

Saturday, March 6, 1869

ABSTRACT OF PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWs AND REGULATIONS.

VOL 8

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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 pro-
visions of the Act of Parliament 24 & 25 Vic., cap. 67.*

The Council met at Government House on Saturday, the 6th March 1869.

P R E S E N T :

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

His Honour the Lieutenant Governor of Bengal.

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

The Hon'ble G. Noble Taylor.

Major General the Hon'ble Sir H. M. Durand, C. B., K. C. S. I.

The Hon'ble H. Sumner Maine.

The Hon'ble John Strachey.

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

The Hon'ble F. R. Cockerell.

The Hon'ble Rájá Shioráj Singh, C. S. I.

The Hon'ble Mahárájá Sir Dig-Bijay Singh, Bahádur, K. C. S. I. of
Balrámprúr.

The Hon'ble G. S. Forbes.

The Hon'ble D. Cowie.

The Hon'ble M. J. Shaw Stewart.

The Hon'ble J. N. Bullen.

INCOME TAX BILL.

The Hon'ble SIR RICHARD TEMPLE in moving for leave to introduce a Bill
for imposing duties on Income and profits arising from Offices, Property, Profes-
sions and Trades, said

"I have now to submit to Your Excellency and to the Legislative
Council the financial Budget of British India for the official year 1869-70.
This will be the tenth annual statement presented since the creation, in 1859,
of the office which I have the honor to hold.

Following the practice of my predecessors, I shall divide my exposition
into three parts, namely, the "actuals" of 1867-68; the "regular estimate" of
1868-69; the "budget estimate" for 1869-70. Slightly veiled under these tech-

nical designations, my meaning is just this—I shall exhibit the finances, firstly, as they have really turned out for the year that is past; secondly, as they are almost certainly turning out for the year that is present; thirdly, as they are expected to turn out for the year that is to come.

The first part of my subject, then, relates to the finances of the past year 1867-68. My Right Hon'ble predecessor Mr. Massey showed in his last statement that the receipts had risen from $46\frac{1}{2}$ millions sterling in the budget estimate to $48\frac{1}{2}$ millions in the regular estimate. In the statement of actuals which I have now to produce, these $48\frac{1}{2}$ millions have risen further to a little less than $48\frac{1}{2}$ millions. In other words, the income of that year has turned out actually $1\frac{1}{2}$ million more than what was originally estimated. This is so far very satisfactory.

On the other hand, the general and ordinary expenditure of that year has actually turned out to be nearly $49\frac{1}{2}$ millions, being 2 millions more than the budget estimate of $47\frac{1}{2}$ millions. Of this increase half a million arose in India, and the remainder occurred in England.

Thus it is that although the receipts of that year rose much more than was anticipated, the expenditure rose even more. And the result shows $49\frac{1}{2}$ millions of expenditure to only $48\frac{1}{2}$ millions of receipts, or an actual deficit of more than a million.

But the statement of general and ordinary expenditure, as I have just given it, will be found to differ from that presented by my predecessor. It will be remembered by this Council that last year he explained the distinction which had been introduced between ordinary and extraordinary expenditure. In the extraordinary expenditure he proposed to include not only the great irrigation works and the special works at Bombay, but also a part of the expense of military barracks, of roads, and other public works. After further consideration it has been decided, with the express approval of the Secretary of State, that only such works as those for irrigation or for the special land funds at Bombay shall be counted as extraordinary; and that all other public works, including military barracks, communications, and the like, shall be treated as ordinary. The principle of the distinction is clear. All public works, however beneficial indirectly, are to be provided for from the ordinary income of the year: and those works only are to be treated as extraordinary and provided for by loan which will yield a direct cash return to the treasury. In order to meet this view, the original budget estimate and the statement of actuals have been slightly rearranged. And the consequence is the exhibition of a deficit as already set forth.

Besides the ordinary expenditure thus revised, there was also an expenditure of more than half a million on extraordinary works according to the improved definition. This added to the 49½ millions already shown brings up the total to more than 50 millions.

Thus the financial out-turn of the last year, 1867-68, has been a deficit of a million, including all ordinary expenditure, or a deficit of more than a million and a half, including extraordinary expenditure.

This result, running counter to some arguments heretofore used, does no doubt read us a lesson; especially as it follows on the heavy deficit of 2½ millions left by the preceding year, 1866-67.

So much, then, for the finance of the last year, 1867-68, as now proved by the event. And before quitting the region of actual event, I would observe that in respect to the revenues and resources of India, experience shows that the estimates, in the aggregate however favorable, are almost always outstripped by the reality. Just as wave passes wave in a rising tide, so one budget after another springs up in an ascending scale. Then although each budget estimate has surpassed its predecessor, it in its turn has been usually surpassed by the regular estimate as the year advances, which, again, has been generally surpassed by the statement of actuals after the year has closed. Such experience does indeed inspire hope.

But then unfortunately the same process happens with the expenditure, and the consequence has been that of the eight years that elapsed from the commencement of our budget system in 1860 up to the end of last year, three only were years of surplus, while five were years of deficit. In one year, however (1861-62), the deficit was but small, so it may be said that half the period, or four years, have been remarkable for surplus or equilibrium; while deficit has been characteristic of the remaining half.

All these deficits occurred notwithstanding that within this brief period, that is, since 1859-60, our income grew from 39 millions to 48½, showing increase of 10 millions, or more than 20 per cent.—which increase has accrued not by territorial accession involving extra expenses, but by regular development—and notwithstanding that there has been no considerable war, and that general peace has prevailed. Nor can these deficits be attributed to expansion of military and defensive establishments, for, on the contrary, the military and marine charges (incurred either in England for India, or in India itself) have fallen by full 50 per cent. The real growth of expenditure, then, has been on account of general administration or of public improvement.

This fact is, on the one hand, satisfactory, as showing that the expenditure has been directly for the advancement of the people of India, the money having been spent on the country itself. On the other hand, it affords a warning that such increase being not absolutely unavoidable (however beneficial) must either be sternly kept down, or else, if it be maintained in the just interest of the country, then that some augmentation of our resources must be secured.

Again, although the retrospect of increase upon any given period, like a decade of years, is gratifying, yet the gratification would be abated if the increase were to be strictly analysed. For, on the whole, the land revenue within the period has not materially increased; doubtless the settlements, permanent or for long periods, prevent such increase, but then re-settlements in several parts of India have been made on expiry of old settlements, and yet for the country at large the net result has been to keep the total much as it was. The customs have not increased; there is nothing wonderful in that, inasmuch as the duties have been so largely reduced. No doubt the salt revenue has much risen; but then the duties have been greatly raised in some provinces. So also the opium revenue has risen; but the causes of that progress are extraneous to India. On the whole, nearly half of the 10 millions of increase has sprung from the two items of salt and opium. The rest has arisen from several sources, among which must be included assessed taxes. Thus our progress, though, on the whole, considerable, is yet not such as would indicate any rapid development of those national resources on which the State can rely. This progress, therefore, is not at all such as should inflate us with undue confidence or lull to sleep our financial vigilance to maintain the equipoise of income and expenditure.

- ✓ Sir Charles Trevelyan, speaking in 1863, expressed a fervent hope—not yet realized—that the deficit of 1861-62 would prove to be “the last of the long series of Indian deficits.”

My predecessor, Mr. Laing, addressing this Council in 1861, spoke with a just horror of a chronic deficit in time of peace. Mr. Laing graphically described such a deficit as a “huge bully, with whom weary rounds must be “fought, who must never be allowed to claim a cross or a drawn battle, but “who must be gone into and finished.” Again, he likened such a deficit to “an “Indian tiger into whose carcase a parting shot must be fired.” Lastly, he said that if deficit could then be only “extinguished,” the Chancellor of the Exchequer might “renounce his taxing art, and like Prospero bury his magic “wand fathoms deep.” And surely enough he did succeed in drowning deficit

for a time. For that year there was a deficit so slight as to be inappreciable. For the two following years there was a surplus. For the next year, too, there was but a small deficit. But now for two years past the deficits have reappeared. And for the current year I shall have to tell the old tale of deficit. Thus, alas! deficit, though scotched, was not killed after all. But the "bully" of Mr. Laing's time is in these days up in arms again; the "tiger" has come back to life; the smouldering flame not finally "extinguished" has burst out again in our finances.

I now come to the second part of my subject, the current year nearly expired, 1868-69.

The budget estimate for this year presented by Mr. Massey showed the receipts at 48½ millions. But as the year has advanced, and as the known figures of eight months out of the twelve have enabled us to correct the budget estimate, we have been obliged to bring up the anticipated amount to 49½ millions, showing a satisfactory augmentation of $\frac{1}{4}$ of a million. The increase distributes itself in a normal and natural manner over the many branches of our income.

The only items which I shall select for notice are customs and opium.

In round numbers the budget showed 2½ millions for customs; the regular estimate shows 2¾ millions, or an increase of $\frac{1}{4}$ of a million, which is very satisfactory so far as it may indicate the progress of trade. The budget estimate for 1868-69 was taken at 2½ millions, being in excess of the preceding budget (2½ millions), notwithstanding that during the year there had been numerous remissions of petty duties, some 40 articles having been removed from the list of dutiable imports, and 88 articles from the list of dutiable exports. Still the budget estimate rose, just confidence being felt in the elasticity of the trade. But this rising budget has, as we have just seen, been outdone by the probable results, the estimate of 2½ being brought up to 2¾ millions. The increase is almost equally distributed among our principal ports, Calcutta, Bombay, Madras, and Rangoon; and also between the two headings of imports and exports. There is increase in the fiscal yield of such imports as silks, as metals, as stores and materials. The importation of English piece goods has been well sustained; but unfortunately the drought and distress in northern India affecting many classes of Natives who are customers for our English fabrics, has caused many markets in the interior of the country to be slack and dull.

While on the subject of customs, I shall note that we have recently issued for the first time a volume of the statistics of the foreign trade and navigation.

tion for British India, prepared after the model afforded by the Board of Trade in London. Whatever may be said as to the deficiency of current statistics in India, such remarks will no longer apply to the returns of our foreign trade. Now, what does this volume show? Why, that the total foreign trade (merchandise and treasure) amounted to 101 millions in value in 1867-68, against 95 millions in the preceding year, showing an increase of 6 millions, or 6 per cent. Just nine years ago in 1860, Mr. Wilson, when describing the financial dangers of that era, mentioned as a pillar of strength the fact that in three decades of years (that is, 30 years) the trade had sprung from 14 millions sterling in value to 60 millions. Since then another decade has passed away, the 60 millions total has risen to more than 100 millions, and the trade is still rising fast. Again, in Mr. Wilson's time, the customs revenue was just under $2\frac{1}{4}$ millions. It is a little over that now: and this notwithstanding that the duties have been reduced from 20 and 10 per cent. to $7\frac{1}{2}$ and 5 per cent., and that full 130 articles have been wiped out from the list of dutiable merchandise at the Customs House! Although only one-half or one-third of the old rate of duties is now taken, nevertheless the revenue has more than recovered itself within nine years.

Further, these latest trade returns disclose some striking facts indicative of that sort of prosperity which is the real basis of national finance. For instance, India is now taking annually full 20 millions sterling worth of English fabrics, cotton, silk, and woollen. On the other hand, she is sending away annually to England and the colonies some 8 millions sterling worth of her agricultural produce, grains, seeds, and fibres, skins and wool. This, too, is exclusive of opium and cotton. The manner in which the exportation of cotton—on which the wealth of Central and Western India so largely depends—has been sustained, even since the close of the American war, is remarkable. Before the war, that is, before 1861, India used to send to England not more than one-fourth of the quantity which America sent. During the war, while the American production fell off, India exported as much as a million and a half of bales a year, and is still sending but little less than that quantity. The American cotton has now of course regained somewhat of its former position. But still the quantity seems hardly to exceed the $1\frac{1}{2}$ or $1\frac{1}{4}$ million of bales which India now contributes. The great position which India is acquiring in the cotton marts of England is owing not only to the stimulus afforded by the American war, but to the efforts persistently made by the British Government through its own Special Commissioners to improve the culture of the indigenous staple, to ensure the produce being properly cleaned and packed, and transported without damage to the seaboard: all which is aided by the pressing with European machinery fast

springing into use in the interior of the country. Again, the progress is remarkable with the articles produced in India chiefly through the exertions of our own countrymen. For India is now sending away annually 8 millions of pounds of tea and 37 millions of pounds of coffee; while the value of her indigo export is nearly 2 millions sterling per annum, and of her silk 1½ millions. That these results should be achieved through the direct agency of a handful of non-official English gentlemen, is one among the many wonders of the time.

Next, for opium, in round numbers the budget estimate showed under 8½ millions: the regular estimate shows upwards of 8¾ millions, being an increase of half a million. This arises not at all on the Malwa or Bombay opium, but almost entirely on Bengal opium. So far as can be seen, the Malwa opium is yielding much about the amount that was anticipated. The duty being a fixed duty of Rs. 600 a chest, the fiscal yield depends entirely on the number of chests sent for exportation; and that number has as yet corresponded closely with the estimate. But the prices obtained at the Calcutta opium sales have gone considerably beyond the budget estimate. In that estimate Mr. Massey assumed a price of Rs. 1,250 (£125) per chest. For the previous year he had assumed only Rs. 1,150. Finding that this latter estimate had been exceeded by the reality, he decided to go higher for this year, and so he took Rs. 1,250, an apparently high rate, according to experience of several recent years, expressing, however, a good hope that this enhanced estimate would prove moderate and would be outdone by the reality. And surely enough it has been so outdone. For up to date the auction prices have averaged Rs. 1,380 a chest, and sometimes have even over-topped the high price of Rs. 1,400. Further, this fiscal increase has accrued notwithstanding that the Bengal authorities have only been able to bring 47,235 chests into the market instead of 48,000, or 765 chests short of what was to have been expected. This deficiency of supply was caused by the shortness of the crop of last year in the Behar Province, which for want of seasonable showers was less than it should have been on the area under culture.

The receipt side for 1868-69 being thus satisfactory, how stands the expenditure side? Now, here the first noticeable feature is this, that the ordinary expenditure of all kinds, according to the improved definition, has risen from 46½ millions in the budget estimate to 50½ millions in the regular estimate, showing an increase of 3½ millions. But this increase is not really so formidable as it looks; for by the improved classification 1½ million for military buildings and for communications and embankments, which were

excluded from the ordinary expenditure in the budget estimate, have now been included, causing, of course, a corresponding diminution of the extraordinary expenditure. And this leaves 2 millions of increase to be accounted for.

Now, the Council will be glad to hear that this increase has not arisen upon the ordinary civil and military charges incurred in India. On the contrary, these heads of charge show rather a saving than otherwise. For instance, the regular estimate shows a reduction on the budget of £60,000 under the charge for collecting land revenue; of £50,000 for collecting the salt revenue; of £75,000 under law and justice; of £70,000 under police; of £100,000 for the army, and this saving has been effected after defraying the extra charges (some £50,000) for the recent expedition in Hazara. All these savings speak volumes for the rigour with which economy has been enforced during the year by the various executive authorities, and for the precision now attained in our system of audit and account. On the whole, the budget expenditure for civil and military charges in India stood at 35½ millions, and the real expenditure comes out at that very sum with but a slight difference. And even that difference is explained by our having paid £200,000 (not originally estimated for) of Berar surplus to the Nizam in the just discharge of our obligations on that score. Much has often been said of the uncertainty of Indian accounts. These figures go to show that as regards the civil and military expenditure *in India*—which is of course well under our control—there is no such uncertainty, and that what is budgetted for under these heads will not materially be exceeded.

Where, then, has the increase over the budget estimate occurred? Why, it is attributable to public works ordinary, to expenses connected with railways, and to unavoidable expenditure in England, as I must proceed to show.

The budget grant for public works ordinary amounted, according to the improved classification, to 5½ millions. The regular estimate shows that expenditure will be incurred up to 6 millions; showing an increase of ½d. of a million. The increase has arisen from various causes, among which may be mentioned the outlay on central jails, and the execution of works for the relief of the population suffering from scarcity in the drought whereby some parts of India are visited.

I have just above stated that 1½ million classed in the budget under extraordinary expenditure had by the new classification in the revised estimate been transferred in the ordinary expenditure. Of this amount, 1½ million is

for the great military barracks. As explained by my predecessor last year; the scheme for new barracks for European troops throughout India was to cost from 10 to 11 millions, and the work was to be done in a period of five years. It is hoped that the estimated cost may not be materially exceeded; but to secure this result the most unremitting vigilance will be needed. Be this as it may, however, the period of construction will certainly be prolonged, for the five years have now elapsed, but the work is not half done; and out of the 10 millions only 5 have been spent, leaving at least 5 yet to be laid out. But the designs had to be elaborated by the best military engineers in India, and then sent to the first sanitary authorities in England for approval. Then new sites had to be selected after long enquiry as to salubrity and the like. Thus, despite every care and anxiety to push on the work, the progress for the first few years was not rapid. More recently, however, the plans having become finally settled, and the establishments fully organized, great progress has been made, and during the current year no less than 1½ million is being expended on these buildings. The result is that noble structures, providing for the married and unmarried soldier quarters equal to the best to be seen in any country, are rising up at Allahabad, at Lucknow, at Hyderabad, at Poona, at Bangalore, at Indore, and at many other stations. Nothing that science can suggest to make these quarters healthy and comfortable for the troops has been omitted. At the present rate of progress and of expenditure, it is hoped that the work will be finished some six years hence, which with the years already occupied will make a period of eleven years.

Out of the 5 millions as yet spent on the barracks, whether the greater part has been really borrowed or not, I shall presently explain. But the remainder, amounting to some 5 millions, is certainly to be provided for from the revenues without any borrowing on this account. This is a matter lying at the very root and foundation of the Government itself, to which our fiscal resources ought primarily to be devoted. The provision thus required is therefore one of the most pressing needs of the day. And as days are like years in the life of a nation, the meaning is, that the need of the day shall in this respect be met financially in the day, and shall not be put off till the morrow and the day after the morrow. At one time indeed there was hope that inasmuch as this was special expenditure, the advantage of which would be felt for ages to come, the whole cost should not fall on us now living, but should by the process of borrowing be partly transferred to those who shall come after us. But reflection shows that those who come after us will have plenty to pay for without paying for any part of these barracks! Will any one say that when these barracks are finished there will be nothing

more of importance to be done in this direction? Is there not sanitation to be carried out at our cantonments and stations to an extent which at present can be but dimly fore-shadowed? Are there not our coast defences and fortifications to be provided for? Is there not our marine to be strengthened, a subject which has been alluded to more than once in this Council? Again, by reason of so large a proportion of our means being appropriated to military buildings, the expenditure on some other kinds of public works, especially roads, has unavoidably lagged and halted. Recently we have not spent quite so much as we once were spending on our internal communications. When, therefore, the financial pressure for military buildings shall be somewhat lightened, renewed vigour will be required for the roads, particularly those which are called railway-feeders, as leading from the interior of the country to the various stations,—which are to supplement our railway system, and to be, as it were, the veins to the main arteries.

Speaking in 1867 regarding this very barrack expenditure, Mr. Massey made a remark which is so apposite and judicious that I shall quote it here. He said: "I should have preferred going on as hitherto defraying this charge, "special and temporary as it is, out of the revenues of India. If a financier "were to lay down any precise rule of separation between ordinary and extra- "ordinary charge, there is scarcely a year in which he might not have a "plausible pretence for transferring charge from revenue to capital account. "I do not know how long such a process might go on. But sure I am that "sooner or later it would end in a collapse of public credit."

Such was the dictum of Mr. Massey, to which I heartily subscribe. The principle on which canals and State railways are provided for by loan is intelligible. But if barracks are to be thus treated without any clear principle and removed from ordinary expenditure, then I know not what item might not be next removed, till at last we embarked on a course of borrowing that would be fit only for bankrupt exchequers.

There is one instance of decrease under the head of public works, which is this: the item of "loss by exchange on railway transactions" has fallen from £122,700 in the budget to only £29,700 in the regular estimate. At present the practice is this: in India our exchequer advances all that is required for the construction of the railways, and receives all the traffic receipts, in virtue of arrangements originated so far back as 1849. Both our payments and our receipts are accounted for to the principal railway companies at a fixed contract rate of 1s. 10d. for the rupee, a rate as yet below the actual exchange and below the exchange of two shillings for the rupee, which for convenience

sake is adopted in all the accounts between the Secretary of State and the Government of India. Thus there is a loss on all our payments and a gain on all our receipts, in the present state of the exchanges. As yet our payments exceed our receipts and the loss therefore exceeds the gain; the net result being as shown in the statement. Hereafter, when, as we may hope, the net traffic receipts shall exceed the advances for construction, the loss will disappear, and in its place there will be gain on exchange. Meanwhile the loss in this year has been less than the estimate, partly by reason of increased traffic receipts, and partly because the advances for construction have been less than what was expected.

The several items of public works ordinary which I have thus described make up the total to 6 millions, which total amounts to about 12 per cent. upon the revenues.

The next noticeable item is that of "guaranteed interest on railway capital, less net traffic receipts," which has risen from 1½ million in the budget to nearly 1¾ million in the regular estimate; or showing an increase of nearly half a million. This has arisen from the estimate in India for gross traffic receipts being less than what was originally expected.

This technical description is really pregnant with significance as representing transactions of mighty import. For what does it signify? Why, it signifies that on 77 millions of capital raised for the construction of railways in India, there accrued during the year 3½ millions of interest due to the shareholders under guarantee from the Indian Exchequer; that the gross traffic earnings of the year on 4,000 miles of railway opened in India amounted to 5½ millions paid into our treasuries, reduced by the exchange to 5½ millions; that the working expenses, amounting to 3 millions, left 2½ millions of net traffic receipts; that the 2½ millions net traffic receipts deducted from the 3½ millions of guaranteed interest left a sum of 1½ million shown above as ultimately debitible to the finances of the year. Originally there used to be doubts as to whether the natives of India would adequately appreciate railways. The truth is that during this present year the public in this country is voluntarily paying 6 millions sterling to obtain the advantage of railway conveyance for passengers and goods—that in the year some 3 millions of tons of goods are conveyed by rail, and that the return of passenger journeys amounts to 16 millions. As regards the national growth of British India, it is difficult to conceive figures more eloquent than these!

In the first budget statement ever submitted to this Council in 1860, Mr. Wilson gave the gross traffic receipts for that year at a little over £ a

million, and the working expenses at a $\frac{1}{4}$ of a million, leaving a net receipt of something over a $\frac{1}{2}$ of a million. This he declared to be "a most gratifying fact, one which augurs well for the future." Would that he were now alive to hear that in this the tenth budget statement submitted to this Council, the $\frac{1}{2}$ million of gross receipts had grown to near 6 millions, and the $\frac{1}{4}$ of a million of net receipts to between 2 and 3 millions,—that within ten years the increase had been tenfold or nearly elevenfold!

The last item to be noticed is that of net expenditure in England, including stores, which has risen from $6\frac{1}{2}$ millions in the budget to $7\frac{1}{4}$ millions in the regular estimate, showing an increase of more than $\frac{3}{4}$ million. This account being received from the Secretary of State must be implicitly accepted. The augmentation has arisen under various heads, such as the Indo-European telegraph; the marine stores; the passage of officers and troops overland. There is one important item actually incurred and not provided for in the budget, namely, £92,000 for the construction of two monitors or floating batteries for the defence of the Bombay harbour. Considering the needs of that harbour, we feel particular pleasure in admitting this item into our accounts of the year.

Thus I account for an ordinary expenditure of $50\frac{1}{2}$ millions, which, as compared with the ordinary income already shown, $49\frac{1}{4}$ millions, leaves a deficit of just 1 million.

Under the head of extraordinary public works the first item is the outlay on irrigation works, for which £800,000 were provided in the budget, but on which £852,000 are being expended in India. One main cause of the increase is the amount advanced by the Government to enable the Irrigation Company of Orissa to prosecute its life-giving works during a period of awful distress in that province, and by the immediate outlay consequent on the prosecution of these operations being undertaken by the State.

The next item is that of nearly $\frac{1}{2}$ a million for special works at Bombay, which item really represents advances from the treasury for certain reclamations and other operations on lands at Bombay,—advances which we hope to recover hereafter when the value of the said property shall be realized.

Under the same head we have, subject to the approval of the Secretary of State, opened out a new heading, which was not provided for in the budget, and that is "State Railways." These are reproductive works calculated to yield an actual income to the State sufficient ultimately for the provision of

some interest on the capital outlay. In his statement before this Council last year, Mr. Massey alluded to the commencement, by direct governmental agency, of the construction of the railway from Lahore to Peshawur. Though important preliminary arrangements have been made during the year for this line, yet the expenditure is trifling, only £12,000. The sum which now appears in the regular estimate, $\frac{1}{2}$ a million, is nearly all for the Calcutta and South-Eastern Railway, which, as the Council knows, runs from this city to the new Port Canning on the Mutla river. This line has been taken over by the Government at a charge amounting in the aggregate as above. Of this, nearly £200,000 have been incurred in India, and the rest in England. At first the line was unremunerative, but under its present good management it begins to pay its working expenses.

The total extraordinary expenditure, including the sums above mentioned for irrigation, for special works at Bombay, and for State railways, will amount to $1\frac{3}{4}$ million. This exceeds the corresponding expenditure of the preceding year, 1867-68, which was under $\frac{2}{3}$ of a million.

On the whole, the grant for the public works ordinary and extraordinary of the year amounted to close upon 7 millions, and is about as large a grant as has ever been made. But it is being exceeded by the expenditure, which will amount to $7\frac{1}{4}$ millions, the excess being $\frac{2}{3}$ of a million, and the expenditure being decidedly the largest ever yet attained in one year. It is important to notice this, because in former budgets consideration has been justly had to the probability of the grants or allotments for public works not being fully used.

The result of the regular estimate, then, is an ordinary expenditure of $50\frac{1}{4}$ millions, which with an extraordinary expenditure of $1\frac{3}{4}$ millions swells to 52 millions. The $50\frac{1}{4}$ millions of ordinary expenditure, compared with the revenue of $49\frac{1}{2}$ millions already exhibited, shows a deficit of 1 million. The 52 millions, including extraordinary expenditure, shows a deficit of $2\frac{1}{2}$ millions. The Council will remember that the budget estimate showed a total expenditure, ordinary and extraordinary, of $49\frac{1}{2}$ millions, against a revenue of $48\frac{1}{2}$ millions, with a deficit of 1 million. But as the year advances, it is seen that this deficit is becoming more than doubled in the regular estimate, and the expenditure of the year is exceeding the budget by $2\frac{1}{2}$ millions. I may state in recapitulation of what has been already explained that this excess has hardly at all arisen on civil and military expenditure in India, but has really arisen on the purchase of a railway by the State, on the guaranteed railway interest, on public works ordinary, and on the expenditure in England.

The Council will remember that in his statement of last year, Mr. Massey mentioned that we should begin this twelve-month with £800,000 in hand, unexpended balance of loans, and expressed a hope that no borrowing would be resorted to during the year. It will now have been seen that the above balance has been more than used up for irrigation alone. Besides that there have been the other extraordinary works above described.

Raised in England	... £1,336,000
Less debt discharged	£ 509,600
	<u>£ 736,400</u>

And it has accordingly been found necessary to borrow to a limited extent in England, that is, about $\frac{1}{3}$ of a million.

We began the year with a cash balance as now actually ascertained of 12 millions, which was at that season enough, and no more. Besides the increase of the deficit, these balances were reduced to the lowest ebb compatible with safety, by an important cause which I will now mention.

During the past and the present years (1867-68 and 1868-69) the Indian Exchequer has had to advance most of the sums required for the expedition to Abyssinia. These advances from first to last have amounted to about 7 millions, being fully 2 millions more than the anticipation. This aggregate represents only the sums chargeable to the English Government, exclusive of the ordinary pay of the troops that proceeded from India, which is chargeable to India. With such events in progress, all foresight as to the total amount was of course baffled. These sums are recoverable from Her Majesty's Exchequer, and they are being duly recovered from time to time; the greater part indeed has now been repaid. But as the advances had to be made on the instant, and as the recoveries must necessarily occupy some little time, the pressure meanwhile became severe on our treasury. As temporary emergencies arose, the Bank of Bengal and the new Bank of Bombay rendered aid, partly with their own available balances and partly with the balances which the State has to keep with them under the agreements. Besides this, the Bank of Bengal afforded temporary and special loans which from first to last aggregated 1½ millions. These loans have been already paid off in part, and the rest is in course of repayment.

Further, the accounts of the expenditure incurred in India for Abyssinia are being made up at Bombay. Although the forces only in July last returned from the expedition, yet by this date some 6 millions, or nearly the whole of the expenditure, have been adjusted and passed. Those who remember how the accounts of former campaigns in Afghanistan, in the Punjab, in China, used to drag their length over years and years, will appreciate the changes which have been introduced into the account department.

Thus ends the year 1868-69, with a deficit on ordinary income and expenditure, being the third consecutive year on which deficit is leaving its mark.

The deficits of the three years amount to just $4\frac{1}{2}$ millions, total deficiency *on income and ordinary expenditure*, viz., the deficit in 1866-67 of $2\frac{1}{2}$ millions, that in 1867-68 of 1 million, that in 1868-69 of 1 million. These are, of course, exclusive of the extraordinary expenditure since 1867-68 on reproductive works, which I do not reckon here at all.

But how has this aggregate deficit of $4\frac{1}{2}$ millions been met? Why, by loans. During these three years, $6\frac{1}{2}$ millions

	India.	England.	Total.
1866-67	... 600,000	2,611,000	3,211,900
1867-68	... 1,320,800	1,163,007	2,483,707
1868-69	... .....	724,000	724,000
Total	... .....	<u>£8,159,807</u>	

have been borrowed either in India or in England and added to our national debt. Of this sum there were 2 millions expressly borrowed for extraordinary and reproductive works, and certainly this money has been

fully and fairly devoted to its proper purposes, for during the three years the total outlay on irrigation and on the Bombay special works have exceeded 2 millions; indeed it has come up to $2\frac{1}{2}$ millions. Besides which one railway has been purchased for $\frac{1}{2}$ a million. So that in truth we have spent 3 millions for these reproductive works. Again for the barracks $3\frac{1}{2}$ millions have been expended within the three years. Thus the loan money is fully accounted for.

On the other hand, as the barracks are now included in the ordinary expenditure, the $3\frac{1}{2}$ millions spent on them within the three years may go far to account for the $4\frac{1}{2}$ millions of deficit. In other words, it may be said that the balance of the loan after defrayment of the reproductive works expenditure—which balance amounts to just $3\frac{1}{2}$ millions—has gone to make good in part the deficits between income and ordinary expenditure.

From this point of view we might hold that had it not been for the barracks, the deficits on ordinary income and expenditure would not have occurred, and these loans would not have been necessary. But it would thence follow that the new barracks have for the most part been constructed from borrowed money.

When my Right Hon'ble predecessor (Mr. Massey) spoke of surplus or equilibrium during these years, he was correct according to the view then adopted, whereby the barracks were excluded from the account. Now, however, that it has been decided, with the express sanction of the Secretary of State, that these are to be included, we must face the plain fact that we have been and still are in a state of deficit. It is essential to place this fact in a clear light in order that we may adequately arrange for the coming year. For the difficulty, though not serious, is yet such as to demand decisive measures for its immediate termination.

But while giving this explanation in justice to what has been previously done, I do not at all mean to admit that the barracks *ought* to be selected as *the* cause of deficit. On the contrary, I say that barracks ought *not* to be thus singled out from our general expenditure.

Before quitting the present year, I must crave a few moments for the mention of one or two administrative measures connected with finance.

The circulation of the State paper currency has now risen above 10 millions, it has more than once approached 11 millions. When the Government took this matter up six years ago, the total note circulation of the several Presidency Banks amounted in all to $3\frac{1}{2}$ millions. Within this period, then, the circulation has trebled, and has now reached to about one-third of the amount, 30 millions, which its founder, Mr. Wilson, contemplated as the possible limit to which paper currency in India might ultimately expand. It has established itself not only at the Presidency towns, but at the great centres of the interior of the country, such as Allahabad, Lahore, Nagpore, and Kurrachee. During the year, we have, by purchasing $\frac{1}{4}$ million of public securities—virtually reducing the national debt by that amount—raised that portion of the reserve from $3\frac{1}{4}$ millions to 4 millions, the limit allowed by law. This measure was justified by the steady expansion of the circulation. The gross profits to the State from the Currency Department will amount to £170,000 annually. The notes, too, are used by merchants to the value of some millions annually for purposes of remittance, whereby great convenience has accrued to trade. Further improvements in the arrangement of circles of issue in order to facilitate the convertibility of the notes are under consideration.

The amount realized from the sale of waste lands now amounts to £300,000. This has been invested in Government Securities, public debt to this amount being regularly cancelled. This seemed necessary in order to give full effect to the intention of the law.

The provision of an effective gold currency for India has engaged our earnest attention. The offer of 10 Rupees for the sovereign at our treasuries by the Notification of 1864 having been found by experience to be insufficient to attract sovereigns and to fulfil the declared intention of facilitating the circulation of that coin, we determined in November last, to offer, 10 Rupees and 4 annas for the sovereign—a rate more nearly approaching to its intrinsic and market value. This measure has met with some success, for already upwards of 100,000 sovereigns have been received at our treasuries and taken out again by the public. We have also removed the prohibition existing since 1852 against

receiving at our treasuries the gold pieces coined under Act XVII of 1835, of which coin numbers (more than 1½ million) have been and still are being coined at our mints in exchange for gold bullion received from the public; a sure proof of the popular demand for them. Thus, by improving the rate offered for the sovereign; by assimilating it to the standard established by law for coinage of gold in India; by restoring the status which the Indian gold coins properly possess, and which they only lost casually in 1852, we hope to obtain such a circulation of gold coins in India as may hereafter justify their being declared to be legal tender. I cannot pass from this topic without recounting the aid derived from the special knowledge and experience of Mr. Dickson, Secretary to the Bank of Bengal, and of our colleague His Excellency Sir W. Mansfield. Indeed, if India, by the means now adopted, shall enjoy the benefit of a gold currency, that will be largely owing to the exertions of His Excellency.

The Government Savings Banks at the three Presidency towns are flourishing: they have in all some 25,000 depositors, chiefly native, and some £650,000 of deposits. Their success has encouraged us to devise measures for the ramifications of these institutions throughout the interior of the country.

The "Money Order Department," established on the model of similar departments in England, has attained a considerable development throughout India. Its transactions during the year amount to an aggregate of a million sterling. The further expansion of the system is under consideration.

In the Postal Department we have decided to carry half a tola, instead of the quarter tola, for $\frac{1}{2}$ an anna. This concession to the public is justified by the increase of correspondence since the reform of the postage in 1854, the number of covers, public and private, having risen from 30 to 70 millions annually; the receipts from private postage having risen from £200,000 to 400,000 per annum, and the department having so extended as to cover 50,000 miles of communication and to number 20,000 employés.

Following the postal principle, we have substituted for the Electric Telegraph fixed rates for all distances, instead of the former tariff, variable according to distance. Accordingly, a message of ten words can be sent to any part of India for a rupee. It is hoped that a stimulus will be hereby applied to telegraphic communication in this country.

The prices commanded in the market by our Government Securities have been satisfactorily high. During the current year the premia on the Government 5 per cent. stock have ranged up to 10 per cent.; those on

the $5\frac{1}{2}$ per cent. stock up to 15 per cent. The prices of the Indian stock created in England appear to have been at least as favorable, perhaps even more so. These rates indicate that our credit stands as high as, or higher than, ever, and will bear comparison with that of other prosperous nations. Such facts, too, contrast happily with the state of things but a few years back, when our stock was at discount, and when our open loans would not fill! But this credit, so mighty a resource to Government as well as to individuals, can only be maintained by our ensuring public confidence in our firmness and resolution to produce an equilibrium of income and expenditure.

I must acknowledge, after trial and proof, the remarkable improvements introduced into our system of audit and account by the commission from England, consisting of Messrs. Foster and Whiffen, appointed at the instance, and acting under the supervision of my predecessor Sir Charles Trevelyan.

I have given much thought to a subject which has long engaged the attention of the Government of India, namely, the financial relations between the Central Government of India and the Local Governments of Madras and Bombay. I cannot say more at present, as the question is still under consideration.

I have now cleared the way for dealing with the third and the most interesting part of my subject, namely, the budget estimate for the coming year, 1869-70. I shall touch first on the receipts and then on the expenditure.

The total of the revenues for the coming year is taken at $49\frac{1}{2}$ millions, being a little over the amount which we are receiving for the present year. This total of $49\frac{1}{2}$ millions is the highest at which the revenues of British India have ever been set down, and it exceeds by $\frac{1}{2}$ million the budget estimate presented this time last year. The Council will be doubtless gratified to see that I am able to present such a statement. Still, a glance at the main items of revenue will show that the estimate is scrupulously moderate. The great heads of Land Revenue, of Customs, of Salt, of Opium are all taken at fairly low figures. If the seasons had been less unpropitious than they have been, then these amounts might have been higher. If we shall hereafter be blessed with copious and timely rain, the estimate of income may be fortunately exceeded.

Regarding those items which depend on the state of trade, we have framed our estimate after consulting all the best informed authorities on the spot, and after revising the tariff valuation, in order to suit the depressed prices obtained for various staples of commerce.

Regarding those items which depend on the state of the harvests, we have looked to the consequences of the drought by which some parts of India have been suffering. The recent rains—life-sustaining, though so long delayed—with which the country has been refreshed, have no doubt improved our prospects. The gloom which overspread some provinces has been brightened, and drooping spirits have been resuscitated among an industrious population which had for months been gallantly struggling with adverse circumstances, alternating between hope and despair, and striving with fortitude, diligence, and foresight to supplement artificially those resources which the natural seasons had failed to afford. At this crisis the railways have been of signal service to humanity, for they have carried, first and last, some fifty thousand tons of grain food to the hunger-stricken districts during this season. The Ganges and Jumna canals; too, have during the year nearly doubled their irrigation, and have watered nearly a million of acres. So praiseworthy have been the efforts of the people that even now, at this late hour, it is thought that the worst for which we were so fully prepared may yet be averted, and that if only a bountiful rain shall be vouchsafed next season, the country will recover from the effects of the visitation. In that case, the agricultural resources on which our land revenue depends may not prove to be impaired, and the tolerably favorable estimates now presented may stand good. But if the next rains shall be at all unpropitious, and a second misfortune be piled upon the first, then the result will be too sad and serious for anticipation.

These considerations have specially affected the opium revenue. The province of Behar, the very home of the poppy, has been among the most drought-stricken districts of all. The crop, short last season, will be shorter still this season. The number of chests brought to sale this year has been

below the standard* by some hundreds of chests; next year

* 48,000 chests.

it may be deficient by some thousands. For Bengal opium the exact number of chests has been taken month by month. This number is certain for three-quarters of the year. The uncertainty is in the price to be realized per chest. The average price has been assumed at Rs. 1,330 (£133) per chest, that being about the average actually realized during the past three years, though less than the average, Rs. 1,380 (£138) per chest, obtained during the current year. For the Bombay opium, the full amount has been taken according to the experience of the present year. The total result of the opium revenue has been further tested by the gross average of the past three years, which, amounting to $8\frac{1}{2}$ millions, sufficiently bears out the sum, $8\frac{1}{2}$ millions, now set down. Thus, although the sum estimated for the coming

year is $\frac{1}{2}$ a million less than that which is being realized in the current year, and is below the average of the three past years, thus showing a really cautious estimate, yet it is as high a sum as could safely be taken in the face of the deficient supply with which we are but too certainly threatened. The Council will see that the whole of the expected revenue has been taken credit for without any reserve being formed.

The Government of Bengal is taking active measures for increasing the supply of opium for the China market to 50,000 chests annually, and for securing a reserve supply (of at least 10,000 chests) which may assure the public as to the quantity to be brought to sale, and may conduce to the checking of undue speculation in prices. There is fear that unless the supply can be improved next season after these two deficient seasons, the cultivation of the poppy in China itself will be stimulated. For some time past positive accounts have been received of the increase of this culture in China. So it is clear that unless Bengal produces enough opium, the Chinese will raise it for themselves. And if the Chinese will have opium, they may as well get it first rate from us, as second rate at home, and they may as well consume it taxed as untaxed. Again, if they do not procure it from us, they might procure it from other countries of Asia. The culture of the poppy in Persia is increasing, and some 4,000 chests are exported annually from that country to China. The propriety of substituting an open excise system in Bengal for the present direct governmental agency has been under consideration. But the propriety of such a change on either moral or practical grounds is not as yet established to our satisfaction. On the other hand, it is a serious thing to make a change in a case where such critical interests are concerned, where despite fluctuations the fiscal progress has been so great and so steady, and where the system works well to the satisfaction and contentment of the peasantry concerned in the cultivation.

The revision of the salt duties throughout India has engaged and is still engaging our anxious consideration. The inequality in the rates of duty and the market prices of such an article as salt in different portions of the empire is indeed to be deplored. But though there are present obstacles, financial and other, in the way of equalization, we shall bear this steadily in view as an object for ultimate attainment. But after all, what the northern people want, even more than reduction of duty, is increased facility of supply by the construction of railways to the saliferous tracts and by the encouragement of local manufacture of salt—to all which matters immediate attention is being afforded.

As the Council knows, there is a revision going on of the schedules of the Stamp duties; but no provision has been made for the fiscal effect of any changes; as they have not yet been finally determined.

The item of assessed taxes I shall reserve for separate mention after the balancing of income and expenditure.

Such, then, being the receipts, how stands the expenditure for the coming year?

The total of ordinary expenditure is set down at $49\frac{1}{2}$ millions, being some fifty thousand pounds below the total of receipts. In other words, there is a real equilibrium between expenditure and income sufficiently assured by the exhibition of a small surplus of fifty thousand pounds. This expenditure is 1 million *less* than the expenditure of $50\frac{1}{2}$ millions for the current year, 1868-69, incurred for precisely the same purposes, and thus accurately compared.

There is a slight increase, after every practicable retrenchment, in several of the Civil Departments. The Council would be wearied if I entered on the details of this. Suffice it to say that the demands for administrative improvement in every direction are irrepressible; and these involve expense. Again, the general rise in wages and in prices of all things, which have doubled or even trebled within the last few years and are still on the ascendant in most places, has for some time past caused, and is still causing, the former scales of pay and of salaries to prove insufficient. In justice to the many classes of its meritorious servants, the Government has been obliged to concede increase of emoluments to the employés of all grades, from the lowest upwards, in all departments, from 15 to 30 per cent. The only general exception to this has been the case of the Covenanted Civil Service, of which the emoluments remain much as they were.

There are only a few items of expenditure which need now be noticed. That for Police amounts to nearly $2\frac{1}{2}$ millions. The Police of India under its new organization was originally estimated to cost 2 millions; the subsequent tendency to increase has been largely owing to the establishment of Municipal Police.* Much care will be needed if the sum total is to be kept down at its present figure. The educational grant stands at upwards of £900,000, or nearly a million, being slightly above the expenditure of the current year. The allotment for Law and Justice, including prisons, now exceeds $2\frac{3}{4}$ millions; and is

* For the charge for Municipal and Railway Police there is a set-off on the receipt side of £300,000 for municipal and railway contributions credited to the State.

constantly increasing from the creation of new courts and departments. The grant for medical services has risen about 15 per cent. within the last two years. This is owing to the substantial recognition of the medical profession by increased pay, and to the position which sanitation is fast asserting for itself. The cost of forest conservation is also rising: this is attributable to the organization of professional forestry, and to the husbanding of that vast wealth in timber with which Nature has endowed the continent of India.

The military expenditure in India is estimated at upwards of 12½ millions, being almost the same amount as that which is shown for the current year. This is of course exclusive of some 3½ millions of expenditure in England. The sums of 21 and of 16 millions are the highest annual figures which our military expenditure in India has reached. After the great retrenchments which took place between the years 1860 and 1863 upon the above amounts, the sum of 12½ millions (in 1863-64) is the lowest figure to which our military expenditure in India has fallen. Since then the charge has slightly increased, notwithstanding that the European force has been reduced by some 7,000 men. It might be expected that such a reduction of force would have caused a considerable reduction of expenditure. Instead of this, however, there has been an *increase*, despite constant efforts to keep down the charges,—a fact which points to the need for redoubled economy. The increase, so much to be regretted, is in part attributable to unavoidable causes, such as;

the warrant regarding the clothing and pay of the European troops and the inducements to re-engagement at an earlier date;

the increased subsistence allowance to the wives and families of European soldiers;

the additional pay allowed to native commissioned officers; the grant of good conduct pay to the sepoys at an earlier date; the continuance of batta to men on leave; the increased rates of hutting money;

the increased pay of medical officers, of the medical staff and establishment, the re-organization of the warrant or subordinate medical establishment;

the abolition of half batta;

the net cost of the staff corps;

the compensation to native troops for dearth of provisions.

These main items have caused an increase of annual charge by £950,000, to counterbalance which further savings are required, if such can possibly be

made. Certainly there are categories of increased charge which call for restraint. The commissariat charges, though in some places creditably economical, are hardly so in all places. The charges of the hospital departments, of the ordnance, of the barrack department, of the stud, of the army and garrison staff, are constantly mounting upwards.

The charge which some years hence will accrue to the State from the present organization of the staff corps of India has engaged our anxious care. The question as to what measures should be adopted in respect hereto is still under consideration.

Doubtless the growth of army expenditure, though slight and gradual, requires check in every branch and detail, which check we shall assiduously apply.

For public works ordinary, exclusive of railways, the allotment stands at 5½ millions, being just over the amount expended in the current year, and being about the largest grant ever yet made for this important object. It includes nearly 1½ millions for the military buildings, of which the importance has been already explained—an amount which will enable the engineers to maintain the present rate of progress. This category includes all the expenditure for these buildings, of which not a farthing has been transferred to the heading of extraordinary. Further, in public works ordinary, including railways, every kind and sort of item has been included, save those for new irrigation works, for the Bombay special fund, and for State railways, which three items alone have been classed as extraordinary.

The guaranteed interest on railway capital, less net traffic receipts, stands at 1½ millions, making up to about 15 millions the amounts which the Government of India from first to last has paid for the cardinal advantage of possessing railways in the country. Inasmuch as the outlay for the thousands of miles of line yet to be constructed will be going on to the amount of 3 or 4 millions annually, it is calculated that this item of 1½ millions for guaranteed interest will not decrease for many years to come, but may increase to 1¾ millions. It is manifest that much depends on the administration of the railways, the merits or demerits of which might easily make a difference of ¼ or ½ a million in the State budget of the year. The growing importance of railway finance will hence be apparent to the tax-payers of India. After deduction of the working expenses from the estimated traffic earnings of the coming year, it is calculated that the East Indian Railway will be paying 4½ per cent. on paid-up capital, the Great Indian Peninsular 3 per cent., the Madras Railway 3 per cent., and the other lines from

1 to 2 per cent. It seems clear that some of the lines will certainly pay the 5 per cent., and will relieve the State of its guarantee obligation on more than half of the capital as yet laid out. But the remainder will not pay for some time to come—Involving perhaps one-third of the aggregate capital, on which the State will have to pay permanently a part of the guaranteed interest. It is well to remember this, inasmuch as within the next ten years another 30 millions on railways may probably be expended.

Such, then, is the ordinary expenditure for the coming year, which has not been allowed to overbalance the income. But in order to explain exactly how this equipoise has been obtained, I must ask the Council to revert to the item of assessed taxes, of which I just now promised a further notice.

It will be seen that £900,000 are set down as the anticipated produce of assessed taxes for the coming year. The certificate tax of the current year is expected to yield £520,000. The same tax, had it been continued for the coming year, is supposed to be capable of yielding as much or more, say £550,000. But to this has been added £350,000, making up the total of £900,000 shown in the budget. Now, by what means is the extra £350,000 to be obtained? Why, by converting the certificate tax into an income tax. Without this resource our income would fall short of our expenditure by more than $\frac{1}{3}$ rd of a million, and a deficit to that extent would have been exhibited in this budget. The Government of India, after considering the deficiencies which have occurred in three consecutive years, as I have already explained this day, and after causing the accounts to be made up according to the orders of the Secretary of State, has determined, so far as in it lies, to put an end to deficit. We cannot, at such a time as this, consent to appear before the public with a deficit in our budget. We have therefore preferred the alternative of asking this Council to vote us the power to cover by an income tax the deficit which must otherwise be presented. Such, then, is the proposal which I shall have, on behalf of the Government of India, to submit to the Council, together with a request for leave to introduce a bill for the purpose. The necessity of avoiding debt in time of peace for ordinary expenditure, and of plainly making both ends meet, is the ground on which we mainly base this proposal. The probable occurrence of this necessity was foreseen some months ago, and a reference was made by us to the Secretary of State, whose approval has been received to the course which we propose to adopt.

The principle of the existing certificate tax is in fact that of an income tax on particular classes, so that the substitution of an income tax proper will prac-

tically not much alter the taxation of those who pay the certificate tax. The taxation will be virtually extended to those sections who are now exempt, and will apply equally and justly to all sections alike without distinction. Moreover, the principle of rough assessment, as observed in the certificate tax, should, we think, be maintained, with some modification of detail, in the schedule of the income tax. The mean incidence of the certificate tax was about 1 per cent. on profits; we propose to keep this rate for the income tax also. The limit of income down to which the certificate tax descended, Rs. 500 (£50) per annum, will be observed in the income tax. Servants of Government or of Companies, as well as those of firms and private individuals, were exempted under the certificate tax if their salaries were less than Rs. 1,000 for the year. For the former class the assessment will now be at 1 per cent. on all salaries of Rs. 41-10-8 per mensem, equal to Rs. 500 per annum, and upwards. The latter class will be assessed like their neighbours under the schedule. Pensions and annuities will be similarly assessed. We have introduced various minor improvements intended for the convenience of the tax-payers.

The advantage of keeping up the principle of rough assessment in the schedule is the avoidance of individual assessment, of any inquisitorial process which such assessment may involve, and of the demand for returns of income. The advantage of adhering to the 1 per cent. rate will be this, that those who pay the certificate tax will continue to pay much in the same way as heretofore, without any sensible change, and the avoidance of change is well known to be an important point in dealing with the Natives of India. The advantage of observing the 500 Rupees (£50) minimum limit of income will be this, that the measure will be confined to the upper and middle classes, and will not affect the mass of the people. In that respect the new income tax will be preferred to the old, which went down so far as Rs. 200 (£20) of annual income. It is calculated that not more than 150,000 persons will be assessed to this income tax, out of 150 millions of population, so that the tax will hardly touch more than one in a thousand. In short, our hope is that by eschewing change in respect to those who now pay a direct tax; by refraining from demand for returns; by removing the measure from any contact with the poorer and more ignorant classes, we shall keep it comparatively free from much of the unpopularity which attached to the income tax of 1860, and thus, as it were, rob the measure of its sting.

Should it be thought that the arguments, if good for anything, are good for a 2 per cent. rather than a 1 per cent. rate, the answer is that 1 per cent. seems to be sufficient. It produces an equilibrium after a fair allowance for the

defence and administration of the country, and for moral and material improvement, and after including enough for military buildings to ensure the present rate of progress. The Council will remember that all other taxes ever contemplated have been condemned; that the income tax is our chief fiscal reserve; that in war or other emergency we could hardly assess it at more than 5 per cent., so that now in time of peace we are to use up $\frac{1}{3}$ th of our fiscal reserve. It is desirable not to trench more than is absolutely necessary on such a reserve. It is also desirable not to ask the country to bear even a fraction weight of burden more than can be proved to be indispensable.

If it be said that sufficient care is not given to retrenchment of expenditure, and that by a little more cutting and clipping a small deficit might be obviated without putting on an income tax, the answer will be that retrenchment has been already pushed to its reasonable extremity in order to cut the coat of our expenditure according to the cloth of our income. It is perhaps a curious fact that when the materials of this very budget were received from the eight local Governments, the twelve imperial departments, the 225 treasuries, and were collated in the Financial Department at Calcutta, the revenues came out less, while the ordinary expenditure proposed was more, showing a balance against the country. This adverse account has by scrutiny in the Financial Department, and by help of the later and more complete information available to us, been reduced to the equilibrium now presented to this Council. After all, the expenditure in India is taken at less by half a million than what it is for the current year. This may be accepted as some proof of economy in the budget. Further than this we cannot retrench at present. If we were to do so, the parties concerned would during the course of the year remonstrate, and we might be virtually forced to allow items which had been disallowed. We hope to maintain the retrenchments so carefully made; but it would be worse than futile to attempt any retrenchment which cannot be maintained.

If it be supposed that we might have devised other means of improving our resources and thus saved the necessity of an income tax, then I say that no supposition could be more unjust to the Government of India. For we have over and over again thought of every tax that has ever been suggested;—to almost all some insuperable economic objection was apparent—the income tax alone remaining comparatively free from objection, as hampering no particular trade and fettering no industry. We have even refrained from doing some things we wished to effect, such as the abandonment of some of the export duties which are shackles on our domestic industry, the diminution of the rate of import duty on some metals of which the prices are depressed,

the abolition of the inland sugar duties, the reduction of the salt duties in some provinces. We really have postponed the fulfilment of these our cherished desires, in order that the saddle of the income tax might sit lightly and easily on the country.

If it be urged that there is hardship in the imposition of an income tax, when the necessity might be avoided by transferring the cost of the new barracks to the extraordinary category, inasmuch as the work, though heavy now, will soon be finished off and disappear—this argument has been already answered to-day. It suffices to recapitulate that there is no sort of reason why barracks should be selected in such an arrangement more than any other item of our ordinary expenditure; that the work will not be done for years and years to come; that when it is over, other works just as costly will be turning up; that the European troops must be properly housed; that the housing of our soldiers is among the very first charges against our revenues; that the running into debt for such a purpose would be intolerable; that we *must* pay our way to this extent in time of peace, if we are to prove worthy of our status as a Government; and that any such arrangement would be contrary to the orders of the Secretary of State.

Again, if it be argued that the income tax, having been first imposed when the finances were in disorder, ought not to be reimposed now when the finances are flourishing, the reply would be that experience does not show that we can afford altogether to dispense with direct taxation. For, when after a period of deficit a short period of surplus enabled Sir Charles Trevelyan to allow the first income tax to expire, there followed but one year of surplus. Then sure enough deficit reappeared, and Mr. Massey was obliged to propose a license tax (1866-67). Thus, no sooner had the income tax expired, than its resuscitation in another form became necessary. The license tax having lasted for a year, Mr. Massey resisted all demand for its repeal, and continued it in an improved form as a certificate tax. That he was perfectly wise in so doing is proved this day, when I have to come before the Council with the longest story of deficit that has been narrated for some years. The moral of all this is, that the great convulsion of 1857, so fraught with trouble, yet so fruitful in reform, does to this hour make its effects felt, and that the country must brace itself to bear the small sacrifice of a light income tax in consequence.

Lastly, though this income tax is applicable to all alike above a certain limit of income, there are some important classes who immediately occur to our thoughts such as the fundholder in India, the landholder and houseowner, who will be required to aid in bearing a burden already borne for the last two

years by several classes of their fellow subjects. The fundholder in India, conscious that the value of his property in the market so largely depends on the financial credit of the Government, will not demur to a contribution to a tax which in England has been always held to be applicable to income from the public securities. The landholders, especially the zemindars under permanent settlement, convinced from long experience of the inviolable faith kept with them by the State, cannot regard this measure with any distrust, but will submit to the law, if it shall be enacted, with that loyalty which befits gentlemen of accumulating wealth and of liberal education, recollecting that the question of their liability was thoroughly settled long ago, and that in each cycle of years the progress of Bengal—with its staples profitably exported to England, its network of water communication, its patient and thriving peasantry—enhances their debt of gratitude towards the Government under whose sway their property has been so vastly benefited.

The European community for the most part already pay the certificate tax. Their taxation will be changed but little if at all by the income tax. They have shown so much public spirit in respect to direct taxation whenever its necessity was demonstrated, and they are so well aware that financial solvency is one of the first conditions of our political safety in this country, that their support on this occasion is confidently anticipated.

And everybody, European or Native, will, we trust, appreciate the justice of taxing all classes alike without exception.

The question of allotting to the Local Governments a portion of the income tax proceeds for public works has been considered; but the concession cannot at present be made.

So much then for the ordinary income and expenditure.

Besides this, however, there is a proposed extraordinary expenditure of $3\frac{1}{2}$ millions, of which $2\frac{3}{4}$ millions are for the irrigation works, and the rest for the Bombay special works and the State railways. The amount may seem large: but it includes 1 million to be paid in England for the transfer to Government of the Irrigation Company's projects in Orissa and Behar: and $\frac{1}{2}$ million of stores and plant for the Lahore and Peshawur railway. This full sum, if sanctioned by the Secretary of State, will have to be raised by loan. The expenditure in India of $1\frac{1}{2}$ million on irrigation is to be mainly for the noble projects in Orissa, in Behar, in the Cis-Sutlej States, in the basins of the Jumna and the Ganges in Lower Bengal, in the British Deccan, and in other places. This will be the first year in which the principle of borrowing for reproductive works

comes into something near full operation. It must be some time before any return is received for this outlay. And for fear of going too fast ahead, we should pause before exceeding the amount proposed for loan this year. The original cost of these works is already shown in our Budget Statements; the question as to how far it may be possible to show separately the gross income and the current expenses of these reproductive works, is undergoing careful consideration.

Indeed we are launching out on a sea of improvement. The next ten years may see another 40 or 50 millions for reproductive improvements added to the existing 100 millions of our national obligations. Can any fact be more potent than this to prove that we must gird ourselves for the task before us, by establishing that equilibrium between income and *ordinary* expenditure which will be the surest basis of our public credit.

The total expenditure for the year, ordinary and extraordinary, is put at $52\frac{1}{4}$ millions, the highest figure ever yet reached. It has been sometimes observed that our present form of Budget Statement, (which is, however, authoritatively prescribed,) by showing the expenditure in England in the aggregate, does not exhibit in one view the cost of some great departments whose expenses are incurred partly in England and partly in India. I append a supplementary statement showing the combined expenditure, English and Indian, of the several departments. In this point of view, the cost of the army stands at a little over 16 millions; that of marine at something under 1 million; and the interest on the public debt at $4\frac{1}{2}$ millions, of which the sum of £180,000 is on capital raised for reproductive works.

I have now to mention what loan arrangements will have to be made in order to meet all this expenditure. On the one hand we have to provide for $3\frac{1}{2}$ millions for reproductive and extraordinary public works as above described; $\frac{1}{2}$ million of public debt to be renewed in England and $\frac{1}{2}$ million in India, or one million to be renewed in all; $\frac{1}{2}$ million to be raised in India to recoup our cash balances for sums lent or to be lent to the Municipalities of Calcutta and other places. These items amount in all to 5 millions, or $3\frac{1}{2}$ millions of new debt, 1 million renewal of former debt, and $\frac{1}{2}$ million of debentures at short currency, which will not add to the permanent debt. These are all subject to the approval of the Secretary of State. On the other hand, 2 millions have already been set down by the Secretary of State to be raised in England. We propose to raise in India $\frac{1}{2}$ a million on long term debentures in renewal of existing obligations; and to issue debentures for

short terms not exceeding one twelve-month, of the nature of exchequer bills, up to $\frac{1}{2}$ a million. By the latter issue we hope to provide for the temporary requirements of the cash balances without trenching on the resources of the Presidency Banks. There remain two millions to be raised, regarding which we shall immediately solicit the instructions of the Secretary of State. In these various ways the amount of 5 millions above stated will be provided for. If we shall have to advance any additional sums to Municipalities during the year, such amount will have to be raised by loan.

With these several arrangements (which are subject, of course, to the sanction of the Secretary of State) we shall probably close the coming year with a cash balance of $11\frac{1}{2}$ or nearly 12 millions, much the same as that with which we are closing the current year. These amounts indicate that our cash balances are not even yet restored to their proper proportions. By the experiment of issuing short term debentures, as above mentioned, we hope to work with a somewhat less cash balance than heretofore. If as the year proceeds the accounts shall be unfavorable, some additional temporary resource will have to be provided.

The last statement to be noticed is that of the cash balances in India. This statement includes not only all the regular receipts, and disbursements in India besides the remittances to England, but also all the "debt," or, as it might better be called, the "deposit." This technical debt has nothing to do with the public or national debt, but it arises in this way. In some respects our Exhcquer serves as a great bank of deposit. It receives and keeps the money belonging to the local funds, to the funds, pensionary and others, of the Services civil and military; to the Judicial department; and to a variety of depositors. It serves as general banker to the railways and receives all their traffic earnings. It also acts as a banker for much of its own remittances. In these several ways there is made up a vast aggregate of many millions of deposit receipts shown on one side of the account, balanced by a corresponding amount of disbursements on the other. We shall commence the new year on the 1st April with a cash balance of close upon 12 millions; we hope also to end it with a sum of nearly 12 millions. On the receipt side of the statement there are upwards of 49 millions of revenue; 3 millions to be raised by loan; some 13 millions of deposit, of which latter the 3 millions of our local funds income forms a part. The above 3 millions of loan is exclusive of the 2 millions to be raised by the Secretary of State, which have been allowed for on the other side of the account. Then there are some $3\frac{1}{2}$ millions of other receipts, railway earnings and the like. All these, together with the cash

balance in hand, make up the grand total to 80 millions. This is balanced on the disbursement side by some 43 millions for service in India; by some 14 millions on account of debt and deposit, including some 3 millions expenditure from local funds; and some 11 millions of other payments, including those for the Secretary of State's bills; all which, together with the cash balances, make up a counter sum of 80 millions.

Thus, for the coming year 1869-70, the national balance sheet of British India, including all the transactions of its Exchequer, shows 80 millions on each side of the account, truly a high figure demonstrative of the calibre of our power in the East! And now, with the mention of this spirit-stirring fact, I shall conclude my exposition.

Such is the budget for 1869-70. The main points of the exposition are;

that the entire expenditure on the new barracks is included in ordinary expenditure and charged against revenue;

that on the two years under review, 1867-68 and 1868-69, there has been an actual deficit in 1867-68 of 1 million of income as compared with ordinary expenditure, following a deficit of $2\frac{1}{2}$ millions on the total expenditure the previous year, 1866-67;

that for the year 1868-69 there is a deficit by regular estimate of 1 million;

that for the coming year, 1869-70, after including barrack expenditure, there is estimated an equilibrium between income and ordinary expenditure sufficiently assured by a small surplus;

that a one per cent. income tax is proposed in substitution for the existing certificate tax;

that $3\frac{1}{2}$ millions are proposed to be expended in 1869-70 on extraordinary reproductive works to be provided for by loan;

that $3\frac{1}{2}$ millions are proposed to be raised by loan;

that 1 million of public debt, half in England, half in India, falling due for re-payment in 1869-70, must be renewed;

that $\frac{1}{2}$ million is to be raised by short term debentures to supplement the cash balances;

that the total of loan proposed for the service of the year 1869-70 amounts to 5 millions.

The Government of India has aimed at a financial policy to be at once safe, just, and sound. Safe, as strictly bringing to account of ordinary expenditure, all items properly so chargeable. Just, as tending to apportion more and more equally the fiscal burden between rich and poor. Sound, as guiding all proposals according either to known custom in India or to established principle in England.

The facts and figures of British Indian finance, hard and stern as they may be, do yet bear witness to an agriculture furnishing staples for the use of distant countries; a commerce multiplying itself in every cycle of years; a revenue branching out in various forms of development; an ordinary expenditure held in control, and expanding mainly for useful or beneficent purposes; an extraordinary expenditure designed to bring State capital to bear on the material improvement of the country; a public credit strong enough to constitute a resource for every reasonable need. By their general effect they recall the sentiment of the historian, they excite thankfulness in all thoughtful minds, and "hope in the breasts of all patriots."

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE having then applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill.

POLICE SUPERANNUATION FUNDS' BILL.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill to abolish the Police Superannuation Funds.

TRANSSHIPMENT OF OPIUM FEE BILL.

The Hon'ble SIR RICHARD TEMPLE then moved for leave to introduce a Bill for imposing a transshipment fee on Opium.

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE having applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill.

LAND CUSTOMS' BILL.

The Hon'ble SIR RICHARD TEMPLE then moved for leave to introduce a Bill to make better provision for the collection of Land Customs on certain foreign frontiers of the Presidencies of Fort Saint George and Bombay.

The Motion was put and agreed to.

CUSTOMS DUTIES' BILL.

The Hon'ble SIR RICHARD TEMPLE then moved for leave to introduce a Bill to amend the law relating to Customs' Duties.

The Motion was put and agreed to.

The Council adjourned till the 11th March 1869.

WIIITLEY STOKES,

*Secy. to the Council of the Govr. General
for making Laws and Regulations.*

CALCUTTA,
The 6th March 1869. }

FINANCIAL STATEMENT.

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APPENDIX.

STATEMENT OF ESTIMATED CASH BALANCES IN THE INDIAN TREASURIES ON THE 31ST MARCH 1870.

RECEIPTS IN INDIA IN 1869-70.		BUDGET ESTIMATE.	DISBURSEMENTS IN INDIA IN 1869-70.	BUDGET ESTIMATE.
REVENUES ...	... ... ...	... 49,310,810	EXPENDITURE IN INDIA ...	... 43,157,540
DEBT—			DEBT—	
To be raised on Loan	... ...	... 3,000,000	PAYMENTS ON ACCOUNT OF DEBT	... 13,712,793
Receipts on account of Debt	... ...	... 12,108,721	LONDON—	
LONDON—			Bills drawn by the SECRETARY OF STATE FOR INDIA ...	... 8,400,000
RECEIPTS IN INDIA OF PAYMENTS IN ENGLAND, FRIENDS, FAMILY RELATIVES, &c. ...	... ...	... 1,139,500	PAYMENTS ON ACCOUNT OF INDIAN RAILWAYS	... 3,255,100
MADRAS IRRIGATION AND CANAL COMPANY NET EARNINGS	... ...	... 7,000	DIST. MADRAS IRRIGATION AND CANAL COMPANY...	... 5,500
NET RAILWAY EARNINGS	... ...	... 2,001,700	SUPPLIES TO HER MAJESTY'S GOVERNMENT	... 128,300
Estimated Cash Balances on 31st March 1869	... ...	... 11,917,473	MACHILISORES ...	... 192,555
TOTAL	... ...	... 80,479,097	ESTIMATED CASH BALANCES ON 31ST MARCH 1870	... 11,627,310
			TOTAL	... 80,479,097

EDWARD WILLIAM;
FINANCIAL DEPARTMENT,
2, C.R.C. March 1869.

EDWARD GAY,
Off. Dy. Compt. Genl. of Accounts.

E. F. HARRISON,
Compt. Genl. of Accounts.

R. D. CHAPMAN,
Off. Secy. to Govt. of India.

FINANCIAL STATEMENT.

GENERAL BUDGET
FOR THE
GENERAL ABSTRACT OF THE REVENUES AND
FOR THE YEAR FROM 1st

RECEIPTS.	ACTUAL, 1867-68.	BUDGET ESTIMATE, 1868-69.	REGULAR ESTIMATE, 1868-69.	BUDGET ESTIMATE, 1869-70.
I.—LAND REVENUE	10,086,610	20,460,000	20,225,200	20,505,500
II.—TRIBUTES AND CONTRIBUTIONS FROM NATIVE STATES ...	680,290	687,000	603,800	603,900
III.—FOREST	331,063	403,000	423,000	436,000
IV.—EXCISE ON SPIRITS AND DRUGS	2,218,031	2,211,000	2,310,000	2,280,000
V.—ASSESSED TAXES	653,818	570,000	620,000	600,000
VI.—CUSTOMS	2,578,633	2,441,000	2,713,500	2,773,500
VII.—SALT	5,720,003	6,010,000	5,013,100	5,830,800
VIII.—OPIUM	8,023,508	8,385,800	8,886,400	8,280,510
IX.—STAMPS	2,180,200	2,372,800	2,340,300	2,306,000
X.—MINT	120,252	251,200	163,300	130,800
XI.—POST OFFICE	639,670	671,300	687,000	687,800
XII.—TELEGRAPH	215,031	253,000	218,700	220,000
XIII.—LAW AND JUSTICE	719,312	1,031,200	1,082,000	865,100
XIV.—POLICE	231,072	274,300	286,600	301,400
XV.—MARINE	455,090	291,500	578,000	218,500
XVI.—EDUCATION	73,813	75,100	73,800	83,100
XVII.—INTEREST	211,075	220,500	231,700	261,000
XVIII.—MISCELLANEOUS	1,127,551	763,900	750,000	900,700
ARMY—MISCELLANEOUS	742,712	602,400	620,400	730,000
PUBLIC WORKS—MISCELLANEOUS	557,810	490,000	640,700	611,800
TOTAL RECEIPTS ... £	48,120,614	48,534,000	49,288,700	49,340,810
DEFICIT, INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES £	1,610,157	1,020,450	2,801,214	2,813,180
GRAND TOTAL ... £	50,030,901	49,513,550	52,089,914	52,833,930
DEFICIT, NOT INCLUDING P. WORKS EXTRAORDINARY CHARGES £	1,007,935	.....	970,471	.....

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
 The 6th March 1869.

EDWARD GAY,
Offy. Depy. Comptlr. Genl. of Accounts.

FINANCIAL STATEMENT.

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ESTIMATE OF INDIA.

YEAR 1869-70.

RECEIPTS AND OF THE EXPENDITURE OF INDIA
APRIL 1869 TO 31st MARCH 1870.

EXPENDITURE.	ACTUAL, 1869-70.	BUDGET ESTIMATE, 1868-69.	REGULAR ESTIMATE, 1868-69.	BUDGET ESTIMATE, 1869-70.
1.—INTEREST ON FUNDED AND UNFUNDED DEBT ...	£ 2,700,972	£ 2,600,700	£ 2,684,200	£ 2,704,770
INTEREST ON SPECIAL LOANS FOR PUBLIC WORKS ...	51,861	99,000	99,000	99,000
2.—INTEREST ON SERVICE FUNDS AND OTHER ACCOUNTS ...	824,113	517,330	589,830	518,710
3.—ALLOWANCES, REFUNDS, AND DRAWBACKS ...	376,400	231,040	502,740	250,370
4.—LAND REVENUE ...	1,095,950	2,138,700	2,076,380	2,100,700
5.—FOREST ...	220,416	273,080	270,250	284,850
6.—EXCISE ON SPIRITS AND DRUGS ...	903,531	261,900	272,800	263,050
7.—ASSESSED TAXES ...	33,314	21,000	20,050	30,000
8.—CUSTOMS ...	376,180	186,150	183,480	182,640
9.—SALT ...	325,520	441,000	389,770	316,270
10.—OPIUM ...	1,874,121	1,907,780	1,760,330	1,724,330
11.—STAMPS ...	92,950	101,100	99,820	99,410
12.—MINT ...	99,360	100,800	96,020	80,470
13.—POST OFFICE ...	491,600	583,480	617,200	706,120
14.—TELEGRAPH ...	300,517	412,500	482,310	447,011
15.—ALLOWANCES TO DISTRICT AND VILLAGE OFFICERS ...	385,981	310,520	396,060	345,530
16.—ADMINISTRATION AND PUBLIC DEPARTMENTS ...	1,124,306	1,140,320	1,148,310	1,205,000
17.—LAW AND JUSTICE ...	2,514,310	2,837,580	2,782,910	2,869,670
18.—POLICE ...	2,434,125	2,502,450	2,436,200	2,374,290
19.—MARINE ...	920,530	558,800	681,030	473,860
20.—EDUCATION, SCIENCE, AND ART ...	783,510	904,190	855,100	912,200
21.—ECCLÉSIASTICAL ...	158,707	162,520	162,700	160,109
22.—MEDICAL SERVICES ...	882,916	900,970	870,710	413,091
23.—STATIONERY AND PRINTING ...	222,720	226,400	228,770	227,700
24.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES ...	241,801	231,050	236,730	235,500
25.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS ...	1,823,072	1,048,000	1,012,770	1,880,100
26.—MISCELLANEOUS ...	672,002	270,700	410,000	393,300
27.—SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES ...	911,250	633,360	827,130	711,000
ARMY ...	12,603,467	12,904,720	12,803,220	12,850,000
PUBLIC WORKS ORDINARY—				
PUBLIC WORKS ...	5,430,457	3,188,480	5,640,000	5,677,000
SUPERVISION AND COST OF LAND FOR RAILWAYS ...	150,526	221,300	903,610	139,461
LOSS BY EXCHANGE ON RAILWAY TRANSACTIONS ...	101,877	122,700	29,700	14,000
ONE PER CENT. INCOME TAX GRANT ...	111,310	.....	.....	.....
NET EXPENDITURE IN ENGLAND, INCLUDING STORES ...	41,044,485	38,025,900	41,390,550	40,003,740
NET EXPENDITURE IN ENGLAND, INCLUDING STORES ...	6,852,419	6,392,400	7,101,591	6,860,750
GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRAFFIC RECEIPTS ...	1,540,435	1,202,900	1,077,030	1,827,700
TOTAL ...	£ 49,437,330	£ 40,621,260	£ 50,250,171	£ 49,298,100
PUBLIC WORKS EXTRAORDINARY—				
MILITARY ...	1,363,880	Included, under Public Works Ordinary.	1,421,210	1,393,000
COMMUNICATIONS ...	27,000			
EMBANKMENTS ...	219,255	800,000	852,600	1,050,000
IRRIGATION WORKS { In India ...	14,000	.....	14,000	1,053,000
In England ...	.....	.....	420,000	600,000
SPECIAL FUND WORKS ...	382,013	470,000	213,300	163,800
STATE RAILWAYS { In India ...	594	.....	594,073	257,000
In England ...	.....	.....	.....	.....
TOTAL ...	£ 802,403	£ 3,002,000	£ 1,830,773	£ 3,665,800
TOTAL EXPENDITURE £	50,039,801	49,613,350	52,089,911	52,853,000
SURPLUS, INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES £	.....	.....	.....	.....
GRAND TOTAL ... £	£ 50,030,801	£ 49,613,350	£ 52,080,911	£ 52,853,000
SURPLUS, EXCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES £	.....	2,063,610	.....	52,050

* Total, including transfers from P. W. Extraordinary £19,314,382.

E. F. HARRISON,

Comptroller General of Accounts.

R. B. CHAPMAN,

Off. Secretary to Govt. of India.

FINANCIAL STATEMENT.

BUDGET ESTIMATE OF EXPENDITURE IN ENGLAND AND IN INDIA.
FOR 1869-70.

	EXPENDITURE.		TOTAL
	In India.	In England (Net).	
INTEREST ON DEBT ...	2,704,770	1,504,950	4,200,020
CIVIL DEPARTMENTS ...	18,034,530	1,570,412	20,504,972
MILITARY ...	12,850,000	3,902,061	16,052,001
MARINE ...	473,990	400,837	883,927
PUBLIC WORKS—ORDINARY ...	5,851,050	170,160	6,021,910
TOTAL ...	40,903,740	8,850,750	47,700,490
GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRAFFIC RECEIPTS ...	.....	1,527,700	1,527,700
PUBLIC WORKS EXTRAORDINARY ...	40,903,740	8,384,450	49,288,190
GRAND TOTAL ...	2,253,800	1,812,000	3,565,800
	43,157,540	0,606,450	52,653,000

EDWARD GAY,
Offj. Dy. Comptlr. Genl. of Acccts.

E. F. HARRISON.
Comptlr. Genl. of Acccts.

R. D. CHAPMAN,
Offj. Secy. to the Govt. of India.

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 6th March 1869.