

Friday, March 17, 1871

ABSTRACT OF THE PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWS AND REGULATIONS.

Jan to Mar

1871

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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 & 25 Vic., cap. 67.

The Council met at Government House on Friday, the 17th March 1871.

P R E S E N T :

His Excellency the Viceroy and Governor General of India, K. P., G. M. S. I.,
presiding.

His Honour the Lieutenant Governor of Bengal.

His Excellency the Commander-in-Chief, G. C. B., G. C. S. I.

The Hon'ble John Strachey.

The Hon'ble Sir Richard Temple, K. C. S. I.

The Hon'ble J. Fitzjames Stephen, Q. C.

The Hon'ble B. H. Ellis.

Major-General the Hon'ble H. W. Norman, C. B.

Colonel the Hon'ble R. Strachey, C. S. I.

The Hon'ble F. S. Chapman.

The Hon'ble J. R. Bullen Smith.

The Hon'ble F. R. Cockerell.

The Hon'ble J. F. D. Inglis.

The Hon'ble D. Cowie.

The Hon'ble W. Robinson, C. S. I.

BROACH TALUQDARS' RELIEF BILL.

The Hon'ble MR. CHAPMAN, in asking for leave to postpone the presentation of the report of the Select Committee on the Bill to relieve from incumbrances the estates of Taluqdárs in Broach, said he had only that morning received a communication from the Bombay Government which he wished to place before the Select Committee before they made their final report.

Leave was granted.

STEAMER SURVEY (RANGOON) BILL.

The Hon'ble MR. CHAPMAN also introduced the Bill to provide for the survey of steam vessels in the Port of Rangoon, and moved that it be referred

to a Select Committee with instructions to report in a week. He did not think it necessary to trouble the Council with any explanation in detail of the provisions of this Bill. The Bill was nothing more than the law at present in force under local legislation in Calcutta and Bombay, and would enable the Chief Commissioner of British Burma to have steam vessels surveyed in the same manner as was done at present in Calcutta and Bombay.

The Motion was put and agreed to.

INCOME TAX BILL.

The Hon'ble MR. STEPHEN asked His Excellency the President to suspend the Rule for the Conduct of Business which provided that a Bill must be in the hands of Hon'ble Members a fortnight before it could be introduced. He made this request in order that the Bill for imposing duties on income might be introduced. The Bill had been published in the *Gazette* for nearly a week.

The President declared the Rule suspended.

The Hon'ble SIR RICHARD TEMPLE introduced the Bill for imposing duties on income, and moved that it be referred to a Select Committee with instructions to report in a week. He said that although the Bill might have been a very few days in the hands of Hon'ble Members, still the most ample publication had been given to the Bill for some days past, and he believed, therefore, that the object and intention of the Rules of the Council had been given full effect to. On the 9th of this month he obtained leave to introduce this Bill, for the reasons which he then submitted at considerable length to the Council. When the Council gave leave to introduce this Bill, he presumed that they were, or at least a majority of them, satisfied that some such measure as he then recommended on behalf of the Government of India was necessary. On that assumption, he would not at the present moment at all attempt to recapitulate any of the grounds which he then brought forward. He would restrict himself at present simply to introducing the Bill, and would endeavour by a few brief remarks to shew that the Bill did really and truly carry out, as explained in his last exposition, what he presumed had the general approval of the Hon'ble Members present. He had said that the most important provisions of the Bill were those which related to the rate of assessment and the classes of incomes to be assessed. The present Income Tax Act (XVI of 1870) imposed a duty of $3\frac{1}{2}$ per cent., or six pies in the rupee, on all incomes of Rs. 500 and upwards. The new Bill imposed a rate of only $1\frac{1}{4}$ per cent., or two pies in the

rupee, and it would affect only incomes exceeding Rs. 750 per annum. He need not enlarge on either of those important provisions, as they were fully explained in his exposition.

Besides these, there were certain changes introduced in this Bill as compared with the existing law. There were eleven points in which these changes were proposed, to each of which he would, with His Excellency's permission, briefly refer.

If the Council would refer to the 13th section of the Bill, they would find that the Collector was empowered, on the present occasion, to require officers of companies and corporations to attend and produce accounts. The reason for this amendment had arisen in this way. The Council would recollect that companies and corporations were assessed on their published returns. In the case of individuals, where the Collector had doubts, he surcharged, notwithstanding that such charge might not be strictly in accordance with the returns before him; but in the case of companies and corporations, the Collector had nothing but the return to go upon; there was no provision for surcharging them.

That being the case, it became of great importance that the return should be strictly and correctly rendered according to the requirements of the law, and if the Collector had any doubt of the accuracy of the return, he might be able, by the examination of details and by the attendance of the Secretary or other responsible officer of the company who rendered the account, to satisfy himself of the correctness of the return. There were instances known of returns which were found not correct, notwithstanding the perfect *bonâ fides* of the person rendering them. Mistakes might be made from misapprehension, and instances had occurred of companies and corporations voluntarily amending mistakes which had occurred; and under these circumstances it was deemed of great importance that the Collector should have the power of examining the returning officer touching any points on which he might have doubts. This condition would be generally admitted to be reasonable.

The next point was this. If the Council would refer to the 15th and 16th sections of the Bill, they would find that the duty on Government securities must be deducted at the place where the interest was paid. The Council would see that the real object of this provision was to provide for the complete taxation of incomes derived from Government securities. It would be in the recollection of the Council that Mr. Wilson's Income Tax Act of 1860 did provide, in the same manner as now provided, for the taxing

of this class of incomes at its source, that is to say, at the places where interest was paid. When that Act expired, and Mr. Massey's License Tax and Certificate Tax Bills were passed, those taxes being merely taxes on trades and professions, it was not found necessary, and indeed it was not deemed proper, to make any strict provision for taxing incomes derived from the Funds. In 1869, when these two License Acts were followed by an Income Tax Act, the new Income Tax Act being intended to be a very light one, and using only the somewhat rough procedure of the License Tax, no specific provision was made with regard to incomes derived from the Funds. The same course was followed in the Income Tax Act of the present year, 1870-71. During this year we found, on full consideration, that this important class of incomes could not be properly taxed, unless some such provision as that which we now proposed was introduced. No doubt, returns being called for of all classes of income, it might be presumed that the persons from whom these returns were demanded would include incomes derived from the Funds, and in many cases the returns did include such income. Still, it was a known fact that, from some misapprehension or other cause, in many instances, incomes derived from the Funds were not included in the returns, and were therefore not brought under assessment. That was one reason for the introduction of the provision to which he was alluding. Another and more important reason was this, that without this provision it was impossible to tax incomes derived from what was known as enfaced paper. It was a common practice for parties in this country to send Home their Government promissory notes duly enfaced for payment of interest in London. Mr. Wilson's Income Tax Act specifically provided for the taxing of incomes derived from enfaced paper; consequently, when enfacement was made for the payment in London of interest on Government securities, there was a provision that such interest should be paid subject to the deduction of the income-tax. This condition ceased with the expiry of that Act, and all paper enfaced for the payment of interest in England was enfaced without this condition. In that way, several millions worth of Government securities were sent Home for the payment of interest there; for, of course, the practice of enfacing paper for the payment of interest in London continued during the period of the License and Certificate Tax Acts of 1867-68-69 and during the period of the two Income Tax Acts since passed. But early in the current year, when we saw that it would become absolutely necessary to tax incomes, we inserted, in all enfacements made in 1870-71, a condition that the interest should be liable to this deduction whenever the legislature might so direct. During the current year, some two or three millions worth of additional paper had been sent Home, and if the proposal now made were assented to by the Council, the whole of the interest on that amount of securities would be

bound by this condition; moreover, it had so happened that, in the course of trade and from other causes, most of the enfaced paper, or at least a great deal of it, found its way back to the country, and afterwards again returned to England. Of course, if it came back to us and had to be re-enfaced, we should be able to insert this condition. The amount at present thus held was very considerable. It was about seventeen millions sterling, and without the provision which it was proposed to insert in the Bill, incomes from that large amount of property would escape taxation. Considering that the object of the Bill was to tax all classes and all kinds of income alike in the most even and just manner, he was sure that the Council would approve of the justice of this provision.

The third point to which he would refer was this. The Council would see that, by the 22nd section of the Bill, the owners of lands or houses occupying the same would be chargeable, in respect of the annual value thereof, at the "rack-rent" at which such lands or houses were worth to be let for the year; and a definition of "rack-rent" was inserted in the Bill. The meaning of the provision was this, that if the proprietor of a house lived in his own house, the rack-rent of the house, that was to say the equitable market-rate at which the house might be expected to let, was to be considered just as much a part of his income as if he had let the house. That, he apprehended, was a perfectly just provision, and was one which was inserted in the first Income Tax Act. It was not specifically inserted in the Acts subsequently passed, but a condition to the very effect was inserted in the rules for the guidance of Collectors, which were passed by the Executive Government in accordance with the power given to the Government by those Acts. However, legal doubts had arisen as to whether it was competent to the Executive Government to insert such a condition in the rules, when no provision to that effect was contained in the Act under which those rules were made.

The fourth point was this. By section 23, the Council would find that the Collector would be bound to serve a notice, in the case of every person chargeable under the Act whose annual income or profits was, in the Collector's opinion, four thousand rupees or upwards. The question of calling for returns, as the Council knew, had always been a vexed one. The object of the Government in making this provision was that as few returns as possible should be required; indeed, that they should not be required at all, from all the smaller classes of tax-payers. But it was found that the assessment could not be made on the larger incomes unless on the basis of a return. The question then was, to what limit should the requiring of returns be restricted? The limit under the existing Act was two thousand rupees; that was however considered too low,

and might lead to more inquisition than was desirable. Considering that this was a provision solely to save trouble to the tax-payers, he was sanguine that the Council would approve of it.

The fifth point was this. Every person served with a notice would be required to return his income for the three years before the date of the notice, and state the period during which such income had accrued. To this point he might add the sixth, which was, that the assessment would be made, according to section 27, on the average of the income of the three years preceding, and such average would be computed upon the period during which the income had actually accrued. The meaning of that was, that every tax-payer of the higher classes should give in a return for three years, and the assessment would be made on the average of the three years preceding. This, perhaps, was of some importance in respect to assessment. The Council would recollect that, in the first Income Tax Act, the law was that every person liable to the payment of the tax was to render a return for the year preceding, and on that return the assessment was to be made; if the correctness of the return was doubted by the Collector, he might surcharge. It was felt to be rather an invidious task to surcharge at all. But if you did surcharge, you must surcharge on one year's return. That raised a certain amount of controversy between the Collector and the tax-payer; and in the existing law, we provided that the Collector was not bound to assess on the return of the preceding year, but he was to make an assessment on the datum of that return for the next year. The tax-payer was to make a return for the year preceding, and to state, as a matter of anticipation, whether he expected a large or a small income for the year to come. The Collector also was to make an estimate in anticipation, and it was presumed that the mean between these two would be about the income realized. He found that this provision, though milder than that contained in the first Act, also led to a good deal of regrettable controversy between the tax-gatherer and tax-payer. After full consideration, the course we proposed to adopt was this, that the return should embrace a period of three years, and that the assessment must be made, without any question of estimate or anticipation, on the returns so made. If the Collector had a doubt, he could surcharge on those returns; but still the assessment was to be made on the basis of those returns. **If these returns were made with anything like correctness, then it must be presumed that the average of the three years would represent the ordinary income of the succeeding year.**

The seventh point was this. In section 36, the Council would find that legal practitioners would be excluded from appearing in support of any petition

or appeal under this Act. It would be found that there was a similar provision in the Income Tax Act passed in 1860. It was found practically necessary for the good of our Native fellow-subjects that some such provision should be made. This was proposed without any derogation from the respect due to the legal profession. Generally, no doubt, in the presidency towns, the legal profession held a very high status in the public estimation, and no doubt the advice of such practitioners would be very valuable to tax-payers; but the fact was that, in the interior of the country, the Native branch of the profession notoriously did not hold the same status. There were many persons practising that profession who thought, not so much of their own reputation, as of getting their unfortunate clients into a position whereby their own remuneration might be increased; and it was found that, in many places, these gentlemen waited outside the Collector's doors, and without informing themselves of the facts of the case, advised the tax-payer to make an appeal. Of course, the appeal failed, and the tax-payer, who was sorry to have to pay the tax, was still more so to have to pay also for professional advice. The provisions of the law being extremely simple, it was thought better to interdict the employment of the legal profession. He was confident that a good deal of trouble would be saved, not only to Europeans, but to our Native fellow-subjects, and that no injustice would ensue from this prohibition.

The eighth point was this. Section 37 provided that payment of the tax would be permissible in two, instead of four, instalments. The quarterly payment condition was inserted in the existing law for this reason, that the rate of the tax was somewhat high, and it was supposed that the tax-payers would find relief in paying the tax by quarterly instalments. But now that we proposed to reduce the rate of taxation so much, we believed that quarterly instalments would be no longer necessary; and it was thought that it would quite suffice for the convenience of the tax-payer that he should now pay half-yearly.

Point nine was this. The Council would find that, by section 39, all sums due under the Act would be recoverable as if they were arrears of land-revenue. The meaning of that provision was this. The existing law provided that, if the tax-payer defaulted, the agency of the Police and Magistrates—in fact, the Criminal Procedure to some extent—should be employed. That did appear a rather severe and summary proceeding; and, perhaps, that derogatory mode of enforcing the payment of the tax, which was nothing more than a civil obligation, was not very considerate to the tax-payers. It was not thought desirable that such apparent severity should be employed. It was considered that the provisions for the recovery of the land-revenue, which were most appropriate

and best understood throughout the country, both in the presidency towns and in the interior, were quite sufficient for the purpose, and more considerate.

Point ten was in allusion to section 40 of the Bill, from which the Council would perceive that powers were given to amend the assessment when a person assessed proved that his income had diminished, or that he had given up his business, or when it is proved that he had died or become insolvent. There was no reason why an assessment once made should not be reduced during the currency of the year. Of course, as a general rule, it was of great importance that an assessment, once finally made, should not be subject to revision. If it were not so, it would give rise to doubts and possible misapprehensions. Nevertheless, cases did arise, which would readily suggest themselves to the Council, in which the tax-payer, having been assessed at the beginning of the year, either changed his employment or profession, or went home, or made some other modification in his arrangements, which made him not fairly chargeable with the tax at which he was assessed. A merchant in great business at the beginning of the year, after being assessed, might find it necessary to retire in the course of that year; and it was considered unfair that he should pay a high income-tax for the second half of the year when he had given up business. A case had occurred lately, in which a barrister of great talents, had at the commencement of the year, accepted a seat on the bench. Although that change added to his dignity in office, it would have the effect of very much reducing his income; and it was considered fair that, during his continuance on the Bench, he should not pay so high as when he was in practice at the Bar. And many other cases might occur, which would show the Council how just it was that there should be some provision to meet such cases.

The eleventh and last point was, that the Board of Revenue of Calcutta had furnished us with various valuable criticisms on the details of the Bill; all of which he proposed should be submitted to the Select Committee for their consideration. One important point which the Board raised was about the mode of taxing that peculiar institution called the "joint undivided Hindú family." Those acquainted with the presidency towns would know that such cases had given rise to many intricate questions, which we had not overlooked; but on a full consideration and the equity of the case, we had not proposed any change. If the Board could show any special causes for reconsidering this point, we should be happy to reconsider it in Committee.

There was one more point he had omitted to mention, and it was this, that all orders made under the Act would be final, and that the proceedings of the Collector or Commissioner would not be removeable to, or subject to the

revision of, any Court. This was a provision he need not enlarge upon very much. There were ample tribunals of different grades provided in the Revenue Department in matters of appeal, and it did not seem necessary there should be any further questions raised before the judicial tribunals.

These were all the remarks he proposed to make; and he would not trouble His Excellency and the Council with any further observations, but proceed to introduce the Bill.

The Hon'ble Mr. ROBINSON was emboldened by His Excellency's known willingness that the financial policy of the Government of India should undergo frank discussion at this time, to express an opinion on the Bill now submitted to this Council, although that opinion was adverse to its policy.

At the same time, he felt that it might appear presumptuous for a country-cousin like himself to venture to offer remarks on the aggregates of the many budgets of receipts and disbursements for the entire empire, which were of course shown without the details upon which they were based.

But he dared not deny that the impression produced upon his mind by a study of what had been so ably submitted to this Council was that, on the one side, the estimate of revenues for the coming year was pitched unduly low, at a time when the prosperous condition of the country, and the efficiency of the administration, might safely justify a bolder and richer estimate of income; while, on the other side, an increase of charges seemed to indicate undue relaxation of that wholesome economy which had done such credit to the present administration of the finances of India. On the whole, he fully thought that the ostensible budget-deficit of £500,000 might safely be treated as in a great measure unreal, and that it would disappear under a fairer estimate of income and persistent economy in expenditure. And he need scarcely add that, with its disappearance, an imaginary plea for continuing the income-tax, by which it was proposed to meet it, was silenced.

Mr. ROBINSON observed that the estimate of Land Revenue for 1871-72 was taken at £300,000 below the actuals of 1869-70. This might be the aggregate of the local budgets for the year; but, conscious as he was of the exceeding caution with which those estimates were framed by local officers, and observant as he had been of the steady and certain advance of this important source of revenue, by extended cultivation and enhanced settlements, he felt that we might confidently invite the Government of India to accept a higher estimate of Land Revenue for the budget under review. Undue caution,

probably, characterised the local budget-estimates of all parts of the empire, and caused needless moderation in the general estimate of income; indeed, the regular estimate for the current year exceeded the budget-estimate by £100,000.

Be this as it might, he felt certain that the steady development of this source of revenue, and the progressive enhancements of the old demands, now in course under new settlements, fully justified confidence that the Land Revenue of 1871-72 would not fall short of the actuals of 1869-70; and that £200,000, if not £300,000, might safely be added to the Income side of the present budget on this account.

Under the head of Excise on Spirits, the actuals of 1869-70 were £2,255,000. The revenue from this source in the current year would not fall short of £2,358,000, being an advance of more than £100,000. There was certainly no obvious ground for anticipating, as was done in the budget-estimate before us, an actual falling off in this important and steadily advancing head of revenue throughout the empire.

The same remark applied to the Customs. The actuals of 1869-70 showed an income of £2,430,000 from this source. The revenues of *this* year of great commercial depression, which was just closing, would amount to £2,558,000, being an advance of nearly £130,000. He thought that, with every probability of a reaction in favour of trade, consequent on a restored peace, it was wrong to assume an absolutely stationary condition of the Customs Revenues, and that the estimates might well and safely provide a liberal increase under this head. A like advance in the year before us would add £130,000 to its income.

He thought that Salt would not fail for a better out-turn than was estimated. And he hoped that the Stamp-law and Court Fees' Act would operate more remuneratively than was anticipated in this budget.

Receipts from Public Works Ordinary were set down in the budget before us at £60,000 below the actuals of 1869-70; and the Irrigation revenues at £40,000 to the bad, when compared with the same standard.

On the whole, he thought that the estimate of Income was too low, and he considered that a moderate, but perfectly justifiable, addition thereto would at once remove any illusory deficit; and with it should efface the blot which the suggested retention of the income-tax in any form put on the financial proposals for the year.

Again, the Expenditure side of the Imperial Accounts showed, he thought,

4. Land Revenue	...	£ 120,500
5. Forest	...	65,100
6. Excise	...	21,400
8. Customs	...	8,400
9. Salt	...	46,200
10. Opium	...	37,900
11. Stamps and Stationery	...	11,600
15. Administration	...	74,200
16. Minor Departments...	...	16,700
19. Ecclesiastical	...	11,200
		£ 413,200

just cause for regret. We had a long array of items of increased charge (as compared with the regular estimate of the current year of jealous economy), in respect to a variety of services, amounting on the whole to £413,000. So far as these additional charges had been explained to us, they were sought to be justified as being anticipatory of an increased revenue under the various

heads. For this response he had, as stated before, searched, in some respects, in vain on the Income side.

Some of these increased charges, he doubted not, would be found susceptible of moderate diminution in any case; and others should clearly be required to stand over, until equilibrium was restored by other means than by continuing the income-tax, even in a modified form.

Further adjustments might clearly be made by slightly reducing the grant for Public Works Ordinary; and projects which had already stood over long might well await an equilibrium derived from ordinary sources of revenue, unless the Government of India were willing to adopt, as they safely might, a better budget of income.

On the whole, a deep conviction had been created in his mind by the examination of the budget, that if the Hon'ble Finance Member were earnestly desirous to relieve the people from this, to them very offensive and inquisitorial, tax, he might on this occasion enable the Government of India to do so with perfect safety, and without in any way endangering the financial equilibrium, or unreasonably impairing the efficiency of the State services. And we might, Mr. ROBINSON thought, confidently invite the Government of India boldly and generously to undertake the financial administration of this year on the abundant and prosperous income which the country would assuredly render, without resorting to a tax, which the embittered feelings of the people and the, to them, costly administrative changes which had been inaugurated during the year, had made it both necessary and possible to abandon.

Mr. ROBINSON would not trouble this Council with general observations on the subject of an income-tax *per se* as a means of raising imperial revenue. It was unsuited in the main to the conditions of India. It was, in the form presented to us, a purely English source of taxation, and it certainly

suited a country where there was no land-tax, as in India; a country which was increasingly becoming an *entrepot* of commerce and manufacture, where the bulk of the population was ceasing to be agricultural, and where capital was mostly employed in other industries. For in England—

“in the course of one generation, the proportion of the population employed in agriculture had diminished from one-third to one-tenth. In 1831, it was twenty-eight per cent; in 1861, ten per cent—”

and the census of 1871 would probably disclose a still more surprising condition of industry and capital. In England, then, this tax was generally equitable and clearly in its place. And he would willingly see it continued in those towns of this country where anything like similar conditions prevailed.

But we had no instance of the successful application of an income-tax of this kind to a poor agricultural country like India, where every condition of taxation and of society, property and capital, was absolutely reversed. He was perfectly satisfied that this form of taxation was eminently unsuited to, and absolutely unfair in this land of small peasant farmers and moderate proprietors; where agriculture was almost the only important industry and employed eighty per cent. of an indigent population; and where, probably, nearly one-half of the average profits of *all* agricultural toil, industry and capital was already swept away by crushing taxation, to pay Military charges and the interest on old War Loans, and for the costly administration of the most expensive nation in the world. An income-tax was, he thought, utterly out of place, and inequitable, amongst an agricultural population already placed relatively at great disadvantage as respects taxation. And the inequitableness of this additional tax on their profits was, at this moment, enhanced by the fact that it operated in further diminution of agricultural profits, at a time when these were already in course of serious additional narrowing under the revised settlements which were being carried out throughout the length and breadth of the land, and were likely to diminish seriously the value of all landed property as an investment and a means of livelihood.

The Government of India had before them papers from Madras which showed how utterly impossible it was to assess equitably landed incomes in this country—and in almost every income-tax assessment the land question was involved—without disturbing, far and wide, existing conditions, exciting deep agrarian discontent, and causing much confusion, oppression and corruption. The “rack-rent” of landed property could not be ascertained without inquisitorial measures, and a departure from the existing system of land administration,

which would cause serious dissatisfaction. In short, he considered that the levy of an income-tax on *agricultural* interests, as they now presented themselves in India, was impolitic and inequitable, and now, he believed, happily needless.

With respect to the monied interests of this country, a plea for levying an income-tax, were it necessary, was certainly more valid. He would willingly see the income-tax continued in the presidency towns and in some large cities in the Gangetic valley, and at the *entrepôts* of the cotton trade in Bombay. But as respects the vast number of Native saocárs and money-lenders who came under its operation in agricultural parts of the country, he thought that the money which was in their hands was practically agricultural capital in another form. The Native bankers it was, who, in a great measure, enabled agriculture to go on at all, and to be extended. They supplied the needy cultivators with the capital which they required and provided them with what their landlords failed to give them. They brought the crops into advantageous markets; and, lastly, they furnished in a great measure the means for the punctual realisation by Government of the periodical instalments of the land-revenue. Much, and very often most thoughtlessly, as this class of men was abused, none more deserved consideration and liberality at the hands of the State. And they might well be excused special taxation, save for provincial purposes, more especially as it was now unnecessary.

As before said, there were classes of capitalists, manufacturers, merchants, bankers and dealers in the presidency towns and in a few up-country cities, as well as some well-paid officials and salaried servants, whom he would like to see reached by an income-tax, even at a heavier rate than that proposed. But he was aware that the line could not be drawn; and rather than involve the far vaster, and now heavily taxed, agricultural interests in this vexatious and needless supplemental measure of taxation, or tax agricultural capital, he would concede immunity to these very limited classes, and leave them also to the mercies of the provincial tax gatherer, whose exertions would, in South India at least, relieve the State Fise of all further burdens for Police, Jails, Education, and other important branches of costly administration.

He need scarcely add that the *modus operandi* of this measure of taxation furnished another most serious objection to its needless continuance. In England, there was some morality amongst income-tax assessors and assesses, feeble as this instinct was, even there, amongst the latter. In this country, he was sorry to say that, almost universally, only the worst instincts were roused and exercised on both sides under the operation of this measure. Any

one practically acquainted with the working of the income-tax knew that the whole thing, from one end of the country to the other, was an unseemly and demoralising wrangle between the lower orders of Government officials and the people of *all* classes—for, from interested motives, the challenge was carried far below the classes intended to be taxed, and exemption-fees were levied by threats far and wide—a wrangle in which the superior orders of Government officials rarely found that they could act as umpires equitably or to their own satisfaction. Bewildering inability to reach the truth, unfair challenge and surcharge, and too often oppression, partiality and corruption, on the one side, were met by disingenuousness and cringing, and too often by lying and bribery, on the other. He was perfectly satisfied it was not worth the while of an honorable Government, which was deeply interested in the moral well-being of this people, and in the integrity of their public services, to endeavour to recoup a more or less illusory adverse balance of £500,000, in a generous revenue of fifty millions, at that price, in the demoralisation of their subordinate public servants and ill-will amongst the people, which was now most unquestionably being paid, in levying the income-tax as was now done and must continue under the policy of this Bill. The Hon'ble Sir Richard Temple promised a revival of virtue from his moderation, and from slightly narrowing the apparent field for oppression and corruption, by the higher standard of incomes which he proposed to tax. MR. ROBINSON could only assure him that such virtuous dreams could not be realised in this country, when his fiscal measures gave such scope for ill-doing, alike amongst assessors and assessees.

On this score, if on no other, MR. ROBINSON would most earnestly deprecate a needless continuance of this tax. Its main practical evils lay, not in the rate charged, but in the absence, on all sides, of qualities for which we must search in vain for the present in this country. To keep up the tax at a smaller rate was merely to maintain all its evils for the sake of a greatly diminished return. To continue the impost that the hands of the establishments might not lose their cunning, was to prolong all this wrong and evil under a bitter and hopeless menace as respects the future.

But it was chiefly on account of the great development which provincial taxation had attained of late years, and of the increased local burdens which had recently been enjoined on the Local Governments by the late measures of the Government of India, that MR. ROBINSON would ask the Government of India to give brilliancy to the wise administrative policy now inaugurated, and to lighten the fiscal sorrows of the people by a *generous* renunciation of this futile and vexatious impost.

He must not be misunderstood as disapproving, either of liberal provincial taxation, or of the administrative changes, which, he trusted, were merely the beginnings of more complete adjustments under stringent central control. The reverse was the fact. But he thought that this feature of change to which he alluded scarcely attracted the attention which it deserved as a whole. The number of Bills about to be brought before this Council for increasing the taxation of populations in respect of whom they legislated, should, however, suffice to awaken some interest, if not apprehension, in our minds as to what was before the country, and, he hoped, excite our sympathies.

MR. ROBINSON need scarcely say that the Resolution of December last was not a *financial adjustment* as between the State and the taxpayers under the various administrations of the country; for we could scarcely view, as such, a Resolution by which certain services were transferred to local management, with grants which were—for instance, in the Presidency of Madras, £55,000 less than these services were costing during the current year—a cost in itself inadequate for the purposes. It was *no* financial adjustment which assigned about a hundred thousand pounds for the future education of 28 millions, who contributed a steadily increasing revenue of eight millions sterling to the imperial Fisc. The Resolution did confer very anxious liberties on local administrations, but it encouraged additional taxation for the people, which, unless it were jealously controlled, they would find it hard enough to bear with equanimity.

MR. ROBINSON hoped that other members would lay before this Council the conditions of the provinces with which they were respectively acquainted, as regards their provincial taxation, more especially of agricultural parts. He ventured, even at the hazard of occupying more of the Council's time, to state in some detail that of the Madras Presidency. He must again add that he did so in no spirit of cavil or wish to exaggerate.

The existing provincial taxation of Madras might, for practical purposes, be described as in the main comprised under three local Acts and their recent modifications—omitting for the present the presidency town, where between £66,000 and £70,000 were raised for municipal purposes.

The new Bills had not reached Calcutta in their final shape, and he spoke therefore under correction.

These enactments were—

- I.—The Village Service Cess Act of 1864;
- II.—The Rural Municipal Townships Act of 1865; and
- III.—The Road Cess Act, 1866.

There might be other minor taxing enactments; but he refrained from troubling the Council by describing them and their effects.

The village service cess consisted of a rate of one anna per rupee of the land-revenue demand, or an additional taxation of six and a quarter per cent. on all the ryotwari cultivation of the country. The measure was about to be extended to zamindari tracts, and would then involve a demand of, more or less, £400,000 a year for the entire Presidency. There were, however, some sets-off by resumed tax-free land, &c., which he ventured to hope might operate to reduce the entire prospective burden to £300,000 a year or thereabout. In theory, this tax was imposed in lieu of the grain-fees, &c., which were, in parts, leviable in early times by the village servants, for services rendered to the State and the community. But as these small and nearly obsolete grain contributions, if they ever were fully realised, fell very far short of the demand as above stated, the tax was, for all practical purposes, in a great measure, a new burden on the agricultural community throughout the Presidency. The services performed by the village establishments, who were now to be paid by the rate-payers, were in the main State services, connected with the realisation of the revenue and administration of justice.

The new Act was being gradually extended to each district, as the revised revenue settlements were introduced and local arrangements for the charge were completed. The tax had already been introduced into several districts at a cost, last year, of £40,000 to £50,000 (if his recollection served him right). During the year to which the budget before the Council referred, it would be extended to several others, with an enhancement of taxation which might possibly reach £70,000 to £80,000. As all districts became involved in the measure, the full charge would fall little short of £300,000, and shortly this sum would be reached. The Income Tax Bill would subject much of this landed property to additional rates.

The next measure in point of time was the Rural Townships' Improvements Act of 1865. It had been extended to forty-four provincial townships, and he found that the nett collection (less Government contribution) in 1868-69 was upwards of £80,000. During the past and current years, this sum had doubtless been considerably exceeded, and possibly the whole taxation was now nearer £90,000 to £100,000.

The Council were aware that, during the last few weeks, this enactment had been revised, with a view, he understood, to increased taxation during the year on which we were about to enter. Under these provisions, and with more stringent management, he believed £120,000 to £130,000 would rapidly

be reached, and would introduce a large margin of increased taxation, although the Madras Government had relieved the Municipalities of their contribution to the cost of the Police of their respective towns. Other small rural townships would shortly be involved in these measures of municipal management and taxation; and would eventually swell the provincial town rates to something like £150,000 to £160,000, with an upward tendency. It need scarcely be observed that the Income Tax Bill subjected towns' house property and other industries to a further demand.

The last measure of provincial taxation with which he would trouble the Council was the Road Cess Act of 1866. This enactment had been in operation throughout the Presidency five years; and the income raised under it, by a rate on all land of six pie per each rupee of land-revenue demand, now amounted annually to upwards of £200,000.

The Council were aware that, within the last few weeks, important alterations and enhancements of rural burdens had been introduced on the basis of this enactment, under the name of the Local Funds Bill. These included an increased rate of one anna (instead of six pie) per rupee of the land-revenue demand; and a universal system of tolls; taxes on trades and callings, and a house-tax had also been established. The amount which would be raised by the double tax on land, during the year before us, would be fully £400,000.

The introduction of an universal system of tolls, doubtful as its expediency would appear to some, had been found indispensable to meet the maintenance or working expenses of rate-made roads. But it was not easy to estimate accurately what might be the further burthen thus laid on the rural population who used their rate-made roads, and on trade in general. He observed, however, that the tolls levied at the entrance of forty-four up-country municipal towns amounted to upwards of £30,000, and that, in one district alone, bridge tolls, &c., realised about £4,000. He thought, therefore, that a moderate estimate for the year before us would be £40,000 to £50,000, from tolls on rural roads and ferries, with a steady upward tendency.

The tax on trades and callings would certainly eventually yield from £35,000 to £40,000.

The tax on houses, which was, he understood, to be extended as education was provided, would prove, he thought, very productive. Twenty-eight millions of inhabitants resided in 5,800,000 houses, and the schedule appended to the Act provided, he believed, a house-tax varying from five rupees to four

annas a house. It therefore provided a minimum rate which might safely be applied to the hut of the ordinary cultivator, and probably exemptions from taxation would be few. But, anxious to avoid all appearance of exaggerating the burdens imposed by the recent legislation, he would assume that only $4\frac{1}{2}$ millions of the 5,800,000 houses would be taxed, at an average of eight annas each all round. The proceeds of the rate would amount to £225,000. He believed that, what the people would gradually be brought to bear under this source of taxation, would prove more than double this amount. The income-tax would of course reach a certain amount of the landed and residential property and professional industries already rated to these provincial purposes.

<p>Thus, we had the fact that, at a moderate estimate, provincial taxation to the amount of about a million and a quarter sterling, more or less, had recently been legalized against the rural populations of one Presidency, and that possibly little less than £300,000 would be added to that provincial taxation during the year which was before us; sanctioned, as he believed, by the local legislatures mainly in the confidence that the income-tax would, <i>if it could possibly be dispensed with</i>, be abolished. He believed that this possibility was now before us and should be availed of.</p>	<table border="0"> <tr> <td style="padding-right: 10px;">Village Service Cess ...</td> <td style="text-align: right;">£ 300,000</td> </tr> <tr> <td>Rural Township Improvement ...</td> <td style="text-align: right;">150,000</td> </tr> <tr> <td>Local Funds.</td> <td style="text-align: right;">£</td> </tr> <tr> <td>Lands-rate ...</td> <td style="text-align: right;">400,000</td> </tr> <tr> <td>Tolls ...</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Trades and Callings...</td> <td style="text-align: right;">35,000</td> </tr> <tr> <td>House Tax ...</td> <td style="text-align: right;">225,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">710,000</td> </tr> <tr> <td>Total ...</td> <td style="text-align: right;">£ 1,160,000</td> </tr> <tr> <td>Add Madras Town Rates</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">£ 1,220,000</td> </tr> </table>	Village Service Cess ...	£ 300,000	Rural Township Improvement ...	150,000	Local Funds.	£	Lands-rate ...	400,000	Tolls ...	50,000	Trades and Callings...	35,000	House Tax ...	225,000		710,000	Total ...	£ 1,160,000	Add Madras Town Rates	60,000		£ 1,220,000
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Add to these causes of popular anxiety, that, under the Forest Rules, seignorage was paid for wood hitherto had gratis; that communal and grazing privileges were being narrowed; that fisheries, hitherto open to all, were being subjected to useful, but still irksome, leases; that other cesses for the maintenance of minor irrigation works, &c., were under serious contemplation; that the Salt Tax was largely added to last year; that new revenue surveys and settlements were steadily creeping over the land, and were now likely to add very seriously to the temporary and permanent burdens of an already heavily-taxed rural population; and he thought he had shown cause to hesitate anxiously about bootlessly keeping up the vexation and irritation which were caused, throughout the length and breadth of the land, by this comparatively unproductive, unsuitable and unsuccessful source of imperial revenue.

Mr. ROBINSON believed that when, with reference to the effect of multiplied taxation, the experienced Advocate General of Madras recently used before the local legislature, without provoking contradiction, the words—"There exists

at this moment a sullen feeling of discontent amongst Natives from one end of the Empire to the other. Its signs and evidences are so clear that he who runs may read—" and gave utterance to other sentiments couched in still stronger language, and well worthy of the consideration of those who were responsible for the contentment of this country, he stated but the naked truth in respect to the rural populations of South India, and endorsed, from the result of his own experience and ripe observation, an opinion which was shared in by the majority of the district officers throughout the country, and, MR. ROBINSON ventured to add, by himself.

The rural populations were in a state of bewilderment, doubt and uncertainty. And he would venture most earnestly to urge the Government of India to take off their hand when, he believed, they might well and safely do so; and to minister to those people that comfort and assurance which the generous remission of this inquisitorial and vexatious impost would afford, at a time when these drastic measures of provincial taxation were being enforced by local administrations, in part under the special urgency of financial and administrative measures which emanated from the Government of India.

This was, he felt assured, expected at their hand by the people. For, although it might not be easy to point out any very recent pledge, in words, to abolish this tax, no ingenuous man would, he thought, deny that a non-eradicable belief and assurance pervaded all classes in this country, that the Government of India stood pledged to treat the income-tax as an impost to be resorted to only under great State necessity, and to be faithfully removed the moment that unavoidable need passed away. He himself thought that this sanguine popular trust was justified by the action of the Government of India from first to last. He believed, too, that the time had come for meeting frankly this expectation, and that the action of local legislatures and administrations was adding earnest cogency to the claim for a generous policy at the hands of the Government of India.

This graceful concession would be joyfully and gratefully welcomed by our Native fellow-subjects throughout the length and breadth of the land. But he thought that popular discouragement and disappointment would be deep and great indeed, if, instead of meeting this honestly entertained expectation when it might be done, they learned that this tax—which was so much and reasonably disliked by them—was sought to be made permanent, and was likely to be held in reserve to be inflicted with severer stringency whenever want of economy or other cause, furnished the plea of a small ostensible deficit for its

enforcement, in addition to the steadily increasing provincial taxation to which they were subjected with the concurrence of the Government of India.

He was aware that, under what he considered a very peculiar bias, or from want of means of observation, it was alleged in some quarters that the hostility which was declared against this impost was unreal, or had been provoked by the interested clamour of the European community; while the people did not resent the tax, or at worst were apathetic about it. He sincerely believed that this opinion was incorrect, and, where entertained, was unjust to the intelligent European community. These had always supported the Government cordially when its need was real and obvious; and would do so still. But they had recently resented financial and political blundering, with a justice of which the financial statement before us was the most conclusive proof. But the vast body of observant and thoughtful men throughout the country had testified earnestly, that this impost had produced a state of feeling amongst the Native community such as had been evoked by no other measure of which we had had any experience.

The inference which the Hon'ble Sir Richard Temple had sought to draw from the alleged absence of official complaints was, he thought, unbecoming.

In fine, he would ask the Government of India to abandon this project of law, because he believed the ostensible deficit was more or less unreal; because, with persistent economy, all State services might be met from the other prosperous sources of revenue; because the income-tax was unsuited to most of the conditions of property in this country, and was inequitable as a general tax; because its enforcement was demoralising and oppressive; because it was utterly unpopular and offensive; and because the progress of provincial taxation was assuming very serious dimensions, and practically removed any plea or necessity for applying this measure.

The Hon'ble MR. COWIE said that, in listening to the Hon'ble Member's Financial Statement last week, it was matter of deep regret to him to find that, in the twelve months which had elapsed since we last discussed this vexed question of an income-tax, Sir Richard Temple had been quite unable to find any substitute for it. To avoid a deficit, or to ensure a surplus, the Finance Minister could apparently suggest nothing but the retention of a certain percentage—he might say a very vulgar fraction—of a tax which millions had pronounced, with curses not loud but deep, oppressive and odious, to which he added vague guesses at the result of an opium crop. On these two items, apparently, hung his financial measures for the year.

Now, MR. COWIE's earnest wish would have been to see the income-tax swept away altogether, but at this late point of the financial year, he could hardly hope for that concession. He maintained, however, that if it was still imposed, the Government were bound to remove the export-duty on rice, a duty which nothing but financial difficulties ever sanctioned. MR. COWIE imagined the Hon'ble Member would have an orthodox horror of coming before the public with an estimated small deficit not provided for, but what would that be, contrasted with a budget which actual results shewed to have been £744,000 under-estimated.

Believing it was hopeless to expect to see the income-tax finally buried this year, he confined himself to desiring the withdrawal of two of its most objectionable features.

He had given formal notice, last Monday, of two amendments; one to restrict the minimum for taxation to Rs. 83-5-4 per mensem, or Rs. 1,000 per annum, and the other to limit the operation of the Act to the 31st March 1872; and considering these to be questions more of principle than of detail, he wished them placed before the Council prior to the Bill being sent to a Select Committee. The learned Secretary to the Council informed him that this would be opposed to our Rules for the Conduct of Business; but MR. COWIE might remind the Council that, by the 40th and last rule, the President had the power of suspending any of the rules, and if that power were now exercised, we might have the opportunity of discussing and voting upon these two questions today.

With regard to his first suggested amendment, he would record his belief that instances of vexatious oppression endured by the poorer class of taxpayers were very much more numerous than the Hon'ble Member, in his exposition of Thursday last, seemed disposed to admit; and the raising of the limit of taxation appeared to MR. COWIE the short and simple method of lessening that oppression, leaving the tax to be borne by those who were best able to wage war with its iniquities.

His second amendment was induced by a conviction that a Bill unlimited in point of time was a tacit notice to the public that Government proposed to make the tax permanent, and in the case of an income-tax, he earnestly protested against that view in the name of the common sense of the people of India. It was essentially a tax for an emergency, and not for time of peace. One other feature of the Hon'ble Member's statement MR. COWIE would desire to notice, and with anything but approba-

tion. He referred to the enormous cash balances, which had now reached the unprecedented sum of sixteen millions. Two years ago, in this Council Chamber, Mr. COWIE suggested that the use of railways and telegraphs ought materially to economize the use of the State cash-balances, a safe average for which was usually reckoned at ten millions. They had ever since gone on increasing. Surely, to hold sixteen millions utterly unproductive, when you were paying interest to fundholders on eighty or ninety millions, was very questionable financing. Was it no presumptive evidence that you had borrowed too largely, taxed too heavily, or spent too little, and would not both fundholder and taxpayer laugh to scorn the last assumption of the three? Mr. COWIE would now respectfully ask His Excellency to make such suspension of the rules as might admit of his two amendments, notice of which was duly lodged with the Secretary four days ago, being open to discussion and division today, so that the Bill before them might go to the Select Committee shorn of two of its most objectionable features.

The Hon'ble Mr. INGLIS would vote against the introduction of this Bill. He did so because his experience of the working of the income-tax during the year it had been in force in India convinced him that it was a tax altogether unsuited to the people of this country, and because he knew that its imposition was attended with very many serious evil consequences which ought not to be disregarded by any Government.

There was probably no member of this Council who had had better opportunities than he had had for forming an opinion on this tax. He had had to assess it as Collector, to hear appeals against it as Commissioner, and latterly to look after the assessment of the whole of the North-Western Provinces as a Member of the Board of Revenue, and he had no hesitation in saying, in the words used by the Local Taxation Committee assembled last year in the North-West, when speaking of the income-tax "that it was a tax odious to the people and odious to the officers who had to assess and collect it." He believed that this opinion was held by every officer who had had to take an active part in assessing the tax. The causes of this were not far to seek. The people detested the tax in consequence of the inquisition, oppression and extortion, which everywhere accompanied its enforcement; the officers of Government hated it because they saw all these evil practices going on around them, while they were powerless to put a stop to them.

The area of the districts was so large and the population so great, that it was impossible for any Collector to make the assessments himself. He was consequently compelled to employ a lot of underpaid Natives to prepare the lists

of persons liable to assessment, and had to rely on information which he well knew to be untrustworthy, when estimating the amount to be charged on each person.

It frequently happened that a Collector had not been in charge of a district more than a few weeks, or even days, when he was called upon to assess it to the income-tax. He was consequently in total ignorance of the circumstances of the people he had to assess, and did not know where to turn to for information on which he could rely, to enable him to form an opinion on the returns sent in. He felt that he was working in the dark; that with the best intentions, and with the most earnest desire to do right, he was probably every day committing the most frightful injustice.

It was this groping about in the dark, this uncertainty, this impossibility of obtaining any reliable data on which to base the assessments, that made the tax so hateful to the officer who had to assess it, and to the people who had to pay it. It was just the same with the income-tax of 1860. The returns of that tax, published afterwards, shewed that no less than 93 per cent. of the assessments were surcharges, and a surcharge to the income-tax meant nothing more nor less than a guess made by an assessor on information which was worth nothing. The guess might be high, or it might be too low, but no one could tell which, but most assuredly it had no relation whatever to the real income of the person surcharged.

The Hon'ble Sir R. Temple, in his speech on the budget, said it was noteworthy that, on a circular being addressed to the several Local Governments in India, enquiring whether there were any known cases of oppression or over exaction, replies had been received from all of them (except the Government of Bengal) to the effect that no such cases were known; that the Government of Bengal did indeed transmit a resume of some thirteen cases. The Hon'ble Gentleman remarked on this that the number was of course a matter for much regret, though relatively it was not large. Now, Mr. INGLIS submitted that this statement hardly gave a correct impression of the purport of the replies sent in by the various Governments.

He believed that the Government of Bengal replied that numerous cases of oppression had come to light; and that thirteen cases were forwarded as samples for the information of the Government of India. The other Governments, he believed, replied that there was no doubt that extortion prevailed to a lamentable extent, but that no cases had been specially brought to notice, and it was not probable that they would be; for a man who had paid to get

his name left out of the lists, or who had paid to get off a threatened surcharge, was not likely to come forward afterwards and state publicly what he had done.

Though the people suffered in silence, it was none the less true that bribery and extortion prevailed, nor was the disaffection and disloyalty engendered the less general, or the less worthy of the very serious consideration of the Government.

The Hon'ble Sir R. Temple had said, on several occasions, that it was absurd to call a tax unpopular which fell on only one in three hundred of the population. Now, Mr. INGLIS confessed he could not understand how any one who had given the slightest attention to the objections urged against an income-tax, could make use of such an argument as this. It might be true that only one in three hundred of the people paid income-tax to Government; but it was equally true that, of the two hundred and ninety-nine remaining, at least one-half were subjected to the most vexatious and oppressive inquisition and extortion when the preliminary lists were drawn up, and that a very large number of these men had to pay to keep their names out of the lists. All this went on though the officers of Government did their best to prevent it. This bribery and extortion seemed inherent in the very nature of an income-tax in this country, where the population affected was so large, and the officers of Government so few. He did not believe that a man could be found who, having assessed a district to the income-tax, would say that he believed the tax to have been levied fairly, and without a lamentable amount of bribery and corruption. No blame could be imputed to the officers charged with the assessment and collection of the tax for this. They everywhere did their utmost to prevent these evil practices, and they protested against the tax, because they knew from experience that these evil consequences everywhere attended its enforcement, notwithstanding their most strenuous and unceasing endeavours to put a stop to them.

It was, he believed, no exaggeration to say that, for every man who paid income-tax to Government, twenty paid to get off; and that for every rupee paid into the treasury, another was paid to the subordinate Native officials; that is, the Natives of India paid last year upwards of two millions as income-tax, and upwards of two millions more as bribes.

Everywhere, throughout the country, the tax was demoralizing to the people; everywhere false returns were sent in; everywhere the trading classes were beginning to keep two sets of books, one set shewing accurately their real trans-

actions, the other set containing a carefully prepared garbled account to be shewn to the income-tax assessors.

How unsuited the tax was to the people of this country, and how heartily it was detested by them, might be gathered from the fact, that no Native Government had ventured to levy it, and these Governments were by no means backward in devising new sources of taxation. It was the British Government alone which had the power to force this tax on its unwilling subjects, and the British Government even could levy it only in times of profound peace.

A tax, then, which was everywhere and always accompanied by the corruption and extortion which attended the income-tax in India; a tax which demoralized the people to the extent this did; a tax which created such wide-spread and deep disaffection and dislike to our Government as this had; a tax which no Native Government had ever ventured to impose, and which the British Government itself could levy only in time of peace, was a tax which ought not to be imposed, even if it produced millions; but to put it on in order to obtain a paltry fifty lákhs in a budget of over fifty million pounds sterling, was, he maintained, most unwise and impolitic, especially when, as in the present case, there seemed to be good reason to doubt whether there was any deficit at all.

He thought there was every reason to believe that a careful examination into the estimates of receipt and charge, under the heads referred to by the Hon'ble Mr. Robinson, would result in the total disappearance of the deficit shown in the budget as prepared by the Financial Department.

But even if this result did not follow a careful scrutiny into these items; if after all a small deficit still remained, then he would urge on the Government to meet it, either by a transfer from the cash-balance account, which was estimated to stand, at the end of 1871-72, at the enormous sum of seventeen millions; or by a rateable reduction on the assignments made to the several Local Governments under the Resolution of the 14th December last, rather than by the imposition of this demoralizing, unpopular and dangerous tax.

The Hon'ble MR. COCKERELL concurred in much that had fallen from the Hon'ble Members who had preceded him in this debate. Last year, and on former occasions, he had very reluctantly acquiesced in the imposition of an income-tax as a temporary expedient; but to his mind the proposal to annex the income-tax to our permanent sources of revenue—and such he understood to be the object of the Bill now before them—was a matter

of much graver import than the re-enactment of an Income Tax Act providing for a higher rate of assessment for a fixed period; and he felt constrained, therefore, to express his conviction that the present measure was ill-advised.

It would seem to be assumed that, in the presence of the relief afforded by the considerable reduction of the rate of assessment, the moderation of the present demand would be acknowledged, and its permanent tendency, if not cheerfully submitted to, would at all events be accepted with a certain degree of satisfaction.

Such might be the feeling with which the measure was likely to be regarded in the Presidency towns and other large centres of civilization, in which, so long as its operation was confined thereto, the tax might be worked with a minimum of oppression and other objectionable consequences, and to which, therefore, its application was not altogether inappropriate.

But Mr. COCKERELL ventured to say that, by the people at large, the attempt to give the income-tax a permanent place in our fiscal system, and at a time, moreover, when the finances of the empire were shown to be in an unusually prosperous condition, would be regarded with profound disapprobation and distrust.

The measure would undoubtedly be looked upon as, in a measure, a breach of good faith; for, although no distinct assurance of the merely temporary duration of the income-tax as a source of revenue had been given, yet the distinctly finite character of all previous legislation on the subject had certainly favoured the general impression, that it was the fixed policy of the Government to resort to the tax only in cases of special emergency.

Mr. COCKERELL did not think it necessary to dwell upon the extreme unsuitableness of such a tax to the people of this country. This had been most forcibly described by his Hon'ble Colleagues who last spoke, and from his own administrative experience of the working of the Income Tax Act of 1860—an Act which contained better safeguards against oppression and abuse than were to be found in the present Bill—he could distinctly endorse all that they had said as to its baneful effects and demoralizing influences, as well as the extreme distaste with which it was viewed alike by the assessors and assessed.

Nor was this to be wondered at, for it was simply impossible for us to employ a suitable agency for the assessment and collection of the tax, an agency which should be at the same time so inexpensive as not to exhaust the product

of the impost, and yet not amenable to corrupt influences. The truth was that, where the assessor was of a class superior to such influences, he was, from the necessity of the case, a man who must depend for the acquisition of local knowledge as to the circumstances of the persons to be assessed upon the interested information of corrupt subordinates.

It was for these reasons that the public—under which term he referred to the general population of the empire—would be sure to regard the permanent retention of the income-tax, at even a low rate of assessment, as a serious grievance.

Much stress had been laid on the light incidence of the assessment generally, and the relief afforded by raising the minimum of exempted incomes. Now, he ventured to say that, if we were to have an income-tax, its merit and defence should be that it brought a considerable increment to the financial ways and means. And, to his mind, it was a great blot in the present measure that it kept alive a source of general irritation and dissatisfaction to attain such incommensurate results as the addition of little over half a million to an annual revenue of upwards of fifty millions, and as regards the relief of the poorer classes, if the figures given by the Hon'ble Member were correct, the lightening of the burden of the general tax-paying community was altogether insignificant.

What was the justification offered by the Mover of the Bill? All that he said in effect was that, without this tax, he could not make the two ends meet; he could not, in short, establish a financial equilibrium. On the last occasion of bringing forward a measure of this kind, the hon'ble gentleman resented, as something altogether unreasonable, the imputation of poverty of resource in devising ways and means. But could the Hon'ble Member come before this Council, year after year, with no fresh device, nothing but this much-abused income-tax, to sustain his financial administration, and successfully rebut such a presumption?

MR. COCKERELL could not regard the period which had elapsed since the Hon'ble Member's exposition of the financial affairs as sufficient for a thorough examination and critical apprehension of the various subjects with which it dealt, and he was not prepared to go into any details of the Budget, further than to express an opinion that the estimated receipts from Opium and Customs were needlessly reduced. They provided for an average decline in prices of forty-five rupees per chest, and a small diminution of the annual revenue from import-duties, which neither the reported prospects of the opium trader, nor

the general condition of foreign affairs, and its probable improving effect on the commerce of India, in any way warranted. The estimate on Opium alone gave a reduced income from this source, to the amount of about £300,000, or one-half the expected receipts from the income-tax, which need not be anticipated.

There was another point in the Budget to which he would draw attention, and that was the unsatisfactory, and, he might say, mysterious operations in the Loan Department. It would appear that there was always a very considerable unexpended balance in hand, created by excessive borrowing beyond the requirements of the time. When it was considered that every million borrowed represented an additional annual charge of £45,000 to be met by the tax-payer, it was unreasonable that there should not be some check on the borrowing power, and some better adaptation of the fresh supply to the demand for actual expenditure. It was unsatisfactory to find so large a balance of unappropriated loan at the expiration of the last year of account, and to receive only the somewhat meagre explanation, that the Secretary of State, though he was expected only to borrow two millions, in fact borrowed three and a half millions. MR. COCKERELL had no doubt that his colleagues, whose special avocations rendered them more competent to deal with such matters, would have something to say on the subject. Still he had thought it right to refer to the question, in the hope of eliciting some more satisfactory explanation than was afforded by the Budget exposition.

The Hon'ble MR. CHAPMAN differed from his hon'ble friend who spoke last, and considered that, this year, we had had ample time for attentively considering the Budget-statement. He would endeavour, as shortly as he could, to state the impressions it had produced on his mind.

Considering the obloquy his hon'ble friend, Sir R. Temple, had incurred, MR. CHAPMAN did not wish to say anything harsh regarding his past policy. But since he had challenged criticism, MR. CHAPMAN must, as an impartial judge, say that he had wholly failed to justify the course the Government, acting, he presumed, mainly under his advice, adopted last year.

The case turned entirely on the Opium estimates. And it might not be un instructive briefly to revert to the facts. MR. CHAPMAN found that, in 1868-69, eight and a half millions of Opium revenue were realized; in 1869-70, eight millions; and in 1870-71, eight millions either have been, or will be, collected. In point of fact, there had been hardly any fluctuation. Well, how did his hon'ble friend act? He had estimated that he would receive eight and a quarter millions in 1869-70, whereas, as he (MR. CHAPMAN) said, he actually got

only eight millions. He thereupon took alarm; and for the year 1870-71 estimated his receipts at only seven millions. Having done so, he next proceeded to impose an oppressively high income-tax to make up the anticipated deficit of one million. MR. CHAPMAN was well aware that he placed much stress on the fact, that he was supported in this opinion as to the probable decline in the price of opium by eminent members of the mercantile community interested in the trade. The estimate was, he had no doubt, prepared after the most careful consideration and on the best advice. But he contended that, in dealing with such a gambler's stake as this source of revenue admittedly was, the only guide you could take was that derived from actual past results; and he repeated what he said at the time, that the Government had no right to assume, beforehand, that the yield would be less than the average, and proceed on that assumption to impose exceptionally high burthens on the country. In this particular instance, events had proved how unfounded this assumption was. It was perhaps only natural that his hon'ble friend should have done his best to justify the course the Government adopted; but he believed he must, in common with other members of His Excellency's Government, be conscious that a very grave error had been committed, the political effects of which it would, he feared, take years to efface. He was glad to see that the error was not to be repeated, and that the Opium estimates for the coming year had been prudently and fairly framed.

Having found fault with the past, he was happy to be able to express his unqualified satisfaction at the course the Government had found themselves able to adopt in respect to the income-tax. By reducing it by two-thirds and raising the minimum to rupees seven hundred and fifty, he considered they had afforded all the relief that could reasonably have been expected. He was no admirer of the tax; and were it a question of imposing it for the first time, he should hesitate to give his assent. But Hon'ble Members, like his friends Messrs. Robinson, Inglis and Cockerell, who advocated its entire abolition, must remember that it would be most difficult, if not impossible, to re-impose it in time of need, and he would ask them to consider what other means they would have recourse to. It was easy enough to say that this was no affair of theirs; but he maintained that, when members took upon themselves to urge the Government to abandon an established source of revenue, it behoved them to show how, in case of necessity, it could be replaced. Besides, if the Government were in a position to afford further relief, he contended there were other interests that had a preferential claim to consideration. Amongst notably objectionable imposts, he might mention the duty on Sugar in Northern India, a tax which was nothing more nor less than a barbarous transit-duty.

Therefore, opposed as he was and had been to a high income-tax, he believed that it was sound policy to maintain it at the rate now proposed during ordinary times, and to be ready to increase it in times of real emergency. He also maintained that the Government had acted wisely in not limiting its operation to any particular period; to have done otherwise would have been to unnecessarily keep alive uncertainty and agitation.

To turn to the Statement itself. He considered it to be a clear and intelligible exposition of figures; but there were two specific parts regarding which he should like to have further explanation. The principle had, he understood, been laid down, that the revenues and charges of each year were to be dealt with separately, and that the surplus of one year was not to be treated as an asset of the succeeding. Such being the case, he wanted to know how the payment of a quarter of a million, which it was proposed to make in 1871-72 out of the revenues of 1870-71, could be reconciled with this principle? He did not himself object to these payments. The one of £20,000 to provincial services was, he thought, very right and judicious; but as surpluses were, happily, likely to be the rule, he should like to hear from the Hon'ble Member how he intended disposing of them. Secondly, he wanted to know why, with cash-balances estimated to amount to the enormous sum of eighteen millions, it was intended to borrow one and a half millions in England? The unfavourable rate of exchange could not, he presumed, be the sole cause.

He would now advert to the revolution that had been inaugurated in the relations between the Supreme Government and Subordinate Governments and Administrations. Having been intimately associated, for some years past, with the administration of one of the principal Local Governments, he desired to say that he considered the concession of principle involved in this change most valuable and significant. He said significant, because, although this was only a first step, he was satisfied further advance was inevitable. As matters stood at present, he could not say, speaking on behalf of Local Administrations, that they had much reason to feel grateful.

The Government of India had relieved themselves of a number of pressing and ever-increasing charges; and the Local Governments in turn had purchased a certain degree of freedom and emancipation. In this way the Supreme Government had not made a bad bargain.

He heartily wished His Excellency's Government had seen their way to continue the grants for provincial services, as they were now termed, intact. Had this been done, the Local Administrations would have had no excuse for

resorting to new taxation: as it was, they had been driven to impose new burthens.

He confessed that he viewed with the gravest anxiety this constant increase of taxation. The country loudly called for rest. It was not, perhaps, so much the weight of the existing burthen, as the uncertainty and want of finality that harassed the people. Simultaneously with the diminution of the income-tax, you would oblige Local Governments to impose new taxes, and he feared the great mass of the people would find the little finger of their own rulers thicker than the loins of the Viceroy in Council.

In the Presidency to which MR. CHAPMAN had the honour to belong, a succession of new taxes had been imposed during the past ten or twelve years. In addition to the income-tax, we had had a cess of six and a quarter per cent. on all revenue; a quit-rent of a considerable amount on lands previously held rent-free; tolls and municipal taxes had been freely resorted to; salt excise had been greatly increased; and last, but not least, in many parts, the thirty years' settlements were falling in, and revised rates, involving an increase of some sixty per cent. on the land-revenue, were being imposed. The Local Fund receipts during the year 1869-70 amounted to £618,000; while the Municipal taxes realized £530,000. Allowing for a portion of the Local Funds being derived from jail-manufactures, harbour-fees, Native States, charitable endowments, and other sources that did not press directly on the country, he believed it would be found that the presidency contributed not far short of a million sterling over and above the imperial revenue.

The non-agricultural classes were the only section of the community who might, in his opinion, fairly be taxed; and so strongly was he impressed with this belief, as far as his own Presidency was concerned, that he would even have preferred seeing the income-tax retained at one and a half per cent., rather than have obliged the Government to put on new taxes.

But he believed both of these alternatives might be avoided if a rigid policy of economy were enforced. His hon'ble friend, at the close of his statement, said that "retrenchments in both the Civil and Military branches of expenditure in India have been made." He wished he had particularized them. It would, he thought, be a salutary plan if, for the future, he would append a contrasted statement, shewing, in detail, the several alterations in fixed charges. For his own part, he reiterated his belief that there was much room for retrenchment in almost every branch of the administration.

The Council would remember that the late Commander-in-Chief, Sir W. Mansfield, on the eve of his departure, solemnly protested against the reduction of a single European soldier; and he was happy to find his advice had been attended to. But, at the same time, he expressed it as his opinion that we might dispense with ten thousand Native troops; and further, that the existing separate Army administrations in India might with great advantage be centralized. He would read to the Council the words of that eminent authority—

“In the course of my remarks, I have adverted to the new military strength accorded to us in these days, as compared with former times, in the power for immediate combination and concentration. This reflection leads us at once to another point, namely, that, in the combination of the Military Departments of the several Presidencies into one War Department under the Government of India, with a corresponding change in the system of Command-in-chief, may be found a measure giving at once improvement in economy and increase of strength. There should be but one War Department, which would at once involve the consequence of one Ordnance Department; in short, the concentration of the Army in the largest sense in the hand of the Government of India. This need by no means interfere with the local character of the Native Forces of the other Presidencies, a character which, I believe, a sound policy bids us carefully to maintain.

“It has always appeared to me that, in this country, many things are centralized which ought to be local and dependent on the Local Governments; whereas those establishments are kept separate, and, as it were, almost distinct from the immediate control of the Supreme Government, which, from the nature of things, especially belong to it. Such is the case with military administration. We do not see the Federal States of America maintain distinct military organisations for the payment of which Congress is responsible, although, in other matters, the provincial Governments of the States exercise a very large power.

“There is no reason for separate military administration in Madras or Bombay, which would not equally apply to the several Governments making up this Presidency. So long as the separate system lasts, I am hopeless of real economy or of breaking down the influences and jealousies which meet your Excellency at every turn when economical schemes issue from this Council. I need hardly remind this Council that I ventured to utter these opinions very many years ago, when they might have been supposed to be contrary to my personal interests. A long and practical experience of government and command, first in Bombay, and afterwards in association with the Governor General, have only tended to convince me that these opinions are right and should be carried into execution. Whenever reforms in such a direction take place, I may say, with regard to the office I am about to lay down, that some modification is necessary.”

It would have been very satisfactory if we had been told that the recommendations of Sir W. Mansfield were being attended to. We were maintaining these costly separate administrations at, in his opinion, a positive sacrifice of efficiency, and as though no such inventions as railways and telegraphs had been introduced into the country.

In respect to Home Expenditure, his hon'ble friend went out of his way to tell us that accounts were rendered to India of all that was incurred. It seemed to him to amount very much to this, that India was allowed the privilege of paying whatever bill was sent in to her. He could not think this relation of affairs between the two countries satisfactory. In his opinion there ought to be only one authority responsible for the finances, and that no outlay ought to be incurred except such as met with the approval of His Excellency in Council.

Under the head of Marine, he saw a charge of some half a million. It would be interesting to know what the country received for this monecy? He had a very shrewd idea that, if a thorough enquiry were instituted, considerable reductions might be effected.

Then turning to Civil Charges, he noticed a sum of over one million and a quarter under Administration, being an increase of £74,000 over last year. Not to look far from home, he was conscious that the cost of his seat in this Council was quite out of proportion to any small service he might be able to render. Then, look to the constitution of the Executive Government. Why should each Department require both a Member of Council and a highly paid Secretary? It seemed to him that, under a departmental division of labour, this dual system was hardly necessary. Then, again, look to the great divergencies that prevailed in the systems of revenue administration in the several Presidencies. Why, if neither in Madras or Bombay, with their far more detailed ryotwár system, the services of both Commissioners and a Board of Revenue were not found necessary, why, he said, should both these costly agencies be maintained in Bengal and the North-West? If he turned to the Judicial Estimates, he found a High Court Judge in Bombay and Madras could be procured for Rs. 3,750 per mensem, while the same functionary cost Rs. 4,166 at Calcutta. On the face of it, there seemed no reason why there should be this difference of £500 a year.

He was well aware that these details were unpleasant and invidious. He might go on to instance many others; but he thought he had said sufficient to indicate that considerable reductions were practicable, if a thorough and impartial scrutiny were instituted.

There were, he knew, great—almost insuperable—difficulties in the way of effecting reforms of this character, involving as they did the sacrifice of many personal interests and the abandonment of many cherished prejudices. The Government of India must, nevertheless, grapple with the task. You possessed a superb revenue, which would doubtless increase by the natural process of expansion, but which you could not, he was convinced, safely enhance by means

of additional taxation to any considerable extent. Therefore he said that, if you wished to preserve an equilibrium, and at the same time meet the legitimate growing wants of the country, you must exercise the most rigid economy in your administration, and the most relentless retrenchment where practicable.

The Hon'ble MR. BULLEN SMITH had to record his opinion against the Bill now before the Council. He did so unwillingly, and solely on account of the permanent character given to the measure it proposed; but without much stronger arguments than he found in the figures of the Financial Statement lately delivered, he could not give his vote for the permanent enactment of a form of taxation which, in the opinion of all those whose judgment he most respected, was utterly unsuited to this country. He was not altogether satisfied that necessity existed for the re-enactment of this Income Tax Act for any period, but he felt it his duty to give to those who were responsible for carrying on the Government of the country the benefit of any doubt which existed in his own mind; and had this tax been proposed for one year only, he would have been disposed to vote in its favour, as perhaps not altogether an unreasonable proposal, with reference to the very small prospective margin of surplus shown in the statement of ways and means for the coming year, and with reference to the fact that the income-tax was not altogether new, but had unfortunately, for a number of years, by force of necessity, held a continuous place in our fiscal system. While saying this, however, he desired to guard himself from being supposed in any way to recede from the position he felt it his duty to take up when the same tax, but in a much more aggravated form, was before the Council last year. He thought then, and he thought still, that in passing the Income Tax Act now about to expire, this Council committed a grievous injustice; as, with full knowledge of the comparatively small section of the people of this empire on whom such direct taxation even professed to fall, and the still more limited proportion from whom it was at all fairly and equitably collectable, we passed a measure which practically threw upon that small section of the community the whole burden of the deficit which was at that time apparently inevitable. In this connection, he must say that he listened with regret to the reference made, in the recent budget exposition, to some reports by the Local Governments as to the working of the Income Tax Act during the year now closing. He had not, of course, a doubt that what was stated in these reports was strictly true; and as mere formal documents they did not perhaps require much notice; but, imported into a budget exposition, if not as a wit of justification of the tax, he knew not for what purpose, they acquired an importance and significance to which he considered they were not entitled,

believing, as he did, they were utterly valueless as affording any real gauge of the working of the Income Tax Act among the poorer of the classes affected by it. He knew well what were the ideas of the Member who, last session, sat in this Council on behalf of Madras on this subject; and he appealed with confidence to the hon'ble gentleman opposite, who now represented that Presidency, whether the statement of his Government, that no complaints had been brought to their notice, conveyed to his mind anything like a just impression of what he believed to have been the real working of this Act among the people of Southern India. As he said before, the reports in question were doubtless technically correct; but in this country, above all others of which he knew anything, what was brought to the notice of Government was one side of the picture; what actually took place a very different reverse. He appealed in support of this statement to the cases of oppression or over-exaction reported by the Government of Bengal. Those who were acquainted with the details of these cases, the chief of which occurred not very far from where we were now sitting, knew that they came to the notice of Government, not through any regular official source, but through the Press, set in motion by one on whose interference in such matters Government had no claim whatever, but who becoming accidentally acquainted with what was going on, actively bestirred himself to obtain redress for those who, otherwise, would in all probability never have got it. He admitted that, once these cases were brought to the notice of the Local Government, redress was promptly given; but did not the mere fact of their occurrence in the close vicinity of this city warrant the belief that there must have occurred, in the remoter districts of this country, countless similar cases of oppression, of which the Local Government never heard, and the full measure of suffering involved in which would never be known? It might be asked why he referred to these things? Simply because he felt that we could not afford to weaken, by one single thread, the slender cord of sympathy which existed between us and those for whom we legislated. However we might differ in opinion as to the financial measures adopted last April, we must all unite in deploring the lamentable want of cordiality between governors and governed, by which the year now closing had been so strikingly marked; and it was because he feared the reference made to these reports would not tend in any degree to promote a better feeling, that he would fain have seen it omitted altogether from this exposition, or couched in terms of broader and more hearty sympathy.

The Bill now before the Council, as compared with the Act about to expire, gave substantial relief, both in the percentage levied, and in the range of incomes affected. In common with many others, he had hoped that, even if

Government found it necessary to retain this taxation in some form, they would have seen their way to the exemption of all incomes under Rs. 1,000 per annum; but as he understood this point was made the subject of special discussion in the Executive Council, he did not press it. He did, however, trust that, if this Bill were passed in Select Committee, the apparently permanent character which it now wore would be altered, and that, like its predecessor, it would be enacted for one year only. Of the unsuitability of an income-tax to this country, we had from time to time heard so much in this Council and elsewhere, that he would not add a word on the subject; but those who desired new testimony on this head would find it in the report of the late Committee on Taxation in the North-West, published in last Saturday's Gazette. He would deprecate in the strongest manner any attempt to place this income-tax among our permanent sources of revenue, for he could not forget—and of this he would remind the Hon'ble Member of the Government in charge of the finances—that so long as we continued this tax under the existing conditions of this country, so long did we violate that which is, by the highest authorities, acknowledged to be the aim and principle of all direct taxation, namely, to leave all classes affected by it in the same relative position as it found them. All experience proved that we could not thus levy an income-tax in India; and although the Hon'ble Member might plead that stern necessity had driven the Government to this violation in time past, MR. BULLEN SMITH submitted that, in asking for this tax as a permanent institution, he appeared content to perpetuate this course, and, in the administration of a finance of first magnitude, to turn his back upon the acknowledged principle to which he had alluded. There was another point of view from which, he thought, persistence in passing this Bill without limit as to time would be inexpedient, and, certainly, not in accord with that publicity which had hitherto been a notable and highly appreciated feature in the administration. By the constitution of this Council, it was not open to any member to take the initiative in any measure affecting the finances of the country without the express permission of the head of the Government. Of course he did not forget that, when a measure was proposed here to which the Government were pledged, it could not, under existing conditions of this Council, be successfully opposed, but the mere fact of leave being asked, however formal in its practical bearing on the result, gave an opportunity to the public of hearing anew what was to be said on both sides of the question, and of expressing their own opinions upon it. The Bill before the Council did away with all this; stereotyped the impost now under discussion, and in so doing, he thought, rather tended to defeat the ends for which this Council was supposed to have been established.

Turning now to the financial exposition, of which the Bill before the Council was the practical result, he must express his regret and disappointment at the retention of the export-duty on rice, and his still greater surprise at the few passing words with which a measure involving a glaring fiscal inconsistency was dismissed. He was not about to weary the Council by a repetition of the arguments by which he last year endeavoured to show that the abolition of this duty was in the highest degree expedient. He might remark, in passing, that although the rice trade from this port did show, for the year about to close, some improvement on that for 1869-70, it still fell far short of what it was in 1864-65, up to which period it had been increasing at the rate of nearly twenty per cent. yearly. He might also remark that the export to China, to revival in which the Hon'ble Member, in his financial exposition last year, looked forward with feelings of hope and comfort, had undergone no improvement worth mentioning, the export of the twelve months falling under 3,000 tons, or three moderate cargoes; while, during the same year, the total export of Saigon rice had risen from 157,000 tons in 1869, to 222,000 tons in 1870, or nearly forty per cent., of which increase that to China was more than three-fold, showing how utterly, even under the most favourable conditions of demand, we were being beaten out of that market. As to the undesirable nature of export-duties as a whole, we were all agreed; but what those interested in the rice trade of this country would have liked to hear was, not the bare fact that the duty was to be maintained, but some explanation of the principle on which, assuming that a certain amount of revenue must be raised from export-duties, rice was selected as one of the articles to contribute. In using the word 'selected,' he spoke advisedly; because, although the Hon'ble Member did last year, in replying to certain remarks of Mr. BULLEN SMITH's, say that he was only the continuor, not the originator, of this duty, MR. BULLEN SMITH scarcely thought this a line of defence to which on reflection he would be disposed to adhere; and in any case, for his own part, he could make no practical difference between the administrator who imposed a wrong tax, and the one who refused to repeal it, when its injurious effects had been fairly brought to his notice! Indeed, of the two, he should say the latter was the more culpable, inasmuch as he erred in the face of actual experience. Assuming, as he had said, that all export-duties were objectionable, but that the necessities of the State rendered some income from such a source imperative, the question then surely arose, which among our considerable articles of export most nearly approached the conditions under which, according to the universally received principles of political economy, an export-duty could best be borne? in other words, which of our considerable

articles of export had, as regards supplying the wants of other countries, a monopoly, or the nearest approach thereto? He thought none would deny that the institution of such an examination as he had sketched, into the position of our various export trades, would be the proper course to pursue under the circumstances; but he found nothing in this exposition showing that the principle he spoke of had even been considered. By way of illustration, he would take the three important articles of indigo, rice, and jute; and he specially selected jute, because, in the financial statement before him, the continued flourishing condition of this article was dwelt upon. He found that this article, of which he might say that British India had almost an entire monopoly, the value of which had nearly doubled of late years, and the export of which had marvellously increased, left the country free of all duty whatever. He found that indigo, of which British India furnished the main supply to the world, although Guatemala to a certain extent competed, paid an export-duty of rupees three per maund, or, say, $1\frac{1}{2}$ per cent. on the average selling price of the season just closed; while rice paid an export-duty of three annas per maund, equal, at present prices in this presidency, to nearly 9 per cent. on the common, and over 7 per cent. on the better, qualities. That is to say, the article of which we had virtually a monopoly, and the growing prosperity of which was matter of universal comment, paid no export-duty; the article which met with a certain competition paid $1\frac{1}{2}$ per cent.; while the article which was exposed to a keen competition in every market to which it went was at the present moment paying an export-duty of 9 per cent. It might be asked, did you wish Government to add to the export-duties? He would say, certainly not, and that he would much regret to see the Government of India enter upon such a retrograde course; but he placed these figures before the Council in order to show that it was not without reason the many who were directly and indirectly interested in this rice trade cried out for relief, and in the hope that the Government would yet reconsider this matter, and make the concession desired,—a concession which would be doubly valuable in the present season, when an abundant rice harvest in Burma seemed to promise that the repeal of the duty would be attended with substantial benefit, and perhaps enable the trade to recover its footing in some of the markets in which it had been losing ground. He did not under-estimate the difficulties of the Indian Exchequer, and he would not willingly press unreasonably or unfairly his views upon the member of the Government in charge of the finances; but it was the inevitable lot of whoever undertook to administer a finance summing up fifty millions sterling on either side of the account, to find himself face to face with great first principles, such as he had been speaking of, and in proportion as recogni-

tion to these was refused—in the degree in which they were silently ignored—to that extent would public confidence in these annual financial expositions be withheld, however clearly they might be drawn up, however elaborately expounded.

He would have been glad had the exposition now under discussion afforded a little more explanation upon the loans contracted during the current year! We were told that the Government of India had managed to get through the year without the loan which it was thought might have been necessary, which was satisfactory; but at the same time we were informed that the Secretary of State had not only borrowed the full amount mentioned in last statement, but also $1\frac{1}{2}$ million in excess, and that he had intimated his intention of borrowing $2\frac{1}{2}$ millions more during the current year. Now, looking at our large balances, he did not quite understand how this excess of home borrowing during the current year became necessary; and what he should like to ask was, whether these loans were contracted under the requisition of the Government of India and with their sanction, and whether the same conditions would apply to the loans to be raised during the coming year; or whether the words “intends to borrow” signified that the amount in question was to be raised without the concurrence or wish of the Government of India. If the latter interpretation was correct, then the arrangement appeared to him highly inconvenient and irregular, to say the least; and this from two points of view. The Secretary of State was of course recognised as the supreme authority in all matters relating to India; but in another sense he was, as had been stated, only the agent of the Government of India. Accepting this position, it clearly followed that head-quarters were here; that here, all financial measures of every kind must originate; that there lay upon the Government of India the duty of providing funds from time to time to meet their obligations in England, but that with them also must remain the discretion of providing these funds in the manner they deemed best, whether by acceptance of drafts upon them, by direct remittance, by loan raised here or in England at their request. The principle of an agent contracting large loans without previous understanding with his principal did not commend itself to his judgment. Then, again, this home borrowing appeared to be done quietly, without that ample publicity which always attended upon loans issued by the Government in this country. The average rate of interest mentioned in the exposition did not indicate that any saving of consequence had attended this practice, and even were it otherwise, he thought it reprehensible. Holders of Government securities were not in the position of first mortgagees, and in his

opinion, they had a moral claim to receive, in all cases where an addition to the permanent debt of the country was about to be made, that ample notice which was given in this country. He was aware that the solution of these matters probably lay at home, but he thought they were well worthy of attention. No system of finance could work well with two heads; and if there was, as seemed implied, an authority in England, either altogether irresponsible, or only checked by the very mild control Parliament had hitherto exercised on the question of Indian expenditure, which could raise money at will without the concurrence of this Government, the efforts made here to put the finances on a sound footing might be seriously hampered.

There were several other points in this most interesting exposition, to which he would like to refer, but he felt that he had already sufficiently occupied the time of the Council. The statement was admirably drawn up; and although pre-eminently framed for safety, he would, as already said, have been disposed to grant, for one year, the taxation asked for in this Bill, in the hope that its renewal would not be required at our hands. His belief was that we now possessed an income sufficient for the wants of the country; an income which, if properly administered, would not fail us, and for any further margin of surplus, he thought we should look more to reduction of expenditure than to new revenue. All would approve the determination of Government, as expressed in the concluding portion of the exposition, to pay all ordinary expenditure out of revenue; but then, the term 'ordinary expenditure' must not be abused and stretched as of late years; for he thought none would deny that the financial troubles from which we seemed now to be emerging, arose, not from failure of revenue, but from lavish, and, he feared he must add, often ill-considered, expenditure. With this cardinal point kept well in view; with a continuance of that judicious economy which had in the last eighteen months effected so much, and with the recognition of sound financial principles, he doubted not that the Hon'ble Gentleman in charge of the Exchequer would soon attain the fulfilment of that hope to which he once heard him give public expression, "that to him it might be given to bring the vessel of the State out of the storms and tempests of chronic deficit, into the smooth and quiet haven of assured and continuous surplus."

His Honour the LIEUTENANT GOVERNOR did not propose to enter on the present occasion on the broad questions of financial policy which were raised by the budget statement of the Hon'ble Sir Richard Temple and which this Bill was intended to carry out: he did not pretend to rise to that height. He did not propose also to enter on the question whether in his opinion an

income-tax ought or ought not to be imposed. He would candidly confess that he had not arrived at a final and satisfactory opinion on that point. He would therefore rather address himself to certain matters in regard to the form and character of the Bill before the Council. But before doing so, he should refer to the opinions expressed as to abuses in the levy of this tax in Bengal. His Honour was new to this Government, and was therefore not prepared to enter on the question as to how far that opinion was well founded; but he was quite prepared to admit that there was a strong feeling of objection to the income-tax on the part of the tax-payers, and on the part of the officers of Government and others in Bengal who had been acquainted with the working of the law. Having lately passed through the provinces under the government of several local administrations, he was prepared to say that the feeling against the tax was universally prevalent in these local administrations, including the Presidency so well represented by his hon'ble friend on his right (Mr. Chapman) who was not opposed to the Bill.

HIS HONOUR's observations would then be addressed to the form and character of the Bill which was now before the Council. The most marked and the newest feature in this Bill was that there was no limit or duration of time, and that it might therefore be assumed to be a perpetual Bill; that was to say, a Bill that was to be continued until the wisdom of this Council should otherwise determine. He might also assume, when he alluded to the character of the Bill as a Bill without limit of time, and to the very moderate character of the assessment proposed, that the object and intention of the Bill was that which had often been suggested, namely, that we should have a light and easy tax, so worked that it would not be strongly opposed in ordinary times, but which would enable us to raise, in times of emergency, a heavier tax, as we had in the year just passed. He thought, if that was the plan, that it was subject to this imputation, that when it was, as now proposed, a light tax, it was not worth the trouble and vexation which it produced; on the other hand, when, in times of necessity, it was made heavier, it was not worth the extreme opposition and ill-feeling which the past year showed that it engendered on such occasions. He confessed that he had long had doubts as to the policy of an income-tax as an imperial and general tax in this country, and he might say that these doubts were increased by the observations which had been made by Hon'ble Members today. On the other hand, looking at the increase of wealth in the country, though it might be said that the riches of the rich were exaggerated; seeing that, in many provinces, there was a rapidly increasing growth of wealth, it was a necessity of the times that we should have some mode of taxing these riches, or at least of making a beginning of taxing

them, and so levying a considerable income, if not immediately, in the future. Well, then, he would say that, not discussing the question whether there should or should not be a permanent income-tax, but assuming such a tax to be determined on, he was inclined to think that it would be better to keep it high for two or three years at least. You would then be able to judge surely where the shoe pinched; you would then be able to see whether, in point of fact, it was worth the evils attending its collection, and whether it was capable of being collected in a just and equitable manner; and, if not in its present form, whether it was possible to adopt any other form in which it would be worth the evils of collection. He also differed from the Hon'ble gentleman opposite (Mr. Robinson) who took so sanguine a view of our financial prospects. On the contrary, he thought that, inasmuch as the Hon'ble Member who introduced this Bill, and who was the best judge of our financial prospects, made the calculations he did, he seemed to have sailed somewhat near the wind; because, from the statement which he had made, it appeared that the surplus was almost infinitesimal. His Honour hardly hoped that the Hon'ble Mr. Robinson's sanguine expectations in regard to the receipts and expenditure might be realized; and that the whole total of the revenue might be increased to the extent he anticipated, and that the expenditure might be lessened as he hoped it might. That was a view which was not quite like that which had been realised in other years. In fact, with reference to the question put by the Hon'ble Mr. Chapman, suggesting that the Government should arrange what was to be done with the surplus, he would observe that you must catch your hare; you must first get your surplus before you could dispose of it.

He would now go into the budget of the year, solely as affecting the Income Tax Bill now before the Council. He always had been of opinion that the Government of this country, whether they were right or wrong in imposing an income-tax, were undoubtedly right in that they did boldly face the fact of the deficit and boldly face the necessity of imposing a tax, instead of adopting the vulgar expedient of making up the deficit by means of loans. Now, today, we lived in happier times. The deficit of a million and a half which existed when the last statement was made had been now reduced to an infinitesimal surplus, to use a somewhat Irish form of expressing it. That change had been effected in this way. There had been an increased estimate of the yield of Opium, and a part of the deficit had been turned over to the Local Governments. He thought we ought not to lose sight of this fact that, in reducing the income-tax from three and one-eighth per cent. to one and a fraction per cent., it had been effected by turning over a part of the deficit, nearly £350,000, to the Local Governments, and requiring them to make that deficit good in the best way

they could. That deficit was not only a very considerable deficit at the present moment, but was explained by the Hon'ble Sir Richard Temple to consist of charges which were rapidly growing, and which probably would continue to grow. He had seen it asserted in the newspapers, that the Government of Bengal were in a position to carry on, without additional taxation, the obligations that were imposed upon them by the Government of India. He was sorry to say that statement was wholly inaccurate; because the Government of Bengal was not yet in a position to deal with the question, and he was afraid that it would not result in the favourable manner that had been suggested in the newspapers. He should like to call the attention of the Council to the means by which it was proposed to meet that portion of the burden which had been transferred from the Government of India to the Local Governments, and which enabled the Government of India to reduce the income-tax. That was to be done by local taxation. He would lay aside the proposed cesses for Education and Roads and the like, which, he thought, were not altogether properly before the Council, because they were to be imposed for particular objects which were not the obligations which had been transferred to the Local Governments. He might state that what had fallen from the Hon'ble Messrs. Robinson and Chapman in regard to these local cesses was very much to this effect. They said, we, the local powers, are squeezing the people as hard as we can; for God's sake don't you come in and squeeze them any harder. His HONOUR had endeavoured to ascertain how the Local Governments proposed to meet the deficits thrown on them by the recent scheme of financial decentralization promulgated by the Government of India. Well, he had looked at the course followed, or which was likely to be followed, by the Local Governments, and he found that, putting aside the local cesses, the invariable resource was something in the nature of a license-tax, with which we were all familiar, and which had been at various times proposed to supplement the income-tax or as a substitute for it. He found that the license-tax seemed to be a limited sort of income-tax roughly imposed by grades, and not by a percentage on income, and that the limit did not go higher in the North-Western Provinces than six rupees. He found that the general effect of the proposed license-tax seemed to be that the Local Governments proposed to meet the deficit by a rough income-tax on the smaller incomes; those very incomes the Government of India had taken the credit of exempting from the income-tax. His HONOUR's view was that these license-taxes were really income-taxes on incomes not affected by the income-tax. They differed from the tax which had been taken off by the Government of India in this, that they exempted the richer and more influential classes of the people.

As he had said before, he thought it was not right to bring in the question of local cesses as regards the burden of taxation on the people; but he would ask to be allowed to say a few words with reference to the form of local taxation in Bengal. He had lately looked over the various Acts of this legislature, and those of the local legislature under which local taxation was imposed in Bengal, and he had enquired into the working of these local taxes; he found that several of these taxes were taxes on houses and on other things, while others were taxes on the means of the persons to be taxed. The most common and most popular, or rather the least unpopular, of these taxes was a tax described as a tax on the circumstances and the property to be protected of the person to be taxed; that was to say, a tax of the nature of a rough property and income-tax, a tax graduated with regard to the circumstances and property to be protected of the person liable to be taxed. Perhaps this was the fairest of all forms of taxation. Well, here was one local income-tax, and it might be that we would have to impose cesses for Roads and Education and other matters, and that some of these also might take a similar form. The result seemed to be that it might be said with some justice that, instead of having one income-tax, you would in future have several income-taxes in different forms; since it was pretty clear that the greater portion of the income-tax was going to be taken off, and also that the Local Governments would have no power to re-impose it. Several Native gentlemen had made this observation to him—“We had rather not be taxed at all; but if we must be taxed, we had rather pay what we must pay once for all in the shape of an income-tax, than have to pay half a dozen different taxes.”

The question was whether, in case it had become necessary and desirable to impose a tax in the shape of a tax on incomes, you should not, as he understood was done in America, appraise a man once for all, and then put on all the taxation that it was necessary to raise, calculating a penny for this purpose and a penny for that. In the course of a few minutes' conversation with an eminent American Statesman who was lately in this city, he had learned that taxation for local and provincial, and even for general, services was raised in this way in the United States. That raised the question which had been raised by the Native gentlemen who had talked to him on the matter, whether the Natives of Bengal would really prefer an income-tax to any other; whether it would be permitted to us by the Government of India to add a local income-tax to the imperial tax imposed by this Bill; whether we could add to the income-tax the sum just taken off by the Government of India for local purposes. He did not believe that he really could do so. He would be met by the overwhelming resistance of some important classes. This led him to turn over in his mind

this important question, whether the strong objection to the income-tax entertained by many classes, and by none more strongly than by European gentlemen resident in India, had not some good foundation; whether there was not a great deal of reason in the objections which they alleged against the income-tax as it now stood in the Bill before the Council, and in the former Bills which had been passed into law. The first prominent feature in this Bill, which struck him as distinguished from the English Income Tax Act and other Acts of the kind, was that the word "property" was omitted in the title of the Bill; that it was called a Bill for imposing duties upon income, "property" being assigned a secondary place as regards the objects for which the tax was imposed. We knew that many Statesmen and Political Economists had held, and did still hold that, in respect to principle, the great objection that appeared to the income-tax in England was, that the tax was imposed equally on incomes derived from property and from labour. It was said, and he thought most reasonably, that income derived from property was a much more valuable possession than income derived from labour. Income derived from property was protected to a greater degree than income derived from labour. The Commissioners of Inland Revenue had always raised departmental objections as regards the difficulty of carrying out a distinction of that kind. Individually, His Honour thought there was no good reason for that objection in England, and that injustice was done by the present mode of taxation. But, when he looked to the state of things in India, it seemed to him that these objections were *immensely* increased, and most obviously so in the case of Europeans who were earning their living in this country, where both Government servants and the independent classes of the European community were not permanent residents having a strong interest in the country, but who came to the country for a term of years, and who realized during those years an abnormal income, and could not hope to remain for the period of their lives in the country, and where, as a matter of fact, they did not remain. As a matter of fact, gentlemen remained but a few years, in the hope of making such a use of their income as would enable them to make a provision for their families and for themselves in after years. It did seem to him that to tax incomes thus derived was to tax, not so much the income of the year, as the capital set by for the support of their families hereafter. Therefore, he believed that, if there were objections to this form of taxation in England, they were infinitely stronger here. We should study the American model and other forms of municipal taxation, and carefully adjust the incidence of taxation if this tax was to be maintained at all.

This brought him to the fact that, owing to financial considerations and other circumstances, the income-tax had never been properly discussed in

the light of day. He was sure, if his memory served him rightly, and certainly as regards late years, that the practice had been that there had been no time for discussion; that Income Tax Bills were introduced late in the session, and that the Council was told they must pass them or reject them, and the result had been a sort of 'stand and deliver'; that the Council had passed the Bills without much discussion or inquiry. It might be that this state of things had been submitted to because people hoped that it would be only a temporary measure. But now that we had the tax in a form which probably would be perpetual, he wished very earnestly to suggest that it was immensely desirable that the present Bill, before it was finally passed, should be most fully and thoroughly considered; that opportunity should be given, not only to Hon'ble Members who in some respects represented the local administrations, but also to the mercantile members of the Council, who could render much assistance in its consideration; and opportunity might also be given for getting information from others outside of this Council. He had alluded to the information which he had obtained from the eminent American Statesman to whom he had already referred; and he had discovered that there were several American gentlemen in this city who were capable of giving great information with regard to the mode in which the income-tax was imposed in America. Now, one week was much too short a period to overlook this Bill in a proper manner; to overhaul it and put it into shape, if it was expedient at all to pass it. He was aware that, if at this season he proposed to extend the time for the submission of the Select Committee's Report, he would be treading on very delicate ground; and perhaps it would not be becoming in him, who was a local member of the Council, and must stay in Calcutta, whether or no, to suggest that it would be desirable for the Committee to sit for a longer period than it was proposed to do. But he would suggest that it would be not unfitting that the Government should accept the suggestion thrown out by the Hon'ble Mr. Cowie, that this Bill should be passed for one year, not in the expectation that the Bill would then cease, but with the intention that, very early in the next session of the Council, it might be re-introduced at a time when there was ample opportunity to refer it to a Select Committee, with power to make ample inquiry and to put the Bill into a shape as acceptable to the public as any Bill of this kind could possibly be.

He would now detain the Council for one moment in order to suggest an alternative proposal. The plan which he suggested was this. He had always had great doubts whether this tax was really fitted for imperial taxation. It seemed to him that the effect of imposing an imperial income-tax had been, and was likely to be, to render both your local officers and the people its hot

opponents. An Hon'ble Member on his right (Mr. Chapman) spoke of the effect of the tax as snapping asunder the slight cord of cordiality between the governors and the governed. His Honour was bound to say that his experience of this tax was that, so far from this Bill having that effect, the result of the income-tax had been to unite governors and governed, Local Governments and officers, and the people, in the most hearty cordiality in abusing the tax. But it appeared to him that this tax was perhaps more suitable for purposes of local rating than for purposes of imperial taxation; for, although there were infinite difficulties in the way of imposing this tax as an imperial tax, when imposed as a rough local income-tax on the means and property to be protected of the persons liable to the tax, every man had a sort of interest in seeing that his neighbour paid his due proportion of the tax; for if his neighbour paid too little, he might have to pay more than his proper share to meet the amount required to be raised by the tax; and the local officers, moreover, would have an interest in the objects for which the tax was imposed, seeing that it was imposed for the benefit of the people of the locality in which it was levied, and not for the purposes of the Imperial Government. Some local officers had even spoken as if the Government of India was a sort of alien and hostile and tyrannical Government set over them. The suggestion, then, that His Honour would make was that, if a tax of the sort he had been describing might possibly be less unsuitable for local purposes, the Government of India should consider whether it might not be able to make it over to the Local Governments with a proper amount of additional charges, as had been done in the case of other items of account entered in the Budget. It seemed to him that that might be done. And in making over the income-tax to the Local Governments, the Government of India might say—"If you do not like an income-tax, it will rest with you to take the responsibility of manipulating the tax, and putting it into a shape suitable to the people, or of substituting for the income-tax some other tax for the purposes for which the income-tax is imposed and for which it is assigned to you." The only objection he had heard to a plan of this kind was, that there were some gentlemen sitting here who were in no sense local officers; but as regards local officers and merchants and others, the Bill already provided for the determination of their local habitation and for the taxation of every man in the country. This difficulty of the want of locality could apply only to persons who were connected with the Government of India, and His Honour was quite willing that they should be taxed by some special machinery. If this tax was made over to the Local Governments, the responsibility of providing means to meet the charges on account of which the tax was transferred to them would rest with those Governments. If they thought it desir-

able to retain the tax, they would have the power of modifying and altering and extending it; if it seemed desirable to those with whom the determination of doing so or not rested, they would retain it. But it was always to be remembered that the tax could not be repealed without the consent of His Excellency the Governor General, who by law held the power of controlling the legislation of the Local Governments, and thus would be able to see that the income-tax was not put aside without a sufficient substitute.

That was all that HIS HONOUR had to say as respects this question of an income-tax. He had commenced by saying that he did not propose to go into the broad financial questions that were raised by the budget-statement. He would only propose to say one word with reference to what had fallen from the Hon'ble Mr. Bullen Smith, who so well represented the commercial community in this Council. HIS HONOUR must say that he was very much struck with the observation Mr. Bullen Smith had made with respect to the rate of the duty on rice, and the weight of the duty, and as regards the difficulties connected with the exportation of rice. HIS HONOUR also felt that there was something to be said on the other side, as to the advisability of putting an export-duty on the staple food of the people. Such a tax as a tax on the exportation of food, had a tendency to keep the food at home. He would express the hope that this matter would receive the full and impartial consideration of the Government of India, with reference to the state of circumstances at present existing, which were possibly different from those existing at the time when this duty was imposed.

There remained only one point on which HIS HONOUR would remark, and that was with reference to the question of borrowing. He was not a financial man, and did not pretend to enter upon the consideration of this question in a strictly financial point of view. But as a social question, he was very much impressed with the impolicy of carrying all our loans into England. It was said that it was a political advantage to have the people interested in the security of the Government of the country, and that it was a safe-guard against revolutions and political dangers. He did not wish it to be supposed that he was anxious to create a large debt in India on this supposition. He was against borrowing more than could be helped; but if you did borrow, he thought the Government of India should avail themselves of the advantage which the offer of the loan to the people of the country did undoubtedly give. He said that, not only with reference to the course proposed to be adopted on the present occasion, but also with reference to all future occasions when it

was proposed to borrow. There were in this country very few modes of investment. The District Savings Banks had not yet been established to any great degree. In Lucknow especially, there had been a large class of people who were much impressed with the security of incomes derived from the Government. We had a very large number of small pensioners there, the payment of whose pensions was so troublesome, that the Government were at one time exceedingly anxious to capitalize their pensions and pay them off; but it was found that the pensioners would not accede to the proposal; they preferred to have a fixed income from the Government. The experience of that and other occasions had brought to his mind this conviction that, if we went to work in the right way; if we left it open to the Collector to receive from the people small sums the interest of which would be readily payable, we should in that way receive a large sum in satisfaction of a loan from our Native fellow-subjects. The difference in value of the loans here and in England was very fractional. The difference was not more than one or two per cent. He observed that, at present, Government four per cent. securities stood in England at ninety-nine and a half, and here it was as high as ninety-eight. He spoke with reference to the value of the Government funds in this country; and he believed that, if Government securities did not sell at ninety-eight, they certainly sold at ninety-seven. The difference was merely fractional, and that very small fraction was, he thought, more than counter-balanced by the Government obtaining an additional security, from the people of the country being largely interested in the debt of the country, and giving facilities to the saving people for investing their savings.

COLONEL the Hon'ble R. STRACHEY did not propose to trouble the Council with any remarks as to the details of the measure now before the Council. All that he desired to say was, that the difference was very great between the feelings of those persons who were responsible for carrying on the administration of the country and finding the revenue and giving proper means for carrying on the Government, and those who had no such responsibility. It had been remarkable how the tone of the debate upon this Bill had changed as it had travelled from one end of the room to the other; and how, in proportion as a specific responsibility for carrying on the Government had become developed in those Hon'ble Members who had spoken, so their feelings in favour of the measure had been found to rise. Whether the Government was necessarily right in what was proposed in this matter, it was not for him to say. But it was certain that every member of the Government felt the obligations placed on him to do the best for the country and what was most practicable.

It was absolutely necessary for every Statesman to consider, not only what he considered theoretically best, but what was possible. Having said this much, he should only add that it was his intention to support the Bill.

The principal point to which he should ask the attention of the Council on the present occasion was the great change which had been recently made under the orders of the Government of India in the system of financial administration. His name had been mentioned in connection with this change, and also in connection with the general subject of the finances of the country, and of the expenditure of the Public Works Department, which had been so frequently called into question.

In the first place, as regards himself, he begged to disclaim any very particular credit in reference to the change which had been made in the financial administration. The mere preparation of a scheme for giving practical effect to a principle which had been accepted was, after all, somewhat mechanical. The truth was that this reform, like all others, was brought about, not by the action of any individual, still less by himself, but by the necessary and unavoidable result of the course of events which had arisen in the carrying on of the Government of India—events the pressure of which for a long time had proved so imperative as to force upon the Government of India the definite course of action which they had recently taken. If there was any merit in having seen that such a result would be inevitable, such merit he might claim; but there was no doubt that the actual adoption of the scheme was due to the Government, and principally to the head of the Government, on whom the responsibility of carrying out the change must rest, and with whom also would rest the claim for any credit or blame which might result in the future from the consequences of the change.

Before going on with the further remarks which he desired to make, he might say one word in respect to his right to offer an opinion on the subject which he was about to discuss. He had now been connected with the administration of the Government of India, at intervals, for about fourteen years in the Public Works Department. During that time, he had been an agent on behalf of the Government of India for controlling the very large expenditure and the very large establishments of that Department. He knew personally, from his own experience, what was the nature of the system on which such expenditure was controlled, and he knew also what had been the nature of the claims made on the Government of India to supply the means of expenditure, and the character of the control exercised in meeting such demands.

Returning now to the general question to which he would specially ask the attention of the Council—the alteration of the system of financial management—he would remark on the singular difference of opinion that had arisen as to the value of the change. On the one side, certain portions of the critics had taken up the position of extreme opposition. They alleged that the change would lead to the disintegration of the power of control of the Central Government; they said that it would also lead to extravagance and waste on the part of the Local Governments, and that it would also lead to improper and injurious taxation. On the other hand, those who supported the change said that it would do exactly the opposite of all this. He admitted, after all, that this was the fate of all proposals to carry out any considerable administrative change; and in truth on such a subject the mere opinions of either party were really not of much value. For these reasons, he would ask the Council to let him put before them the actual facts of the expenditure and revenue of the Government of India during the last ten years, and he would ask them to judge for themselves as to what really was the state of things at present. He did not desire to go into speculations as to what the probable revenues and expenditure would be during the next year. The only really solid ground that any financier could have, in dealing with the future, was carefully to ascertain and appreciate the actual facts of the past, and this was what he would now ask the Council to do.

In the first place, the actual accounts proved that the total expenditure of the Government of India during the past ten years had increased by very nearly six millions sterling. In the year 1861-62, the total charge was £44,100,000; in 1865-66 it was £46,300,000; in 1870-71 it was £50,050,000, showing an increase, between the years 1861-62 and 1870-71, of £5,950,000. It was true that this increase of expenditure had also been attended by a corresponding increase of revenue; otherwise, of course, the country would have been in a state of hopeless bankruptcy. But, really, the state of things which admitted of such an increase of expenditure in nine years was not the less serious on account of such increase of revenue.

He would now ask the Council to follow him whilst he explained, as briefly as possible, the elements of this great increase of charge, which, in his opinion, had been referred to altogether wrong causes, and while he fixed the responsibility for this increased expenditure on the causes to which it was really due. The figures which he would take were based on the regular estimate of 1870-71: he thought it better to take those figures, and to refer to them than to the estimate of the coming year which had been laid before the Council.

The separation, in the new budget, of the provincial charges made it difficult to make a comparison with the expenditure in previous years.

He had said before that the total increase of expenditure was £5,950,000. First of all, however, before going into details, he should explain that a good deal of this increase was due to the manner in which the accounts had been kept, and was merely nominal, having arisen from the increased strictness in the keeping of the public accounts. Nothing in the shape of deduction was now allowed; and the whole of every charge in the gross, without set-off, was considered as expenditure, in the same way as all income in the gross was now considered as revenue. There were also certain administrative changes which had led on the one side to the apparent increase of expenditure, and on the other to the apparent increase of income. Amongst these charges he might notice that under which official postage was now shewn as a charge against every Department, and that which required service telegrams to be paid for. These charges, of course, led to equivalent increases of revenue.

Again, an important change, causing an important addition to the apparent expenditure, had been made as a consequence of the amalgamation of the Indian Army with that of Great Britain. This was the abolition of the Army Service Funds. Now, the pensions which used to be paid from these Funds were discharged by the Government, the Government having *per contra* taken over the payments which were made by the officers who contributed to these Funds. The increase of charge had thus, to a certain extent at least, been accompanied by a corresponding increase of income. To what exact degree the accounts had been affected by these alterations of system it was quite impossible for him to say.

The first item which he would take, in proceeding to discuss the details of the total increase of charge, was the expenditure connected with the Army. In 1861-62, the total charge on account of the Army was £16,220,000; in 1870-71, it was £16,300,000, showing an increase of only £78,000. But, so far as he could make out, the accounts for 1861-62 shewed the charge after a large deduction of £937,000. He apprehended that, if the accounts had been kept as they were now, the charge for the Army would have been £17,160,000, instead of £16,220,000. If that was the case, there would have been a reduction of charge of no less than £860,000. Consequently, it might be positively affirmed that the Military charges had nothing to do with this great increase of expenditure.

The next item was Public Works. The Public Works charges had, up to the present time, been the scape-goat upon which all the obliquities of the

finances had been thrown. Let us see what were the facts here. In 1861-62, the Public Works expenditure chargeable against the revenues for ordinary purposes, including everything except the Railway charges, was £4,115,000. The charges on account of Railways, including guaranteed interest, were £2,065,000. The total charge was therefore £6,180,000. He might say, here, that it was too commonly the custom, in dealing with these Public Works charges, to overlook this very important item of Railway interest, which was, of course, just as much a Public Works charge as money spent in the construction or repairs of any public building. Well, in 1865-66, the total expenditure under these two heads was £5,200,000, or £900,000 less than it was in 1861-62. In 1870-71, the total expenditure would be £6,039,000; therefore, the expenditure in this year on account of the Public Works Department was no less than £141,000 less than it was in 1861-62; and during these nine years the revenues had increased seven millions sterling. If anybody, on the face of that, could say that the Public Works expenditure now formed an improper burden upon the Government of India as compared with the expenditure in 1861-62, COLONEL STRACHEY must say that he could not agree with him. The expenditure upon Public Works Ordinary had been reduced by £175,000; but that did not really show the whole extent to which reductions had taken place. In the year 1861-62, the charges for Military Buildings amounted to £638,000; in 1870-71, they amounted to £950,000. The consequence was, that the Military expenditure during the last year had been £300,000 more than it was in 1861-62, and a corresponding reduction had been made, from the sum remaining from the total grant, for the other items, Roads and Civil Buildings. The consequence was that the reduction on these heads was no less than £475,000. He thought that, after that statement, no one could say with any degree of propriety that the Public Works grant had not been cut down as low as it possibly could be. His own opinion was that if, with any degree of reason, it was practicable to give a larger grant for Public Works, that larger grant ought to have been given. But he entirely admitted the absolute necessity of doing what was requisite to maintain an equilibrium in preference to anything else. For that reason, he had never hesitated in supporting the Government of India in the way of retrenchment in order to effect an equilibrium.

In order that the Council should correctly understand the position of the Public Works expenditure, he would remark that the year in which the Public Works outlay was the greatest was the year 1868-69—a year to which he had not before referred—in which it was £8,284,000, or two and a half millions in excess of the sums which he had taken in his comparison. But it would be

remarked that the total outlay of the country in that year was also two and a half millions in excess of the total of the years to which he had referred. The consequence was that, if in 1868-69 the Public Works expenditure had been reduced to what it was in 1870-71, the total expenditure would still have been upwards of fifty millions, and still six millions in excess of 1861-62, and therefore the unusual Public Works expenditure of that year had nothing whatever to do with that general excess of charge. The absolute deficit in 1868-69 was £2,774,000, and there would still remain a deficit of half a million if the extra outlay of two and a half millions had not taken place. Of course the large Public Works expenditure in 1868-69 assisted in causing the deficit of two and three quarter millions; but the deficit was obviously quite as much due to the great simultaneous increase in the whole of the Civil charges to which he should now proceed to refer.

He would next remark on the interest of the Public Debt, with which he included the interest on deposits in the hands of the Government, upon which the Government paid interest. In 1861-62, this charge amounted to £5,190,000; in 1865-66 it amounted to £5,200,000; and in 1870-71, it amounted to £5,840,000, which showed that there had been a small increase in the charges for interest on account of the Public Debt. But this was reduced again by an increase of interest received by the Government, so that the real increase of charge was not important.

The Deductions from Revenue—under which he took actual refunds from revenue, and those appropriations of the revenue under Treaties and Assignments, which in reality were not charges, as they never formed part of the revenue, were, in 1861-62, £2,230,000; in 1865-66 and in 1870-71 were nearly at the same amount.

The total of these elements of charge—Army, Public Works, Interest on Debt, and Deductions from Revenue—being taken away, the rest were purely Civil charges. The total so to be deducted was, in 1861-62, £29,800,000; in 1865-66, £29,400,000, and in 1870-71 £30,250,000, showing an increase, between 1871 and 1872, of £424,000, which was mainly due to an increase of debt.

Therefore, the remaining expenditure for Civil charges was as follows:—In 1861-62, it was £14,274,000; it was raised in 1865-66 to £16,860,000; and was still further raised in 1870-71 to £19,800,000. Consequently, the increase in the Civil charges proper was £5,530,000. He would ask anybody to compare this great increase of the Civil charges with the absolute and positive

decrease in the Public Works expenditure, and then to say to what any present financial difficulties of the Government of India, such as they were, were actually due.

He would now follow this increase of £5,530,000, and let the Council see where it came from. First, he would refer to the Home charges. A great part of these charges consisted of expenditure in regard to which the Secretary of State was only the agent of the Government of India. There was a large expenditure incurred in England on account of the payment of pensions and the salaries of officers on leave. Also, a large charge on account of the Army for stores, and payments to the British Government on account of the European troops. He thought the idea often entertained, that the financial management in the India Office was lax, was altogether erroneous. His opinion was that the administration of the Secretary of State in this respect was unexceptionable. He did not mean to say that such items of expenditure as the grant to the Mysore Family and the Ball to the Sultan might not be fairly criticized; but they were not recurring charges, and could not justly be regarded as causes of financial difficulty.

The first portion of the Civil charges was for the General Administration. In the course of nine years, this showed an increase of £500,000. In 1861-62, the Home charges, which gave the whole cost of the administration in England, were £185,000; in 1865-66, they amounted to £184,000; and in 1870-71, they stood at £207,000, showing an increase of £22,000, or little more than ten per cent. Consequently, the rest of the increase, £480,000, was due to the General Administration in India.

He next came to what might be called subsidiary administrative charges, such as the charges for the Diplomatic, Marine, Medical and Educational Departments. All these branches of administration had led to an increase of £630,000.

He now came to Law and Justice: On this, there had been an increase of no less than £1,183,000 since 1861-62, of which one million was due to Judicial charges and £120,000 to Police. Allowing for the set-off in shape of receipts under these heads, the nett increase of charge was still about £700,000.

Next followed the charges on account of the Departments for the collection of the revenues. The charges on account of the Land Revenue and the administration of the Forest Department shewed an increase of £588,000, about £300,000 of which was due to the increase of Forest Establishments, and the

remainder was chiefly due to the increase in the outlay on Revenue Surveys and Settlements. Under the head of Excise, there was an increase of £210,000; under the head of Income Tax, there was a reduction of £77,000. In the Salt Department, there was an apparent decrease of £280,000; but this was only apparent, because, in 1861-62, £400,000 was spent in Bengal in the manufacture of Salt, which had after that year ceased, so that there had been a virtual increase of £100,000. Opium shewed an increase of £624,000, which, he presumed, was due to the increased area under cultivation. In Stamps, Stationery and Printing, there had been an increase of £200,000, which was largely due to Printing. The whole of the Departments for the collection of the revenue gave an increase of £1,294,000. Against this was no doubt a large increase of income, amounting to about five millions, but to the increases he would call attention presently.

Then came the charges on account of the Mint, Post Office and Telegraph Departments. The expenditure on account of the two last shewed a considerable increase; but both those Departments shewed also an increase of revenue which more than compensated the increase of charge.

He now came to the charges on account of Pensions, which had risen in India from £612,000 to £679,000, showing an increase of £67,000. The charge on account of Home Pensions had risen from £276,000, in 1861-62, to £288,000 in 1865-66, and to £780,000 in 1870-71, showing an apparent increase of £500,000. He thought it was to be regretted that the accounts did not show what were the actual charges against the revenues on account of Pensions, and how far the outlay was covered by the payments to Funds. This point, he was of opinion, was worthy of the attention of the Financial Department.

The last item was on account of Miscellaneous Charges, which amounted in 1861-62 to £520,000, in 1865-66 to £1,383,000, and in 1870-71 to £1,400,000; showing an increase of £875,000. It was only necessary to remark, on this, that there appeared a tendency to throw more and more charges under the head of Miscellaneous, which had now consequently become a formidable item, being now commonly over a million sterling. He thought that it was very desirable for the Financial Department to consider whether it might not be possible to do something to show these charges more in detail, in order that the public might see what was their nature.

Before leaving the question of Public Works expenditure, he would observe, in regard to the expenditure on account of Barracks, that, out of the ten millions which it was supposed in 1865-66 would be necessary to provide for the ac-

commodation of the European troops, six and a half millions had been expended up to the end of 1869-70, and out of that sum about four millions was for new buildings. He was not able to say, at the present moment, what the amount was likely to be at the end of the present year. In general terms, he might say that the Government of India had made up its mind that it would not continue the construction of the upper-storied Barracks more than was necessary by the present condition of the buildings in progress, or than might be requisite to provide buildings of that character to ensure the health of the troops in unhealthy localities. He had no doubt it would be found that a considerably less amount than the residue of the ten millions would suffice for the satisfactory housing of the European Army.

With reference to the money made available to the Local Governments under the head of Local Public Works for the coming year, complaints had been made in various quarters that the grant was not what it ought to be. The fact was that the grant of 1871-72 was within £100,000 of what it was in the current year, and of that amount there was, for Roads and Buildings, £80,000 more than there was in the current year. The expenditure for the coming year on account of Public Works would be £5,974,000, which was about £100,000 less than was estimated for the current year, and, consequently, about £275,000 less than the outlay in 1861-62. He confessed he did not think that that was a satisfactory state of things, but it was all that could be afforded for the Public Works Department, and we must get on as best we might.

From a consideration of the figures he had stated to the Council, it was apparent that it was fortunate that the grant for Public Works had been so completely within the control of the Government of India. It had been found possible to reduce that expenditure suddenly, and by means of that reduction the Government had been able to bring the finances to a practical state of equilibrium. The control of the demands that had led to this great growth of charge, the details of which he had explained, had been the practical problem which the Government of India had to solve; and the conclusion to which it had come was, that this could be done only in one way, namely, by putting a specific limit to the power of the local administrations to increase the present outlay under certain heads of services, except so far as they could find the means of meeting the increased outlay by increased income.

His Honour the Lieutenant-Governor, when he addressed the Council last week, although he agreed fully in the propriety of the general measure which the Government had adopted in relation to the financial administration, made a complaint that the amount placed at his disposal was somewhat smaller

than he should desire to obtain for carrying on the administration of the province under His Honour's control. It had always seemed to him that one of the most singular features of the relations between the Local Governments and the Government of India was the difficulty which the local authorities had in perceiving the utter impossibility there was on the part of the Government of India to find money for them when it did not exist. All that the Government of India had been able to do for the coming year, without getting into further financial difficulties, was to distribute to the local authorities such sums as could be provided, after carefully examining the relative claims of each province, from the whole amount available for the purpose.

It would be useful before he ended to consider, in relation to the growth of charges of which he had spoken, what had been the condition of the revenues. In 1861-62, the total revenue was £44,000,000; in 1865-66 it had risen to 49,000,000, and in 1870-71 it was £51,000,000, showing an increase of seven millions. There was an increase under almost every head of income. The increase under the heads of Salt and Opium, the two most important of these heads, was, in Salt 1,500,000, and in Opium £1,600,000. Allowing for the increase of charge corresponding to the increase of revenue, it would be found that, in the case of Opium, the actual nett increase of revenue had only been about one million. On the whole, the nett increase of the main items of revenue, after allowing for the increase of charge, had been £3,870,000, while the net increase of charge on the main items of expenditure for civil administration purposes, after allowing for increase of income, had been £2,700,000. The improvement corresponded to the surplus of the current year, but would be more than counterbalanced by the reduction of the income-tax.

Under the arrangements now made, it was proposed to give up the income-tax to the amount of one and a half million. Consequently, the increase of *Income* of seven millions, as compared to 1861-62, would be reduced to five and a half millions. Relatively speaking, therefore, and allowing for the increase of *Charge* of six millions in the coming year, the Government, on the whole, would be £500,000 worse off than in 1861-62.

That seemed to him quite a sufficient reason for the Local Governments being satisfied with the assignments made, and, when viewed in relation to the small surplus expected for the coming year, shewed that the amount of these assignments might be said to be excessive rather than anything else.

The general conclusion to be derived from this review of the revenues of India was to show that there had been an extremely satisfactory growth under

every head, and, under these circumstances, there could be no greater error than to talk of the unelastic character of the Indian revenues. In fact, the revenue had increased at the rate of nearly half a million a year, and it was quite evident that all that was really necessary to establish a perfectly satisfactory condition of the finances in future was to put a stop to the growth of the charges, for, in reality, it was wholly the increase of expenditure that had brought the Government into financial difficulties, in spite of the constant growth of the revenues.

MAJOR GENERAL the Hon'ble H. W. NORMAN said that, like the Hon'ble Members who had preceded him, he was not an advocate for the imposition of an income-tax in this country; but as he felt convinced that the proceeds of this tax were really required, he thought the Council might be well satisfied at the great step in advance which was now proposed to be taken in reducing the income-tax to one per cent., and in exempting from its operation all that large class of persons whose incomes ranged between rupees five hundred and rupees seven hundred and fifty per annum. He believed he was right in rejecting the idea entertained by some Hon'ble Members that, in accepting this Income Tax Bill, we in any way accepted the principle of an income-tax as a permanent measure. He would therefore support the Bill. But as he strongly felt that an income-tax afforded numerous opportunities for oppression and deceit, he looked forward earnestly and hopefully for the day when the income-tax in India would be a thing of the past. He thought, however, that the Select Committee to whom the Bill would be referred might possibly improve the present Bill.

With regard to what had fallen from the Hon'ble Mr. Chapman as to the possible reductions in the Military expenditure, he would take the opportunity of stating that, in compliance with the suggestion made last year by his Lordship, he proposed at a future stage to submit to the Council a brief statement of the measures which had been taken to reduce Military expenditure.

The Hon'ble Member had also alluded to the expenditure under the head of Marine. He would explain that that expenditure covered the cost of a great number of vessels and establishments on the rivers and sea-board of India, and also the charge on account of six vessels of Her Majesty's Navy placed at the service of the Government of India. A reduction of more than £50,000 had been made this year in the Marine expenditure, and the strictest attention was now being directed to economy in that and other branches of the service.

The Hon'ble MR. ELLIS said that he should not be justified in taking up the time of the Council with any explanation of the general financial policy

of the Government, as other members of the Government were far more competent than himself to do so. But he trusted that he would be excused for saying a few words as to the financial measure of this year, which closely affected many of the branches of administration with which he had been connected. Before touching on that subject, he begged permission to say a few words in reference to what had fallen from the Hon'ble Member opposite, in regard to the Bill now before the Council. He would not stop to rebut the assertion that the income-tax was not necessary on the ground that the receipts were under-estimated, and the expenditure over-estimated. He was of opinion that the estimates this year were framed with great care; but the Hon'ble Sir Richard Temple was better able to defend the estimates than he was. Admitting, however, that this reason for the abolition of the income-tax was well founded, he would still say that he could not concur with those Hon'ble Members who advocated its abolition. Even if it were proved that our out-turn was likely to be better than we expected, it would be incumbent upon us to relieve other interests, rather than abolish what remained of the income-tax. He thought the remarks made by the Hon'ble Mr. Bullen Smith and other Members in regard to the export-duties upon rice, and the sugar-duties in the North-Western Provinces, would show this. These items certainly would demand our consideration, with a view to their revision, if not their abolition, before we proceeded further in the reduction of the income-tax. As to the general policy of the tax, it was not as if it were a question of the first imposition of an income-tax. He never was enamoured of it. But now that we had it, he considered that it was of very doubtful expediency to do away with it without having something in its place. It was better, in fact, to bear the ills we had, than fly to others that we knew not of. This view of the question was supported by what had been related by His Honour the Lieutenant Governor, who told us that, in spite of the oppression which had been alluded to, some intelligent Native gentlemen had come to him with a proposal for the enhancement of that tax for local purposes. MR. ELLIS thought that the general discontent spoken of must have been exaggerated; and he would add that those gentlemen who had urged that objection had failed to distinguish between the dissatisfaction caused by a high rate of tax and such discontent as was due to the tax itself. Those who opposed the tax for the most part admitted its suitability to the presidency towns and the large centres of commerce; he, on the other hand, would admit that, in some places, this tax was unsuitable. But granting that unsuitability, he would say that the evils complained of were such as were not beyond relief, and that the difficulties were such as were not irremediable: a great part of those evils arose from the minimum of assessment being too low, an evil which it was proposed to redress

now, and this alteration would give a large measure of relief to those peasant proprietors whose cause the Hon'ble Mr. Robinson had so feelingly advocated. In regard to the oppression on which the Hon'ble Mr. Inglis had so forcibly dwelt, we must look to a better administration for their redress; and he (Mr. ELLIS) was persuaded that, if the Hon'ble Member and others who were so anxious to redress grievances would give their minds to the subject, it would be easy to devise remedies. He could remember traditions of a time when greater oppression was rife in regard to the collection of land-revenue in the Western Presidency, and he would appeal to any one who knew that Presidency now, and ask him whether any such general oppression existed at the present day. The extortion in the collection of the income-tax was due in a great measure to its being a new tax, and he was confident that, as the scope of it was better known, and as the officers of Government became more familiar with its working, they would be able to devise means to redress wrong and corruption, as had been done before in India. No substitute had been suggested whereby we might reach the wealthy men in the presidency towns, nor had those gentlemen who opposed the tax told us, except by a surmise that we had over-estimated our expenditure and under-estimated our proceeds, how we ought to meet the deficit of £600,000 which the income-tax proposed to cover. Until they did this, he must vote for the retention of the income-tax as a part of our fiscal system.

Passing to other criticisms, he observed that the Hon'ble Mr. Chapman had called for a declaration from the Hon'ble Sir Richard Temple as to what constituted a surplus. In regard to this, he was not going to say anything, as he might be heterodox in his opinions. It was a matter for the Finance Minister and not for him to deal with. But there were two items which the Hon'ble Member had mentioned, on which he wished to say a few words—the grant of £40,000 for the Indian Museum, and the grant of £200,000 for provincial services. Whatever might be the principle which should regulate surpluses, there could be no doubt that these grants were right and proper. The grant for the Museum might be briefly explained. Our position resembled very much that of a man who had given a draft, promising to pay a sum of money by a certain date. If, owing to misfortunes, he had got into embarrassed circumstances and was unable to fulfil his promise, he would be wrong and might be pitied. But if, on the date for payment, he had the money at his bankers, and if, then, owing to rules he laid down for himself, he said he must defer payment of the liability, we should call him nothing better

than a swindler. We were under an obligation to build the Museum by the 23rd of March instant, and owing to circumstances, we had been unable to give effect to that intention. But when we had a balance in hand from which, in the spirit, if not in the letter, the bond might be satisfied, he could not conceive any one hesitating at once to fulfil the obligation, and make over the money for the completion of the building.

Then, with regard to the twenty lákhs for provincial services, this question rested on grounds quite apart from the question as to what might be done with a surplus. The position was simply this. At the commencement of the year, we made certain provincial service assignments according to our means. As the year wore, we found that we could give £200,000 more, to be placed to the credit of these services, and this amount was given. Now it had been resolved that, in all future years, the sums devoted to provincial services should be at the disposal of the Local Governments, and should not lapse to the imperial revenues, but remain to the credit of those Governments, and the £200,000 would similarly remain to their credit. It was not for the expenses of the Imperial Government in this or any other year that this sum was set aside, but for expenditure on those services at the discretion of the Local Governments. MR. ELLIS contended, therefore, that, whatever might be the Hon'ble Sir Richard Temple's exposition of the general policy of the Government as regards surpluses, he was fully justified in dealing in this way with the amounts in question.

He would now proceed to consider, next, the very important subject which formed a prominent feature in the financial administration of the Government this year. He need hardly say that he referred to the scheme for enlarging the control of the Local Governments over their own finances. He had all his official life been an advocate for such enlargement, and he was glad to find that the scheme had met with so very little opposition, and that those who did oppose it had so very little to say against it. He thought that the objections taken to the scheme might be reduced to two. There was the objection, which would be serious if well founded, that the Local Governments were by this scheme forced heavily to tax the people subject to their control; and there was the objection, taken very freely by the Press in the presidency towns, and which had been repeated by His Honour the Lieutenant Governor, that the assignments upon which the allotments had been made were starved assignments, and less than had been hitherto enjoyed by the several Local Governments. Now,

he must beg the Council to bear with him whilst he gave a few figures which would show that these objections were not valid.

It would be in the recollection of the Council that the assignments were based on the estimates for the year 1870-71, and that a reduction of about seven per cent. had been made in the assignments to each of the Local Governments. He must take leave now to discuss separately the Civil Departments, as distinguished from the Public Works Department, and he would show from the figures that, as far as regards the Civil assignments, which formed the basis of settlement, there was no starving at all, but, on the contrary, that the Local Governments had received allotments based on very full and liberal allowances. Well, then, the assignments, after deducting receipts, were, for all India, under the heads of Education, Police, Registration, Gaols, Printing and Medical Services, £3,607,000. Now, as compared with the expenditure in the year just coming to an end, we found that, in this year, they would spend on those services £3,450,000. But, the objectors said that this year was one of starvation, and was therefore no criterion upon which to proceed, and they would refer to the allotments of other years. In answer to that, he would ask them to take the estimates of the year 1869-70, which were framed when we were in a state of financial prosperity, and when no doubt was entertained as to the healthy condition of our finances. In that year there was estimated for these provincial services only £3,443,000, and therefore, compared with what was considered sufficient when there was no doubt of our financial position, he thought the grant of 1870-71 most liberal. Compare it further with what had been assigned in the years when there was abundance and no check upon our administrative expenditure. When we compared the assignments on which the allotments to Local Governments were based, we found that it was £3,607,000, against an average on the actual expenditure of five years, from 1863-64 to 1868-69, of only £3,222,000. He thought, therefore, as regards the whole of India, we might assure the Local Governments that the basis of their assignments was ample and sufficient. But as the greatest complaints had been made in Bengal, Madras and Bombay, he must ask the Council to bear with him for a few minutes more, whilst he gave the figures for those three Local Governments. In Bengal, the figures were £941,500, against a budget-assignment, in 1869-70, of £919,000, and an average actual expenditure, from 1863 to 1869, of £822,000. There could be no reason for complaint there. In Madras, again, we had £574,000, against £546,000 in 1869-70, and an average of £525,000 in former years. In Bombay, there was an assignment of £673,500, against a budget-allotment, in 1869-70,

of £570,500, and an average of former years of £558,500. It would be understood that, from the assignments he had mentioned, a deduction of seven per cent. had been made, and even after that deduction, the allotments made would contrast not unfavourably, when compared with the budget-assignments of 1869-70, and would compare very favourably when contrasted with the average actual expenditure of former years, when there were no doubts of our financial position. He thought, therefore, that it would not be competent for any one, after the exposition of these figures, to say that, as far as regards the Civil assignments of the Local Governments, they had been based on starved assignments. Then, it might be asked, where was the reduction? He answered in two words—in the Public Works Department. And he thought that, after what the Council had heard from Colonel Strachey, no one could fail to be convinced but that a reduction was inevitable in the Public Works. He had told you that, in all Public Works Imperial, as well as those included in the assignments to the Local Governments, in all alike, there had been large reductions. Why were those reductions made? Because we had no more money to spare. Well, those who cavilled at the policy of the Government of India were most prone to reproach us for our extravagance in Public Works. It could not be urged now as a reproach that, in our allotments to Local Governments, we had been making retrenchments, for, as Colonel Strachey had shown, we had reduced all the Public Works grants. It must be borne in mind that, as we had not sufficient money to give to the Local Governments to carry out all the improvements they desired, they would, without any connection with this scheme of decentralization, have to devise means to get the money, or go without the works. It would be clear that the assignments for the civil portion of the provincial charges were sufficiently liberal, and that there could be no ground whatever for the imposition of additional taxation on account of these departments; it remained to be considered whether the contraction of the Public Works grant afforded such ground. He would beg the Council to bear in mind that, even if this scheme were not carried out, the money would not be available; moreover, he would have it borne in mind that all those Local Governments who had legislatures of their own had, for some time past, quite independently of this scheme of the Government of India, been devising means for raising money by local taxation. The Madras legislature had already passed two such Bills, which had been long pending before the local Council; and he would say, with regard to Madras, that he must confess that he was unable to receive the figures given to them by the Hon'ble Mr. Robinson, as representing new and local taxation in Madras. MR. ELLIS hesitated to question them, as he had not the Madras Bills

before him; but in the former discussions of the Madras legislature which he had read carefully, he could see no trace of that vast greed on the part of the Madras Government which his hon'ble friend had represented. On the contrary, those measures appeared to him to be most moderate. Under these two Bills, the amount that would be raised was within £300,000, and that amount, they were told, it was proposed to arrive at by degrees. He confessed that, until he saw the Bills themselves, he should hesitate to accept as correct the basis of the Hon'ble Mr. Robinson's calculations. Had he been asked to state which of the Local Governments would be the least likely to impose an improper burden on its people, he would say that it was the Madras Government. It was essentially a paternal Government, and it would be the very last to attempt to raise from the people anything more than they could be reasonably called upon to bear. Any how, these Bills had been commenced with long before the scheme for carrying out the system of provincial assignments had been started. In Bombay, also, as had been stated by the Hon'ble Mr. Chapman, Bills had been some time under consideration with a view to further taxation by municipalities in towns. Again, in Bengal, as every one was aware, correspondence had for a long time been going on as to the raising of further funds for Education and Roads; therefore, he said that these measures of taxation were independent of the scheme of the Government of India, and not in any way initiated and forced upon the Local Governments in consequence of that scheme. They were initiated and brought about by the feeling of the Local Governments that further improvement was required, and that the funds would not be forthcoming from imperial resources. He submitted that it had been shown that the allotments to the provincial Governments were sufficient, except in so far as related to the allotments for Public Works, and for these latter more could not be afforded. Therefore, he did say that there was nothing in the action of the Government of India to compel the Governments to impose upon the people a burden greater than they were able to bear. As regards the three Governments who had legislatures of their own, Bills had been introduced or were under consideration for some time past for the raising of funds for local improvements. As regards the North-Western Provinces and Oudh, Bills for this purpose were now before the Council, and it would be in the power of this Council carefully to consider those Bills, and not impose on the people of those provinces more taxation than was justified by a reasonable demand for improvement. In conclusion, he trusted that no difficulties would be thrown in the way of carrying out the so-called measure of decentralization, for he believed that it was calculated to increase the efficiency and economy of administration in India.

The Hon'ble MR. STEPHEN had not intended to trouble the Council with any observations upon the policy of an income-tax; but in the course of the debate, several observations had fallen from Hon'ble Members which appeared to him to call for some remarks upon his part. The first observation to which he would refer was made by His Honour the Lieutenant Governor of Bengal, and he referred to it, not only on account of the weight which must attach to every observation which fell from His Honour, but also on account of its great plausibility, and because it specially pointed to the Department of which MR. STEPHEN had the honour to be the head. His Honour observed that a reference of this Bill to a Select Committee with instructions to report in a week, was hardly consistent with a due regard to the public interest. MR. STEPHEN considered that a very serious charge, and he begged leave to remark that, as far as he could form a judgment upon the subject, it was not deserved. Of course, there were topics connected with the income-tax which you might discuss, not only for weeks, but for months, and it might be a question whether, at the end of those months, you would be in a better position than at the commencement. We all remembered

“ Others, apart, sat on a hill retired,
 In thoughts more elevate, and reasoned high
 Of Providence, Foreknowledge, Will and Fate—
 Fixed Fate, Free Will, Foreknowledge absolute,
 And found no end in wandering mazes lost.”

The discussion on the income-tax which His Honour suggested might lead to similar results, and he hoped it might not be undertaken. On the other hand, if the Committee confined itself, as MR. STEPHEN thought it should, to the discussion of the changes proposed to be made in the Act of last year, it could perfectly well dispose of them in a week. The changes proposed were all mentioned by the Hon'ble Sir Richard Temple. They were eleven in number. The questions which His Honour wished us to discuss were questions of a very different kind. His Honour's conversation with the American gentleman to whom he had referred, had suggested to him that it would be a good plan to take an account of the whole value of the property of every man taxed under the Bill. Then you would estimate the permanent income that would probably accrue to him therefrom. Then you would put on one anna for one thing, and another anna for another, till at last you brought his income under a satisfactory assessment. After you had performed that operation, you would have to proceed to an enquiry as to the sources of his income, and when that was ascertained, you would be in a position to decide what proportion of his income was to be regarded as property

and what as income. This process would open out a wide field of discussion, especially when it was applied to a country under our rule containing a population of 150 millions. This, however, was only the beginning of troubles. The next question would be how the principle of the distinction between property and income was to be adjusted to the circumstances of the different classes of the community. For instance in the cases of a barrister, a merchant and a civilian, how much of the income of each was to be regarded as property and how much as income, special reference being had to the fact that some portion of the covenanted officer's salary was in the nature of compensation for coming out to this country. If, having entered into all that, we were to go on to enquire from what point of view our Native fellow-subjects regarded the large incomes paid to officials in this country, and how far they thought it just to regard part of them as property and part as income, there was, no doubt, room for a great deal of enquiry, for which one week would be far too short a time. But over and above all this, an abstract principle had been laid down, which amounted to this—that no tax was just which did not impose equal sacrifices on those who paid it. That was a principle to which he (MR. STEPHEN) did not assent, and its discussion might take some time and end in a difference of opinion. Supposing it to be established, when you came to apply it practically, how were you to discover what was an equal sacrifice? How far could you say that a man, who paid five per cent. out of £5,000 a year, made the same sacrifice, as a man who paid five per cent. on £100 a year? How would you draw a comparison between an English barrister, an Indian ryot and a small zamíndár? These questions were as hopeless as those of free-will and fore-knowledge, and yet these were the questions on which His Honour suggested that the Committee should enquire and take evidence. MR. STEPHEN earnestly trusted that, amongst the duties he discharged in this country, he might never be called upon to preside at a Committee to enquire into such questions. He took a humbler view of the functions which this Council had to perform, and which were at present before them. The Bill contained eleven slight alterations of the existing law, which must be thoroughly discussed. With these questions it was quite possible to deal; but if we went into general principles, and the application of these principles to the circumstances in which we stood, we should be going very far out of our depth. Even if you confined the area of discussion to the project of adapting the English Income Tax Act to India, the difficulty would be enormous. It would be necessary to adapt to India schedules A, B, C and D of the English Income Tax Act, together with endless questions about exemptions, deductions, qualifications, returns and other things, and the result

would be that it would become absolutely necessary to inflict upon the whole community a most elaborate body of law and forms of the most intricate description. He could only say that the little finger of an Act of that kind would be thicker than the somewhat attenuated loins of the present Bill.

But passing from that, he came to the consideration of several other observations. The first of these fell from the Hon'ble Mr. Chapman. He criticised at length the expenditure on account of certain salaries paid to the officers of Government, and he asked a variety of questions, which MR. STEPHEN did not feel himself called upon in any way to answer, because they referred to branches of the revenue of which he had no particular knowledge. But he did allude to two or three matters to which MR. STEPHEN considered it his duty to refer. Mr. Chapman had observed, for one thing, that he considered his own services as an Additional Member of the Legislative Council to be not worth his salary. Speaking with some considerable knowledge of the subject, MR. STEPHEN would say that Mr. Chapman was by no means the best judge on that subject. He (MR. STEPHEN) had had the pleasure of being associated with the Hon'ble Member in this Council for many months past, and he was sure that the assistance which he had rendered in the improvement of the laws was of very great importance, and fully justified his presence in this Council. MR. STEPHEN thought it quite a mistake to suppose, as some Indian officers appeared to him to suppose, that, unless a man was kept very hard at work from early in the morning till late in the evening, he was not earning his salary. He would altogether deny the truth of such criticisms. It was absolutely necessary, in order that good laws should be made, that ample experience and advice should be provided for the assistance of those who were charged with the duty of making laws. His hon'ble friend and his colleagues might find during their presence at Calcutta that they were not kept quite as hard at work as they usually were. It appeared to him (MR. STEPHEN) that many Indian officials had a morbid appetite for hard work. He himself had not led an altogether idle life, but he thought it a mistake to consider that the time spent in advising on and preparing legislation was not adequately and properly employed, even if the legislators were not actually at work for the whole of every day.

With reference to Mr. Chapman's remark that to have in each department a Member of Council and a Secretary was a superfluous expense, MR. STEPHEN would only say that he felt some delicacy in answering such a criticism. Whether the Members of the Executive Council did their work properly or otherwise was a question on which he could give no opinion for obvious reasons ;

but he could not understand how it could be seriously questioned that there was plenty of work for them to do. It appeared to him that no talents and no energy could be too great to discharge the duties of a Member of Council as they should be discharged. He would be the last man to depreciate the value of the services of the Secretaries to Government, whether in his own or in other departments; but there was ample work both for them and for the Members of Council who presided over the departments to which they were attached. Speaking for his own department, he felt perfectly certain that neither Mr. Stokes nor he would be able to undertake the duties of the other, in addition to his own, nor did he believe that any one man could discharge them all.

But there was one further remark to which he must refer more particularly. The Hon'ble Mr. Chapman spoke of the High Court Judges, and referred to the difference of the salaries which those officers received in the Presidencies of Bengal, Madras and Bombay, respectively. The way in which this difference was accounted for was, that the expense of living in Calcutta was greater than at the other presidency towns. Whether that was a fact, and whether it was so with regard to Bombay in particular, were questions upon which he could form no opinion. But this he could say with very considerable confidence, and from a long knowledge of English barristers, and the prospects held out by the judicial service at home, that he did not believe that, you could get the class of men you would wish to get as High Court Judges at lower salaries than those now paid to them. He believed that, at the present time, there were few men in England who would accept a High Court Judgeship, who would not remain in England for £1,500 a year. He said this from personal knowledge and experience in such matters; and this fact bore on the expense of the judicial service in this country. If you wanted a man who had more or less an independent position to leave home in middle life, you would have to pay him about three times as high a salary as he would take at home. This consideration bore strongly on the question of the employment of Native Judges. He thought it would be reasonable that a Native Judge of equal standing, rank and ability ought to be contented with a salary much lower than that which was paid to the European Judge, except, of course, in the case of a class of practitioners whose professional income reached the European standard. A large part of the salaries paid to Europeans in this country, and in particular to European Judges, was in the nature of compensation for coming to an unhealthy climate, breaking off home associations

and family connexions, and keeping up at very great expense relations with England. It was absurd to pay a Native of the country for what he did not lose. It was like paying for Native goods the price which you had to pay for goods imported from Europe. The European article might be, and he believed that in the present case it was, worth the price paid for it, but to make its price the standard for an article produced on the spot appeared to him altogether absurd. He was not, of course, prepared to say what specific inference was to be drawn from these considerations; but the matter was not irrelevant to the budget.

In conclusion, he thought that it might interest the Hon'ble Messrs. Robinson, Inglis and Chapman to hear how some of the observations which they made regarding the income-tax struck persons who looked upon the subject without a special knowledge of India. We had heard a great deal about dissatisfaction; we had heard a great deal about unpopularity; we had heard a great deal about the hostility of the Press at Calcutta; we had heard a great deal about change, and the people not knowing what they would have to pay. The principal point which struck him was that what the people really disliked was to pay money. They did not like to pay, and it was very natural that they should not; he never heard of any human being who did, and he could well believe that the people specially disliked paying at $3\frac{1}{2}$ per cent. of their incomes. That they would dislike paying $1\frac{1}{2}$ per cent. appeared to him beyond a doubt, but that they would dislike it to the same degree appeared to him extremely improbable. For ten years they had actually paid this tax under different shapes, without any particular complaint, and as they complained when the rate was raised, he (MR. STEPHEN) believed that what they objected to was, not the tax, but the amount of it—the payment, and not the change of which Mr. Chapman had said so much.

[The Hon'ble MR. CHAPMAN said that his remarks were made with reference to local taxation. The Hon'ble MR. STEPHEN continued.]

He had no doubt that they disliked even that. Whether they paid under a local law passed by the Local Government, or under an imperial law passed by the Supreme Government, they had to pay, and that was what they disliked. He could fully understand that this was a tax extremely unpleasant to collect, and equally unpleasant to pay. He could fully appreciate the difficulties which every person had experienced who

had anything to do with the tax. But he could not conceal from himself the fact, that we were in a position in which it was absolutely impossible to take any step in any direction or to stand still without incurring great difficulties and considerable risk. If you said that change was so bad that you would have no change, you would come to a state of things in which you would feel the necessity of a change. If you said that you would remedy that state of things, then you would experience the inconvenience of changes. If you put on an income-tax, the collector would point out the difficulty of working it. If you put on some other tax, he would say the same thing. The main object to be aimed at was the general improvement of the government of the country, and he might be permitted to say that, the Civil Service appeared to have devoted themselves to this object with a degree of zeal, industry and success which called forth his admiration whenever he thought of it. The undertaking to which they had devoted their lives was one of the utmost difficulty, and the general result, brought about by arduous labour, continued now for upwards of a century, was one of which every Englishman should be proud. But that result was of necessity brought about by a continual series of delicate and dangerous experiments. This state of things was inseparable from the position of the British empire in India. The policy of the Government was not condemned by showing that it involved difficulty or even danger, for to suppose that the Government of this country would ever be free from difficulty or danger, was to suppose an impossibility. It was probably more obvious to a new comer than to an Englishman who had lived long in India that we were engaged in carrying out one of the most gigantic, one of the most delicate, and hitherto one of the most gloriously successful, enterprises that was ever undertaken in this world; and this should never be forgotten when any particular measure was criticized on the ground of the difficulties or dangers connected with its adoption.

The Hon'ble Mr. STRACHEY said that, notwithstanding the length to which the debate had proceeded and the lateness of the hour, he was unwilling to give a silent vote on the Bill before the Council. There was only one point on which he desired to make a few observations. Regarding the general questions that were at issue, he thought it unnecessary to say anything. His hon'ble friend Mr. Inglis, in particular, had spoken in terms which, with all deference to his hon'ble friend, he must characterize as most extreme as regards the extortion and corruption which had been committed in the North-Western Provinces in the assessment and collection of the income-tax. He did not think that His Honour the Lieutenant Governor of the North-Western Prov-

inces would thank his hon'ble friend for that testimony. Speaking of India in general, Mr. Inglis said that he believed that, for every two millions which the people paid rightly to the tax, they were made to pay two millions more by bribery and corruption and oppression. MR. STRACHEY totally declined to believe anything of the sort. He disbelieved anything so extremely discreditable to the Local Governments, and he considered that he was entitled, from his personal knowledge of facts, to give to any such statement an absolute and unqualified contradiction. He did not for a moment intend to assert that no abuses had occurred. His hon'ble friend had spoken as if all our experience of the income-tax had been gained during the last year. But he would remind the Council, as had been already said, that in one shape or other, we had had an income-tax in this country for the last ten years; for the so-called license-tax and certificate-tax had been nothing but income-taxes, with this difference, that they did not apply to all classes of the community, and were levied at a lower rate. He happened to know, personally, a good deal about Mr. Wilson's Income Tax Act, which was imposed ten years ago, and which had been specially referred to by an Hon'ble Member. That tax, when it was first imposed, was levied at a rate of four per cent., instead of, as in the past year, at something over three per cent., and the limit of incomes liable to assessment was Rs. 200 a year, instead of Rs. 500. He would invite anybody to look at the reports regarding the working of the Income Tax Act of that time and its results. They were full of complaints of every kind as to the unsuitability of many of the provisions of the law; complaints, for example, of the complicated returns, which no human being (he could answer for himself) could understand, and of which, when filled up, ninety per cent. were absolutely worthless. But speaking generally, he could say, from his own knowledge and recollection of the facts, that the highest and best authorities on the subject, almost from one end of India to another, had declared their conviction that, however unsuitable an income-tax might be to India, and however great the defects of that particular law might have been, at any rate this was proved that the income-tax had been levied without any serious oppression, without serious dissatisfaction, and without any political danger. In those days, he was himself a Collector and Magistrate in one of the largest districts in the North-Western Provinces, and had personally had the duty of superintending, in all its details, the assessment and collection of the income-tax. Independently of what he saw and did himself, he was in a position in which, he could safely say, no man had better opportunities of seeing and hearing all that went on in the North-Western Provinces, in regard to the

management of the tax. He might add, he believed with truth, that probably no man ever used stronger language than he had himself used regarding the faults of that tax. But this he would assert very positively, from his own personal knowledge and experience, that if, in any district, the people were harassed and oppressed, and if extortion was practised upon them, it could only result from gross maladministration. He entirely denied that, if the local officers did their duty, these malpractices of which we heard so much could have occurred. He could not imagine that the administration in this country, and in the North-Western Provinces in particular, had so very lamentably degenerated of late years. He did not for a moment deny that abuses, and great abuses, might occur, and had occurred, in particular cases, in the administration of this law. What he denied was that these abuses had been the general rule. The difficulty, no doubt, of making assessments, had been great in some parts of India; in Bengal, in particular, the difficulty had been extreme. But he would repeat that, so far as Northern India was concerned, if any Collector or Commissioner told him that these abominations of which we had been told were going on as a common and universal practice, he had given the most complete evidence of his utter incapacity for performing his duties. It seemed to him that we had had ample and complete experience during the last ten years in regard to the operations of the Income Tax Act in India. The result of that experience was (as the Hon'ble Mr. Stephen had said) that when the rate of the tax was high, there was discontent; but when it was low, no difficulties occurred and no opposition was experienced. So long as the tax was low, we heard little or nothing of oppression or extortion or corruption. The truth was that, up to the present time, from the time when Mr. Wilson's tax was first imposed, no serious attempt had ever been made to bring into proper order the machinery for working this tax. We had always been dealing with it in a spasmodic kind of way; one year the limit had been at one rate, and one year at another. If our object had been to make the tax unpopular, we could not have gone to work in a better way. Judging from the experience of the last ten years, if the tax was kept at such a rate as now proposed and small incomes were left untouched, and if we took anything like the same pains in making our arrangements for the assessment and collection of the tax that we took for the assessment and collection of other branches of our revenue, he saw no reason whatever, considering what he might call the infinitesimal number of the people that this measure would affect, why it should not work well. He believed that, without any serious amount of trouble or unpopularity, this one per cent. tax, with good administration, would soon give us three quarters of a million or more a year, and that it

would place in the hands of the Government, against a time of great emergency, a most valuable resource. He might add that what was now proposed was virtually almost the same proposal as that originally made by Mr. Wilson in 1860. He proposed to impose a heavy income-tax for a term of years, but to retain one per cent. permanently: one difference between the proposal then made and the proposal of the Government now, was that it was then proposed to assign the one per cent. to the Local Governments for works of public improvement.

A good deal had been said as to making this tax permanent. Now, he was not aware that any body had said anything of the sort, or that the Government had declared any intention whatever of making this tax permanent. All that was really said was, that the Government had come to the conclusion that it was desirable that the Act should continue in force until the legislature thought it desirable to repeal it. Nothing more in regard to this point was proposed by this Bill than was done by any of the dozens of Acts which were passed with no limitation of time as to their continuance. In spite of what he had said, he should be very glad if the time came when no such tax would be necessary. What the Government now virtually said was this, that so far as we could now foresee, we could not anticipate that, within another year or so, we should be able to dispense with this tax, and that, under ordinary circumstances, the tax should not exceed one per cent. It appeared to him that, by inserting no term at all, a better security was really given to the public against the increase of the rate hereafter, than if we were now to say that this tax of one per cent. was to hold good for the present year only. For, in its present form, the Bill was to some extent an assurance, that the Government had come to the conclusion that nothing but a really serious emergency could justify the imposition of an income-tax at a higher rate than one per cent. But it seemed to him that if we were to insert a term of one year, it would be as much as to say that we only wanted one per cent. this year; but that, at the end of the year, it would be a matter for consideration how much we should want the next year. It appeared to him visionary to suppose that we should be able to dispense with this tax at the end of this year. If our financial position should improve, he agreed with what had been said by other hon'ble members, that if we should be able to get rid of three quarters of a million of taxation, this wretched income-tax was not the thing we ought first to dispense with. He entirely agreed with the remarks which fell from the Hon'ble Mr. Bullen Smith regarding some of our Customs duties. He thought that it was nothing short of a disgrace to a civilized Government that such

duties as our export-duties on rice and other staples should continue to exist. Nothing but extreme financial difficulty could justify their maintenance at all. He also entirely agreed with what had been said regarding the sugar duties. He had no hesitation in saying that they were a standing discredit to our Government. We were not only levying a heavy tax, amounting to some ten per cent. *ad valorem*, on one of the greatest sources of our agricultural wealth in Northern India, but we were actually levying a duty on our own people for the benefit of the sugar-planters of the Mauritius, for those planters actually paid a smaller duty on the import of their sugar, when sent to this country, than our own people paid when they sent their sugar across our Inland Customs line. If we could afford a sacrifice of half a million, or three quarters of a million, we could abolish all export-duties and all inland-duties on sugar, and we could reform our import tariff also. He thought that, by good administration, all the more serious objections to the income-tax might be got rid of, and that, politically, the tax might be made a source, not of weakness, but of strength. He could not conceive how any one could doubt that the continuance of a light income-tax was a smaller evil than the continuance of such taxes as those of which he had been speaking.

His Excellency THE COMMANDER-IN-CHIEF said he should be sorry, by a silent vote on this question, to give the impression that he voted for this Bill merely because he was a member of the Government. He was formerly a member of the Government of India, when an income-tax was maintained; and he now voted for its continuance at the moderate rate to which it had been reduced, and was prepared to continue so to vote until some other tax was devised which would reach the rich Native mercantile class without leaving the European community untaxed. It was well known that the richer portion of the Native mercantile community escaped taxation.

Formerly, the European paid no taxes, except the import-duties on the articles for his use and consumption. When the Government were asked for money for the convenience or benefit of Europeans, the reply used to be,—“You come here for your own purposes! You receive your wages! You have no right to expect to have your wants supplied from the money which belongs to the people of India!” Afterwards, when Europeans paid income-tax, he was often glad to be able to claim for them the protection of the State—equally with our Native fellow-subjects—for the poorer Europeans, education for their children and places of worship. He was sure he only did justice to the European community in believing that they had no desire to avoid bearing a fair share of the burthens of the State. He believed their objection to the

income-tax proceeded from the belief that it hit them hard, as their incomes were more accessible, while the Native mercantile class escaped more easily, as their incomes were not so completely assessed.

With regard to the reductions in the Army, to which the Hon'ble Mr. Chapman alluded, it was true that the late Commander-in-Chief recommended extensive reductions, which had not all been carried out; yet, at the same time, he gave a solemn warning against reducing the Military Force of the country by another European soldier.

It was not permitted to him to enter into details of what the proposals for reduction were, but they went very far beyond what the Hon'ble Member indicated. It was vain to say that the addition of a portion of men to each of the remaining batteries was any sufficient compensation for the loss of complete batteries.

In the case of the reduction which had been carried out, the loss of thirty guns was a very serious loss of power; and as regards the men, though it was intended to divide a portion of them among the remaining batteries, they themselves did not consent to it, but went home bodily with their batteries.

It was only justice to the Government of India to say that he had protested, in the strongest manner, against any further reduction. It had been his duty to say that he considered reduction to have been carried to the verge of safety, and this opinion had been confirmed by his observations during his recent tour of inspection.

With reference to the question of barracks, a few words were due in behalf of the British soldier. Last year, the subject of barracks was much discussed in this Council. The term "palatial barracks" was invented, and he feared the British soldier got into the bad graces of the tax-payer as the pampered dweller in palaces.

Now, what was the fact? The Government of India, after the mutiny, found that they had a largely increased European army almost unhoused, and it came to the determination to borrow the money necessary to house it properly, and to give the reasonable comforts and amusements necessary to render the soldier's life in India desirable. He believed that few of the members of this Council were in the way of becoming acquainted with the medical statistics of the Army. It was well known that, in places subject to malaria, if you slept at an elevation of eighteen or twenty feet from the ground, you might escape

the effects of malaria. In Calcutta, you had a proof of it. The mortality of the European soldiers in Fort William was formerly nine and a half per cent. per annum. By building the Dalhousie Barracks, Lord Dalhousie reduced the mortality by two and a half per cent., or seven per cent.; and if you reckoned for a thousand men, the saving of life was seventy men per annum, or seven hundred men in ten years. The very experienced Inspector General, Dr. Murray, in advocating double-storied barracks, said that it did not much matter where the men slept for nine months in the year; but in the remaining months of the unhealthy season they were liable to contract, from sleeping near the ground, fevers which rendered them, for the future, practically useless as soldiers.

He considered that the Government had good grounds for the construction of double-storied barracks, and for borrowing the money to build them. But it was decided by an authority which he was bound to respect, that the money spent from loans should be taken from revenue; and this measure was, he believed, the cause of the inconvenience which ensued.

There might have been room for improvement in the manner of construction, but this was in course of adoption; and he had no doubt the barracks that might be completed would fully justify the expectations of those who advocated their construction.

Arrangements were under contemplation to place several regiments in the Hills, where their accommodation would be less expensive; and he was content with the resolution to build the double-storied barracks only in such places where climatic influences rendered them necessary.

The Hon'ble SIR RICHARD TEMPLE said—"MY LORD,—At this late period of the debate I shall not enlarge on the general topic, but shall confine myself to replying to the adverse criticism which has proceeded from several Hon'ble Members sitting on the President's left.

I begin with the speech of my hon'ble friend Mr. W. R. Robinson. He says that I have under-estimated the Revenue and over-estimated the Expenditure in several respects. Had it not been for this, he thinks that the necessity for retaining the income-tax might have been avoided; and what are the instances he adduces? Why, the Land Revenue, which he observes is less by a large sum than the sum realized in 1869-70; the Excise; and the Customs, of which the present estimates do not allow sufficiently for the prosperity of the time. Now, as regards the Land Revenue, my hon'ble friend seems to have overlooked the fact that in 1869-70 there was an extraordinary receipt (duly

explained by me to this Council at the time), namely, the accumulated proceeds of the sale of waste lands, which windfall will not recur; therefore the favorable result of that year cannot be estimated for in subsequent years, and the apparent difference is thus fully accounted for. As to Excise, the amount I have now taken is almost as high a figure as has ever been realized in the most prosperous year; and if Burma be excluded (where there has been a special falling off), the figure for British India is actually the highest ever estimated. As to Customs, I have to repeat (what was explained in my general exposition) that we fear that the apparently prosperous figure of the current year may partly arise from over-importation; that the present profits of the trade are less than what might have been justly expected; and that therefore any further prosperity cannot confidently be reckoned on at present. I may add that in our belief the estimates for all these heads of revenue have been taken *full*, quite as full as the estimates received from the local authorities would warrant, and I must decline to accept the irresponsible advice of my hon'ble friend to take them any higher.

On the expenditure side my hon'ble friend instances the increases on Land Revenue, in Forest, in Opium, in Salt. Now, does he really mean to say that these charges could be reduced beneficially? Hardly so, when he remembers that I explained in my general exposition that these increases were all needed to produce a direct fiscal return. But he says he has searched in vain for a proof of the increased return on the Revenue side. I cannot understand this, inasmuch as he will find specific increases taken under each of these very heads! The same remark too applies to excise in British India (Burma being excluded). Further, my hon'ble friend says he cannot understand the increases under Stamps and Stationery and Administration. Why, if he will refer to my exposition he will see that these instances are specifically accounted for by transfers of account.

Here again I must decline to accept advice which really means that I should take the estimates more favorably than they are taken, a course wholly inconsistent with prudence in finance. The estimates are taken prudently, and not at all too unfavourably, and my hon'ble friend must look the necessity in the face, for I cannot evade it by attempting to improve the estimates.

Mr. Robinson then drew a moving picture of the national demoralization caused by the income-tax in the Madras Presidency, with which he is specially acquainted; and even dwelt on the wide-spread discontent caused thereby among the landholding classes. But what are the facts? Why, in the

Madras Presidency, with a population of nearly thirty millions, the income-tax for 1870-71 amounted to £245,000 with 55,000 or 60,000 tax-payers; in 1871-72 it will amount to £69,000 with 27,000 or 30,000 tax-payers. How is it possible that from so small a cause such universal demoralization can arise? Some mischief may, indeed must, arise; but that it extends to all classes in the manner described by my hon'ble friend, I do not believe. Further, how can it reach the landholding classes in the manner supposed? At the most, it cannot affect more than a very few thousands out of many millions of agriculturists. Moreover, the oft-repeated argument that the tax reaches, from its uncertainty, more than it was meant to reach, cannot apply at all to agriculturists, for they are assessed to this tax on fixed and certain data furnished by the village records. I do not deny that some evils exist; but I do say that my hon'ble friend's description of them must in some respects be greatly overdrawn.

Again, Mr. Robinson says that by the relief afforded we have only slightly narrowed the field for oppression! Now, what have we actually done? We have exempted for 1871-72 just one-half of the total number of those who pay the tax in 1870-71. Surely this is a large measure of relief, and to style it a slight narrowing of the limit, is to give a meagre and inadequate description.

Then Mr. Robinson gave us a long account of the local taxation recently imposed in the Madras Presidency, which he makes out will amount to between $\frac{1}{3}$ and $\frac{1}{2}$ a million annually. But what has all this got to do with the Imperial Budget and with the Income Tax Bill now before this Council? Surely my hon'ble friend cannot suppose that we, the Government of India, have at all forced the Government of Madras to impose this taxation. In the first place, those local taxes had been devised and placed before the local legislature some time last year, long before the present budget had been thought of. In the second place, the utmost sum which this budget would compel Madras to raise locally amounts to only £55,000. To that extent we are responsible. Whatever the Madras Government may raise beyond that, it will raise in its own discretion,—a discretion which I am sure will be exercised moderately and properly. If then my hon'ble friend's description of the expansion of local taxation in Madras be meant at all to prejudice the policy of the Imperial Budget, I must remark that it is irrelevant to the question at issue.

I was surprised to hear Mr. Robinson use such words as that the Government of India stands pledged to abolish the income-tax as soon as possible, and that the intention to do this is to be inferred from the action of Government. It were perhaps superfluous to point to the well-known fact that no such pledge has ever been declared or recorded. On the contrary, in our Financial

Statements we have always guarded ourselves against giving any such pledge. And as to any such inference being drawn from our past proceedings, I say that our proceedings point to a directly contrary inference; for on the establishment of our existing financial system the first thing which Government did was to impose an income-tax for five years. When the period had expired, not a year was suffered to elapse before a fresh project for a similar tax was set on foot, and was shortly afterwards carried out; and since that time we have never been without an income-tax in one shape or other.

Lastly, Mr. Robinson regrets that I should have inferred from the fact of the Local Government reporting the absence of complaints that no cause of complaint existed. But in reality I drew no such inference. On the contrary, I expressly guarded myself against drawing any such inference. I stated that such cause must doubtless have to some extent arisen, notwithstanding the absence of official reports.

I next advert to the speech of the Hon'ble Mr. Cowie. He regrets that I *can* suggest nothing save an income-tax. Now, as to whether I *can* suggest, or not, I may observe that to make such suggestions might be easy enough. Instead of a moderate income-tax like that now before the Council, I *could*, if it were deemed fit, suggest many things, but they would all be open to objection; for instance, a marriage-tax, which might touch somewhat too closely the domestic affairs of the people; a tobacco monopoly, which might affect the garden culture of every ryot; an increase of the salt duty in Bengal which would tax still further the highly taxed luxuries of the poor; additional customs duties, which might unduly affect trade; a succession duty, which would be open to some of the objections of an income-tax without its productiveness. Such things have been proposed and might have to be carried out in certain emergencies; and, as far as possibility goes, I *could* suggest them, but I had rather not do so. I, for one, distinctly prefer the alternative of a light income-tax, such as that now before the Council. Then my hon'ble friend, objecting to the tax being made permanent, says it is one for an emergency, and not for time of peace. In the first place, we have never said it was to be permanent; we have merely refrained from proposing any limit of duration. But, further, it seems to me to be mere assumption when the tax is said to be one, not for time of peace, but only for emergency. I am not aware of any such doctrine; certainly it is not so held in England, where for now a quarter of a century the tax has existed, although for the greater part of that period the country has been at peace, and not in a state of emergency. Most other civilized countries have kept up direct taxation in times of peace. I know

no reason whatever why India should form an exception to the rule which prevails in so many other countries.

Then my hon'ble friend objects to our retaining such large cash balances and to our borrowing any additional sums during the coming year. As this subject has been adverted to by other Hon'ble Members, I will now say what there is to be said hereon. In my exposition it was shown that the cash balances are very high now, not only because we have improved our ordinary finance, but also because less has been spent than was expected on Public Works Extraordinary including State Railways and on guaranteed Railways. It hence follows that we have in hand much money belonging to the Public Works Department and to the Railway Department, for the payment of which sooner or later we are liable. Well, *if* the Public Works Department were to expend in the coming year all it proposes to spend on the extraordinary loan works, we should clearly want nearly all the money which has been or is to be raised. Also, *if* we were obliged to set ourselves square with the Railway capital account, that is if we had to make advances in this country for construction of the lines, fully up to the amount of capital which has been raised in England, we should need all the cash balance that could possibly be spared. Besides these manifest liabilities, any broad view of all the circumstances of our finance would show that we have many contingent liabilities. Again, in the present state of the exchanges, my hon'ble friend must surely know that the less is drawn from us by the Secretary of State's drafts, the better; inasmuch as the loss by exchange (a direct charge against our revenues) would be thereby kept down. The 2½ millions intended to be raised by loan by the Secretary of State during the coming year might represent so much less of drawings, and this difference might save us expense, more or less, according to circumstances. At present, the Secretary of State's cash balance is doubtless no more than what is required. If, as the year wears on, it were to be found to be high, I presume that this could be considered when the loans of the following year come to be determined. The Secretary of State has, of course, the best possible means of judging the times and conditions of raising loans in London. That judgment is exercised in the financial interest of India. Here in India we try to keep our balances at such sums as may fully suffice for all requirements. We have not indeed always been able to do this. Just now we fortunately are so able. The amount is higher indeed than it used to be in former years. But it would not hence follow that this is relatively higher now than it used to be, for our disbursements have of late grown vastly, and are still growing. The matter is one of discretion to a large degree, and on consideration of *all* our requirements and liabilities for the coming year, I beg to assure the Council that the present amount of cash balances is not otherwise than satisfactory.

I next proceed to the speech of the Hon'ble Mr. Inglis. Adverting to the statistical fact that the income-tax, at the most never touched more than 1 in 300 of the population (it will now touch only 1 in 600 by the Bill before the Council), he says that of the remaining 299, at least one-half are subjected to illegal extortion on account of the tax, and that if 2 millions are collected from all India on account of the tax, at least an equal amount in addition is collected in the shape of bribes. Perhaps my hon'ble friend hardly bore in memory that half of the 299 would represent half of the 150 millions of population or 75 millions. So my hon'ble friend seems to make an assertion which, if reduced to figures, would mean that on account of this tax 2 millions of bribes are extorted from 75 millions of people! I cannot persuade myself that my hon'ble friend really means to adduce any such imaginary statistics. The assertion he makes is one of the most general character, not borne out by even the reports received from that part of India where he has served, and unsupported in its extreme sense by any particle of proof which he adduces. I quite share the belief that in this matter of income-tax, as in every matter of administration where the Natives of India are concerned, the evils which Mr. Inglis justly characterizes as extortion, oppression, and bribery, do unfortunately prevail. The question is really one of degree; and I believe that the assertions hazarded by my hon'ble friend are instances of the manner in which the general objections incidental to Indian administration are pressed with particular exaggeration against a tax which, affecting all classes alike down to a certain limit, is, to that extent, inevitably distasteful to those who have to pay it. But admitting, as I, for one, do admit, that these evils do accompany the tax, to a certain degree, though not to the extreme degree supposed by my hon'ble friend—what then? What are we to do? Are we, for *that* reason, to give up the measure? I say no. For if these reasons prevail, the state of society in India is, alas, such that we should have to give up many other useful and necessary things. Despite all our efforts, the extortion, oppression, and bribery, described by Mr. Inglis, do to a certain degree (though not to any extreme degree) exist in the land settlement operations, in the canal administration, in the police, in the courts of justice—in many things in short. Are we *therefore* to give up settling the land-revenue, to give up irrigation, to give up administering the law, to give up protecting property, and so on? Of course we are not. But neither are we *therefore* to give up direct taxation.

Further, many of my hon'ble friend's objections would be applicable to all kinds of direct taxation. Nevertheless he and those who think with him are always bringing forward schemes for taxing in this way by license taxes the

very classes who are exempted from the income-tax. Why, the persons who are to be exempted by the Bill now before the Council will be all caught in the net of my hon'ble friend's license-tax. True, the license-tax is rough and easy, divided into three grades; but so was the income-tax rough and easy, for *these* classes. Remember, I am not objecting to the license-tax at all; I only say that I cannot understand the consistency of those who advocate a license-tax, which for the lower classes is only a little better than our income-tax,—while they denounce our income-tax in unmeasured terms.

My hon'ble friend concluded by declaring that I might avoid the necessity for imposing the income-tax by transferring the necessary amount from the cash balances, or by deducting the required sum from the assignments made under the new system for the provincial services. I heard this with surprise. What can he mean by suggesting that a portion of the cash balances should be transferred to the coming year's income? Surely he is aware that our imperial accounts show as receipts only the sums received in the year. To so exhibit sums which were *not* received in the year (as the present cash balances would not be) would be to make up our accounts contrary to fact! It would be showing (in order to ensure a certain result) sums as income of the year, which were not the income of the year. Again, what can he mean by suggesting that we deduct from the assignments for provincial services the £600,000 (expected yield of income-tax)? Does he think the various Local Governments could possibly undertake the services after such a deduction? Would not the Local Government of the province where my hon'ble friend is serving be the foremost in protesting against such a deduction? He must see, on reflection, that to suggest this is simply to suggest what would never be carried out by the local authorities under the existing circumstances of the country.

I must now advert to the speech of the Hon'ble Mr. Cockerell. He says that an income-tax ought not to be added to the resources of the country at a time of great financial prosperity. In the first place I fail to see the evidence of any such great financial prosperity. On the contrary we have had deficits much too often: and we have difficulty in ensuring a permanent surplus of income over ordinary expenditure. But to put my hon'ble friend's proposition in a milder form, is there anything in our fiscal condition which would justify us in dispensing with a just and reasonable resource like the income-tax? I say that there is not. On the contrary we sorely need such a resource, not only to help in securing a certain equilibrium, but also to aid us in providing against losses under uncertain heads like Opium, and to give us at least some chance of remedying defects in our fiscal system, like the export duty on Rice, the inland duty on Sugar, the high duty on some kinds of Salt, and so on.

Then my hon'ble friend reproaches me with poverty of invention, and says that I come before the country with no fresh device. Well, as to that, the scheme of local finance produced this year is a fresh device; at least it is a change and a novelty, and that too of a very considerable description. I can only regret that it does not seem to wear the aspect of freshness in my hon'ble friend's eyes. But if it is not a fresh device, I do not know what is. As to poverty of invention, I must give my hon'ble friend the same answer as that which has just been given to Mr. Cowie. I could easily invent plans of reduction of expense, but they could not (as my hon'ble friend must well know) be carried under the existing circumstances of the country. I could also invent new taxes easily enough; but I prefer to keep out of that line of invention and to avoid that dangerous field for ingenuity. I prefer to tread on the less objectionable ground of a moderate income-tax.

Lastly, my hon'ble friend says that the introduction of this income-tax measure is a breach of good faith. This is a serious charge to bring against the Government of India. And does he say anything by way of proof? Absolutely not one word. He merely adduces the argument that the public have been under the impression that the tax was to be only temporary. I neither affirm nor deny the impression. But I say that this is a most flimsy and evanescent ground on which to charge a Government with breach of faith. And if this sort of argument were valid, it might equally be urged by any hon'ble member against any measure he might happen to dislike.

I now turn to the Hon'ble Mr. F. S. Chapman's speech. Having had to differ so much with the Hon'ble Members who preceded him, I am glad to acknowledge the support he accords us by remarking that the present reduced income-tax affords all the relief that could reasonably be expected; that it is consistent with sound policy; and that there are other taxes which ought to be remitted before the income-tax, as now modified, ought to be again touched.

But my hon'ble friend offers other criticism to which I must reply. He objects to the Opium estimates as having been too low. Well, this is a point into which I entered fully in my general exposition; and if what I then said regarding the fluctuations of price, the uncertainties of season, the competition in China, failed to convince my hon'ble friend as to the need of the caution we exercised,—why, nothing that I can now say will convince him, so I will not trouble the Council with further remarks hereon.

Mr. Chapman desires explanation on certain points which I am happy to furnish. He asks—How are the payments of £200,000 to the Local Governments

for a commencement of the new scheme and the £60,000 to the Trustees of the Indian Museum, to be reconciled with the principle that the charges of each year are to be exhibited in the year, and that the surplus of one year is not to be carried on as an asset of the succeeding year? I must observe that both these payments did pertain to and were made in the year 1870-71, in which they have been charged. The £200,000 has been paid as absolutely to the Local Governments as if they had been paid to a Corporation or to a Company. It was peculiarly just to allow them this amount as they had made the savings on their grants to this amount within the year. It was necessary to pay the sum this year, if it was to be paid at all; inasmuch as we could afford it now, and would not be able to afford it in the coming year 1871-72. The payment to the Trustees of the Museum was made by reason of an obligation imposed by *law*, which fell finally due on the 23rd of March within the year 1870-71. Both these payments then are made in strict accordance with our principles of finance and account.

Then my hon'ble friend asks, why, if the loan, $2\frac{1}{2}$ millions, to be raised in England be connected with the unfavorable state of the exchanges, the whole of the 9 millions required for the expenditure in England, should not be obtained by borrowing in that country, instead of selling drafts on the Treasury in India? This question is hardly one which admits of a precise answer. Supposing that the state of the exchanges is one of several reasons for the raising of that loan, I must observe that it would not at all follow that the same reason would apply to the larger sum of 9 millions to be borrowed in England according to my hon'ble friend's idea, instead of being remitted from India. To do that would be to cause great derangement in the exchanges, in the money market, in the value of public securities, and in many other ways.

My hon'ble friend next observes that the Local Funds of the Bombay Presidency amount to near a million sterling. This must include the income of the Bombay City, inasmuch as the Local Funds proper of the Presidency do not much exceed £600,000. However, let us take the total at a million. Then, with what object does my hon'ble friend adduce the fact? Apparently to shew that the Presidency has too much local taxation. But what proportion does this million bear to the resources of Bombay? Why, it only represents 10 per cent. of the total revenues of the Presidency, 10 millions sterling, with a trade of 50 millions annual value, with a cotton export of $1\frac{1}{2}$ million of bales annually, with a population on the whole the richest or the best off in all British India.

My hon'ble friend observes that there is half a million of charges under Marine, and wonders what the country receives for this money. In the first place, we have large receipts under Marine, some of which are really revenue, such as pilotage payments and port dues, amounting in all to close on a quarter of a million. So that the net charge amounts to only one quarter of a million. And for this, the country does receive something; there is a squadron of the Royal Navy guarding the Eastern Seas; there are some vessels of the Marine; there are six ports, some of them large, with pilot services and other establishments (other than those of the Port Trusts); and there are two dockyards.

Then my hon'ble friend considers that searching enquiry ought to be made into all Civil expenditure. But does he remember that there has often been such enquiry? For instance, the labours of Sir Henry Ricketts embodied in several large volumes: the records of the Civil Finance Commissions; the revisions made from time to time by every Local Government with or without the instance of the Government of India. Further, he quotes a passage from the speech of Sir W. Mansfield in last year's debate regarding the amalgamation of various separate Departments of Military Administration, and he asks what is being done. I cannot say more than that the matter has not been overlooked, but has been more than once considered by the Government of India.

Lastly, my hon'ble friend considers that the expenditure in England ought to be controlled by the Government of India, no expenditure being incurred in that country without its sanction. Now, inasmuch as the Secretary of State exercises financial power under an Act of Parliament, there can be no practical use whatever in discussing the question. The extent to which the Government of India is responsible for the English expenditure has been explained in my general exposition.

I must now turn to the speech of the Hon'ble Mr. Bullen Smith. He objects to my having mentioned that in reply to a Circular the Local Governments for the most part stated that no specific cases of income-tax oppression had been reported. Since I heard his remarks, I have again referred to those replies, and I find that they bear out my statement. As already said, I expressly guarded against the inference that no such cases had occurred, and I acknowledged that no doubt there were such cases. My hon'ble friend goes on to say that to ignore the existence of such complaints would be to show want of sympathy with the people. But I did not and do not ignore this. On the contrary, I declared that we had been much impressed with what we had heard on this score. And as a proof of sympathy, far better than any declama-

tion, we have proposed to exempt half the whole number of tax-payers ! But as my hon'ble friend seems rather to press the sympathy argument, I shall retort that the object of our financial policy has been to avoid increasing the burdens of the mass of the people, and to rather adjust the weight to the shoulders of the comparatively well-to-do classes. Whereas our opponents, deprecating our mode of adjustment, rather suggest expedients, such as increased salt tax, a marriage tax, and the like, which would really fall upon the masses. Therefore when my hon'ble friend urges wide and hearty sympathy with the people, I at once rejoin that our policy fulfils this just and essential condition far more than the policy of our opponents.

My hon'ble friend adverts to the Rice duties, a subject which he thinks I dismissed too briefly in my exposition. Well, I was obliged to be brief, having so very many topics to deal with. Still I did give what is the real gist of the argument, for I said that we bore the subject in mind ; but as the trade was improving, as the yield of the duties was on the increase, and as we could not spare the money, we did not propose a change at present. If I were to dilate now on the argument, still the substance would be what I have just given. I may add that last year 1869-70, we received some £296,000, this year 1870-71 we are receiving £356,000. If this progress were to be at all sustained, we should soon approach the highest yield which the duty has ever reached in prosperous years, namely, £408,000. I hold here a paper which shows that in the first eight months of the current year 1870-71 the export has amounted to eight millions of cwts. ; whereas in the corresponding period of last year it amounted to only five millions. The exportation has not been so much in the direction of China and Japan (as we expected it would be) but rather in the direction of Europe.

My hon'ble friend,—after justly acknowledging that our export duties, with the one exception of Grain, are but little, Jute (fibres) being exempt, and Indigo being very slightly taxed,—asks on what principle Grain was selected for duty, and remarks that unless we recognise fiscal principles in this matter, he, and those who think with him, will withhold confidence in our finance. Now I say, that—excepting faults and defects from which in one way or other no system will ever be free—our fiscal system *does* follow general principles, and that it is for the sake of these very principles that we have frequently encountered opposition and obloquy. Further, I say all this particularly in regard to the branches regarding which my hon'ble friend is so well informed. For our import tariff (as was once declared in this Council by my predecessor, Mr. Massey,) will compare favorably with the tariff of any country in the world ; and our export duties, excepting Grain, are almost *nil*.

As to the principle on which Rice was selected for duty, the real reason (as has been pointed out to-day by the Lieutenant Governor of Bengal) was that such duty was really favorable to the mass of the people of India, as having a tendency to keep down the price of food. But I, for one, have always refrained from urging this reason, and I do not undertake to justify it.

My hon'ble friend says, in reference to the income-tax, that it is an acknowledged fiscal principle that we should leave all classes relatively in the same position as that in which we found them. Now, if there were any such principle (which I doubt) I do not see how *we* have departed from it, for we found direct taxation in existence for a decade of years, with a very short break. But I must disavow any such principle. Why are we to leave every class in relatively the same position as that in which we found it? On the contrary, if we see some classes too lightly taxed, and others too hardily pressed, we are not to leave them in relatively the same position, but we are to endeavour to redress the balance.

My hon'ble friend, alluding to the loans raised in England, says that these transactions should not be initiated and carried through by the Secretary of State save on the express requisition of the Government of India. May I remind the Council that the Secretary of State, besides the controlling authority which he possesses in all financial matters, is specially authorized by Act of Parliament to contract these loans.

I acknowledge the remark which my hon'ble friend is good enough to make, that the budget is "pre-eminently framed for safety." And that the statement is (as he is pleased to say) "admirably drawn up." I am glad that he admits the rule that *all* ordinary expenditure must be charged against revenue: though I might differ with him as to whether certain items should or should not be considered ordinary.

I must now remark on some points in the speech of His Honour the Lieutenant Governor of Bengal. I understand him to mean that the direct taxes often recommended by local authorities are really rough income-taxes; and that sometimes such authorities even recommend the levy of a regular income-tax for local revenue. If I understand him rightly, I fully concur with him. I believe that the real drift of local recommendations is that just described. And such recommendations involve an inconsistency in principle, in that local authorities sometimes condemn income-tax for imperial purposes, while they recommend it for local purposes; though, of course, it is much the same to the tax-payer whether he pays it for the one or for the other. And this weakens my faith in the principles so often urged against the retention of the income-tax.

But His Honour proceeded to make some general remarks which, to my apprehension, amount to this, that income from trades and professions should be assessed more leniently to income-tax, than income from property. Whether His Honour intended this precise meaning to be attached or not to his remarks, I affirm that if any attempt were made to give practical effect to them, the result must be such as I have described. So the real point is, shall we try to tax trades and professions more lightly than property? I am not prepared now to recommend this. The point would really lead to a revival of a controversy worn thread-bare in England, after which it has been definitely settled that no such distinction can practically be drawn. The attempt to make such a distinction would be just as embarrassing in India as in any country; for the immediate tendency would be to favor those kinds of income in which the governing classes in India are concerned, and to press more strictly on property in which the natives of India are concerned; and thus questions would be raised which we had better avoid.

There is one question put by His Honour which I shall answer in a word. He asks, why are our loans raised in England instead of in India? I cannot here enter into the political consideration involved in the matter. But, on the financial consideration, I have to answer that the loans are raised in England because it is found financially more advantageous to raise them there than in India.

I must briefly advert to one or two points in the speech of Colonel the Hon'ble R. Strachey. The drift of his exposition is, that the Public Works expenditure has not been the main cause of our deficits, but that the real cause has been the increase of purely Civil expenditure, which he makes out to have increased by $5\frac{1}{2}$ millions in the last ten years. Now, I concur with my hon'ble friend in not attributing the deficits to the Public Works expenditure alone. But I certainly maintain that among several causes, the Public Works expenditure was one. Also I consider that to say that the Civil expenditure has increased by $5\frac{1}{2}$ millions is apt to convey an exaggerated idea. This is made out, of course, by taking the said expenditure gross, which method leads to erroneous notions; inasmuch as the gross expenditure includes much of nominal increase, which is balanced by corresponding increase on the receipt side. I shall by way of illustration give some figures which show a very different view. The net expenditure on the administrative heads proper was, in 1861-62, £6,858,600, and in 1868-69, £8,465,237, being an increase of only £1,606,637—not perhaps an excessive increase when all that was done for the improvement of the administration in those years is remembered. The net expenditure on Public Works Ordinary was, in 1861-62, £3,693,208, in 1868-69, £6,092,834, being an increase of £2,399,626. The percentage on the net revenue of the expenditure on Public Works Ordinary was, in 1861-62, 10·86, in 1868-69, 16·81. The percentage of the same expen-

diture on the net *available* revenue, that is, net revenue minus the first charges for interest and pensions was, in 1861-62, 13·01, in 1868-69, 20·71.

I concur so much with what has fallen from my hon'ble colleagues, General Norman, Mr. Stephen, Mr. Strachey, and His Lordship the Commander-in-Chief, that I need not advert further to their speeches.

Before concluding, however, I shall touch on a memorial from the British Indian Association, which has just been put into my hands. The memorial contains many things on which I cannot now stop to enter. But there are two points in it which I cannot pass over. The Association recommends that we should appropriate a part (two millions) of our cash balances of 1870-71 as receipts or income for 1871-72, and by this accession of resource, stave off the necessity of imposing an income-tax! This is to my apprehension the real meaning reduced to plain words. I must say that to do this would be to do that which would be contrary to fact, opposed to financial principle, impossible under the system of national account, and subversive of public credit. There would be all these objections even if the cash balances were all our own. But are they all our own? Hardly so. For they consist partly of deposits belonging to various parties and interests, such as the Local Funds, the Civil and Military Funds, the Judicial and Administrative Departments, the Railway Department, and others.

The other point is this. The Association say in effect, as I understand them, that in this Budget we remit income-tax with the one hand while we impose local taxation with the other—a process which will not much benefit the people of India. I cannot acknowledge the justness of any such view. What are the facts? We remit on the one hand upwards of £1,475,000 of income-tax. We cause the Local Governments to impose local taxation at the very outside to an amount of £330,000, which will probably dwindle down actually to £130,000. In the one case the balance in favor of the people would be £1,120,000, in the other case £1,320,000. In the face of this, it cannot be correctly said that the Budget fails to benefit largely the people of India.

And now, my Lord, I must conclude what is perhaps a very controversial speech. If my rejoinders have been made with some degree of stringency, I hope that Hon'ble Members will be good enough to forgive me, remembering that I have been replying to strictures made from the opposite side, and that the questions at issue are urgent."

HIS EXCELLENCY THE PRESIDENT said,—“It was my intention to express my views on this very important matter which has been discussed today, and out of respect to my colleagues to have offered some observations to the Council on the

debate that has taken place; but I am sure the Council will see that, after the discussion has lasted seven hours, it would be unfair to myself, and equally unfair to my wearied colleagues, if I proceeded to say what I am most desirous of saying with regard to the general financial condition of the country, and of the proposals of the Government.

I therefore hope that I may be permitted to postpone to a future stage of the Bill the remarks I have to make.

With regard to the request made by my hon'ble friend, Mr. Cowie, that I should authorise some suspension of the Rule which would enable him to move two amendments in the clauses of this Bill, I have to say that I would be glad to comply with the Hon'ble Member's wishes; but there is no Rule which I could suspend that would enable him to effect his object.

The proceeding which we are engaged in today, is the discussion of a measure on its principle, and, as a whole, in fact, it partakes of the nature of a discussion on the second reading of a Bill in Parliament.

It is therefore quite impossible for me to suspend any Rule which would enable an Hon'ble Member, consistently with the general course of business in this Council, to move an amendment on a particular clause such as my hon'ble friend, Mr. Cowie, proposes.

The clear intention of the Rules which govern our procedure in these cases is, that we should discuss fully the principles of the measure at this stage, and that we should not consider or attempt to amend its details until the Bill has been thoroughly discussed in Committee.

There is only one remark which I wish to make, because it may influence votes, and that is, with regard to what Mr. Bullen Smith said in reference to the term and the permanency of this measure.

The question, whether or not it would be desirable to put any term to the operation of the Bill, was very carefully considered.

We decided that it was better not to limit its operation to any particular term; but, in doing so, we wished it distinctly to be understood that that did not prejudice or indicate any foregone opinion on our part as to the permanency of the measure.

Last year, we proposed the income-tax at a high rate, for a specific but temporary purpose.

The country was in great financial difficulty, and we considered that the course we took was the only means at our disposal for extricating the Empire

from those difficulties. We distinctly stated that the income-tax of last year was therefore to be considered as a temporary measure, adopted for a special purpose. It has done its work, and the circumstances of the case are now wholly changed.

We do not propose an income-tax this year as a relief for any immediate or passing financial difficulty, but, on the other hand, we do not offer any opinion as to whether it ought or ought not to be continued as a permanent part of our fiscal system.

All I can say is, that I think the Government and this Council ought to have an opportunity of fully considering the claims for relief of those other interests which must be considered as competing with the income-tax in regard to the reduction of burden.

If happily, next year, the financial position of the country enables us to consider a further reduction of taxation, it will then be our duty to consider calmly and fairly those interests which have been referred to today, and it will be for us to decide whether we shall recommend the continuance of the income-tax, or the reduction of other burdens, for instance, the export-duties, or the transport-duty on sugar which is levied on our own Customs line.

All we have done is to leave the matter perfectly open, to be dealt with next year as circumstances may require.

I have made these remarks, because, from what has fallen from my hon'ble friend, Mr. Bullen Smith, it may be conceived that the Government entertain a fixed opinion that, under any circumstances, the income-tax should be retained as a permanent portion of our fiscal system."

The following Select Committees were named:—

On the Bill to provide for the survey of steam vessels in the Port of Rangoon—The Hon'ble Messrs. Stephen and Cockerell, and the Mover.

On the Bill for imposing duties on income—The Hon'ble Messrs. Stephen, Chapman, Bullen Smith, Cockerell, Inglis, Cowie and Robinson, and the Mover.

The Council adjourned to Saturday, the 18th March 1871.

CALCUTTA,
The 17th March 1871. }

WHITLEY STOKES,
Secy. to the Govt. of India.