the figures which I gave the other day in this House I took the average imports of silver into this country and I took a very conservative estimate of import of 60 million ounces, and 60 million ounces compare very favourably with the average normal requirements of the country, because in the year 1926-27 the import of silver was 124 million ounces ; and so, Sir,

I believe that my estimate of 60 million ounces is, therefore, correct. Sir, thus from this extra taxation there will be a surplus of 50 lakhs which sum ought to be reduced in taxation. Later on, I shall be moving some amendments in which I will propose to utilise this extra revenue.

As far as sugar is concerned, the Honourable the Finance Member said :

“ Suppose the total is going to be reduced by 50,000 tons during the present year, as the imports of sugar have been extra ordinarily heavy this year.”

As far as the figures go, Sir, India has been consuming between $7\frac{1}{2}$ and $8\frac{1}{2}$ lakhs of tons of sugar. Therefore shortage in import may be 50,000 tons. I took the average of these four years, 1926-27, 1927-28, 1928-29 and 1929-30, and from that figure, Sir, I reduced 50,000 tons, and so I held that the revenue from 8 lakhs of tons of sugar at Rs. 30 a ton will be $2\frac{1}{2}$ crores as against the 1.80 crores estimated which also gives a difference of 70 lakhs; and, Sir, this 70 lakhs ought to be remitted and taxation to that amount ought to be reduced.

As far as the new taxation is concerned, Sir, except the sugar duties and the additional taxes on kerosene and the additional duty on piece-goods I think all the other fresh taxation, whether it is in the form of income-tax or whether it is in the form of other duties, ought to be withdrawn, because, in this country unemployment is now becoming very common and people, owing to the increased cost of living, unemployment and depression in trade, are not earning as much money as they would otherwise have done and they are not contributing fully towards the taxes of the country. Therefore, Sir, I think that the time has come when increased taxation ought to be stopped. The limit has been reached beyond which we ought not to go.

As far as salt is concerned, I say nothing. I simply say that the salt produced on the Bombay coast is not allowed to be sold in Calcutta while the salt from Aden, Spain and other foreign countries is being imported and sold there. That is not right and needs to be remedied.

With these few remarks, Sir, I resume my seat.

THE HONOURABLE RAO BAHADUR D. LAXMINARAYAN (Central Provinces : General) : Sir, speaking at the third meeting of the Federation of Indian Chambers of Commerce in the middle of February last, the Honourable the Finance Member said that he felt somewhat like “ a Daniel in a lion's den ”, when called upon to speak on a resolution dealing with the sales of silver. In rising to speak on the Finance Bill to-day, as it has come to this House, I confess, I have a feeling somewhat akin to that. At the time of the general discussion on the Budget, I tried, Sir, to get an opportunity, but without success, to speak on the financial proposals in general. Since then, the Finance Bill has been discussed in the other place threadbare from all points of view, on grounds of general policy, as well as from the point of view of the effects which the individual proposals will have on the tax-payer in general, and the various interests concerned in particular. I will, therefore, be very brief in the remarks that I have to make.

I confess, Sir, that when I took my seat in this House a few days back, I did not expect that I would soon have to carry back to my constituents the sorry tale of imposition of additional taxes, direct and indirect, to the tune of nearly 5 crores, and which may in actual results be very much more than the figure which has been arrived at by the Finance Member as being the probable yield from the new taxes. In speaking on the Resolution which the Honourable Mr. Ramaswami Mudaliar moved in this House the other day, I tried, Sir, to give a picture of the unsettled state of the people's minds at the present moment. I feel, Sir, and very strongly too, that in choosing this precise

[Rao Bahadur D. Laxminarayan.]

occasion to launch on a policy of new imposition, the Finance Member has acted most unwisely. Speaking in the course of a debate on this Bill in the other House, the Honourable the Finance Member said that there was a tide in the affairs of men, which, taken at the flood, leads on to fortune. I consider, on the other hand, that this is the most inopportune time for imposing new taxation, the effect of which will be to further exacerbate the feelings of the vast mass of our people, who are already hard hit by the prevailing economic condition, which is one of acute anxiety for the future. Sir, I had a specific mandate from my constituency to raise my voice here to do something for lowering the pitch of assessment as well as improving the method of administration of the income-tax and the super-tax. Here, on the other hand, we find that there was not only no immediate prospect of doing either, but the burden of the income-tax, and the super-tax, has been actually raised by one pie in the rupee on personal incomes above Rs. 15,000. The Finance Member admits that this was not a suitable period for imposing any additional burdens on industry and commercial enterprise, but yet he has not hesitated to impose this "small increase", as he calls it, of nearly a crore or the already heavily taxed shoulders of those who have to bear this burden year after year. I contend, Sir, there is not only no excuse for raising the super-tax any further, but that this impost itself must cease. This super-tax came into operation as a war measure. The war ceased more than a decade ago, and yet the super-tax remains. I must, therefore, in justice to my constituents, raise my voice of protest not only against the increase proposed in the Finance Bill in the income-tax, and the super-tax, but against the latter in its entirety. I shall have something more to say about this matter if I get an opportunity to speak on some of the amendments that will soon come up for consideration.

I admit, Sir, there are some features in this Finance Bill, which I ought to welcome. We have long claimed protection for our indigenous industries. The exchange ratio has hit the Bombay mill industry hardest, and in the interest of that premier industry of ours as well as that of the indigenous sugar industry, I consider that the proposed increase in the import duty on foreign sugar and cloth are welcome. It is true that the consumer will have his burden increased for a time; but I know also that in the long run he will be compensated for the additional burdens he has to bear now by the wider field of lucrative employment which will be built up for him in consequence thereof. About the proposed sugar duty, however, I feel I must say this in addition that the duty on the foreign article alone will not meet the necessities of the case. Unless steps are taken simultaneously to improve the financial accommodation available to the indigenous industry and better organisation and other facilities secured for it, this additional impost by itself will not achieve the object aimed at. As for the poor ryot and the tiller of the soil, who will be hit by the rise in prices that he will have to pay for his necessaries of life, the only thing that will lift him out of his present condition of economic helplessness is the provision of cheap money. It is satisfactory to find that the Honourable the Finance Member realises, as well as we do, that the condition of the agriculturist and the small artisan needs immediate attention. Speaking at the recent meeting of the Federation of Indian Chambers, he said that he hoped that, as a result of, or as a sequel to, the banking inquiry which has been instituted, the rate of interest paid by agriculturists throughout the country will be reduced from 18 per cent. and above to 8 per cent. If he is able to achieve that during the period of his office, he will have laid the peasantry of this country under an eternal debt of gratitude.

In the meanwhile, however, a duty on silver at four annas an ounce has been imposed. It is true that to that extent the value of the existing stock of silver in the country will be raised. But it will raise the price of silver too for the small buyer. I think, Sir, that it was wrong on the part of the Honourable the Finance Member to have ignored the valuable and weighty advice of the Currency Commission in this respect :

“The imposition of import duty on silver will fictitiously raise the internal price of silver, but the external price will decline to that extent from which recovery will be difficult.”

The Currency Commission stated as follows, in the concluding portion of paragraph 48 :

“In our opinion, however, the efforts to maintain the domestic price of silver (*i.e.*, by an import duty) irrespective of world price would probably fail. There has always been a considerable trade in silver over the land frontiers of India : and apart from the difficulties of attempting to exclude a valuable metal from a wide frontier, if people who are accustomed to do that trade were to find that the value of silver in the outside world was very much below the value in India, it would probably affect confidence in the value of silver in India itself. In the case of an article, which, like silver, is largely kept as a store of value, the influence of opinion in its value is extremely important.”

Further, whatever advantages may be secured by securing a protected market for silver here will be lost if there are sales of silver held by Government on a large scale. The Finance Member has given no guarantee that he will not attempt to continue the sales which raised such a hue and cry in the past.

The policy regarding silver which the Finance Bill outlines would have perhaps been justified if a distinct promise had been forthcoming that Government is definitely moving towards the adoption of the gold standard and currency in this country. But in the absence of an assurance of that kind I must raise my voice of protest against the policy of Government as reflected in the Bill before us to-day.

Speaking on the Bill as a whole, Sir, I will sum up briefly what I have to say, namely, that I am entirely and definitely opposed to the raising of the income-tax, and super-tax ; that I do not approve of the import duty on silver ; that I approve of the additional protection given to the mill industry by raising the import duty on cotton goods from 11 to 15 per cent. ; and that the sugar industry needs something more than what the Bill provides for it in the shape of a heavier duty on imports.

I know, Sir, I will be confronted with a query as to what I have to propose as a substitute in place of these sources which I have rejected. I have no hesitation in saying, Sir, that the Government of India must cut its coat according to the cloth available. The Budget must, in our present situation, political and economic, be balanced by retrenchment and economy alone. It is the present military policy of Government that is responsible for the huge expenditure, for which that department, in its turn, is responsible. Unless that policy is radically over-hauled and a new policy of trust and confidence in the people of this country by Indianising the Army substituted in its place, the present high cost of running the administration cannot be reduced, and a clash of interest between the representatives of the people and Government, whenever we come to consider the financial proposals of Government, is inevitable. The Finance Member himself has recognised the need for retrenchment by appointing a special Retrenchment Officer. But it is useless to look for any striking results or drastic measures from this device alone. That is only tinkering with the problem. The root of the evil lies far deeper than where

[Rao Bahadur D. Laxminarayan.]

the Retrenchment Officer's probe can reach. That is why, on the occasion of a Finance Bill, you hear so much of what appears irrelevant on the surface but involves large questions of policy which you must tackle before you can secure the assent of the representatives of the people to proposals for new taxation. The only way to do that is to make the Executive responsible to the Legislature and run the whole administration in conformity with policies which people can approve of.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, as a matter of fact the motive underlying the imposition of the salt tax is no other than revenue. The history of the tax shows that there has been a constant decrease in it from 1888 to 1916. It was only in that year that the rate of tax was raised to Rs. 1-4-0. In 1923 it was further increased to Rs. 2-8-0 per maund. It fell again to Rs. 1-4-0 in 1924 and since then it has been maintained so for emergency purposes. As Honourable Members are aware, the raising of this salt tax to Rs. 1-4-0 and Rs. 2-8-0 was intended to save the finances of the country, the increased revenue being necessary to balance the Budgets. The abolition of this duty would bring a relief of only one pice per head per month. But against this advantage the disadvantages of a decreased revenue to the extent of 7 crores a year is a matter that ought not to be lightly overlooked, unless those in favour of abolition come forward with a reasonable suggestion to make good the loss arising from the abolition of the salt tax. It cannot be abolished. An average Indian family of five persons pays only one rupee a year for this tax and I do not think that a contribution of a rupee annually to the public revenue is too much for anybody. There is always a hue and cry about heavy taxation on the poor, whereas the land-owners, the tenants as well as bankers pay very heavy taxes to the Government by way of land revenue, income-tax and super-tax. For the sake of argument, if all the inhabitants of India paid a rupee each annually as a registration fee towards citizenship of the Empire, I fail to understand why an average family of five members should resent the payment of that sum as salt tax. After all, the well-to-do man does not get any special concession from the Government of this country in the matter of justice or public service. As regards the import duty on silver, fixed at the rate of 4 annas per ounce of silver, I would like to support it as an adequate measure for the reason explained in the Statement of Objects and Reasons attached to the Bill. It has generally been experienced that the poor class of people store silver with themselves in the shape of ornaments or silver bars. A duty of 4 annas an ounce will undoubtedly bring an increase in its value and ultimately help the poor in case of their buying food-stuff or clothing for themselves whenever they want to exchange silver for these necessities of life. Moreover, most of the ornaments of the poor are generally pawned with the money-lender and in case the value of silver goes high, it will certainly result in fetching better credit from these money-lenders. As regards the increase in the import duty on sugar, Honourable Members might well be aware that India produces more sugar than any other country in the world, but on account of the poor quality of the cane and the lack of modern machinery required for the manufacture of sugar, it has to import a finer quality from elsewhere. In case the increase of duty on its import is intended to improve the sugar factories of India with a view to enable them to produce a better quality of sugar in future, it will surely commend itself to the favourable consideration of Honourable Members, and if not, the measure can in no wise be called other than unjustified. As regards the import duty on piece-goods, I am sorry that I

cannot be persuaded to support the increase in its rate from 11 per cent. to 15 per cent. To my mind the increase of 4 per cent. appears to be intended to help the inefficient factories of Bombay at the sacrifice of the vast population of India. Indeed it is great injustice to the vast population of this country to be subjected to a tax purely intended to help the Bombay millowner. As a matter of fact Japan buys most of its cotton from this country and if in spite of getting its supply of cotton from India it can under-sell the Bombay millowner, the fault lies with the defective arrangement of the Bombay factories and the sooner these factories are made to understand their defect of management and at the same time asked to remove the same, the better it will be for them all, as well as the cotton industry of this country. As regards income-tax and super-tax, and especially super-tax, Honourable Members may well remember that it was introduced by Sir Malcolm Hailey at the time of his holding the office of Finance Member under the Government of India as a purely war measure and it is regretted that up till the present moment the Government of India have not been in a position to abolish it or effect some reduction in the rate prescribed since the enactment of the Income-tax Act. On the contrary, we see that an increase of one pie in the income-tax in respect of an income of Rs. 15,000 and upwards and one pie in super-tax is proposed from the 1st April, 1930. This state of affairs is proving highly burdensome to all the tax-payers and it is therefore submitted that adequate measures may please be taken to provide relief to the heavy burden of the tax-payer and especially to organise the machinery of the Income-tax Department in such a manner as to make the assessments based on the real facts of the assessee's income and not on mere conjecture and hearsay. As regards income-tax and super-tax, I need not dwell any further, but when the amendment is moved, if I get an opportunity I will say something more on it then. As regards postage, I am sorry that the rates proposed by my friend Mr. Surput Sing are not all right. I will talk about the rates at the time of the amendments. If I get an opportunity then, I will oppose him on that point, Sir.

With these remarks, I finish my speech, Sir.

THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE (Bengal : Nominated Official) : Sir, in the history of the development of public finance in India the arrangements of the present year which are now before us will form a chapter of more than ordinary interest. The financial problem of the year was a difficult and delicate one. Not only was it necessary to prevent a deficit for the year, but also to explore the potentialities of additional resources for the system of national finance under the new political *régime* which is fast approaching. Moreover, the new taxation had to be so adapted to the condition of industries and prices in the world that the consumer might not be burdened unduly. No doubt the general conditions of trade and industry are at present quite abnormal, and yet it might even be possible, with true economic insight and by a felicitous exercise of financial talent, to turn to our advantage these conditions and to make industrial and agricultural development a by-product of increased revenue. I suggest, Sir, that these are the tests of true financial skill in dealing with the problem before us. By them let the actual arrangements which have been placed before us be judged.

These tests I shall soon proceed to apply to the main proposals of the Bill ; but before doing so, I shall advert to an important preliminary consideration. During the last two decades, the customs tariff of India has been steadily growing in importance, both in its fiscal and in its protectionist aspects. There has also been a great demand throughout the country for its increased utilisation in both these directions. The proposals before us mark a response to these

[Sir Jahangir Cooverjee Coyajee.]

suggestions, and constitute an important step forward in the development of Indian tariff. They are therefore entitled to welcome from those whose policy is that of greater reliance upon tariff both for revenue and for development.

Coming first to a consideration of the duty on silver, I venture to suggest that the nature and rationale of the policy that has been pursued in India regarding silver has not been clearly or generally understood, and that the criticism which has been directed against that policy is mostly based upon a misconception of facts. It is necessary to examine in this connection the economic background of that policy in order to appraise justly the sales of silver as well as the import duty upon that metal, which are two integral portions of our silver programme. The salient facts in the silver situation of the day might be very briefly summarised. On the supply side, the main factor is the great increase in the annual production of the white metal which has risen in the last decade from 180 million ounces to no less than 254 million ounces. A good barometer of the supply and demand of silver is formed by the accumulation of silver stocks in Shanghai. There has been a significant and progressive increase in these stocks which rose from 108 million ounces at the beginning of 1928 to 150 millions at the end of that year and to 192 millions by 1929. On the demand side it is obvious that most of the countries which once patronised silver are not only trying to reduce their requirements in the matter of silver coinage but are proceeding with what might be called a demonetisation of silver, with its corollary of large sales of that metal. India is by no means singular in the matter of silver sales. Last year the French silver coinage provided about 9 million ounces for the market, and nearly the same amount was provided out of the British coinage. Besides, the movement towards the demonetisation of silver is proceeding on a very vast scale in Asia. The most essential consideration is that a great and permanent fall in the price of silver is unavoidable in the near future. It is certainly most undesirable that India should be allowed to become the dumping ground of a depreciated metal, and our obvious policy should be to reduce gradually the imports of silver. Thus visualised, the sales of silver and the import duty on silver are both necessary parts of a sound and cautious national economic policy. The critics of that policy have conveniently omitted to face this imminent probability of a permanent fall in the price of silver. It might be added that this danger could not have been realised when the Babington Smith Committee or even the Royal Commission reported.

The most important and the soundest argument that has been advanced in the past against an import duty on silver in India was that silver could not be regarded as a luxury in the case of the poor man in India, but was rather in the nature of a bank in which he deposited his savings. As it happens, however, this argument which was quite valid in the past has lost all its force with the changes in the fortunes of silver and with the advent of factors which are leading to a very great depreciation in the value of the metal. It is a bank indeed but one which is going to fail very soon; and consequently it is advisable to discourage at least any increase of our deposits in it. We have now arrived at the critical moment when the force of inexorable circumstances must needs cause a transfer of savings from silver hoards to commercial banks. And in the light of this necessity we see how timely is our inquiry into the potentialities of commercial banking in India. In considering the estimates of the yield of the silver duty a substantial allowance has to be necessarily made for the lessened demand for the metal in India in view of the history of silver in the last quinquennium.

Sir, the time and circumstances were equally opportune for the increase in the import duty on sugar. Indeed the Honourable the Finance Member is to be congratulated upon the existence of a state of things which has enabled him to replenish Indian finance by an alteration of our sugar and silver tariffs without burdening the consumer. For, as in the case of silver, so in that of sugar there has been a prolonged decline of world prices for a number of years. There has been a clear case of overproduction of sugar for a long time, and it is interesting to trace the causes of this persistent tendency. In the first place, cane sugar cultivation witnessed a great expansion during and after the war, when the area of beet sugar production was greatly reduced. So great has this overproduction been that the Cuban sugar industry taken as a whole has earned no return in the past year. But this is not all. The low prices which have been ruling for years have compelled several sugar-producing countries to increase the scale of protection which they had been extending before. This action has in its turn led to a further measure of overproduction. It is therefore abundantly clear that the sugar industry is all over the world in an abnormal condition, and a chronic state of over production exists. In the face of this an increase in the import duty on sugar was very necessary in order to check the unloading of cheapened sugar into India to the detriment of the local producer—even apart from our financial situation. In an important sense, indeed, the increased duty on sugar can be regarded as a countervailing duty. At the same time so great has been the fall in the price of sugar that the local consumer has no legitimate grievance.

Sir, this Honourable House might be interested in hearing of one rather remarkable consequence of the fall in the price of sugar. That fall has so disorganised the finances of Cuba that the President of that country has been exploring what are called the possible avenues of economies; and he has just signed a decree by which the salaries of the Members of the Council of State and Legislative Assembly of Cuba have been cut down by 15 per cent.

However, though the economic conjuncture has been so far favourable to the Honourable the Finance Member that in the case both of silver and sugar the falling prices have enabled him to levy import duties without unduly burdening the consumer, yet few will deny that he has made the best possible use of such an opportunity. He has not been content with employing the duties to improve the financial situation for the present, but the surplus financial yield is to be made the basis of far-reaching reform in provincial finance. It is also in the fitness of things that when there has been a distinct rise in indirect taxation, some increase in direct taxation has also been projected. Of course, no one likes to be taxed; but there is such a thing as financial conscience which will not permit capital to refuse to contribute its mite at a moment of special financial urgency. It is obviously undesirable to upset the balance between direct and indirect taxation.

To conclude, Sir, the Honourable the Finance Member has made history in this Budget; for it shows not only ingenuity in revenue devices but a grasp of sound financial principle. While new taxation was inevitable under the circumstances, it has been so devised and so adapted to the economic conditions of the day as to secure not only the financial ways and means which were required but also potentialities of protection to industry, at the least possible cost both to the capitalist and to the consumer.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces; Nominated Non-Official): Sir, our able and popular Finance Secretary this morning in winding up his speech appealed to this House to pass this Bill in

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the state it is brought here on the ground that the financial position of the Government of India will be very considerably strengthened and the prosperity of the country fully ensured. The Financial Secretary must realise at the same time that when a Finance Bill which imposes additional fresh taxation to the tune of five crores of rupees is brought forward, it is not likely to be received with either ovation, composure or equanimity of mind. But, Sir, the history of the Finance Department during the last 15 years will show that this is not a unique occasion and this year's necessities bring vividly to my mind the events of 1921 when taxation to the tune of Rs. 8 crores annually was introduced that year. At the same time, my Honourable friend probably remembers that an assurance was given by Government that that was perhaps the last of a series of taxation proposed after the war and that once the financial position of the Government of India had been put on a proper basis, there would not be much room for additional taxation in this country. In 1922 the financial difficulties of the Government and the need of more revenue compelled them again to make further far-reaching changes in the tariff. That promise to which I have alluded, Sir, was repeated by Sir Basil Blackett just before he relinquished charge of his exalted office. He assured the country that he had left the finances of the country in a very sound state of order. He hoped that during the following 12 months or thereafter measures would be adopted for the reduction of taxation. I think the Financial Secretary will recall to his memory those words which gave hope to the country. On the other hand, what has happened? In the first year of the office of the present Finance Member, he gave a pregnant warning that if additional taxation is required, he will not hesitate to introduce it, and in the second year of his office he has brought forward a Bill in which he asks the Indian Legislature to support additional taxation to the tune of Rs. 5 crores. Sir, this is the recent history of the Financial Department of the Government of India. Sir, I am not altogether oblivious of the fact that during these last 10 years expenditure has very considerably increased and that a greater portion of the expenditure has been pressed on the Government by the Indian Legislature. Had I not that feeling and had I not been perfectly aware of the fact that expenditure to a large measure has been inevitable, I would have to-day voted altogether against this Bill and I would have asked my Honourable colleagues, the non-official Members of this Council, to reject this Bill *in toto*.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: In what way have the Legislatures increased the burden of taxation?

THE HONOURABLE SIR MANECKJI DADABHOY: Perhaps, not the Legislature. You have increased the burden of taxation. I will presently tell you.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well. Explain it fully then.

THE HONOURABLE SIR MANECKJI DADABHOY: Had it not been for that, Sir, I would not support this Bill. It is therefore necessary to inquire what are the circumstances in order to take a dispassionate view of the matter, and if this taxation has been justified by the Reforms that have been inaugurated in this country, if this measure of taxation has been justified by the absolute necessities of the situation, it would not be right and proper for this Council to withhold its sanction, though terrible, I admit, the burden is. What has

happened during the last 10 years? I shall not go beyond 1916. I will confine myself to the period intervening between 1916 and the Reforms and the period subsequent to the Reforms. In 1916, we raised the general taxation from 5 to 7½ per cent. I am not talking of other minor measures of customs duties. I am speaking of the general tariff rate. In 1921, we raised the general taxation from 7½ to 11 per cent. We were asked to do so because the Government of India wanted Rs. 8 crores as additional revenue. This chapter of imposition of additional taxation did not close in 1921. Immediately, the following year, in 1922, additional taxation was sought to be imposed and was actually imposed, and the general rate of duty was raised from 11 to 15 per cent. Since then, up to the present period, we have had hardly breathing time and during this interval, small measures of taxation have been introduced from time to time and now, in 1930, the Government of India have asked us to go in more extensively for a general measure of taxation involving the country in the further payment of Rs. 5 crores annually. In short 100 crores have been extracted from this poor country by way of additional taxation during the last 10 years. Sir, to my mind, the justification, if any, is the Reforms. The Reforms have been dearly bought by this country. There is no gain-saying that, and I do not know what is still in store for us, what the Simon Commission is going to decide and what it is going to cost the country.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Did not you want Reforms ?

THE HONOURABLE SIR MANECKJI DADABHOY : Yes, certainly ; then don't complain about taxation.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN : Not such heavy taxation.

THE HONOURABLE SIR MANECKJI DADABHOY : My friend has asked me whether the Legislature is responsible. I say the Legislature has been partly responsible on account of the attitude adopted by the country through its representatives in the Legislature. Since the last 10 years the salaries of the Civil Service, the salaries of the Provincial Services, the salaries of the Police Service and the Educational Service have been considerably increased on the recommendation of the Lee Commission. We have two Boards newly created, the Tariff Board and the Public Service Commission. The Tariff Board might be said to have justified its existence to a certain extent—I do not know to what extent. But I am doubtful whether the Public Service Commission is either necessary or essentially required for the good government of this country. Why should there be delegation of powers to a Board which probably is not in touch with the services or knows probably so little about the services generally that it has in the main to depend upon the information it receives from the various Departments? Then, Sir, the Council expenditure has been increased, Civil aviation has come into existence involving the country in a large expenditure, and other things have also turned up during this period. One matter of importance, which was pointed out by the Honourable the Finance Member and in which I am prepared to concur to a certain extent, is that in the past the Government of India had to content itself with a small margin in its hands and a larger amount of margin is necessary for the safety and good government of the country. It is true that when you impose heavy taxation, you cannot reasonably at the same time keep room for a larger margin unless you increase the measure of taxation. Of course, there is on

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the one hand—and I appreciate it—the desire of the Government of India to keep taxation within the narrowest limits possible, but on the other hand, there is always the temptation in the way of any Finance Member, howsoever chaste he may be, howsoever conscientious and noble-minded he may be, to obtain always money from the easiest sources of revenue. He is always inclined to go in the direction where he can get the money most easily, and that is what has happened, as I shall presently show, in the case of income-tax and super-tax. It is true at the same time that we are going to lose certain important sources of revenue in the near future. We are on the verge of losing our opium revenue; in order to please a few faddists at home we sacrificed a big and a perennial source of revenue in India. (*An Honourable Member*: “That is your own fad.”) It is not my own fad. It is asserted by the best authorities both in England and in other places that our sacrifice has served no useful purpose. Look at the position in China. If you had read the recent reports of the position in China you would not have made that statement. You would have then known that since we have abolished this source the opium revenue in China has steadily increased and they are growing more and more poppies day by day. Then, Sir, I quite realise that economic conditions may alter the justification for other forms of duty. New needs for expenditure are likely to constantly press upon us. Reductions in other forms of taxation may become very desirable, not to mention the expediency of avoiding a dangerously low working margin. I personally would like to see all manner of export duties abolished, because I feel that India is a country of raw materials and it is to her benefit that she should be in a position wholly unrestricted and unimpaired to export her raw materials. She gains by it, and I am grateful to the Government of India for the small concession which they have made now in the case of Burma. I hope before long they will see their way to remove entirely the existing export duty on rice. It would be an act of justice and a step in the right direction, as Sir George Schuster pointed out. As the finances permit, I would like to see the recommendation of the Fiscal Commission in this respect fully carried out, namely, that except in the case of monopolies, such as jute, export duties should be wholly removed. But the most essential part of it is that we have to prepare ourselves now for the next stage in constitutional development, which will require large provisions of money not only for the provinces but I presume also for the Government of India. The Central Government must also be prepared in advance to relinquish some of its sources of revenue or to share the same with Provinces. In so far as it is necessary to equip herself in anticipation, this measure of taxation may be justified.

Sir, I shall very briefly allude to the various taxes which this Bill proposes to impose. I shall not detain the Council by any further observations on the imposition of an additional duty on kerosene. The matter was fully discussed by my Honourable friend Mr. Harper the other day in the Council. An assurance has also been given by the Honourable Sir George Schuster in the other place that he also has the interests of the smaller companies at heart and will see that the Government come to their assistance if necessary. I do not propose to make any further observations on that measure. As regards sugar, this piece of taxation has been generally approved in the country, particularly as this high additional duty will give some measure of protection to the indigenous sugar industry. With that object also, it is gratifying to see that the Government of India propose giving a special grant this year of 10 lakhs, to be continued probably hereafter, for the encouragement of sugar

production and research. This duty, let me remind the Council, was raised in 1922 from 15 to 25 per cent., and now an additional duty of Rs. 1-8-0 per cwt. on all classes of sugar is sought to be imposed. So far as this duty gives a measure of protection, I think it is necessary to draw the attention of the Government of India to the recommendation of the Sugar Committee, which recommendation was dealt with by the Fiscal Commission in their Report. It was stated that after a detailed inquiry into the conditions of the sugar industry they came to the conclusion that at the time at which they wrote the degree of protection direct or indirect enjoyed by the industry was sufficient. I am reading from the recommendation of the Sugar Committee :

“ We fear that any increase in the duty might result in bolstering up an inefficient industry to the detriment of the consumer and that, secure behind the high protective wall, factories in India might make no effort to reach the standard of those in other sugar-producing countries, notably in Java, where the industry has been able to dispense with any protection, subsidy or assistance from Government.”

One thing which needs to be borne in mind is that you cannot raise your protection to such an extent as would retard the actual progress of the industry in the country. Though the Committee fully realised that genuine efforts to make the industry successful were commendable it also laid stress on the restraint and caution to be exercised in the matter.

They also added :

“ We do not wish to express an opinion as to the need of the sugar industry for protection under present conditions.”

But they suggested that a small cess be levied, which cess should be applied to the growth and promotion of the industry. The Government of India have on this occasion, instead of going in for a cess, recommended a grant of 10 lakhs. But I think if they had carried out the combined recommendations of the Sugar Committee and the Fiscal Commission they would have cleared the way for real genuine efforts for the promotion of the industry in this country.

Sir, I shall now briefly deal with the subject of income-tax and super-tax. I am sorry both my friends Sir George Schuster and Sir Sankaran Nair are not here to-day because I wanted to give them a reply to what they alleged at the time of the debate on the General Budget the other day. I have made it clear that I do not oppose any increase in income-tax or super-tax provided such increase was necessary and provided that the general canon of taxation that all taxation should be equitably and equably imposed is fulfilled. The policy in this country—and I am not a bit surprised because the Government of India is only borrowing the policy of His Majesty's Government in England—is to tax such resources as can easily yield money. There is always a temptation to do that, to collect from sources where you are likely to meet the least resistance. What is happening now in both the countries is this, that the income-tax and super-tax have been raised to a limit which may be called an absolutely prohibitive limit and it would not be either discretion or prudence on the part of Government to trespass beyond that limit. My friend, Sir Sankaran Nair, the other day hailed with pleasure the announcement and asked the Government and my Honourable friend, Sir George Schuster, with a dexterous manipulation of his fingers : “ Put your hand as deep as you can into the pockets of Sir Arthur Froom and my humble self.” But he forgot that if the Government tried to put their hands violently and forcibly in my pocket, they might cause a hole in the pocket and the little money that might be there might slip away ; they might not be able to collect anything. If

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you want a practical illustration of this, Sir, look at Bombay. What has been done? How many crores of rupees were you able to collect by way of super-tax from Bombay in previous years! Will you tell me what you collected last year? What is it? You have been going against economic principles and you have been killing the main industry of the Presidency by a high measure of taxation. If you want a further illustration, look at what is happening in your own country. What is happening in England to-day? This high measure of taxation since the war has destroyed the aristocracy of the country. It has ruined business houses. It has placed all industries in a tottering condition. Look at the position of Manchester to-day. Consider what the cotton industry is going through in Manchester. Mark what is happening in other departments of trade in England to-day. Are you able to keep pace with the other European countries in these matters? While the other European countries have actually avoided income-tax and only put on income-tax to such extent as could properly and regularly and humanly be borne, you, following in the wake of England, in this country are endeavouring to ruin this country altogether. You cannot get money by passing legislation in this country against accumulations of profits and against bogus partitions by Hindu joint co-parcenary families; those partitions will take place, and if they do take place, they are legal evasions of your Act; you can not condemn them, because they are legal evasions; they are legitimate consequences of your policy in the country. You are not going to collect money by these meaningless forms of legislation. If you want a large measure of income-tax and super-tax, you have to go in for a conciliatory policy; you have to conciliate the capitalists; you have to work in harmony with them; you have to appreciate their difficulties; and then alone will you be able to work this income-tax measure with anything like real success. It is always nice for my friends here to run down capitalists. But what will happen? It is these capitalists who have kept the country above troubles; it is these capitalists who have come to the rescue of the Government of India times out of number by subscribing large sums of money to their loans. You have killed the capitalists and what is the result? For the last two years you have to go to England to get your money in sterling loans and pay high rates of interest. It is therefore absolute nonsense, in my opinion, to state that a high rate of super-tax could be raised with benefit to the country at large. I shall describe to you a small incident, Sir. I happened during my stay in England to meet many people; I happened to meet some few months ago two or three very highly placed ladies. I asked them why they were spending all their money and running through their fortunes. The reply was common from all ladies. "If we keep our money, Government will take it; it is much better we spend the money on ourselves; we do not want to pay income-tax." That was the plain answer the ladies gave. What is the result? The result is that the savings of the country are lost and, as you all know, the savings of the country are its only backbone. Sir, the savings of the country alone are the assets on which you can safely count. If you fritter away your national savings and if you rob your capitalists, you will have no money to fall back upon. It is the savings of the people which have supplied national assets in all countries all over the world.

Sir, as regards the silver duties, I must say that though it looks very attractive, I have approached the measure with some feeling of misgiving as well as of consternation. My friend Sir Jahangir Coyajee, from a professional point of view, has dilated upon the merits of the measure. The subject is of such tremendous importance and of such great economic importance that

it cannot be disposed of by me in the time available to me to-day. I propose to bring this question of reimposition of silver duties for discussion before this Council by way of a special Resolution before long, but to-day I will content myself by stating that some difficulties will arise in the administration of this measure. This measure has been justified mainly on the ground that it will appreciate the savings of the poor people in the country. Perhaps, that is to a certain extent right. (*The Honourable Rai Bahadur Lala Ram Saran Das* : "Temporary.") I am not prepared to quarrel with that argument. I am glad that the Government of India have disabused the mind of the general public by informing them that silver is not unlike every other commodity in the market. It has no sacrosanct value of any kind. It must be regarded as an ordinary commodity and it must fluctuate with the law of supply and demand. I am glad this proposition has been made absolutely clear. But what is worrying me to-day is that the Government have already come in as a competitor with the private purchaser of silver. The Government hold large stocks of silver in the country and it has been candidly admitted that Government stand to-day in the position of a producer also and that position has been fortified by the existence of a refinery in the country. Now apart from the store of value which holders of a surplus commodity may have, the competition to a certain extent will remain in favour of Government. You do not know at what moment Government may unburden its stocks. However, I am indebted to our able Financial Secretary for his views on the subject embodied in the Explanatory Memorandum furnished by him to all Honourable Members. I shall quote a passage from it which gives me some measure of relief, but I should like to have some further information from him on the subject as regards the actual position of Government. He says :

"Government, in their capacity as currency authority, have actually strengthened their position by the sale of silver as they have obtained liquid assets in exchange for assets which were frozen, but as the silver in the form of rupees was valued in the Paper Currency Reserve at Re. 1 per standard tola, the sale involved either a decrease in the note circulation or an increase in the rupee securities in this Reserve corresponding to the difference between the bullion value and the currency value of the rupees sold. In either case (and that is more essential because what effect this arrangement would have on our unproductive debt and on the deterioration in our debt position are matters of importance)—in either case the net effect on the ordinary Government accounts was an increase in the unproductive debt. For this reason, the increase in the current year in the balance of interest-bearing obligations not covered by assets does not represent any real deterioration in the debt position."

I say this does give one some measure of relief but I think the reimposition of this duty which was abolished during the war with the simultaneous removal of the prohibition against the imports of silver is now likely to cause some measure of anxiety. It is very very doubtful to my mind whether this duty is in the end going to benefit the country in any way. My Honourable friend has estimated as a conservative estimate a revenue of a crore of rupees. He will pardon me for telling him that I think his estimate is too conservative. On my roughest calculation you will get more than a crore and a half of rupees in respect of these duties.

Sir, I shall not speak to-day on the question of the increase of duty on piece-goods. I will only remind my friend the Nawab Sahib that he was wrong when he was discussing the Bill in saying that it was going to affect the consumer. But at present we are not concerned with the Tariff Bill. We are concerned with this duty which the Government has not imposed for the purposes of protection but because the Government require revenue. The Government of India have distinctly stated that this duty is increased from 11 to 15 per cent. for the purpose of raising revenue.

THE HONOURABLE MR. G. A. NATESAN : But its effect will be to affect the consumer.

THE HONOURABLE SIR MANECKJI DADABHOY : No. Any discussion of that subject I will reserve till the Tariff Bill, when I will be able to convince my Honourable friend that it will not affect the consumer but it will help the consumer.

Sir, I will then wind up my remarks by stating that very little option is left to us to contest this measure. I am opposed to this Bill as it stands but I think it would be insanity on my part to withhold my vote to the Bill. The Government must be placed in possession of funds and one point to which I attach far more importance than anything else is the financial reputation of India. I feel and have always felt that the financial reputation of a country lies only in one direction and that is in balancing its Budget and going in for a bold policy of taxation to balance the deficit whatever may be the consequence.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : India already enjoys the reputation of paying the highest salaries in the world to its establishments.

THE HONOURABLE SIR MANECKJI DADABHOY : To-day, Sir, the position of England is enviable for she stands like a pillar among the financial nations of the world, not barring even the United States of America. And what is the reason why English securities are so firm, so immovable, so stationary, as a rule, and why has England been able to raise its money? The explanation lies in only one sentence. After the war, England readily made a public declaration that it will not only pay its own debts but pay the debts of the allied nations and it also declared that the burden—thousands and thousands of millions pounds—it would itself liquidate in the life-time of the present generation and not leave it as a legacy or burden to future generations. And then, Sir, even after the great industrial crisis in America, only a few weeks after that, to-day the Bank of England has been able to reduce its rate to $3\frac{1}{2}$ per cent. It has a temporary difficulty. But it has brought back its rate to $3\frac{1}{2}$ per cent.—a rate not reached for a period of seven years in the past—and that is only due to her great financial reputation. I am anxious and desirous that the financial position of India should be unassailable, that India should take its place among the first and premier nations of the world in the matter of finance, and that India may even give a lead to other countries in this matter. And it is because of that that I shall support this measure of taxation. But in doing so I must impress on Government the necessity of retrenchment and of rather very severe retrenchment. Government cannot absolve themselves from the obligation that their departments are run on correct and proper lines and that retrenchment cannot be further made in many departments of Government. His Excellency the Commander-in-Chief told us the other day that he is keeping his eye on military retrenchment and possibly in a year or two he will be in a position to effect further retrenchment in the military expenditure. And I take this opportunity, Sir, of also expressing this Council's displeasure at the attack which was made on His Excellency the Commander-in-Chief in the other House the other day for certain statements which he made in this Council by a leading Member of that body. We have always heard His Excellency with great respect, practically amounting to reverence, whenever His Excellency has propounded his military policy, and this Council has always given a due measure of weight and

importance to his statement. We know that he is not only respected in this House but he is respected all over the country. We all know that the Indian soldiers all love him, adore and worship him and respect him. That a serious charge should be made against an officer of his type and reputation on a report published in a newspaper, not even on the basis of the proceedings of the Council, I say it is a most regrettable and reprehensible thing. I would like to assure His Excellency that he enjoys the full confidence of this House and that this Council will continue to have for him undiminished respect and admiration.

Sir, only one last word and I have finished. I see from a newspaper report that Sir George Schuster in winding up the debate in the other House, talking of the capitalists, said as follows. I will read his words in order that there may be no doubt about it. I will not vouch for the correctness of the report. (Laughter.) I am quoting from the *Times of India*. I presume it is the *Times of India*. It said :

“ Silver and sugar under the new duties would still be available at rates lower than a year ago, while in regard to income-tax the only merit was that it would rope in the wealthier classes.”

Rope in ! Let me warn the Government I have seen many accidents, when you play with ropes, and I know that in mills and other departments, playing with ropes is very dangerous. You might get yourself entangled in such a way that you might not be able to extricate yourself, and you might find your Government in a worse position than before. Let me assure the Honourable Member that even the domain of finance is not immune from such accidents. He further said :

“ Give me a chance to pass these taxes and see what comes out of it.”

I am prepared, so far as I am concerned, to give him a chance. I have given the chance. I hope he will be able to rehabilitate the revenues of this country. But I disagree with him when he says that the result of this taxation will be only a surplus of 70 odd lakhs. Take it from me to-day, Sir Arthur McWatters, put it down in your note-book, if these taxes come into full play you will close next year with a surplus of over three crores, and I wish you all success and God-speed.

*THE HONOURABLE DEWAN BAHADUR T. R. RAMACHANDRA AYYAR (Madras : Non-Muhammadan) : Sir, the Finance Bill ought not to find ready acceptance in this House. It seeks to impose fresh taxes of a permanent character. Fresh taxes are always unwelcome, but if adequate necessity is established for imposing taxes and if proper advantages will flow from such imposition, it will be unreasonable to object to such taxation. The question is whether such a necessity has been established in this case. In my humble opinion, the policy of extravagance on the part of the Government has brought them to this predicament. It is a pity that the Members of this House are asked to assent to fresh taxation when they have no power to control the expenditure of the money that is so raised. In the past, the civil and military expenditure has been growing. The civil expenditure is one which can be reduced, and reduced substantially and materially. Now, in this country, any number of educated, intelligent gentlemen of unblemished character are available in abundance, and such men will be available for service on a pay much smaller than what is given to persons occupying high posts. If attempts are made in that direction, civil expenditure can be reduced to a very great extent.

*Speech not corrected by the Honourable Member.

[Dewan Bahadur T. R. Ramachandra Ayyar.]

But what is it that we see in practice ? A time scale of pay is what is adopted. That means it is an ever-increasing system, and we do not know when it will end and where it will end. Now, once the maximum limit is reached, a further scale is organised which will go on increasing. The time has certainly come for reducing the pay of the superior services, and that will give us a very large surplus. Now, as regards army expenditure, a slight reduction will give us two or three crores. In that way, the 5 crores that are now required can be easily got. There is absolutely no necessity for fresh taxation. What is the state of the country ? It is a poverty-stricken country. The bare necessities of life are sought to be taxed. The duty on salt, without which the poorest man cannot get on, is not sought to be reduced at all, and oil, which is another necessity for the poor man, is also sought to be taxed. As regards cotton duties, it may be said that there is a justification owing to the depression in the cotton trade in Bombay and other places. But with regard to the taxes on sugar and silver, I do not think there is any justification. As regards income-tax, it has been increased from time to time until we have reached the point beyond which it ought not to go. What is the ground on which it is sought to be raised ? There has been a lot of indirect taxation but for purposes of completeness you must also have some direct taxation. I do not think there is any ground for increasing the income-tax. Indirect taxation is one which affects all people. The persons who have to pay income-tax are also affected by it. If the persons who have to pay income-tax are a distinct class who will not be affected by indirect taxation, we might say there is some justification for it. But they are persons who are affected by indirect taxation, and, therefore, a double duty falls on them, so that the new taxes that are sought to be imposed will materially affect the well-being of the people. But it does not stop here. Now, we have had a pledge, a solemn pledge, from the Government that they will not interfere with our religion and religious rites. And what do we see ? Our religion is trampled under foot without the least justification. Our Shastras say that marriage ought not to take place after puberty, but the law says that if you marry before puberty, you will be sent to jail. Has any Sovereign the right to interfere, and interfere in a material manner, with the religion of his subjects ? If you are going to interfere with religion, then we say that we cannot pay any tax. In fact, why should we live at all ? Religion is very near and dear to our hearts, and an interference with our religion means a serious interference and people will not calmly submit to it. Therefore, when we find that both our material and spiritual well-being are affected, I say that we ought not to agree to any fresh taxation. Now, if the object is to preserve the health of the subjects and to see to their physical development, the traffic in liquor and opium may well be abolished, and this will do the greatest good and it will improve their health more than anything else. But on the other hand it is made a source of revenue. There is no attempt to reduce it ; there is no attempt to abolish it. I therefore say the Government have absolutely no right to ask this House to assent to any fresh taxation.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I do not propose in replying to this debate to keep the House more than a few minutes. Opportunity will arise for dealing with particular items of taxation either when the amendments which are on the paper will be moved or when the respective clauses are put. But I think I may take it that, although there has been a certain amount of difference of opinion in various people's minds as regards particular items of taxation, there is no general indication so far as I can see

to object to my motion as a whole that the Bill be taken into consideration. There are one or two general points however which arose in the course of discussion which are I think of some importance. The most important perhaps of all is the charge which was brought against the Government by the Honourable Lala Ram Saran Das, and also to some extent by the Honourable Sir Maneckji Dadabhoy, that the receipts of our new taxation had been underestimated. I admit that is an important matter. Now, Sir, that attack was made practically under two heads, first, as regards the duty on silver, and secondly, as regards the import duty on sugar. Now, so far as sugar is concerned, I think the answer is fairly straightforward. I have before me, as a matter of fact, in detail our own calculations on the point. I think some of the estimates which have been made of much higher receipts than ours probably have not taken fully into effect the reduction in import, small though it may be, which must result from the increase in our duty, because that reduction affects not only the extra amount of tax we put on but the whole basic tax as well; and therefore, even if there is only a small percentage reduction the amount of loss of revenue is fairly considerable. The actual reduction which we have taken from the figure we originally estimated is 7 per cent. of the total import which we now estimate is 783,000 tons. The Honourable Mr. Ram Saran Das said that it would be something between 750,000 and 850,000 tons, which he thought was a reasonable estimate. Our actual figure is 783,000 tons, of which 691,000 tons will come in at the highest rate, 23 Dutch standard and above, 85,000 at the next highest rate and 7,000 at the lowest rate, and then there is the figure of 10 lakhs for molasses. This works out to a difference of 180 lakhs between the figure which we originally took of 7 crores 60 lakhs and our present figure of 9 crores 40 lakhs, which are the actual figures on which our calculations are based. And although opinions may differ as to whether we get 10 lakhs more or 10 lakhs less, I do not think there is such a margin as has been suggested. Now, as regards silver the position is more difficult to estimate. In the course of the last year it is an undoubted fact that the imports of silver have been greatly reduced. It has coincided with the fall in the price and it is extraordinarily difficult to forecast how the consumer is affected by the change in the price of silver. The immediate effect has been greatly to reduce purchases of silver, for the moment at any rate. So we are naturally doubtful as to what the actual import of silver during the next year is likely to be. There is a tendency when prices of one metal fall for consumers, owing to nervousness perhaps, to turn their attention to another, to gold. And therefore I think that may be one of the causes why imports of silver have in recent months fallen off so markedly. So we thought it wiser to take what is undoubtedly a conservative estimate—what the Finance Member said in the other House was a conservative estimate. One very important point to remember also is that we have our refinery in Bombay, and it may be we shall be selling silver in the country, to that extent reducing the amount of silver which pays import duty on entry; and though we will as the result of those sales get higher prices, corresponding to the increase in the internal price, they will not operate as an addition to the revenue, but as a reduction of the losses on the sale of our silver. So, taking all these facts together, I think it doubtful whether we shall get as much as my Honourable friend thinks, though I admit the figure of a crore is a conservative figure, as the Finance Member has said. I should be very glad to believe that at the end of the year we shall find ourselves with a surplus of three crores, as the Honourable Sir Maneckji Dadabhoy thinks. I hope it will be so, but frankly I do not feel as optimistic as that. I think however that taking our estimates as a whole, while I do not admit that they are too conservative, I think they

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are safe estimates, and I should be extremely disappointed if the results fall below what we have estimated. That is really the main general point which I wish to touch upon in my reply. The Honourable Sir Maneckji Dadabhoj made a very spirited attack upon the financial policy of Government in recent years, and he deplored, as we all do, that various promises and hopes that may have been entertained in 1922, or at the time when Sir Basil Blackett laid down the reins of office, have not been realised. Well, I think we all have to face facts. The world is a very different world to what it was in 1922. We have improved our position very strikingly since then. We have in fact got rid of the provincial contributions—a fact which is sometimes overlooked. In the course of the last two years we have frankly realised that the position which we hoped for two or three years ago has not been worked up to, and therefore the contributions were remitted at a time when the Budget did not really balance. And that is the main reason why, while we are at the same time strengthening our position in other respects as we consider necessary, we have to ask for this amount of new taxation.

THE HONOURABLE THE PRESIDENT : The question is :

“ That the Bill further to amend the Sea Customs Act, 1878, to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, and further to amend the Indian Paper Currency Act, 1923, and the Indian Finance Act, 1926, as passed by the Legislative Assembly, be taken into consideration.”

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The question is :

“ That clause 3 do stand part of the Bill.”

THE HONOURABLE MR. SURPUT SING (Bihar and Orissa : Non-Muhammadan): Sir, with your kind permission I beg to take my two amendments together, as the second is merely a corollary to the first. The amendments which stand in my name read thus :

“ That for clause 3 of the Bill the following be substituted, namely :

‘ 3. In section 7 of the Indian Salt Act, 1882—

(a) Clauses (a) and (b) are hereby repealed.

(b) In clause (c) for the words ‘ by or on behalf of the Government of ’ the word ‘ in ’ shall be substituted,

and consequential amendments be made in other sections of the Indian Salt Act, 1882.”

And also—

“ That to clause 3 of the Bill the following words be added, namely :

‘ and the said provisions shall, in so far as they enable the Governor General in Council to remit any duty so imposed, be construed as if, with effect from the 1st day of April, 1930, they remitted the duty to the extent of the said one rupee and four annas, and such remission shall be deemed to have been made out of the leviable duty by rule made under that section ’.”

I do not think much of an explanation is needed to bring home to the House the unquestioned hardship which the salt tax has always imposed upon the

people of this country. Over and over again the matter was pressed upon the attention of the Government and over and over again the Government have admitted the hardship to which I am referring.

I shall now relate to the House from observations and quotations how the iniquity of the salt tax has always been felt by the Government at Home and abroad. Succeeding the five years of reduced taxation when in 1888 the salt duty was enhanced, Sir James Westland, the then Finance Member, spoke thus apologetically on behalf of the Government :

“ It is with the greatest reluctance that Government finds itself obliged to have recourse to salt duty.”

Lord Cross, the Secretary of State for India, in his despatch to the Government of India dated the 12th April 1888, expressed himself on the same subject as follows :

“ While I do not dispute the conclusion of your Government that such an increase was, under existing circumstances, unavoidable, I am strongly of opinion that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to the former rate.”

Lord Cross in further enunciating the policy of the Home Government on this important question continued in the same despatch thus :

“ I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population, through the taxation of a necessary of life ; the policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate ; . . . and that the proper system was to levy a low duty on an unrestricted consumption. The success of that policy hitherto has been remarkable ; while the duty has been greatly reduced, the consumption through this and other causes has largely increased, . . and I see no reason to doubt that the consumption will continue to increase, if it be not checked by enhancement of the tax.”

So hard-pricked was the conscience of the noble Lord on the question of the enhancement of salt duty that speaking at a public meeting a year after, on February 28th, 1889, Lord Cross delivered himself as below :

“ He was convinced that the earliest occasion should be taken to abrogate the increase of the salt tax.”

The iniquity of the salt imposition was so much felt that speaking in the Vice-regal Council in March, 1889, Sir David Barbour, the Finance Member, made an observation incidentally on the salt question while speaking about the abolition of income-tax in the following words :

“ I think it would be an injustice, so gross as to amount to a scandal, if the Government were to take off the income-tax while retaining the salt duty at its present figure.”

So convinced was Sir John Gorst, the Under-Secretary of State for India, about the injustice of the salt tax that in his speech on the Indian Budget in the House of Commons on August 14th, 1890, he observed as follows :

“ The tax was no doubt a tax which ought to be removed and would be removed as soon as it should be financially possible to do so.”

Lord George Hamilton, the Secretary of State for India in 1895, pointed out in the clearest possible terms in his Indian Budget Statement in the House of Commons on September 4th of that year that he felt that no other tax pressed so heavily on the Indian masses as the salt tax.

I need not reiterate what other Secretaries of State and Finance Members of the Government of India have said about the iniquity of the imposition on

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salt. But I feel sure you all remember that Lord Curzon was so much convinced about the injustice of this tax by the forceful speeches of Mr. Gokhale of hallowed memory—speeches which bristle with facts and figures, quotations and observations—that that Governor General had to yield at last to allow a substantial reduction of the salt tax. But all that is ancient history now. The Government of India, always in tight finances, subsequently enhanced the tax on salt to make up a deficit and the heavy rate has continued since then.

I need hardly repeat that salt is a prime necessity of life both for human beings and animals, just as air, water and light. In fact, Professor Fawcett, the reputed English economist, has justly urged that "salt should be as free as the air we breathe and the water we drink". To subject to a duty such an essential ingredient for our existence reflects the greatest discredit on those financial adjusters of the Government who have recourse to tax salt for meeting the expenses of the administration. It will be observed from a comparison of the figures that the salt tax presses more heavily on the people of this country than anywhere else. The total quantity of salt available for consumption in this country in 1928-29 was 2,672,100 tons. Our average is thus 12 lbs. per head while it was 40 lbs. per head in England in the year under notice. Public opinion in India has for a long time pleaded for the abolition of the salt tax. It is undeniably the most indirect and the most odious of the taxes affecting the whole population. By reason of the taxation the consumption of this essential commodity, it will be evident from a perusal of the comparative tables, has not kept pace with the growth of population. The handicap of the duty has also produced a number of evils, physical and political. The restricted consumption of the article has affected the health of the population. Cattle and horses, for whom salt is also as needful as for human beings, have been denied the full use of it. The result is that these animals suffer physically as much as men for want of an adequate supply of salt in the system. All these facts had been matters of record in the evidence before the Salt Committee in 1833. The odiousness of the salt tax has also been more than evident in the present political atmosphere. The popular conviction that the monopoly of salt goes to diminish the quantity of salt consumption affecting the health and vigour of the people in a prime necessary of life has so much complicated the present political issues. I would say therefore that if the Government had benefited themselves by the opinions and utterances of the people who pronounced their verdict on the iniquitous imposition on salt and had betimes devised measures to serap the duty altogether, a new and right era would have dawned on the Indian political horizon before now.

Just as one cannot tax the free air or the free flow of a stream of water without risking the displeasure of their users, so one cannot deny the people the privilege of manufacturing their own salt or using that manufactured by others without a tax. This displeasure, this unpopularity of the masses, this odiousness of the tax, I regret to say, have weaned away the sympathy of the masses from the administration of the country. It is high time therefore that the Government should take their courage in both hands and manfully face the situation before it is too late. I repeat a truism but I cannot help it. The British Government has always been accused of doing the right thing only when the most opportune moment for it is gone, and my only fear is that history may not repeat itself so far as the abolition of the salt tax is concerned. I would go a step further and say that India with her plentiful natural resources should be made self-contained so far as her salt consumption goes, as that is so essential for her self-respect. Again the Government should remember that on this

sore question of the salt tax the appeal has been made to soul force to wage a holy war. I need hardly impress upon this House that soul force is a most potent and appealing force. It conquers people's hearts. It is soul force that can rejuvenate and set a nation ablaze.

I am perfectly sure therefore that the Government will study aright the present political situation on the question of the salt tax and enlist the sympathy of the teeming millions whose hearts are yet sound by a total abolition of the salt tax. The relief must not come too late before the issues are further complicated. Abolish the salt duty altogether and let the people have a free and unrestricted hand in the matter of salt. You are afraid that you will have to forego about 6 crores which salt yields at present. (*The Honourable Sir Maneckji Dadabhoj* : " 7 crores. ") Yes, that is so, including the profits on the manufacture. I submit you can make up the deficiency in the following way. Retrench your overbloated military expenditure ;

1 P.M. scrap your Lee Recommendations introduced in a hurry in the teeth of popular opposition without the least careful consideration of the country's normal finances ; restrict your commitments ; limit your borrowings ; revise your expenditure under the miscellaneous head ; overhaul all your departments that are carried on at a loss and Indianise the Army and the Services ; and you will find more than the necessary expenditure for carrying on the administration and amply recoup yourself without any revenue from salt.

With these words, Sir, I beg to move the amendments.

THE HONOURABLE THE PRESIDENT : Amendment moved :

" That for clause 3 of the Bill the following be substituted, namely :

' 3. In section 7 of the Indian Salt Act, 1882—

(a) Clauses (a) and (b) are hereby repealed.

(b) In clause (c) for the words ' by or on behalf of the Government of ' the word ' in ' shall be substituted,

and consequential amendments be made in other sections of the Indian Salt Act, 1882."

The Honourable Member also moved a further amendment which he said was consequential on the other one. I need hardly point out to the Council that so far from being consequential it is inconsistent with it and if the first amendment is carried the second becomes meaningless. However, as he has moved it, I put it to the Council and after the discussion, if any, I shall put the amendments separately.

Further amendment moved :

" That to clause 3 of the Bill the following words be added, namely :

' and the said provisions shall, in so far as they enable the Governor General in Council to remit any duty so imposed, be construed as if, with effect from the 1st day of April, 1930, they remitted the duty to the extent of the said one rupee and four annas, and such remission shall be deemed to have been made out of the leviable duty by rule made under that section '."

THE HONOURABLE SIR ARTHUR MCWATTERS : Sir, in view of the manner in which these two amendments have been moved together, I think it is necessary for me to try and explain to the House the exact effect which these amendments will have. The first amendment effects an alteration in section 7 of the Indian Salt Act. " Clauses (a) and (b) are hereby repealed." The effect of the repeal will be to take away from Government the power to fix or to reduce or to remit the salt duty. If that is done—and observe that the amendment is in substitution of clause 3 of the Bill—then clause 3 of the Bill will disappear. It means first of all that Government's power to fix the

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duty disappears, and as at the same time no duty is fixed under clause 3, therefore the salt duty disappears altogether. This is the effect of the first amendment. It goes on also to alter clause (c) which will now read :

“The Governor General in Council may from time to time by rules consistent with this Act fix the minimum price at which salt manufactured or sold in India shall be sold.”

The object of this, I take it, is to give the Government power to control prices. I should like to point out in the first place that by the alteration—the omission of the words “by or on behalf of the Government of India” and the substitution of the word “in”—the prices which will now be controlled will be prices in India and therefore prices in Indian States as well as in British India. That, I fancy, is outside the powers of the Government of India.

In the second place, I think that, while in the original clause it is quite proper that the “minimum” prices should be fixed because what we were dealing with was the issue prices, the wholesale prices of salt manufactured at the Government factories, if the Honourable Member wishes to control wholesale or retail prices, the word that is wanted is “maximum”. What we want to control in that case is the maximum price, not the minimum. In any case, Sir, I think the suggestion inherent in this part of the amendment is that the Government monopoly of salt manufacture should disappear. So on that ground also I must oppose it *in toto*.

The second amendment is worded somewhat curiously. It follows on to the existing clause 3 of the Bill and I take it that the object of the Mover of this amendment is that by the device first of all of imposing a duty at a certain rate and then remitting it, that the duty on salt manufactured in India, the excise duty, will disappear, but the import duty on foreign salt will remain. I would, however, point out that the wording of the Tariff Schedule is such that the amendment will not give effect to the Mover's intentions. The rate of duty on imported salt is the rate at which excise duty is for the time being leviable on salt manufactured at the place where the import takes place. But if you have first imposed and then removed the duty, there will be no duty leviable and therefore the effect of the second amendment is the same as that of the first, namely, the total abolition of the salt duty. Well, Sir, the salt duty brings us in a net amount of 5½ crores and I hope every Member of the House will agree with me that this is not a time when we can afford to give up revenue to that extent. We do not think that the salt duty is of such an oppressive nature as to call for such drastic action. Therefore, Sir, I must oppose both the amendments.

THE HONOURABLE THE PRESIDENT : The original question was :

“That clause 3 do stand part of the Bill.”

Since which an amendment has been moved :

“That for clause 3 of the Bill the following be substituted, namely :

‘3. In section 7 of the Indian Salt Act, 1882—

(a) Clauses (a) and (b) are hereby repealed.

(b) In clause (c) for the words ‘by or on behalf of the Government of’ the word ‘in’ shall be substituted,

and consequential amendments be made in other sections of the Indian Salt Act, 1882.”

The question I have to put is that that amendment be made.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : Further amendmert moved :

“ That to clause 3 of the Bill the following words be added, namely :

‘ and the said provisions shall, in so far as they enable the Governor General in Council to remit any duty so imposed, be construed as if, with effect from the 1st day of April, 1930, they remitted the duty to the extent of the said one rupee and four annas, and such remission shall be deemed to have been made out of the leviabie duty by rule made under that section ’.”

The question I have to put is that that amendment be made.

The motion was negatived.

Clause 3 was added to the Bill.

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

THE HONOURABLE THE PRESIDENT : The question is :

“ That clause 7 do stand part of the Bill.”

THE HONOURABLE MR. K. B. HARPER (Burma Chamber of Commerce) : Sir, having spoken on the subject of the kerosene duties in the general discussion on the Budget, I hoped that I should not have to speak on this subject again to-day. But the defence of the Government's taxation proposals which I understand was put forward in another place by the Honourable the Commerce Member on Friday last leaves me no alternative, for I cannot allow the statements which I understand he then made to go on record unchallenged. I am very sorry that important duties prevent the Honourable the Commerce Member from being here to-day but I must ask the indulgence of the Council while I reply as briefly as possible to the points that he made ; and though those Members of this Honourable House who know that I am personally concerned with the oil industry may for that reason discount the opinions that I may express, I hope they will also give me the credit of knowing something of the subject on which I am speaking.

I am afraid that some of the points are rather of a technical nature but I shall try not to weary the House unduly. The first point of the Honourable Member was that he could not understand why, because the industry had for a period of a quarter of a century enjoyed the benefit of a difference of Re. 0-1-6 between the excise duty and the import duty, that must continue for an indefinite period. He was not asked to understand anything of the kind. What he was asked to take into account was that in return for that 25 years of protection the country has enjoyed 25 years of low prices—prices which have been kept below world parity by the Burmah Oil Company's price limitation policy. It had also been pointed out to him that whereas other industries are called upon to state a case before protection is given or removed, in this case protection which has been undisturbed for 25 years (and in a sense confirmed in 1922 when the excise duty of one anna was imposed on kerosene and the import duty correspondingly increased) in this case that protection has been reduced without any warning, as a mere Budget item, and without any reason at all being advanced for it even in the Budget speech. In these circumstances, it does not seem unreasonable that the other House should have asked why the policy of 25 years was to be disturbed.

The Honourable the Commerce Member's next point was that protective duties are intended only to protect industries until they can stand alone and dispense with protection. To prove that the oil industry is now able to stand alone he quoted results not of any of the smaller companies but of the one leading company, the Burmah Oil Company. He said nothing about the other

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15 or more companies which are operating in India at the present time. He pointed out that the Burmah Oil Company paid a dividend in 1927 on its ordinary shares of 25 per cent. The Burmah Oil Company is, I admit, one of the successful companies, but I would like to ask the Commerce Secretary what he regards as a reasonable dividend for shareholders to expect from successful participation in the extremely speculative venture of oil mining. Every investor in oil shares knows that only one company in 20, if that, ever pays a dividend at all. There have been at least 50 companies in Burma alone which have been born, failed and died within the last 30 years. I venture to think that unless oil companies hold out hopes of paying at least a 20 per cent. dividend they find it very difficult to raise the capital they need to start their operations. And if we are to complain of the Burmah Oil Company's dividend, what are we to say of the dividends paid by the jute companies, cotton companies and other Indian industries? In this connection, I think the Budget proposals come perilously near to putting a premium on inefficiency. I venture to think that if instead of paying out enormous dividends in the past the cotton mills or some of them had followed the example of the Burmah Oil Company and had strengthened their financial position by building up reserves against the inevitable rainy day, we should not now be asked to come to their assistance. But admitting that the Burmah Oil Company is on its feet, is that the criterion of the Indian oil industry? There are, as I have said, 15 or more other companies in the industry eight of which have never paid a dividend. Of those with possibilities of ultimate success I would mention the Assam Oil Company—an old company, one of the oldest in India, which was re-organised in 1921. Since that date, they have increased their crude oil production by six times but they have not yet made a profit or paid a dividend; on the contrary, since 1921, they have lost over 50 lakhs of rupees, increasing their load of debt to nearly two crores of rupees, and have had to pass their preference dividend for the last seven years. The Honourable the Commerce Secretary may remind me that this company is practically owned by the Burmah Oil Company and that the latter would not carry it on unless it was a good business proposition. That is perfectly true, but if that is his argument he must at least take in the Assam Oil Company's losses when he quotes the Burmah Oil Company's profits. The way I prefer to look at it is as an example of the capital and courage which is needed to develop oilfields in India. If the Burmah Oil Company had not taken this risk with the Assam Oil Company, this potentially valuable source of Indian oil would have remained undeveloped.

The Honourable Sir George Rainy then proceeded to what he called the real question. The real question, he said, is—Is the industry making large profits? If so, are those profits due to the protective differential? And having propounded this question as the real issue, he passed on without answering it. I do not wonder. He must have found the answer very difficult. He turned instead to the price policy of the Burmah Oil Company and informed the House that he did not understand it. I do not know whether this was intended to be an expression of modesty but I do know that with all the information concerning this policy which has been supplied to the Commerce Department and should be on their files, there is no excuse for any one who studies it with an open mind not understanding it. I can appreciate that if he confessed to understanding that policy and what it has done for India, the Honourable Member would have found it very difficult, if not impossible, to justify the present taxation proposals. The particular difficulty which he told the House he found

himself in in this instance is this. The House will remember no doubt that there are two grades of kerosene commonly sold in India. They are known as superior kerosene and inferior kerosene. The Commerce Member's difficulty, I understand, was that the differential between superior and inferior kerosene prices used to be Rs. 1-6-0 per unit. It is now Re. 0-8-0 and the price of superior kerosene is below world parity. Therefore, he says, the price for inferior oil must be higher than it should be, and he suggests that the companies are able to charge the higher price because there is no inferior oil outside India. That, I think, is his point and the Honourable the Commerce Secretary will correct me if I am wrong. In the first place, he claims that the price of superior oil is below world parity and the price for inferior higher than it should be. The actual fact is that the prices of both superior and inferior kerosene were reduced when the differential was reduced to Re. 0-8-0 and they are at the present moment, and have been for the last 18 months, lower than they have ever been since the great war. Then as for the statement that there is no inferior oil sold outside India, I can from my own knowledge inform the House that it is at present being imported from America and it has for years been sold in markets as near to India as Singapore, Haiphong, Hongkong, Shanghai, Saigon and Java. In Java alone of these eastern markets is the kerosene yellow. In the other places I have named it is white, but from the considerable quantities which have come to India in the past from time to time it has been found that the white inferior kerosene imported into India is inferior in burning qualities to the yellow kerosene sold by the Indian oil companies.

Then, Sir, as to the Commerce Member's point that because the differential was at one time Rs. 1-6-0 it is curious that it is now only eight annas. I may inform him that before the great war the differential in India varied from four to six annas and that in the other markets which I mentioned just now as consumers of inferior oil the differential between superior and inferior prices is in each case less than 8 annas. My latest information is that it varies from 6½d. at Shanghai to 1¼d. at Saigon. I hope these facts effectively dispose of the Commerce Member's difficulty. Then he suggested that if as a result of the Budget proposals prices of kerosene go up in India it would be against the ordinary laws of free competition, because as India is not self-supporting in the matter of oil "the governing factor will usually be the cost of importation" and in this case the import duty has been reduced. When he uses the word "usually" he gives me hope that he has after all a shrewd idea of the real value of the Burmah Oil Company's price policy. The effect of that policy is just this—that it has kept prices below the cost of importation, and importers who have wanted to sell kerosene in India have had to accept the prices set by the indigenous companies. The danger of reducing the differential between the import and excise duties is that the price policy of the oil companies may be changed. If it is, the result will be that prices will go up. Then with regard to the smaller companies, the Honourable the Commerce Member suggested that opponents of the kerosene duties in the other place had claimed that both the consumer and the companies would be hit. His reply to that was that if the duty is added to the price to the consumer the companies will not be hit, and if the duty is not added to the price the consumers will not be hit. He therefore claimed that you cannot have it both ways. Even that statement is not correct, for it is quite possible that only a part of the extra excise duty will be recovered from the consumer in which case both the consumer and the companies will be hit. But the case against these kerosene duties does not rest on getting it both ways. My contention is that the proposals are badly conceived because they must hurt either the companies or the consumers or both, while at the same time definitely assisting the foreign importer. It would

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have been quite possible to obtain the extra revenue required by means which would have helped the smaller companies, ensured the continuation of the companies' price policy and affected the consumer very little, if at all. The real sting is in the Commerce Member's statement that he would rather hurt the smaller companies than do anything which will help the leading company. Since he made that statement however, Government have apparently reconsidered their position and Sir George Schuster has informed the Assembly that Government are sensible of the smaller companies' interests. That, Sir, is a statement which is welcome to the smaller companies, many of which are my constituents. He realises that it is quite possible they will be hit by his proposals and he had made a statement that if Government is satisfied that a good case has been made out for the relief of the smaller companies he thinks that "means can be found for giving them the necessary assistance by powers which the Government already possesses and which will not require special legislation". I would ask the Honourable the Financial Secretary or the Honourable the Commerce Secretary to state a little more clearly what relief Government has in mind. Whether it will be applied to individual companies or, if to any, to all; and exactly how near the patient is to be to death or exhaustion before relief is to be given. What I fear the Finance Member does not fully appreciate is that he will not see the effect of the present measures by just studying one year's accounts. The effect will be cumulative. Each year that development has to be curtailed, the companies will find less and less new crude oil production to make up for the natural decline of the old, and instead of progressive development there will be a constant dropping behind. I would like to read one paragraph out of the summary of conclusions by the Majority of the Tariff Board in their enquiry in 1928. This is No. 5 of their summary :

"We find that the oil production in the main field in Burma, *viz.*, Yenangyoung is now definitely on the decline, and though in the Singu and Indaw Fields in Burma, and in the Assam and Attock fields, there is the prospect of enhanced production, it is clearly a matter of considerable importance to the future oil production of India, that the companies should be in a position to continue prospecting and development work."

I think that that finding of the Tariff Board is one which the Government might well have considered before instead of after introducing measures which are deliberately designed to weaken the financial position of the companies. I would like to read that last sentence of the finding again :

"It is clearly a matter of considerable importance to the future oil production of India that the companies should be in a position to continue prospecting and development work."

It may be instructive to this Honourable Council to know that the 50 lakhs annually which the present increase in the excise duty is expected to bring in is almost exactly the sum spent every year by the indigenous oil companies on prospecting work.

Then there was one last point which the Honourable the Commerce Member made. He said that speakers in the other House and in this House talked about a present of 15 lakhs which the Government by these proposals are making to the Standard Oil Company, and that actually the present the Government are making to this company is not 15 lakhs but 7½ lakhs. I do not know, Sir, the exact size and weight of this particular red herring but when I heard the statement about references to the Standard Oil Company in this House I looked up the official report of the debate during the general

discussion of the Budget. I cannot find throughout that debate that the name of the Standard Oil Company was ever mentioned. Even if it had been, the relevant question is not whether 7½ lakhs or 15 lakhs will go into the pockets of the Standard Oil Company. The point is that not a single drop of foreign kerosene is imported into India by the indigenous oil producers and therefore the fact does remain that 50 lakhs will be taken from the indigenous oil producers and 15 of them given away to the importers of foreign oil. Any attempt to get round this position seems to me to be a confession of weakness.

Well, Sir, that is the case for the Government as put by the Honourable the Commerce Member. I have no hesitation in saying that to those of his hearers who knew little of the oil industry, and unfortunately they were in the majority, it is a most misleading case. Is it any wonder that the Indian oil producing industry find it difficult to understand why success to their efforts, if and when it comes, should be regarded as so lamentable; why employment of upwards of 50,000 Indians with wages of over two crores per annum, with permanent employment encouraged by generous provident funds, why contributions of two crores annually to the railways and river companies in freight on oil products, a crore spent in the country every year in the purchase of Indian stores, 2½ crores or more put back into the ground every year in developing the country's minerals, why all these things and more should be regarded as matters of no importance? Why it should be preferred that India's petroleum should be left undeveloped and instead imports of foreign oil encouraged and the proceeds of their sale sent straight out of the country? For disguise it how you may, that is the direction in which the present legislation is aiming. More than that, the more foreign oil comes into India the nearer we are approaching the time when the indigenous companies will be unable to keep down the price of oil to the consumer. The Honourable the Commerce Member informed the other House that in view of the change in the Government's protective duties the companies are free to change their policy. That is of course correct. The companies have always been free to change it at any time, since the policy is entirely voluntary on their part. Whether or not as a result of the present taxation proposals they will change their policy I am not of course in a position to say. It may be that as they at any rate know full well the enormous benefit it has given and still does give to India they will continue that policy hoping that the present wave of inappreciation will pass over. I do, however, wish to emphasise that if that policy goes, the result must be to raise the price of kerosene to the consumer either by bringing the price up to the level at which similar oil is sold elsewhere or by the companies ceasing to make it altogether and leaving the consumer to choose between the higher priced oil or none at all. Both are practical possibilities though from my own knowledge I can assure the House that the companies do not want to be forced into either. But I do ask the Government not to try the patience of the oil companies too far.

The Council then adjourned for Lunch till Twenty Minutes to Three of the Clock.

The Council re-assembled after Lunch at Twenty Minutes to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary): Sir, before I deal with the several points raised by the Honourable Mr. Harper,

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I should like to make it perfectly clear to the Honourable Members of the Council that the Government of India bear no animosity against any oil company, whether it is the premier oil company or a small oil company. They have no desire whatsoever that these oil companies should not prosper. They recognise that the production of oil in India has conferred many benefits on India by way of the large number of persons employed in those industries and in other directions—directions in which every industry which exists in a country must be beneficial to that country. I desire to preface my remarks by these general observations because, perhaps wrongly, it has struck me that in another place a feeling appears to exist among certain Members of the Legislature that the Government of India and particularly the Commerce Department are opposed in principle to the oil companies and have no desire to see them prosper.

I now turn, Sir, to the points made by the Honourable Mr. Harper. He first refers to a change of policy—a policy which has been followed for 25 years—and in that connection he refers to what happened in another place when he proceeds to state that the question which was put to the Honourable the Commerce Member was in this form. What the Honourable the Commerce Member was asked to take into account was that in return for 25 years of protection, the country has enjoyed 25 years of low prices, prices which have been kept below world parity by the Burmah Oil Company's price limitation policy. As regards that question, Sir, I wish to say that the oil companies in India have not had the benefit of a protective duty. The import duty which I think was imposed for the first time in 1894 at the rate of one anna per gallon and not at the present rate of two annas six pies, was and always has been a purely revenue duty. And although of course it is true that every revenue duty has a protective effect, still it must be remembered that the import duty was not imposed as a protective measure for the oil companies. It was imposed purely for revenue purposes; and therefore, Sir, I think it is hardly correct to say that when for revenue purposes the protective effect of that import duty has to be decreased that a policy followed for 25 years has been abandoned or changed.

THE HONOURABLE MR. K. B. HARPER : In what year was the revenue duty imposed ?

THE HONOURABLE MR. J. A. WOODHEAD : The revenue duty was imposed in 1894 at the rate of 0-1-0 per gallon.

THE HONOURABLE MR. K. B. HARPER : And in 1905 ?

THE HONOURABLE MR. J. A. WOODHEAD : In 1905 it was still 0-1-0 but in 1910 it was raised to one anna six pies, and then in 1922 it was raised to two annas six pies and an excise duty of one anna was imposed in that year. But through the whole of that period, Sir, these duties were revenue duties, though admittedly they had a protective effect. But where I join issue with the Honourable Mr. Harper is in the statement that the policy of Government has been one of protection to the oil industry. That is not so; the duties have always been imposed for revenue purposes.

Again, Sir, as regards the Burmah Oil Company's limitation policy. There are, as the Honourable Mr. Harper has said, two kinds of kerosene oil produced in India. The first kind is known as superior; the second kind is referred to as inferior or as yellow kerosene. And I gather from the Honourable Mr. Harper's speech that the policy of the kerosene pool, the Burmah Oil Company, has been to sell kerosene, both superior and inferior, at prices below world parity. Now, again, Sir, I am afraid I must join issue with Mr. Harper as regards that statement, and I shall use as my authority the application which was received from the Burmah Oil Company and other companies in connection with the rate war. As Honourable Members will remember, it broke out in 1927. This is what is stated in that application :

"In this way prices at least of the superior quality—for in conformity with the Burma's policy the aim of the Pool is to keep inferior quality prices down for the benefit of the poorer consumer—may fluctuate from one period to another above or below world parity."

I admit I am open to correction, as it is difficult at times to understand the exact policy of the pool, and I hope Mr. Harper will not take the statement as in any way disrespectful to him when I say that perhaps he sometimes has not complete information as regards the working of the pool; in fact it is probably correct to say that nobody outside London, where the head offices are, has full and complete information as regards the working of the pool. But so far as I have been able to understand the position, the policy of the pool in connection with superior oil has been to sell that oil at about what has been described as world parity. As regards inferior oil, the inferior oil produced in India is yellow oil and Mr. Harper during the course of his speech said that that class of oil was produced and sold not only in India but in other countries, and he mentioned certain prices. Again, Sir, I would refer Honourable Members of the Council to the Tariff Board

THE HONOURABLE MR. K. B. HARPER : I said inferior oil. Some of it is white and some is yellow.

THE HONOURABLE MR. J. A. WOODHEAD : In India, Sir, it is yellow oil which is produced by the Burmah Oil Company and it is this class of inferior oil in regard to which they have always maintained that they have kept their prices down for the benefit of the poorer consumer. Now, Mr. Harper has informed the House that the yellow oil is sold in other parts of the world and he quoted prices, his object being to show that the price of yellow oil in India was cheaper than elsewhere. (*The Honourable Mr. K. B. Harper* : "Inferior.") I prefer, Sir, to speak of yellow oil because there are other kinds of inferior oil and that is a point which I wish to come to if Mr. Harper will kindly let me proceed. The yellow oil which is produced by the companies in India is, according to the Report of the Tariff Board, not produced in other countries. This is what the Tariff Board say :

"This quality (that is the yellow quality) is unsuitable for use save in the primitive lamps used by the poorest class of Indian consumer. Its lighting qualities are poor and it burns with a smoky flame. It is consequently not used and therefore not manufactured in other countries."

I am not an oil expert, Sir, but I do put forward that statement as against the Honourable Mr. Harper's and I go further, Sir. I will quote the evidence given by Mr. Gray who represented the oil companies before the Tariff Board during that inquiry. Mr. Gray, I believe, was the General Manager of the

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Burmah Oil Company in Rangoon. This is what Mr. Gray said in reply to Mr. Mathias :

“ Mr. Mathias : That class of oil which you call inferior oil here is generally speaking not manufactured at all elsewhere ?

Mr. Gray : No.

Mr. Mathias : What is here made (that is in Burma) into inferior kerosene goes into fuel oil or gas oil ?

Mr. Gray : Fuel oil mostly.”

Sir, we have on the one side the statement by my friend Mr. Harper. We have on the other the report of the Tariff Board and the statement of Mr. Gray. Where experts differ, Sir, I leave the House to draw its own conclusions.

Then, Sir, the Honourable Mr. Harper proceeded to state that the Honourable the Commerce Member, in attempting to prove that the industry was not in need of protection, only quoted results which were based upon those of the Burmah Oil Company. Sir, in considering whether protection is required, I would suggest to the House that one must look to the industry very largely as a whole, and the position as it appeared to Government and as was clearly explained by the Honourable the Commerce Member in another place was this. 80 per cent. of the oil industry in India is in a flourishing condition. It not only paid a dividend in 1927 of 20 per cent. on its ordinary capital but has paid a dividend of more than 20 per cent. for many years. And again I would refer the Honourable Members to the report of the Tariff Board where they will find the dividends paid by the Burmah Oil Company over a series of years and I think they will be satisfied that those dividends have been at a high figure for many years. The position, therefore, Sir, was that 80 per cent. of this industry was in a flourishing condition

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I ask what was the highest dividend of the Burmah Oil Company in those years ?

THE HONOURABLE MR. J. A. WOODHEAD : The highest dividend on the ordinary shares was 35 per cent. No, once in 1919, they paid 50 per cent. That, Sir, was the position as it appeared to Government. Government has, in view of the need for further revenue, to bring under survey all the possible sources of new taxation, and one of those sources was, as it has been in the past, kerosene. In view of the prosperity of that portion of the industry which is responsible, as I say, for between 75 to 80 per cent. of the oil products in India, was it wrong for Government to decide that if the revenue from kerosene was to be increased, it should be effected by an increase in excise and not by an increase in the import duty ? In this connection I would ask the House to bear in mind one of the main principles which underlies the policy of discriminating protection. That principle is that an industry should receive protection for such a period as will allow it to establish itself firmly and be in a position to meet foreign competition. As I have said, Sir, 80 per cent. of the oil industry is in a flourishing condition, and justly judged by the condition of the major portion of the industry it can hardly be said that the industry as a whole is in need of protection. Perhaps again I might refer to the letter which was received from the Burmah Oil Company in connection with the rate war when the companies producing oil in India were threatened with very serious consequences.

In that letter they definitely stated that they themselves, that is, the Burmah Oil Company, were not applicants for protection. They made that perfectly clear both in their application and before the Tariff Board, because they were of opinion that, although the consequences would be serious and although their financial position would be very adversely affected, they were in a financial position to withstand the results of that rate war.

Then again, Sir, to return to the price policy of the Burmah Oil Company. The Honourable Mr. Harper inquired whether he had quoted the Honourable Sir George Rainy correctly. Unfortunately I was not in a position then to give a reply but I have now got a copy of what he said. The Honourable Mr. Harper quoted the Honourable Sir George Rainy as having said as follows :

"The differential between superior and inferior kerosene prices used to be Rs. 1-6-0 per unit. It is now eight annas and the price of superior kerosene is below world parity ; therefore the price for inferior oil must be higher than it should be and the companies are able to charge it because there is no inferior oil outside India."

My Honourable friend then proceeded to say that in the first place he, Sir George Rainy, claims that "the price of superior is below world parity" and in the second place that "the price for inferior is higher than it should be".

Exactly what the Honourable Sir George Rainy said was this :

"If that is what we are asked to believe then I do not understand what the maximum policy of the pool, as it is called, means, and I do not understand the manner in which it has been applied since May 1928, because if the maximum price policy is intended to benefit the poorest class of consumers, then it is difficult to see why the companies make a concession amounting to over four annas a unit to the consumers of white oil, who are not the poorest consumers, and have narrowed down the difference between the price of yellow oil and white oil to only eight annas a unit."

Honourable Members will remember the passage I quoted from a certain letter from the Burmah Oil Company in which it was stated that the policy of the Burmah Oil Company had been to keep inferior quality prices down for the benefit of the poorer consumer, and certainly, Sir, we have always understood that the maximum price policy of the Burmah Oil Company and the pool meant from their point of view that the poorer consumer, that is the consumer of yellow oil, obtained his oil at a lower price than he would otherwise do. That was said to be the policy of the pool, and what Sir George Rainy could not understand was, that if that was the policy of the pool, and if in furtherance of that policy the differential between yellow and white oil has in the past varied between Re. 1-0-0 and Rs. 1-6-0, why had the price of superior oil now been brought down below world parity and the differential reduced to eight annas. It seemed to him that by that means the consumer of the yellow oil was paying more than he need do, because if the price of superior oil was put back at world parity presumably the differential between white oil and yellow oil could be increased and the consumer of yellow oil would get his oil at a cheaper rate. That, Sir, is the query which the Honourable Sir George Rainy raised, and, with all honour and deference to the Honourable Mr. Harper, I think that that query has not been answered.

There is also another statement with which I should like to deal shortly. The Honourable Mr. Harper said that the real sting in the Honourable the Commerce Member's statement was that he would rather hurt the smaller companies than do anything which would help the leading company. And he added that since he made that statement Government have apparently

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reconsidered their position. Sir, I must with all respect make it clear that the Honourable the Commerce Member did not say that he would rather hurt the smaller companies than do anything which would help the leading company.

THE HONOURABLE MR. K. B. HARPER : Will the Honourable Member read that part of the Honourable Sir George Rainy's speech where he says that for every rupee he gives the smaller companies he will have to give four rupees to the leading company? It is quite possible I may have it wrong.

THE HONOURABLE MR. J. A. WOODHEAD : Yes, Sir, I intended to read that paragraph. This is it :

"As regards the smaller companies I would say this, clearly the onus rests upon them to make out their case and to establish to the satisfaction of Government or of some investigating authority that their position is very seriously endangered as a result of this measure. If that could be established, then I do not doubt that this House as well as the Government would be perfectly prepared to consider fully and sympathetically what measures should be taken to prevent any serious danger. Take the Attock Oil Company. For obvious reasons it is desirable that that company should continue to produce oil. It is the only company in this part of the world which does produce oil, and for practical reasons, in war for instance, it may be of very real service. But it does not follow, even if it were established that the smaller companies do need some assistance, that we should adopt a method by which for every penny which goes to the smaller companies four pence must be paid to the company which does not require assistance."

I think all that the Honourable the Commerce Member intended to state was that the method by which assistance should be given to the smaller companies should not be necessarily such as to give one penny to the smaller companies and four pennies to the company which does not require assistance.

Finally, Sir, the Honourable Mr. Harper desired that further particulars should be given of the actual relief or actual method of relief by which assistance would be given to the smaller companies. I cannot, Sir, add much to the statement which was made by the Honourable Sir George Schuster on this question in another place. But I would explain that Government consider they possess the power to give relief by virtue of section 5 of the Finance Act of 1922, read with section 5 of the Motor Spirit (Duties) Act of 1917, read with section 23 of the Sea Customs Act. These provisions of the law empower the Government to exempt from the payment of the excise duty a certain amount of kerosene, and it is by virtue of this power that Government consider that without special legislation they will be able to give relief. As regards the nature of the inquiry, that must naturally depend upon the case made out by the companies. It is for them to show first of all that this decrease in the difference between the excise duty and the import duty will affect them seriously, not only as regards actual profits but also as regards their resources for development because the Government of India, Sir, recognise that oil companies must be provided with resources which they can devote to development and to the maintenance of the supply of oil. But I can assure the companies that on receipt of their statements, they will be most carefully and sympathetically examined, and I would repeat, Sir, that Government do not wish that the prosperity of the oil industry in India should be severely menaced, they do not desire that the smaller companies should by fiscal measures be driven out of business.

Clause 7 was added to the Bill.

Clauses 8 and 9 were added to the Bill.

Schedule I was added to the Bill.

THE HONOURABLE THE PRESIDENT : Schedule II.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I wish to move an amendment that stands in my name and which runs as follows :

“ That in Schedule II to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entry under the head ‘ Letters ’ the following be substituted, namely,

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

This, Sir, is a very modest amendment and is made to give facilities to the people as far as the transmission of letters through the Post Office is concerned. This amendment is being moved practically every year and I shall not waste the time of the Council by repeating the arguments which have always been advanced in its favour. I will simply say that those reasons which have been put forward in the past years even now stand good and that it is the right time for the Government to reduce the rate now. I know that there will be a fall in the revenue and that fall can easily be met by the underestimated income which the Honourable the Finance Member has underestimated.

I move, Sir.

THE HONOURABLE MR. J. A. SHILLIDY (Industries and Labour Secretary) : Sir, whenever I have mentioned these four or five amendments I have always had them described by three phrases. The first is a hardy annual. Annual it certainly is and hardy, I am afraid, it must be, because the same arguments are repeated year after year, the same answers are given, the proposals are never accepted and yet they come up again the next year. This time the Honourable Member has admitted that he has got nothing new to say, that everything that has to be said has been said before. I have heard them called threadbare. If that is so, then there is nothing for me to add. I have lastly heard them described as having been discussed *ad nauseam*, and in that case I do not wish to hold a sickly child for any length of time.

But perhaps in view of the different amendments which are coming forward, I might explain the general position in regard to the Posts and Telegraphs Department. The first is that the Department is a commercial department and clearly it must pay its way, so far as we can make it do so. There is no reason whatsoever why people should have their letters carried at less than the cost. As to why there is a deficit and why the Department is not paying its way, there are in the main two reasons. One is the increased expenditure which has resulted from a very necessary increase in the cost of the pay of the establishment and the next is the poor traffic which has resulted from the bad business which is at present prevailing. In spite of those conditions the Honourable Member asks us to go back to the rates which prevailed in 1907, taking no account of the fact that generally there has been a great increase in salaries, cost of establishment and in the cost of conveyance. I really do not know, Sir, whether it is necessary to go into further arguments at any great length. I do not know if the Honourable the Mover would wish me to meet the point that some people do sometimes bring forward, that the reduced rate would mean extra traffic. Well, that is a very doubtful proposition. Actually in England a reduction of 25 per cent. in the postage for letters only brought about a 5 per cent. increase in correspondence. As a matter of fact this modest proposal which the Honourable Member has put forward—which he calls modest—means a reduction in the postage of more than one

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half ; and if he were wishing to get a greater return of revenue as a result of the decrease in the rate making it cheaper to send letters, the traffic would have to increase to about three times the present amount. I do not think the Honourable Member would admit that such would be the result. At least he was very discreet and did not try to suggest that there would be any such increase in traffic. He said that he knew that I would say that there would be a fall in revenue. However, he added there was no need to worry about that ; there was a lot more revenue coming in the extra taxes which the Honourable Member....

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I ask what will be the fall in revenue if this amendment is accepted ?

THE HONOURABLE MR. J. A. SHILLIDY : I was just coming to that. In the general discussion the Honourable Member said that the duty on silver was underestimated by Rs. 50 lakhs, that the duty on sugar was underestimated by Rs. 70 lakhs. He was willing, so far as I remember, to remit the extra duty on sugar and to keep the extra 50 lakhs from silver to meet all extra expenditure. But this modest proposal, the cost of which he wants to know, would only cost Government the very modest sum of Rs. 1,50 lakhs. When we have got a commercial department it ought to pay its way, but it is not paying its way ; and when this one proposal alone—and there are about four more proposals all of which will cost money—is going to make the still greater deficit by Rs. 1,50 lakhs, I think I might follow the excellent example of the Honourable Mover and say that since so much has been said about it in the past, there is no need for me to say anything more about it now.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : As my first amendment has failed I now rise to move my second amendment, which is that :

“ For a weight not exceeding $2\frac{1}{2}$ tolas $3/4$ anna ;
For every $2\frac{1}{2}$ tolas, or fraction thereof, exceeding $2\frac{1}{2}$ tolas $3/4$ anna.”

I have been following the remarks of my friend the Honourable Mr. Shillidy and find that he treats the Post Office as a purely commercial department ; but the fact is there that in the years when the Post Office was paying a handsome profit no reduction was made in postage. I do not know how Mr. Shillidy will be able to reconcile the statement of the Government policy which he has now made. Since the rates of postage have been increased I am sorry to find that the postal despatches and deliveries have been reduced. He says that by accepting my previous amendment the deficit would be about a crore and a half. I presume and I think I am right in calculating that in case this amendment of mine is accepted, the estimated deficit will not be over 75 lakhs. And as the Honourable Mr. Shillidy himself says, the underestimate from fresh taxation is over 2 crores. 75 lakhs from that will not be much felt. Mr. Shillidy has given an instance of how such increase has taken place in England and what has been the percentage of that increase. I might mention, Sir, that, while England is a developed country, India is not so ; India is developing fast and every year must bring more postal revenue. The increase in postal traffic since the rates have been raised has been very small comparatively and in view of the better times coming and in the hope of the better exchange and currency policy of Government the trade of India will increase,

which will naturally result in more postal traffic. In England, Sir, the rates of postage are much cheaper than what they are in India. English postage to India is a penny and a half, while the postage from India to England is two annas.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, may I ask if that is in order? We are not discussing that question at all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Well, I simply dealt with a matter he mentioned. But, Sir, the cost of establishment and cost in transit is generally covered by the increase in traffic. But as owing to the increase in postal rates the expected increase in traffic has not taken place, I do not think people ought to be blamed for that. Sir, my proposal is worth the favourable consideration of this House and so I put it before them for favourable consideration.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, I am not quite certain what arguments the Honourable Member is advancing. As far as I can make out, he wants to know why if we have made profits we do not reduce rates. Well, that goes back to rather ancient history, but since we started commercialising the postal department, in two years—1925-26 and 1926-27—we made 37 lakhs and 10 lakhs of profits. In 1927-28 we had a deficit of 26 lakhs; in 1928-29, 53 lakhs; in 1929-30 the revised estimates showed a deficit of 56 lakhs, and next year we anticipate a deficit of 48 lakhs.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Including Telegraphs.

THE HONOURABLE MR. J. A. SHILLIDY : That includes everything. I do not know if that will satisfy the Honourable Member that this is not an appropriate time when one can reduce rates. But anyhow, Sir, taking the proposal as it stands, I really find it hard to see what merit it possesses unless it is just due to the sentimental desire that you must reduce postage somehow or other and give people an opportunity to write. Some people may possibly feel that easy opportunities for correspondence are a blessing. I personally consider that it is actually the reverse. I do not know why people should want to write to each other. They do not want to do so and if they have to write to each other it will be on business. If the traffic has gone down it is mainly because business has been bad. The reduction by one pie, which is what the proposal amounts to, is not going to introduce an orgy of letter writing, and without such an orgy of letter writing I really do not know how any increased revenue would come in. The result of the reduction would be nothing more than a loss—a trifling loss compared with the enormous figures which the Honourable Member proposes—a trifling loss to this Department of another 86 lakhs. I regret, Sir, that it is impossible to accept the amendment of the Honourable Member.

The motion was negatived.

THE HONOURABLE MR. SURPUT SING : Sir, the amendment which I beg to move for the consideration of the House is :

“That in Schedule II to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘Postcards’ the following be substituted namely :

Single—Quarter of an anna.

Reply—Half an anna.”

[Mr. Surput Sing.]

My object in bringing this amendment is to voice the feeling of the dumb millions—millions that cannot make their voices heard at the headquarters of the Government. We suffered the increase in the rate of postcards in view of the exigencies of the Great War even when our purse got very tight. But when other countries which were more hard hit by the war are reverting to their original rates in the matter of postage, I feel sure that I can reasonably expect our Government to revert to the original rate of the postcard at least.

I am confining myself to postcards only leaving aside postage on letters as correspondence through postcards is more or less a bare necessity with the poor. In a poverty-stricken country like India, where the average income per head is admittedly the lowest in the world, people cannot but feel it a hardship to pay half an anna for a bit of correspondence by the post. Most of us know what value a couple of pice has for our poor. At least four items of their daily necessities the poor can procure with that amount, paltry though it is. The poor man has therefore to think twice before he can make up his mind to buy a postcard with a couple of pice. The rate has therefore been naturally unpopular from the beginning. It is time now to reduce the present rate and bring back the former rate in the matter of postcards to afford the much needed relief to the poor in the matter of their correspondence by post. I am sanguine that if the Government will boldly revert to the original rate, the revenue instead of diminishing will expand considerably, as I believe the point of "vanishing return" has been reached so far as the yield from postage and stamps is concerned. A bold modification of the present Government policy is urgently called for in the present situation to improve the resources under that head. I therefore beg to propose my amendment for the acceptance of the House.

THE HONOURABLE RAJA BIJOY SINGH DUDHORIA (Bengal : Nominated Non-Official) : Sir, I rise to speak a few words on this motion and I crave the indulgence of the House for a few minutes.

A few years ago the income and expenditure on the Postal side and those on the Telegraph side used to be shown separately. It was very easy then to see for oneself as to how far each section of the Department was being run at a loss or profit. Now that the two sections have been combined, it is always shown that the combined Department is running at a loss. It is an open secret, Sir, that the Telegraph, the Telephone and the Radio sections are being run at a loss whereas the Postal side is a profit-earning branch. That being so, I would suggest the reduction of the rates on postcards only, and as far as the revenues required for the Telegraph, the Telephone and the Radio services are concerned, the rates should be revised and increased. Sir, the general ignorant masses of India use, if they use at all, only postcards, whereas the latter services are for the rich landlords and the merchant princes. The poor do not need cheap book post, cheap telegraphs, cheap telephones or cheap radio services. Only the other day I came across a book, namely, the History of the Post Offices in India, written by Sir Geoffrey Clarke, one of the Director Generals of Posts and Telegraphs of recent times. It is mentioned therein that when the Postal Commission was appointed in 1850 they observed that postal reforms should always be carried out on the principle of giving the utmost benefit to the people of India from cheap rates of postage and it should never be made a source of Indian revenue. But contrary to the expectation of that Commission, for the last few years the Government of India have raised the postal rates in order to derive sufficient revenues therefrom, to run the Telegraph, the Telephone and the Radio services.

Sir, I am neither a non-co-operator nor an obstructionist but a sincere and a thorough supporter of British administration in this country. It is the British administration in this country which has given India so much by way of peace and prosperity. It has given India the easiest and the cheapest means of communication, which is accepted as the potent engine of civilization. In this connection I appeal to Government to accept this amendment moved by my Honourable colleague. This cheapening of the rates of postcards will be much appreciated by the rural masses generally.

It will not be out of place to mention here that as far back as 1866 the Honourable Mr. Massey, the then Finance Member, stated that Post Office is so potent an engine of civilization that no Government could be justified in allowing fiscal considerations to stand in the way of any improvement in the postal communication. I beg to add here that it is an accepted principle in civilised countries not to tax communications, hindering its growth and expansion. It is common knowledge to all that expansion of postal communications is urgently needed in rural areas in this country. I will not be accused of exaggeration if I say that in many parts of India one post office caters for a large number of villages and as such the villagers do not get the fullest advantage of cheap and easy communication which is one of the chief benefits of British rule in India. Not very far back, but in the year 1921, the then Member in charge of the Posts and Telegraphs Department, the Honourable Sir Charles Innes, now His Excellency the Governor of Burma, stated as follows :

“ Nobody certainly in the Commerce Department wishes in any way to tax communications.”

I think that the reduction in the rates of postcards will not affect the revenue of the Department in the least if the Government increase the rates of the Telegraph, Telephone and Radio services so as to make them self-supporting.

With these few remarks, Sir, I appeal to the House and especially to the Government to accept the amendment moved by my Honourable colleague.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I presume that the Honourable the Mover of this amendment has the same object in view which I have in an amendment which I will move in case the present amendment fails. I just sent in a slip to the Honourable the Mover to find out whether his amendment amounted to the same in substance as mine and I am glad to say that his reply is in the affirmative. In supporting the amendment I want to mention, Sir, that when postcards were selling at a quarter of an anna the increase in 1918-19 was 38 millions. In 1919-20 the increase was 42 millions. But when the rates of postage were increased in 1923-24, *i.e.*, a couple of years after the rate was increased, the rate of increase fell to 6 millions in 1923-24 and to 8 millions in 1924-25. In the four years from 1923-24 to 1926-27, there was an increase of 27 millions which on an average means $4\frac{1}{4}$ millions per year, while the increase in the two years 1918-20 was as much as 80 millions. This, Sir, shows that the postal traffic in cards increases heavily when the postage is low. Therefore, Sir, I strongly believe that if the amendment is accepted the decrease in earnings will be balanced by the increased traffic, and even if there is a small deficit left that can be easily met. The Honourable Mr. Shillidy has laid great stress upon the Post Office being a purely commercial department. Let us see how the Postal Department is treated in other countries. In an advanced country like the United States of America the Postal Department receives contributions from the general revenues to keep down its rates. India ought to follow in those

[Lala Ram Saran Das.]

footsteps and so move in the right direction. The Government by accepting a lower duty on salt has practically given expression to their policy to help the poor, and here too, as the case for the poor has been so ably put forward by my Honourable friend Mr. Surput Sing, I think the Government must extend its hands to help the poor man, who at present cannot avail himself of postal facilities as much as he would like to do. In all civilised Governments communications are a matter of the greatest importance, and I think, Sir, that this amendment must be accepted by the Government in the interests of giving proper relief to the dumb millions.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, I am sorry I cannot see eye to eye with my friends, the Mover and supporter of this amendment. I presume that the rate of postage as provided in this Bill would be hardly sufficient for the expenses incurred in this behalf. I do not think that the Government would be reaping any benefit out of them. I am afraid the acceptance of postage rates, as suggested by my Honourable friends, will not in any way double the income from this source, and in that event the Posts and Telegraphs Department will always be a deficit Department. To make that good the Government of India will naturally have to resort to some other form of taxation. I think postage is a matter of the least consideration at present. What is paid to the writers of letters is much more than the price of the postcard. In India where illiteracy is so common and the uneducated amount to 90 per cent. of the entire population, if this amendment were carried I do not think it would benefit the majority of the uneducated masses of India to any great extent. (*An Honourable Member* : "Don't they correspond with each other?") Very seldom, only about once a year. It is the business man who is constantly writing postcards. This reduction would most surely result in a heavy loss to the Department and some other taxation to make up the deficiency would be required. I may point out to the Honourable the Mover and the supporter of the amendment that the poor people are not so fond of writing letters as the well-to-do person, and for the latter the rates of postage provided in the Bill are not heavy. The poor people do not contribute so much towards the postage as the well-to-do class. It will therefore be in the fitness of things to allow no reduction below the existing rate of postage.

With these remarks I strongly oppose the amendment.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, I agree with my friend the Honourable Major Akbar Khan. I would like to meet two points brought forward by the Honourable Raja Dudhoria. He complained, as far as I understood him, that we did not give accounts separately of the Post Office, Telegraph and Telephones. But if he will turn to the detailed statements in support of the Demands for Grants, which I understand should be with all Members, he will find that the accounts are given quite separately for the Post Office, Telegraph, Radio and Telephones. The next point which I understood him to make was that we used the profits from postcards to make up the deficit on the luxuries which the rich enjoyed in their telephones. My Honourable friend may be interested to know that while the Postal Branch has declared a deficit for the last three years, while the Telegraphs have declared a deficit for the last several years, the Telephone branch, the luxury of the rich, has declared a profit for the last three years, and it is this luxury of the rich which is helping to meet the deficit from those branches which are claimed

to be working for the poor. Sir, I am not quite sure whether my Honourable friend Lala Ram Saran Das is quite correct in saying that his amendment is the same as that of the Honourable Mr. Surput Sing,

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The Honourable Member accepted that and so I thought it would be all right.

THE HONOURABLE MR. J. A. SHILLIDY: That leaves me in some doubt as to which amendment I am speaking to.

THE HONOURABLE THE PRESIDENT: The Honourable Member is speaking to Mr. Surput Sing's amendment.

THE HONOURABLE MR. J. A. SHILLIDY: Sir, I said this was a hardy annual and it is very much a hardy annual because we have had the dumb millions trotted out again. It is not a case of the dumb millions at all. It has been explained more than once before that five-sixths of the population of India do not write to each other, and of the rest a great many only write about once in six months or three months. Now there may be some difference of opinion on that and I do not wish to give my views as against those of others. But those who are in contact with the poor are I think entitled to give their views and their opinion should carry weight. In a debate in the Assembly the other day the Reverend Mr. Chatterjee, who I think will be admitted to know something about the poor in Delhi at least, stated:

"I sympathise with the hardships of the poor. I can say without exaggeration that I am in as much contact with these poor people, extremely poor people, as my friend Mr. Thakurdas Bhargava, but I have not yet heard of a poor man complaining about the price of postcards."

And again:

"I am only pointing out that it is not correct to say that it is a real burden on the poor man for the simple reason that the poor man does not write the postcard. He probably writes a card once in six months or once in a year, but I have never heard him complain of the price of the postcard. There are a great many other things of which the poor man complains; he complains of his house accommodation, the price of food or the price of cloths. I have honestly never heard of a man complaining of the price of a postcard."

Now, Sir, the only reason that was given for this amendment was the benefit that would accrue to the poor man, the illiterate man, the dumb millions of India. I think the reply is that this benefit, this reduction, will not in any way help the poor man, the illiterate man or the dumb millions of India. In actual fact, the postcard is chiefly used for business purposes and the reason why the traffic has gone down and receipts from this source have decreased, is because business has been poor. This decrease in rates which has now been proposed will help business men and not the illiterate, dumb millions of India.

Next, I can only give one more figure. It is a trifling figure according to my friend the Honourable Lala Ram Saran Das. The little concession would only cost Rs. 90 lakhs a year.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Your predecessor last year said that the loss would be Rs. 76 lakhs.

THE HONOURABLE THE PRESIDENT : Amendment moved :

“That in Schedule II to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘Postcards’ the following be substituted, namely :

‘Single—Quarter of an anna.

Reply—Half an anna.’”

The question is that the amendment be adopted.

The Council divided :

AYES—15.

Ayyar, The Honourable Dewan Bahadur T. R. Ramachandra.
Desika Chari, The Honourable Mr. P. C. Dudhoria, The Honourable Raja Bijoy Sing.
Ghose Maulik, The Honourable Mr. S. C. Jaffer, The Honourable Sir Ebrahim Haroon.
Khaparde, The Honourable Mr. G. S. Laxminarayan, The Honourable Rao Bahadur D.
Mehr Shah, The Honourable Nawab Sahibzada Saiyad Mohamad.

Nirmal Kumar, The Honourable Mr. Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Pakrashi, The Honourable Mr. Suresh Chandra.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.
Suhrawardy, The Honourable Mr. Mahmood.
Surput Sing, The Honourable Mr.

NOES—23.

Abdul Majid Khan, The Honourable Khan Sahib Khwaja Muhammad.
Akbar Khan, The Honourable Major Nawab Mahomed.
Akram Hesain Bahadur, The Honourable Prince A. M. M.
Charanjit Singh, The Honourable Sardar. Chettiyar, The Honourable Dewan Bahadur K. Sundaram.
Commander-in-Chief, His Excellency the. Coyajee, The Honourable Sir Jahangir Cooverjee.
Dadabhoj, The Honourable Sir Maneckji.
Froom, The Honourable Sir Arthur.
Graham, The Honourable Sir Lancelot.
Habibullah, The Honourable Khan Bahadur Sir Muhammad.

Macmillan, The Honourable Mr. A. M. Maqbul Husain, The Honourable Khan Bahadur Sheikh.
McWatters, The Honourable Sir Arthur. Megaw, The Honourable Major-General J. W. D.
Middleton, The Honourable Mr. A. P. Natesan, The Honourable Mr. G. A. Shillidy, The Honourable Mr. J. A. Thompson, The Honourable Sir John. Uberoi, The Honourable Sardar Bahadur Shivdev Singh.
Upton, The Honourable Mr. T. E. T. Woodhead, The Honourable Mr. J. A. Yahya, The Honourable Khan Bahadur Shah Muhammad.

The motion was negatived.

THE HONOURABLE MR. SURPUT SING : The next amendment which stands in my name and which I beg to move is :

“That in Schedule II to the Bill in the proposed First Schedule to the Indian Post Office Act, 1898, for the entry under the head ‘Book, Pattern and Sample Packets’ the following be substituted, namely :

‘For a weight not exceeding five tolas Half an anna.
For every ten tolas, or fraction thereof, exceeding five tolas .. Nine pice.’”

Book, Pattern and Sample Packets, I need hardly point out, conduce directly or indirectly to knowledge or information of the people, and thus having an educative value they can reasonably be expected to be entitled to a concession rate. I would therefore strongly urge the Book, Pattern and Sample Packets should be accorded more favourable consideration, or, if that be not possible,

they should be placed on the same footing as ordinary parcels and should not be charged a higher rate than that for ordinary parcels.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, the Honourable Member merely stated his amendment and, so far as I know, has advanced no reasons for it. The result is that under the amendment for every ten tolas or part thereof, exceeding 5 tolas, nine pies will be paid in future instead of one anna as proposed in the Bill. I do not know what reason there is for making any change at all. The present rate is not prohibitive ; these rates were imposed in 1921 and since that time the number of parcels has increased from 60 to 110 millions. Of that 110 millions, 70 millions are under 5 tolas and therefore the benefit which the Honourable Member wishes to confer upon packets will miss that very large number. In addition the amendment would involve a loss of 9 lakhs and I can only express my regret that in the absence of any good reason it is impossible to accept it.

The motion was negatived.

THE HONOURABLE MR. SURPUT SING : Sir, the last amendment which I beg to move for the consideration of the House relating
 4 P.M. to the Indian Post Office Act, 1898, under the head " Parcels ", is that the word " three " be substituted for the word " four " under that head.

My intention in bringing this amendment is to bring the rate into line with the existing practice. If Honourable Members will turn to page 27, clause 76, of the current number of the Post and Telegraph Guide, it will be evident that the rate of postage there given is three annas per every 40 tolas or a fraction thereof. Also the stamp booklets that are issued by the Post Office indicate the same rate for parcels of the same description. But in the Bill itself the rate entered in the Schedule for such parcels is given at annas four. This evidently is a mistake. But this mistake in the Schedule has been continuing, I may tell the House, without detection from last year, although in actual practice, I can say from experience, three annas have always been charged for parcels of 40 tolas. It is therefore a matter of some surprise to me that this little mistake has gone on unnoticed by the Department so long. I feel sure therefore that such an anomaly between the rate fixed and the practice in force should be removed and no ambiguity should be left in the matter. The word " three " for " four " is all that is wanted to set it right. I hope the Honourable Member in charge of the Department will be pleased to accept my amendment.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, I can assure the Honourable Member that there is no mistake. The rate of four annas is intended to be there and is there at present under the present law and is the maximum rate. The mere fact that in the case of parcels not exceeding 40 tolas we charge three annas only and do not charge the maximum rate does not make any mistake here or in the Schedule. I am afraid we must in the present circumstances retain our right to impose this charge of four annas if at any time we so consider it necessary. As a matter of fact the Honourable Member has gone somewhat beyond the mistake which he thought he saw, because for parcels exceeding 40 tolas he will find if he will look at that book that for every additional 40 tolas or part thereof the charge is four annas. Therefore by his proposal he would actually reduce what we at the present moment are charging for 40 tolas for parcels exceeding 40 tolas. But the only result of the amendment would be that he would bring us, the Postal and Telegraph Department, into competition with the Railways. As the majority of Railways are

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State Railways now, there would be no point in this departmental competition. And I trust therefore that on this explanation that there is no mistake the Honourable Member will not think it necessary to press his amendment.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : The next amendment standing in the name of the Honourable Rai Bahadur Lala Ram Saran Das appears to me to be out of order. As we have just been reminded by the Honourable Mr. Shillidy, this Schedule of the Post Office Act merely fixes maximum rates of postage and therefore an amendment directing that there shall be no extra charge in the case of parcels redirected is out of place in this Schedule.

The question then is :

“ That Schedule II be a Schedule to the Bill.”

The motion was adopted.

Schedule II was added to the Bill.

THE HONOURABLE THE PRESIDENT : Schedule III.

THE HONOURABLE MR. SURPUT SING : Sir, the amendment that I beg to move referring to Part I.-A of Schedule III to the Indian Finance Bill, 1930, is :

“ That to entry No. (1) the following be added, namely,

‘ But in case of a Hindu undivided family when the total income is less than Rs. 3,000—Nil,’

and that consequential amendment be made in entry No. (2).”

The first point that I would urge upon the Government is that in the case of the Hindu undivided family the minimum limit of assessable income be fixed at Rs. 3,000 in place of Rs. 2,000 as in the case of every other assessee. My plea for this special consideration is that no analogy can be drawn between the social life of the Hindus and any other people, as the system of undivided family is the unique heritage of Hindu family life. It has its advantages as well as its disadvantages, and it hardly fits in with any canon of equity and justice that Government should make the most of its disadvantages by levying income-tax on the Hindu undivided family on their total earnings. The income accruing to the Hindu undivided family does not belong to any particular person or individual in the family, but on the contrary every major and minor member thereof have their respective shares in such total assessable income. It needs hardly any stretch of imagination to realise that such undivided income falls in most cases far below the assessable limit, when every member of the family is allotted his respective share. No case, I am sure, can be made out for this process of taxation on the Hindu undivided family ; and that for the continuance of a time-honoured privilege among them to live together in ties of love and friendship, not for any consideration of advancing their personal interest or gain, but purely on grounds of sentiment for the growth of a higher and purer atmosphere in their life and conduct. It cannot also be ignored that the struggle for existence is much harder to-day than it was ever before, and that this tax on income deals a deeper blow to the Hindu undivided family than to any other assessee of any description. It is time, Sir, when this ancient system of life cries for some relief in every branch of its

activity, social, educational and economic. It is an age when the spirit of the times with its far-reaching ideas of all-round progress is adding considerably to the economic harassment of the people, when the women are as anxious to assert their claims for education as men, when a fresh impetus for the education of women has been imparted by the inauguration of the Child Marriage Restraint Act; and all this hits the purse of a Hindu undivided family now more than that of any other assessee. I do not, therefore, think that I ask for too much when I move to raise this assessable limit from Rs. 2,000 to Rs. 3,000, especially in view of the fact that the legislators in their wisdom have already drawn a clear line of demarcation in the matter of super-tax between a Hindu undivided family and every other assessee of every other description. I beg also to point out that the assessment to income-tax may be made on the basis of three years' average income.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I observe that there is a later amendment on the paper which proposes to extend this concession on small incomes from Rs. 2,000 to Rs. 3,000 to all classes of assessees. I will deal with that on its merits when it comes up. The present proposal is more modest. It will cost us Rs. 10 lakhs only, but it makes a differentiation between certain classes of assessees and the benefit is to be given solely to the Hindu undivided family. This is a very old question which has been discussed many times before in the Legislature and the conclusion which has always been reached hitherto is that there is not sufficient reason for making this particular distinction. The Hindu undivided family already enjoys certain advantages under the income-tax law. It is treated more or less in the same way as unregistered firms to which it largely corresponds. But it has certain advantages even over the unregistered firm. In the case of the unregistered firm the income of the partner from the firm is included in his total income whereas in the case of the Hindu undivided family the income of the family is separate from the personal income. It is the only case in the income-tax law where a man is allowed to possess two entities, his family entity and his personal entity. Further, as the Honourable the Mover himself pointed out, a special privilege is given to the Hindu undivided family in respect of the minimum point at which super-tax is imposed. Also, there are certain privileges given in respect of allowance for insurance premia on adult members of the family and wives. Therefore, Sir, although the amendment is a comparatively modest one, taking the rough with the smooth, allowing for the various advantages which the Honourable Member described as arising from this practice of living together and helping one another, I think that there is not sufficient ground for making a further differentiation in respect of income-tax in favour of the Hindu undivided family.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to move my amendment which runs as follows:

"That in Part 1A of Schedule III to the Bill, in entry No. (1), for the word and figures 'Rs. 2,000' the word and figures 'Rs. 3,000' be substituted."

I move this amendment, Sir, because I find that for those people whose income is up to Rs. 2,000 it is very difficult for them to make both ends meet. The cost of living has gone up and owing to various enactments and measures of Government, particularly to the exchange and currency policy, the people cannot afford to pay more taxes. The Government for that reason, if I mistake not, made the income up to Rs. 2,000 free from tax. It is the same spirit which

[Lala Ram Saran Das.]

I want the Government to extend because they will be protecting the same person by increasing the limit to Rs. 3,000 whom they wanted to benefit some time back. I think the proposal is in consonance with the policy of the Government and I think for that reason it be accepted.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I am afraid I am unable to accept this amendment. In the first place, my principal objection is that it would cost us Rs. 61 lakhs. There is very little point in our making certain changes in the Income-tax Schedule to bring us more money and making another at the same time to take away Rs. 61 lakhs. That is my first objection. In the second place, this subject was considered, and considered very recently, by the Taxation Enquiry Committee and they after very full consideration gave it as their opinion that the present minimum limit should be allowed to remain. They examined the question in relation to minimum limits which were imposed in other countries and as regards the question of the increase in prices.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Circumstances have changed since the Taxation Enquiry Committee made their proposals.

THE HONOURABLE SIR ARTHUR McWATTERS : There was a fairly recent enquiry, Sir. The Honourable Member is probably aware that some years ago, in 1903, the minimum limit used to be only Rs. 1,000, so that, at the limit of Rs. 2,000, even allowing for such increase of prices as there have been, the small assessee is certainly not worse off than he used to be in the old days. I am afraid, Sir, I cannot accept the amendment.

The motion was negatived.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the second amendment which stands in my name, namely :

“ That in Part 1A of Schedule III to the Bill in entries Nos. (1) to (8) inclusive before the words ‘ total income ’ the words ‘ nett and actual ’ be inserted.”

This amendment, Sir, only seeks to do equity and justice. The income means the income which is nett and which is the actual income and not the supposed income. Now, under the present Act, actual or nett income is ignored and the tax is assessed upon the supposed income. I think, Sir, that in fairness to the people this amendment ought to be accepted.

THE HONOURABLE THE PRESIDENT : I am not quite sure if I am right in putting the amendment to the Council because the Council having already accepted clause 6 of the Bill which defines “ total income ” for the purposes of this Schedule, I do not quite see how the Honourable Member can bring in an amendment which gives another definition, an amplification of the meaning of “ total income ”. I imagine that that is the meaning of his amendment from what he says. Does the Honourable Member realise that “ total income ” is already defined in clause 6, sub-clause (3) of the Bill ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I thought in moving my amendment, that I was in order. Otherwise, I would not have moved it.

THE HONOURABLE THE PRESIDENT: I think from what the Honourable Member has said that I should not put that amendment to the Council.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to move the following amendment :

“ That for Part IA of Schedule III to the Bill the following be substituted, namely :

‘ PART I.

Rates of Income-tax.

(A) In the case of every individual, Hindu undivided family, unregistered firm and other associations of individuals not being a registered firm or company :

- | | |
|--|---------------------------------------|
| (1) When the total income is less than Rs. 2,600 | <i>Nil.</i> |
| (2) When the total income is Rs. 2,000 or upwards but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupees. |

(B) In the case of every company and registered firm whatever its total income One anna and six pies in the rupee.’”

This amendment, Sir, practically means that the increase in the rate of income-tax proposed this year may be done away with and the old rates of income-tax should continue. My friend the Honourable Sir Maneckji Dadabhyo during the course of his forceful speech has said enough about the merits of this case. The extra income from this source will be about 56 lakhs, and in view of the country getting poorer every year and being unable even to bear the present rates of taxation, the Government should kindly reconsider their decision and restore the Income-tax Schedule to the one which was in force last year. It is needless for me to say that owing to continued failure of harvests, locusts and unemployment and the maintenance of the artificial rate of 1s. 6d. exchange, which has cost us over 140 crores, the Government will not mind the loss of 56 lakhs, which will be thus occurring. I might say, as I have already said, that from the under-estimation of the extra taxation this amount can be easily met.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I hope that I can persuade the House not to accept this amendment. As the Honourable Mover explained, it amounts to a direct rejection of our proposals for the increase of income-tax this year. All through the Honourable the Finance Member's Budget speech and the remarks which I made to this House, we endeavoured to explain to the Legislature how the proposals for taxation should be treated as a whole. They are balanced proposals, and we felt very strongly that when we were asking the country for so much indirect taxation it was only fair and only right that some moderate amount should be met by

[Sir Arthur McWatters.]

direct taxation. It is not only economically sound, it is morally right, and I should very much regret it if this House were to reject the proposals for direct taxation. As regards the necessity for it, I think that has been very fully dealt with. We have argued the question of the under-estimate or over-estimate of our sources of revenue, but I can assure the House that we do not feel that we are asking for more than is necessary to enable us to meet the future with absolute confidence. It is for that reason that I am asking the House to give us all the money we have asked for. During the general discussion on my first motion to-day, the Honourable Sir Maneckji Dadabhoj said some very hard things about the income-tax and he quoted a remark about "roping in the capitalist". But I think if he had considered all the remarks which the Honourable the Finance Member made at different times in connection with income-tax and the manner in which he hoped and proposed to administer it, he would have realized that the Honourable the Finance Member had gone a very long way to assure the commercial and business community that the tax would be administered in a manner so as not to injure commerce and industry. In particular he gave what amounted to a promise that if things went well he would begin from next year with the system of carrying forward business losses, which will mean far more to the business man than the small addition we are making now. I hope therefore that the House will agree with me in not accepting this amendment.

THE HONOURABLE RAO BHADUR D. LAXMINARAYAN: Sir, I rise to support the amendment moved by my Honourable friend, Rai Bahadur Lala Ram Saran Das. My reason for doing so is that the existing burden itself of income-tax in this country is felt to be so oppressive and heavy, and the method of administering the Act also is so harassing that the least that the Government could do would have been to leave matters as they are. I admit, Sir, that direct taxation of the kind that we are now considering is a recognised method of raising revenue for the use of the State in every civilised country. But the people of those countries have also the means within their power to get the methods of assessment so devised as to cause the least harassment to the people concerned. Here, on the other hand, I could unfold a long tale of the inquisitorial and harassing methods of the Income-tax Department, if the occasion permitted it. This burden, which is now sought to be increased, would have been, perhaps, all right, if the country had a large accumulation of wealth, and had been sufficiently industrialised. But we are only at the threshold of that era, and we are, in addition, passing through a period of depression. This is, however, precisely the time, which Government has chosen to increase the burden. The greatest objection to my mind to any increase is that it turns so much of the country's capital, which might have been turned to productive uses, into unproductive channels. Sir, our people are already wedded to an age-long habit of hoarding whatever tangible wealth they have. The increase of burdens of the kind that we are considering would only accentuate that habit, and lead, in many cases, to the export of capital from the country to other places where the methods of administration are less harassing than they are here. The new class of assesses that Government now proposes to create, namely, of those whose income is between Rs. 15,000 and Rs. 20,000, will lead to the intensification of those inquisitorial and harassing methods of the Department as have already been the subject matter of bitter complaints. The tendency of the Department would hereafter be to bring, by hook or by

crook, incomes which were hitherto below Rs. 15,000, and above Rs. 10,000 up to the former limit, so that the increase might be levied on them. At present, Sir, there are many anomalies in the administration of the tax, which ought to be set right, and redressed before the people can be asked to agree to the continuance of the present burden, or any increase thereof. The distinction between earned and unearned incomes is not kept in view, and no abatement in the case of the latter is often allowed. There is further the reform in the direction of quinquennial assessments, instead of annual ones, which have been suggested as a measure of relief from the present harassments to which assesses are subjected year after year. They will, under this latter system, be saved at least the bother and persecution of attendance at Income-tax offices with cart-loads of account books, for forty hearings, only to be told at the end that the Department was right, and the assessee might go to Jericho for all the trouble he took to prove his case for reduction or a fairer assessment. Sir, the present methods of assessment must be drastically revised as early as possible. My argument at the present moment, speaking as I am on this amendment, is that the least you can do is to leave matters as they are. I am, Sir, opposed to any further increase for the reasons that I have mentioned.

THE HONOURABLE SIR MANECKJI DADABHOY : Sir, I do not desire to repeat my arguments or to take up the time of this Council, but I feel constrained to answer one argument of the Honourable the Finance Secretary, namely, that when Government thought it their duty to raise such large sums of money by indirect taxation, they were obliged or rather they were led by the dictate of conscience to come to the conclusion that they should also raise some money by direct taxation. I have been too long in this House to know something of the Government conscience or to be deceived by such platitudes. I know Government have a very elastic conscience.

THE HONOURABLE MR. P. C. DESIKA CHARI : Have they any conscience?

THE HONOURABLE SIR MANECKJI DADABHOY : For years together we, the representatives of the industries in this Council, have been protesting, clamouring, requesting the Government to be just and fair and equitable in the matter of permitting us to carry over business losses incurred in one year against the profits of the subsequent year. Where was the conscience of Government in refusing that most reasonable, just and equitable request of the people in this country? You have for years mulcted us; you tell us to "pay heavily" when we have made terrible losses in our business. You had no conscience then to tell us that "you have made these losses, we will spare you and will not ask you to pay taxes, and we will allow you to carry your losses to next year". It is a very very easy thing for Government to fall back upon their conscience. My experience in all matters of this kind is that I find neither a fixed system, nor reason, nor judgment. Each Finance Member follows his special idiosyncracies. He is guided by his own policy in recommending his proposals to the Government of India; and it depends on the person who is the Finance Member for the time being. I therefore say that the Finance Department of the Government of India will not make a bogey of conscience when the just and equitable representations of the people are concerned.

THE HONOURABLE THE PRESIDENT : The original question was :

"That Schedule III be a Schedule to the Bill."

[The President.]

Since which the following amendment has been moved :

“ That for Part 1A of Schedule III to the Bill the following be substituted, namely :

‘ PART I.

Rates of Income-tax.

(A) In the case of every individual, Hindu undivided family, unregistered firm and other associations of individuals not being a registered firm or company—

- | | |
|--|---------------------------------------|
| (1) When the total income is less than Rs. 2,000 | <i>Nil.</i> |
| (2) When the total income is Rs. 2,000 or upwards but is less than Rs. 5,000 | Five pies in the rupee. |
| (3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000 | Six pies in the rupee. |
| (4) When the total income is Rs. 10,000 or upwards but is less than Rs. 20,000 | Nine pies in the rupee. |
| (5) When the total income is Rs. 20,000 or upwards but is less than Rs. 30,000 | One anna in the rupee. |
| (6) When the total income is Rs. 30,000 or upwards but is less than Rs. 40,000 | One anna and three pies in the rupee. |
| (7) When the total income is Rs. 40,000 or upwards | One anna and six pies in the rupee. |

(B) In the case of every company and registered firm whatever its total income One anna and six pies in the rupee’.”

The question is that that amendment be made.

The Council divided.

THE HONOURABLE THE PRESIDENT (during the progress of the Division to the Honourable Mr. P. C. Desika Chari) : Will the Honourable Member kindly rise in his seat ? He is perfectly well aware of the Rule of the House and should not need to be reminded of it.

AYES—14.

Akbar Khan, The Honourable Major Nawab Mahomed.
Ayyar, The Honourable Dewan Bahadur T. R. Ramachandra.
Desika Chari, The Honourable Mr. P. C. Froom, The Honourable Sir Arthur. Ghose Maulik, The Honourable Mr. S. C. Jaffer, The Honourable Sir Ebrahim Haroon.
Khaparde, The Honourable Mr. G. S.

Laxminarayan, The Honourable Rao Bahadur D.
Nirmal Kumar, The Honourable Mr. Pakrash, The Honourable Mr. Suresh Chandra.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Sinha, The Honourable Kumar Nripendra Narayan.
Surput Sing, The Honourable Mr. Uberoi, The Honourable Sardar Bahadur Shivdev Singh.

NOES—22.

Abdul Majid Khan, The Honourable Khan Sahib Khwaja Muhammad.
Charanjit Singh, The Honourable Sardar. Chettiyar, The Honourable Dewan Bahadur K. Sundaram.
Commander-in-Chief, His Excellency the. Coyajee, The Honourable Sir Jahangir Cooverjee.
Dadabhoy, The Honourable Sir Maneckji.
Dudhoria, The Honourable Raja Bijoy Sing.
Graham, The Honourable Sir Lancelot.
Habibullah, The Honourable Khan Bahadur Sir Muhammad.
Macmillan, The Honourable Mr. A. M.

Maqbul Husain, The Honourable Khan Bahadur Sheikh.
McWatters, The Honourable Sir Arthur. Megaw, The Honourable Major-General J. W. D.
Mehr Shah, The Honourable Nawab Sahibzada Saiyed Mohamad.
Middleton, The Honourable Mr. A. P. Natesan, The Honourable Mr. G. A. Shillidy, The Honourable Mr. J. A. Suhrawardy, The Honourable Mr. Mahmood.
Thompson, The Honourable Sir John. Upton, The Honourable Mr. T. E. T. Woodhead, The Honourable Mr. J. A. Yahya, The Honourable Khan Bahadur Shah Muhammad.

The motion was negatived.

THE HONOURABLE MR. SURPUT SING : Sir, my last amendment refers to the fixation of a graduated scale of income-tax and super-tax for every class of assessee, whether an individual, a Hindu undivided family, a registered or unregistered firm or company, or other association of individuals.

My contention is that companies should not be governed by a special rate of taxation both in the case of income-tax and super-tax but should in all fairness come under the graduated scale of taxation which governs every other assessee. I do not pretend to be an expert, but so far as I have been able to look into this question, I am constrained to think that the maximum rate of taxation in the matter of income-tax, leviable on companies stands seriously in the way of the development of all indigenous companies and registered firms with small incomes and proves ruinous to them in the end, while the lowest rate of super-tax leviable on companies puts a premium on foreign firms and companies for which there can absolutely be no justification. I do not see what special reasons there may be for this differential treatment to a class of assesseees who can very well stand the standard rate of taxation, imposed on every other assessee. To my mind the standardisation of the rates of income-tax and super-tax for all classes of assesseees far from being a set-back to the expansion of revenue will undoubtedly prove to be a source of considerable addition to the Exchequer. If there is a deficit the Government must not in all equity and fairness think of replenishing their Treasury by depriving the poor of their sauce from their daily morsel of bread but must make up their mind once for all to tap the sources that can open to them new avenues of revenue to make good all their deficits. I do not think any further elucidation of the point is needed. We know how "unemployment" is staring the whole nation in the face; and the only way the Government can reasonably solve the problem is to encourage the infant industries which have sprung up all over the country and to lend their helping hand to the rising generation in their life and death struggle for a combined commercial existence among themselves. This is not only calculated to allay the present troubled political situation in the country but will also prove to be an unfailing panacea for the economic troubles the people are suffering from. To nip these nascent institutions in the bud by subjecting them to the maximum rate of taxation in the shape of income-tax will, to say the least, be the greatest political blunder in the present nebulous state of the country. It is not by stifling this new-born industrial and commercial tremor in the country but by encouraging these industrial enterprises in the way of relieving them of the burden of taxation that we can hope to divert the energies of Young India to a safer and more peaceful channel of activities. I have therefore not the slightest hesitation in urging the Government to consider the paramount necessity of equalising the rates of taxation for all classes of assesseees,—preferably on the basis of average income for three years, as has been the rule in England.

I move, therefore :

“ That the following be substituted for Schedule III to the Bill, namely :

‘ PART I.

Rates of Income-tax.

In the case of every individual, Hindu undivided family, registered or unregistered firm or company and other association of individuals—

	Rate.
(1) When the total income is less than Rs. 2,000	<i>Nil</i>
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	Five pies in the rupee.

[Mr. Surput Sing.]

	Rate.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000	Six pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000	Nine pies in the rupee.
(5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000	Ten pies in the rupee.
6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	One anna and one pie in the rupee.
(7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	One anna and four pies in the rupee.
(8) When the total income is Rs. 40,000 or upwards	One anna and seven pies in the rupee.

PART II.

Rates of Super-tax.

In respect of the excess over fifty thousand rupees of total income—

I. (a) in the case of every Hindu undivided family :

- (i) in respect of the first twenty-five thousand rupees of the excess Nil.
- (ii) for every rupee of the next twenty-five thousand rupees of such excess One anna and one pie in the rupee.
- (b) in the case of every individual, registered or unregistered firm or company and other association of individuals, for every rupee of the first fifty thousand rupees of such excess One anna and one pie in the rupee.
- (c) in the case of every individual, Hindu undivided family, registered or unregistered firm or company and other association of individuals :
- (i) for every rupee of the second fifty thousand rupees of such excess One anna and seven pies in the rupee.
- (ii) for every rupee of the next fifty thousand rupees of such excess Two annas and one pie in the rupee.
- (iii) for every rupee of the next fifty thousand rupees of such excess Two annas and seven pies in the rupee.
- (iv) for every rupee of the next fifty thousand rupees of such excess Three annas and one pie in the rupee.
- (v) for every rupee of the next fifty thousand rupees of such excess Three annas and seven pies in the rupee.
- (vi) for every rupee of the next fifty thousand rupees of such excess Four annas and one pie in the rupee.
- (vii) for every rupee of the next fifty thousand rupees of such excess Four annas and seven pies in the rupee.
- (viii) for every rupee of the next fifty thousand rupees of such excess Five annas and one pie in the rupee.
- (ix) for every rupee of the next fifty thousand rupees of such excess Five annas and seven pies in the rupee.
- (x) for every rupee of the remainder of the excess Six annas and one pie in the rupee.^{1, 2}

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I have listened with some interest to the Honourable Member's explanation of this amendment and I am not sure whether the House clearly recognises what this amendment purports to do. I am perfectly certain that the Honourable Mover does not understand what its effect is.

In the first place, let us take the change suggested in the rates of income-tax. The Honourable Mover proposes to abolish the flat rate of income-tax on companies and registered firms. But the object of that flat rate is simply and solely in order to enable us readily to give refunds. The flat rate is charged and then a shareholder of the company is entitled to get a refund corresponding to his personal rate of income. To do away with the flat rate would be to make it necessary for every company to be assessed at the rate appropriate to it; it would complicate the grant of refunds and in some instances would require the levy of additional tax from the shareholder whenever his personal rate was higher than the rate at which the company was assessed; it would introduce complete chaos into the administration of the Income-tax Department. The delays complained of at present would be nothing to the complaints which we should receive under the system suggested, and at the end the individual tax payer would be left exactly where he is now.

As regards the second proposal with regard to super-tax which is that companies should be charged at the graded rates, I wonder what my Honourable friends Sir Maneckji Dadabhoj and Sir Arthur Froom have to say to that proposal. I would like to point out with regard to the suggestion about registered firms, that registered firms are not liable to super-tax at all. But as regards companies the net result would be that unless you amend the income-tax law so as to grant refunds of super-tax, which is not suggested, the result would be that a shareholder in a company would indirectly be paying super-tax on his income from dividends based on the profits of the company and irrespective entirely of his personal ability to pay. For instance, a man might get a dividend of, say, a hundred rupees from a company which would be liable to super-tax at the maximum rate. It would mean that he would in effect be paying super-tax on his hundred rupees at the maximum rate, and if there was a big shareholder who had a large share in the company he might be paying not only the maximum rate himself but also indirectly through the company as well as being charged to income-tax, so that he might be paying as much as 50 per cent. or more of his income in income-tax and super-tax. Moreover, if refunds were allowed, the result would merely be that we shall be levying immense sums in super-tax solely for the pleasure of paying them back again, since few shareholders would be liable to super-tax, and in the end, as before, the individual shareholder would be left exactly where he is now. I think that is enough to show that this proposal is not one which has been seriously worked out.

Sir, I oppose it.

THE HONOURABLE THE PRESIDENT : The original question was :

“ That Schedule III be a Schedule to the Bill. ”

Since which the following amendment has been moved :

“ That the following be substituted for Schedule III to the Bill, namely :

‘ PART I.

Rates of Income-tax.

In the case of every individual, Hindu undivided family, registered or unregistered firm or company and other association of individuals—

(1) When the total income is less than Rs. 2,000

Rate.
Nil.

[The President.]

	Rate.
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	Five pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000	Six pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000	Nine pies in the rupee.
(5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000	Ten pies in the rupee.
(6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	One anna and one pie in the rupee.
(7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	One anna and four pies in the rupee.
(8) When the total income is Rs. 40,000 or upwards	One anna and seven pies in the rupee.

PART II.

Rates of Super-tax.

In respect of the excess over fifty thousand rupees of total income—

I. (a) in the case of every Hindu undivided family—

- (i) in respect of the first twenty-five thousand rupees of the excess Nil.
- (ii) for every rupee of the next twenty-five thousand rupees of such excess One anna and one pie in the rupee.
- (b) in the case of every individual, registered or unregistered firm or company and other association of individuals, for every rupee of the first fifty thousand rupees of such excess One anna and one pie in the rupee.
- (c) in the case of every individual, Hindu undivided family, registered or unregistered firm or company and other association of individuals—
- (i) for every rupee of the second fifty thousand rupees of such excess One anna and seven pies in the rupee.
- (ii) for every rupee of the next fifty thousand rupees of such excess Two annas and one pie in the rupee.
- (iii) for every rupee of the next fifty thousand rupees of such excess Two annas and seven pies in the rupee.
- (iv) for every rupee of the next fifty thousand rupees of such excess Three annas and one pie in the rupee.
- (v) for every rupee of the next fifty thousand rupees of such excess Three annas and seven pies in the rupee.
- (vi) for every rupee of the next fifty thousand rupees of such excess Four annas and one pie in the rupee.
- (vii) for every rupee of the next fifty thousand rupees of such excess Four annas and seven pies in the rupee.
- (viii) for every rupee of the next fifty thousand rupees of such excess Five annas and one pie in the rupee.
- (ix) for every rupee of the next fifty thousand rupees of such excess Five annas and seven pies in the rupee.
- (x) for every rupee of the remainder of the excess Six annas and one pie in the rupee."

The question is that that amendment be made.

The motion was negatived.

THE HONOURABLE THE PRESIDENT : Is the Honourable Member moving his amendment ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, Sir. Sir, I rise to move the last amendment which stands in my name and which runs as follows :

“ That in Part II of Schedule III to the Bill, for entry No. (2) the following be substituted, namely :

- (2) (a) in the case of every Hindu undivided family—
- (i) In respect of the first twenty-five thousand rupees of the excess Nil.
- (ii) For every rupee of the next twenty-five thousand rupees of such excess One anna in the rupee.
- (b) In the case of every individual, unregistered firm and other association of individuals not being a registered firm or company, for every rupee of the first fifty thousand rupees of such excess One anna in the rupee.
- (c) In case of every individual, Hindu undivided family, unregistered firm and other associations of individuals not being a registered firm or company—
- (i) For every rupee of the second fifty thousand rupees of such excess 1½ annas in the rupee.
- (ii) For every rupee of the next fifty thousand rupees of such excess 2 annas in the rupee.
- (iii) For every rupee of the next fifty thousand rupees of such excess 2½ annas in the rupee.
- (iv) For every rupee of the next fifty thousand rupees of such excess 3 annas in the rupee.
- (v) For every rupee of the next fifty thousand rupees of such excess 3½ annas in the rupee.
- (vi) For every rupee of the next fifty thousand rupees of such excess 4 annas in the rupee.
- (vii) For every rupee of the next fifty thousand rupees of such excess 4½ annas in the rupee.
- (viii) For every rupee of the next fifty thousand rupees of such excess 5 annas in the rupee.
- (ix) For every rupee of the next fifty thousand rupees of such excess 5½ annas in the rupee.
- (x) For every rupee of the remainder of the excess 6 annas in the rupee’ .”

This proposal, Sir, relates only to the super-tax and is a matter of the sacrifice on the part of the Government of a paltry sum of only 14 lakhs. This affects the well-to-do classes of India who mostly are not in a way to bear further taxation. The bank rate is an index of the prosperity or poverty of the people, and the high bank rate at the present time, when no harvest is moving, clearly shows that there is a dearth of money and that even the people who pay super-tax are not in a position to find so much money for the trade and industry of the country as they hitherto used to do. These people are a source of strength to the Government and these are the people who can be relied upon in times of trouble or difficulty. I do not think, Sir, it is wise and proper to injure the feelings of these people by increasing their taxes every year. Some people will say that the rich must pay more than the poor, but the cost of living of these people should also be borne in mind. Rich people have to subscribe to many charities and to many public movements to which the other community does not subscribe to that extent.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : That is not correct. The others subscribe according to their might.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That might is not sufficient to keep many things going, and so I think my Honourable friend Mr. Natesan is not right in putting forward that argument.

THE HONOURABLE MR. G. A. NATESAN : Quite correct.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : He is right only so far that some do pay something but not all of them

THE HONOURABLE MR. G. A. NATESAN : They very often pay more inproportion than the rich do for charities. I know it myself. I have collected for public institutions, and the poor men, the middle class men, pay much more.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That may be his opinion, but with due deference to him, I differ. I, Sir, have always been under the impression that super-taxes are levied in times of emergencies. Super-tax on railway freight was also levied at a time of emergency but was withdrawn when that emergency was over. In this House, Sir, if my memory does not fail me, there have been assurances from the Government side that when the time comes, and if time permits

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN : It was imposed purely as a war measure.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : The super-tax which was imposed as a war measure will be withdrawn.

THE HONOURABLE SIR MANECKJI DADABHOY : It is a case of Government conscience.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It may be a case of Government conscience, but that conscience now requires to be awakened and I do that duty of awakening the Government in that respect. Government generally will never commit themselves to anything but it is only by inference that we can find out their mind, and the reading which I have given is probably correct. The rich people cannot be called rich now. My Honourable friend Sir Jahangir Coyajee will bear me out when I say that wealth is determined by the saving capacity and not by the amount of money that a man earns. A man who earns a lakh a year and spends over a lakh is poorer than a person who earns Rs. 200 a year and spends Rs. 180.

THE HONOURABLE MR. G. A. NATESAN : You will have to examine the items of his expenditure.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will he move a Resolution to the effect that an inquiry into that matter be instituted ? I think, Sir, that my proposal is a very modest one and it only brings down the rate of super-tax to the rates which were in force last year. I have not asked for any more reduction, because I reserve it for a time when the Budget

is balanced. Then I hope the Government will come forward to take away this super-tax which the people do not consider fair and square at all.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN : Sir, I rise to support my friend the Honourable Rai Bahadur Lala Ram Saran Das in this matter. It is a matter of great regret, Sir, that though it was distinctly said at the time when super-tax was imposed that it was only purely as a war measure and that as soon as we reverted to normal conditions it would be done away with, it is more than eight years now and nothing has been done in the matter of decreasing the super-tax. On the other hand we find that it is increasing every year, and especially this year one pie has been added to the super-tax and assessments are now made on income derived during a year and no allowance is permitted for any kind of expenditure or debit incurred by the assessee in respect of his assessable income, whereas in justice there ought to be adequate provision for the allowance of such expenditure and damages

5 P.M.

borne by the assessees. Practically the non-allowance of such expenditure is bound to cause an annual decrease in the assessee's income and it will ultimately result—not in the far distant future—in the assessee losing the position of a tax-payer. In the interests of the assessee therefore it is highly imperative that his net actual income should be assessed and the assessment should not be made on the valuation of his property, or his yearly rental income estimated and assessment made on a rental basis. I do not think it can be the intention of Government to impoverish and ruin the tax-payer. Income-tax Officers may kindly be instructed to base their assessment on real facts and figures of the assessee's income, well supported by their account books and not just according to their will and pleasure. Income-tax Officers are generally in the habit of making an exorbitant and unfair assessment because they think that will be a royal road to quick promotion. I hope the Honourable Member in charge of this Bill will see his way to accede to the request contained in the amendment, because it is a very modest request and I do not think it will involve the Government in very heavy loss. I do not think the request by my friend Mr. Ram Saran Das is unreasonable.

THE HONOURABLE SIR ARTHUR McWATTERS : Sir, I am sorry I am unable to accept this amendment, and my reasons for it are substantially the same as those which I gave just now in dealing with the question of income-tax. We consider that these proposals taken together form part of a balanced scheme of new taxation, and to cut one bit out, even though it is only 14 lakhs, does to some extent disturb the balance, and in this particular case even more so, because it will result in direct taxation falling upon one more or less limited class of assessees, the people of moderate incomes, exempting the people down below—which we intended to do—and exempting the people up above—which we did not intend to do. I think the proposals put up by Government are a good deal fairer than they would be if this amendment were accepted.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I ask, if my allegation that the income from fresh taxation is under-estimated turns out to be true, will you be pleased to refund this income-tax ?

THE HONOURABLE SIR ARTHUR McWATTERS : I can make no promises nor would I have the power to do that. There was one other point referred to, I think, by both the speakers and that is about the super-tax having been imposed merely as a war tax. I may say that my information is that it was

[Sir Arthur McWatters.]

from the first definitely made clear that the super-tax was not merely a war tax, so on that point my Honourable friend's information is inexact. This is the last amendment before us and I hope that the House will agree to reject it.

THE HONOURABLE THE PRESIDENT: The question is that that *amendment be made.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is :

“ That Schedule III be a Schedule to the Bill.”

The motion was adopted.

Schedule III was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

THE HONOURABLE SIR ARTHUR McWATTERS: Sir, I move that the Bill, as passed by the Legislative Assembly, be passed.

THE HONOURABLE SIR ARTHUR FROM (Bombay Chamber of Commerce): Sir, at this late hour I will not detain the Council more than a few minutes. I have refrained from speaking to-day during the consideration of this Bill because I spoke at some length when we had a general discussion on the Budget, and the views I expressed then I still hold to-day. One of the views I gave expression to then was about income-tax. I gave a warning about income-tax. Now my warning did not in any way emanate from any personal considerations, as some Members of this Council seem to think because whenever the word “ income-tax ” is mentioned my name is usually mentioned too,—they flatter me much more than I am entitled to—but it is the example we have of what has happened in my own country, in England. The income-tax there is oppressive. It places a great restriction on trade ; unemployment follows, and I have quoted this as a warning to the Finance Department here that they should not follow the example of Great Britain in the matter of income-tax. I am not suggesting that they emulated Great Britain's example to the full at present, but my warning is that they should take into consideration the state of affairs brought about in Great Britain by the oppressive taxation in that country at the present day.

There was another matter I mentioned when speaking on the general Budget discussion and that was the Company tax. So far as I recollect, the Honourable the Finance Member did not make any reply to what I said about the Company tax in my speech during the Budget discussion. We have an assurance that where the Company tax occurs twice, *i.e.*, double taxation, the matter will be looked into next year. For that we are very grateful, but I would like to remind the Finance Department that the Honourable Sir Basil Blackett on more occasions than one said he would see about doing away with the Company tax as soon as he was able to do so. Of course the remission of provincial contributions interfered a good deal with his plans in that respect. Company tax, I would remind the Honourable Members of this

* *Vide* page 559 of these proceedings.

House, is not a personal tax. It is a tax on trade, enterprise and development, and the sooner it is dropped the better. They had a similar sort of tax in England. It lasted for a very brief time, and I should like some assurance from the Honourable the Finance Secretary that this tax will not be lost sight of by his Department. By not lost sight of, I mean that it should be reduced or done away with at the earliest possible moment.

Now, before I sit down I should like to congratulate the Honourable Sir Arthur McWatters on the way he has piloted this Bill through the House to-day. Sir Arthur McWatters' ability as a debater is recognised by us all; in fact his quiet persuasive manner may, some time perhaps, lead my Honourable friend Sir Maneckji Dadabhoy to think that income-tax is not so bad after all. (Laughter). I congratulate him most heartily on the passing of this Bill, and in the passing of the Bill I would like to repeat what I said during the general discussion of the Budget, that I support the action of the Honourable the Finance Member in balancing the Budget. I think he was entirely right to balance his Budget this year.

THE HONOURABLE MR. SURPUT SING : Sir, the cant reception that has been accorded to my most reasonable requests made in the form of amendments to the Indian Finance Bill of 1930 impels me to oppose the Bill altogether at this stage. The duty on silver, I faintly believe, brings no relief to the Indian masses who have from long cried themselves hoarse over the silver policy of the Government. My idea is that the present duty has been introduced only with a view to lull for the time being the sore public feeling on the subject. Formed as the provision is without sufficient imagination, a good deal of loophole has been left for a lot of silver to flow in in other shapes. The duty on silver will afford little or no relief to the people unless and until the currency and exchange are so modified as to appeal to the interests of the Indian public.

The tax on such a necessary of life as salt has ever been considered an unpopular measure. It is true that people have cheerfully subjected themselves to this imposition from time to time, but that was just to enable the Government to tide over extreme financial difficulties. But the odiousness of this indirect taxation has ever been present. What the people find now to their great disappointment is that the tax once levied does not propose to go altogether; the rate is only sometimes increasing and sometimes decreasing. The time has now come when the iniquity of that taxation is being felt more than ever and people are found determined to have it scrapped wholesale.

The import duty on sugar may promise a little stimulus to the existing waning local industry but the relief has come too late. The grace of the relief afforded is gone. Besides the duty is calculated to fall heavily upon the helpless consumers. This duty if it was directed to a couple of other import commodities would have afforded real protection to a couple of local industries without prejudicing the interests of consumers.

The revision of Postage and Stamp rates has been fervently looked for by the people all these years after the Great War. While other countries so hard hit by the war are under popular pressure restoring their old rates, our Government still persists in the enhanced rates to the great displeasure of the people. The popularity of a cheap postage system has disappeared so far as our country is concerned, and poverty-stricken as the masses are, they fight shy of the increased rates as far as possible.

[Mr. Surput Sing.]

The present Income-tax and Super-tax scales hide a number of sins. Some of the rates are thought to be unfair and unjust. Some are on the face of them quite unjustifiable. In a period of abnormal trade depression and extreme financial stringency all over the country, the Government would have acted quite prudently if they had attempted some revision of the existing rates in order to bring home some amount of relief to small and poor undivided families and firms and companies with modest incomes. The absence of any such desire on the part of the Government has brought great odium and apathy on them.

There has been, I cannot help saying, extreme lack of imagination and initiative on the part of the financial adjusters of the Government in seeking ways and means to make up the apprehended deficiency of the coming year. None in the Indian Legislature, who is responsible in any way to his constituency, can for a moment approve of the methods sought to be adopted by the financial advisers of the Government to raise the revenue proposed to make up the deficit.

THE HONOURABLE THE PRESIDENT : The question is :

“ That the Bill further to amend the Sea Customs Act, 1878, to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, and further to amend the Indian Paper Currency Act, 1923, and the Indian Finance Act, 1926, as passed by the Legislative Assembly, be passed.

The motion was adopted.

VALEDICTORY SPEECHES IN CONNECTION WITH THE IMPENDING RETIREMENT OF THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH.

THE HONOURABLE THE PRESIDENT : Before I adjourn the House, I feel I must refer to one impending event that is of some moment to the Council. Before we meet again in all probability, our present Leader of the House, Sir Muhammad Habibullah, will have vacated the high office which he has held for over five years. He will also have vacated the seat in this House in which he has sat for some years. I mention this, because I think some Honourable Members of this House would like an opportunity to give expression to their feelings of admiration for Sir Muhammad Habibullah and to send him on his way with their good wishes. (Applause.) For my part—I am sure the House can testify fully to this fact—I can say that ever since Sir Muhammad came to this House as Leader there has been nothing but the closest co-operation, there has never been the slightest sign of friction between the Leader of the House on the one hand and the Chair on the other, and so far as I am aware never has there been anything but the most cordial relations between Sir Muhammad on the one side as Leader and the non-official section of the House on the other. (Applause.) I, on behalf of the Council, and on my own behalf, wish Sir Muhammad all happiness and prosperity in his retirement.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, on behalf of the non-official Members of this Council and on behalf of myself, I whole-heartedly associate myself with the

very pregnant remarks which have fallen from you, Sir. In Sir Muhammad Habibullah we have found during the last five years a Leader of rare ability, courage, tact, and sound judgment and he has shown always very great courtesy towards non-official Members of this House even when they have differed from him on most material questions. (Applause.) He has always been ready and willing to extend his advice to us on many important occasions when we sought his advice and resorted to him. He has worked in perfect harmony with the non-official Members of this Council. There has been, to my knowledge, no friction but constant co-operation, as you have remarked, Sir, between him and us. We have learnt to value his industry, his courtesy and his ability, and I can only say on behalf of my colleagues here that we shall very seriously miss him in this House.

THE HONOURABLE SIR EBRAHIM HAROON JAFFER (Bombay Presidency : Muhammadan) : Sir, I desire to associate myself and my colleagues whole-heartedly with the expression of regret just voiced by you. I can say without any hesitation that as the Leader of this House Sir Muhammad Habibullah conducted his duties most admirably. I may further say that his tact, judgment and vast experience have proved of immense help to this Council and to the Government. He has endeared himself to everyone of us and we shall certainly miss him very much. I am sure he will give the benefit of his vast experience of the internal administration of India to the country. If I enumerate all the services he has rendered to his motherland, including those in South Africa and as the first Indian Leader with the Indian Delegation to the League of Nations, it will take a very long time. I may only say this that the Mussalmans of the Bombay Presidency owe him a deep debt of gratitude, when, as the Education Member, he came from Simla down to Poona at a great personal sacrifice to open the 12th Session of the Bombay Presidency Muslim Educational Conference three years ago. His visit gave a great impetus to the Muslim education there. With these words, Sir, we bid him a cordial farewell and wish him long life, happiness and every prosperity in his retirement.

***THE HONOURABLE MR. G. A. NATESAN** (Madras : Nominated Non-Official) : Sir, I had no idea that this subject would be brought up to-day, and I feel specially thankful for the opportunity given to me to say a word of farewell to the Honourable Sir Muhammad Habibullah, the Leader of this House. Having had the privilege of enjoying his personal friendship for over a quarter of a century and having watched his career in all its aspects, I feel proud to say that it is a triumph, and a remarkable triumph, of the career of a self-made man. Offices have come to him unsought and I wish you, Sir, I, and several others were in a position to state that of many others. Upright in his private and in his public career, placing always the country and duty to his Sovereign as the foremost of his duties, I think he has earned the gratitude not only of several of us but of the Government which he has served so loyally and faithfully. More than anything else, having occupied the highest office open to an Indian in this country, having had the privilege of serving as an ambassador on behalf of our Government and performed, if I may say so, almost miracles in solving what was considered a most difficult and insoluble problem in South Africa, he has earned the thanks not only of this country but of vast numbers of my countrymen who are in South Africa and I may add of the British Empire as well. For whoever labours in the cause of promoting

*Speech not corrected by the Honourable Member.

[Mr. G. A. Natesan.]

cordiality, peace and goodwill between the two communities is rendering perhaps the greatest service at this time when we are passing through a critical and anxious period in British and Indian relations.

THE HONOURABLE SIB ARTHUR FROOM (Bombay Chamber of Commerce): Sir, on behalf of the non-official Europeans of this Council I should like to associate myself with the remarks which have just been made on the impending retirement of our Leader, Sir Muhammad Habibullah. At this late hour I am sure Sir Muhammad will excuse my not speaking at any length; we in the Council of State are not in strict training for an all-day sitting! In all our discussions in this Council and outside it we have always found Sir Muhammad most pleasant and courteous and of course it is not in any way his fault that he has not been able to give us more to do here. We shall miss him very greatly and I think I can say little more than that. I believe Sir Muhammad comes from the province of Madras. It is not a province I know very well. My small acquaintanceship with it leaves an impression that is rather warm with the exception of two or three most extraordinarily pleasant hill stations like Ootacamund, Kodaikanal and Coonoor. I do not know whether Sir Muhammad intends to retire to Madras, but if he does, whether he retires in the warmth of the plains or in the coolth of the hills, I feel sure that he will not sit down and do nothing for a very great length of time. We shall see him in some other great activities of life and whatever those activities may be we wish him the greatest success, good health and long life and prosperity.

*THE HONOURABLE SARDAR CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, I should like to associate myself with everything that has been said about the Honourable Sir Muhammad Habibullah. He has been Leader of this House for nearly five years and we have been profoundly impressed with the great tact and statesmanship he has displayed in the discharge of his duties, and I think I shall be voicing the feelings of all the non-official Members of this House when I say that we deeply appreciate the unflinching courtesy and consideration which Sir Muhammad has shown to one and all of us during all these five years. We shall miss him very much and I hope Sir Muhammad will come back to this Council as a non-official, and I am sure he will be welcomed by all. I wish him all good luck and happiness in the future.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Education, Health and Lands Member): Sir, at the fag end of an unusually long day I shall not add to the inconvenience and discomforts of my Honourable friends by detaining them for any length of time. I will merely say this much—it is difficult not to be moved by the feelings of goodwill and genuine appreciation of my humble services, to which reference has been made so profusely by those Honourable friends of mine who have spoken on this occasion. My embarrassment, Sir, is considerably enhanced when I reflect in my mind that this, alas! will be the last occasion when I shall have the honour and the privilege of being associated with colleagues who all the five years of my life here have been everything that a good friend can be.

I cannot at all claim for myself any of those rare virtues of leadership for which I have been given credit. I am aware of one truism. The success of a leader depends upon the nature of the team that he leads. Not only in this House but even outside on two other occasions, it has been my good fortune to be the leader of teams better than which human conception cannot imagine.

*Speech not corrected by the Honourable Member.

I have received uniform kindness and courtesy. May I venture to say that I have also received loyalty from my colleagues? They have shown to me a depth of kindness and consideration and affection which even gratitude cannot repay. I have always believed, Sir, during the 40 years of my public life, that for any little success that man may hope to achieve in the cause of his motherland he should raise the edifice of that hope on the strong and unshaken foundation of the goodwill of all the communities inhabiting this great land. During the last 40 years I have never experienced any difference of cordiality towards me either from my English friends or from my Hindu friends or from my Moslem friends. All have been equally good and equally kind to me, and if at all I occupy the place that I do to-day, I unhesitatingly assert and affirm that it was that goodwill which has seen me in this exalted position. I do not know how to repay that debt of gratitude which I owe to everyone. I shall be retiring, Sir, in the course of the next few days but I can assure my Honourable friends in this House and indeed everyone of my friends outside this House that I carry with me the conviction that, although I shall not have the good fortune to be associated with them in their future activities, I certainly carry with me that much cherished treasure, namely, their goodwill. I am not so sure in my mind, as some of my friends appear to be, whether I shall utilise my retirement in any other walk of life. My present intention is to enjoy what I call effective retirement. If, however, the demands of the country at any time are such that even a superannuated man like myself should pull himself out of his retirement and lend the weight of his experience to the solution of any problem which is immediately concerned with the advancement of his motherland, I can assure my friends that I shall not shirk my responsibility. The days ahead of us are indeed rather alarming. There are however hopes that my countrymen will take the fullest advantage of the opportunities that are now being offered to them and, realizing that they are the architects of the destinies of the India of the future, behave themselves in such a manner as to redound to the credit of their motherland. Sir, I feel I cannot speak more as I am now overpowered by feelings. Let me, before I resume my seat, again thank all the Honourable Members of this House for having given me the opportunity of conducting the Leadership of this House in a manner which they are so good to appreciate and which they have given public expression to on the floor of this House.

THE HONOURABLE THE PRESIDENT: There is, I understand, some reason to hope that before Monday's sitting is concluded in another place another Bill may have been passed with which the Council will have to deal, but in adjourning the Council till Tuesday I would ask Honourable Members to be ready, if necessary, to obey an urgent summons to attend a meeting earlier in case there is business to be dealt with earlier. On that understanding I adjourn the Council till Tuesday, the 1st of April, at 11 o'clock in the morning.

The Council then adjourned till Eleven of the Clock on Tuesday, the 1st April, 1930.
