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**1872**

**ABSTRACT OF PROCEEDINGS**

**COUNCIL OF THE GOVERNOR GENERAL OF INDIA**

**LAWS AND REGULATIONS.**

**VOL 11**

**1872**

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

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The Council met at Government House on Saturday, the 6th April 1872.

P R E S E N T :

His Excellency the Viceroy and Governor General of India, K.T., *presiding*.

His Honour the Lieutenant-Governor of Bengal.

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

The Hon'ble John Strachey.

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

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

The Hon'ble B. H. Ellis.

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

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

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

The Hon'ble F. S. Chapman.

The Hon'ble R. Stewart.

The Hon'ble J. R. Bullen Smith.

FINANCIAL STATEMENT.

INCOME TAX BILL.

The Hon'ble SIR RICHARD TEMPLE, in moving for leave to introduce a Bill for imposing duties on Income said,—“MY LORD,—I have to present the budget of British India for the year 1872-3.

“In the midst of the preparation of this statement, we were arrested by a most lamentable event which deprived the Indian Government of its head. The changes consequent on the death of the Earl of Mayo have delayed the completion of the budget, and interrupted the consideration of some financial questions connected with it. Therefore, the exposition now to be made, though complete, we trust, in respect to facts, cannot be so complete in respect of policy, as it might have been. My Lord, as it is impossible to avoid alluding here to that most grave occurrence, I feel bound on this occasion to bear witness to the serious loss which the Financial Department (in common with all other Departments) has sustained by the death of Lord Mayo. This Council, and

indeed all persons interested in Indian finance, well know how sound and just were his opinions on financial subjects. But those who were in almost daily communication with him, regarding the administration of the exchequer, the work of the treasury department, the gathering in of receipts, the regulation of expenses,—must necessarily know best how firm he was in the enforcement of economy, how strict he was in adherence to rule, how anxious he was that the State resources should be reserved, either for indispensable or for beneficent purposes, how consistent he was in the vindication of financial considerations, how generous he was in the support of those engaged in the conduct of affairs.

“Your Lordship and the Council, then, will doubtless bear in mind the particular disadvantage under which this statement is made to-day.

“Before proceeding further, I desire to make certain remarks supplementary to the statement delivered by me here on the 9th of March last year.

“The Council may recollect that, on that occasion I showed for the year 1869-70, an actual surplus of £118,668, observing that this result was owing, partly to management and partly to fortune. From observations, since made in England, it would seem to have been supposed that this result arose from crediting to the income of the year, various extraordinary receipts which ought not to have appeared there at all, and without which there would have been a deficit. From the tenor of some of these observations, indeed, it would further seem to be supposed that I had omitted, in my exposition, to bring this fact into prominent relief. I certainly stated the finance to be in surplus, and so it was. It was necessary to make this statement; and none other could have been made. At the same time, however, those credits, so far from being unnoticed, were prominently noticed, while the debits on the other side were also mentioned. This was in 1870. So clear, indeed, were the points made, that some public attention was attracted to them; and this caused me to revert to the matter in 1871, and to draw attention once more to those large credits.

“By the existing system of finance and accounts, all receipts of whatsoever nature, whether ordinary or extraordinary, whether regular receipts, or casual receipts commonly called ‘windfalls,’ or other, must appear in the income of the year, and cannot be excluded therefrom, in order to be embodied in any other account. I am not, indeed, prepared to say that the system can be altered in this respect. But, whenever such extraordinary credits occur, they should be clearly set forth, so that the financial position may not be allowed to seem better than it is; and they should not be permitted to affect the provision of ways and means, or to mitigate taxation, or to stay reduction of expenses. We should

so arrange that the current finance may not derive any undue benefit from them. Now, this is just what has occurred in regard to these credits of late years. They were not entered in the budget of 1869-70, for the reason that they were not expected to accrue within that year. Thus they did not affect the provision of ways and means. It was quite irrespectively of anything of this kind, that we imposed the income tax and raised the salt duties. It was also irrespectively of this, that we enforced various reductions of expenditure, civil and military. If the expectation of these credits had influenced our judgment, and induced us to waive the increase of taxation, or defer the reduction of expenditure, then the effect would have been bad. But the very contrary occurred, and the bad effect was avoided.

"I proceed to deal with my subject in what are its well-established divisions, firstly, the 'actuals,' or figures of the last year (1870-71) for which the accounts are closed; secondly, the regular 'estimate,' or latest figures of the year 1871-72, just completed, for which the accounts are not yet closed; thirdly, the 'budget,' or the estimated figures for the year just commencing, 1872-73; fourthly, the ways and means and the cash balances.

"I begin then with the actual figures of the year 1870-71. In my last exposition, the surplus of income over ordinary expenditure for that year was shown to be estimated at just one million, or £997,100. The actual result now proves to be a surplus of  $1\frac{1}{2}$  millions, or £1,482,990, being an improvement of just half a million, or £485,890; the total income being £51,413,685, or nearly  $51\frac{1}{2}$  millions, the largest ever yet attained in British India, and the ordinary expenditure being £49,930,695, or close on 50 millions. This improvement in the surplus arises chiefly from increased receipts in India, but partly also from short expenditure in England. The expenditure in India turned out, on the whole, to be about the same as the estimate. The details will be found in the figured statements, and time will not permit me to explain them all here. But, in general terms, there were comparatively small increase under most heads of revenue, showing that the regular estimate had been cautiously made; and the net effect of the relatively slight variations on the expenditure side, items of increase being on the whole balanced by those of decrease, showed that the expenses of the State had been kept fairly well in hand.

"The year 1870-71, then, ended thus: by the budget estimate there was anticipated an equilibrium between income and ordinary expenditure with a small surplus of less than £200,000; the actual result has been a surplus of  $1\frac{1}{2}$  millions. Certainly this satisfactory surplus has been secured not at all before

it was wanted, as a partial set-off against the deficits of previous years. And we must remember that of the million and a half, full one million, or two-thirds of the surplus, arose from unlooked-for increase in our opium receipts—a resource on which we could not reckon beforehand, and on which we should have had no right to rely. Without this, there would have been a very moderate surplus, not largely in excess of that which had been originally estimated. I may, therefore, reiterate what was explained in my last exposition, namely, that the actual surplus cannot be justly held to invalidate the policy of those special measures of direct taxation which were resorted to in that year.

“ In addition to the above, there was an extraordinary expenditure on reproductive public works of £1,167,810, or more than one million, from loan funds.

“ We thus arrive at the second part of the subject, namely, the regular estimate for the year 1871-72. This estimate is based on the actual figures of eleven months for most, and twelve months for a few, of the main heads of income; of eleven months for most branches of civil expenditure and of nine months for the army and public works department. Still the remaining accounts yet to come in, and the inevitable adjusting entries in the last month of the year, are so important, that, despite all precautions, many possible variations between this estimate and the future actuals must be looked for.

“ The result, however, so far as yet known, is in this wise. The budget estimate for the current year showed an equilibrium between income and ordinary expenditure with a small surplus of £93,400. The regular estimate, however, shows an income of £49,976,500, or 50 millions, with an ordinary expenditure of £47,276,500, of 47½ millions, leaving a surplus of £2,700,000, or 2½ millions. The income is not quite so high as the income of the last two years; but the ordinary expenditure appears remarkably low as compared with the figures of previous years, and is the lowest that has been shown since 1866-67.

“ It will be very satisfactory if this anticipation shall be realized.

“ In this year, however, as in the preceding year, the main cause of the surplus arises from the opium receipts. Early in the spring of 1871 a very injurious blight befell the poppy crop of Behar, by reason (as appeared on enquiry) of unseasonable rains soon after seed time, and of unpropitious changes in the weather near harvest time. Hence there was, immediately, an

anticipation of a short yield, which anticipation was but too fully borne out by the event, for the damage turned out ultimately to be a loss of 14,743 chests, or 26 per cent. on the expected out-turn. Consequently, the prices of Bengal opium rose, and continued to range at high rates. Thus the fiscal receipts became much enhanced. Under ordinary circumstances, it might be supposed that such enhancement would be counterbalanced by short supply. If, on the one hand, we received more than was expected for the quantity disposed of, we should, on the other hand, have less quantity to offer for disposal. But, in reality, such was not the case under the circumstances necessarily produced by the existing system. While the high prices were ruling, we were disposing of full quantities drawn from the yield of the previous year. The short harvest did not affect the supplies of the period immediately following. Consequently the revenue, for a time, gained the full advantage from enhanced price on a full supply.

“ Besides this temporary advantage relating to the Bengal opium, the same causes appear slightly to have stimulated the exportation of Malwa opium from Bombay. The export of this opium which pays a fixed duty per chest has somewhat exceeded the estimate.

“ Again, these circumstances operated on the immediate financial out-turn in another way, which was this. The estimated outlay for Bengal opium on the part of Government had been framed on the supposition that there would be an average yield, and, consequently, an average payment to the cultivators for their produce. But, as the produce fell short, so the payments decreased. Hence, there was a large saving on the expenditure side.

“ On the receipt side there is under this item  $1\frac{1}{4}$  millions, or £1,214,900 more than the budget; and on the expenditure side nearly half a million, or £491,600 less than the budget. The real improvement on the receipt side is even larger than appears on the face of the accounts, for, owing to a change of system introduced during the year, the cost price of opium retailed for consumption in India has been removed from the head of Opium on the receipt side and from that of Excise on the charge side. The sum of £189,600 was the estimated receipt on this account, and this sum must be added to the increase shown in the accounts, in order that the total real improvement may be understood.

“ Thus the total actual gain under opium, as compared with the original estimate of the year, amounts to more than  $1\frac{1}{4}$  millions, or £1,845,100.”

“The prices of Bengal opium, which stood at Rupees 1,163 per chest at the beginning of the year, that is, in April, rose gradually till they reached Rupees 1,569 per chest in November. Then they fell to Rupees 1,425 per chest in December, since which time they have remained steady on the whole, though with occasional fluctuations and indications of a tendency to decline. The average price per chest obtained for the 49,695 chests sold during the whole year has thus been Rupees 1,388, instead of Rupees 1,075 as estimated. After the fluctuations which the prices have experienced, it were vain to predict their continuance at any such rates; especially as they probably depend on the vicissitudes of season not only in India, but also in China. If there should be, simultaneously, propitious seasons in both countries, a fall in prices is to be feared. At all events, we should be on our guard against a fall in prices, which are now ranging higher than the average of recent years.

“But this great gain on opium, then, we account for nearly three-fourths of the surplus (£2,606,600) over the original estimate, in other words, for that part of the surplus which is abnormal or exceptional.

“But there still remains more than one-fourth, represented by £761,500, to be otherwise accounted for which is of a more normal and regular character. This portion of the surplus does not at all arise from increase of receipts other than opium, for, on the contrary, there is some decrease in those receipts. It really arises from large savings in expenditure, as will be presently seen. The reductions on the side of charges amount to £1,098,800 with a set-off of £337,300 loss of receipts—bringing out the net sum of £761,500 above shown.

“I must, first, explain the decrease of revenue, which occurs, under various heads, as follows.

“Under land revenue there is a falling off of £142,700, which occurs, in Oudh owing to floods, in Bombay owing to large remissions necessitated by drought in the southern Mahratta country, and in Bengal owing to the sale of Government estates being stopped.

“Under forest there is a decrease of £146,800, partly balanced by a saving in the expenditure of £116,100.

“The salt revenue shows a falling off of £193,600, which is distributed through all the provinces and must cause some anxiety.

“The decreases under post office, telegraph, law and justice, and marine are all largely exceeded by savings shown on the other side of the account.



The decrease of £25,200 under public works ordinary is owing to the transfer of receipts to provincial funds. The falling off of £25,700 in canal rents, notwithstanding the heavy expenditure of capital on these works, is not satisfactory.

“On the other hand, there are some increases, namely, £25,900 under tributes, due to a succession having occurred in the Nábha State; £224,600 under assessed taxes (Income Tax), the arrears from the preceding year having proved larger than was expected; and £64,300 under army receipts, sale of stores, and the like.

“So much for the receipt side. On the expenditure side there are reductions as follow.

“There is decrease of £33,600 under interest on service funds and other accounts—attributable to transactions with the several civil funds; of £90,100 in land revenue establishments, arising chiefly in the allowances payable to village officers in the Bombay Presidency; of £12,800 under assessed taxes; of £8,500 under customs; of £103,300 under post office, partly due to economy in India, but chiefly relating to the payment in England of the subsidy for the overland postal service; of £48,400 under telegraph; of £13,700 under minor departments; of £129,800 under law and justice, owing to general economy, but partly relating to the process serving establishment in the Madras Presidency; of £170,900 under marine, relating partly to provision of stores in England, and partly to slack work in the Bombay dockyard; of £8,100 in the ecclesiastical department, owing to vacancies remaining unfilled; of £108,400 in the miscellaneous branch, owing to improvement in exchange. The decrease in excise of £159,500 is largely nominal, as already explained with reference to the opium figures, and the decrease under stamps and stationery of £150,900 is partly owing to the transfer of stationery to the heading of administration, which accordingly shows an increase of £82,200.

“I am obliged to be brief in respect of these items, indicating only those circumstances which are special. But in general terms, it may be said that these reductions are largely (though not wholly) derived from real savings of various sorts all over the country, apparently small if reckoned singly, but making up a considerable aggregate when taken collectively.

“In respect of the army, it will be observed that the charges are not expected to increase beyond the amount set down in the budget, but that on the contrary there is to be a saving of £240,100. That increase should

be avoided, is a circumstance creditable to the military authorities and indicative of saving and economy. For the estimates are burdened with two items not originally contemplated. A saving of £100,000 in the native army was reckoned upon,—which calculation was considered justifiable in the then condition of our correspondence on the subject with Her Majesty's Government. To our regret, however, we have not been able to secure that saving. Again, since the framing of the budget, it has been found necessary, as is well known, to undertake military operations against the Lushais and other wild tribes on the eastern frontier. The cost of that expedition will entail an additional charge of £200,000 during the year.

“ It may therefore be asked how, notwithstanding these items of increase, the total result has not been unfavourably affected, but is turning out more favourable than the first estimate? Well, the reason is that there have been considerable savings, estimated at £480,000, or nearly half a million sterling. There is hardly time now to specify the items of which this large economy is composed. But I may state briefly the chief of them. In the first place there is a total reduction of £198,000, in various items, namely, the cost of provisioning European troops, the compensation payable to native troops for dearness of grain, the cost of feeding army remounts and commissariat cattle, the compensation for dearness of forage. Again, there have been lesser, though still appreciable, reductions in the purchase of livestock, of rum, of remounts, of camp equipage; in the charges for sea transport by the Cape and for overland transit, in medical supplies, in barrack establishments and supplies, and in miscellaneous charges, by abolition of various appointments, or by vacancies left unfilled in the medical branch, in the military account department, in the commissariat establishments—together with other reductions. On the whole, I think we may congratulate our colleague at the head of the War Department (General Norman) on the satisfactory condition of the military estimates.!

“ As some of the remarks made on this subject in my exposition before this Council of March 1871 have been followed by public discussion elsewhere, I am obliged to revert to that for a moment. The Council may recollect that commenting on the estimate of military expenditure in *India* for 1871-72, I remarked that the amount was the lowest that had been taken any year since the war of the mutinies. From the comments evoked by this remark, it would almost seem to be supposed that the total military expenditure (both in India itself and in England on account of India) had been reduced; that the reduction itself was made to look larger than it was; that the fact was ignored of the expenditure not having decreased in proportion to the reduction in the

strength of the army in India. But if any such suppositions have been entertained by any one, they are quite incorrect.

“ It has never been represented in this place that the *total* expenditure (in India itself and in England on account of India) has been reduced. The figured statements laid year by year on this table have shown the contrary. And in my exposition of March 1869, it was not only declared that, in the aggregate, the expenditure has increased despite reduction of force, but it was shown, in some detail, how this had come about. On that occasion, a brief *résumé* was given of the inevitable circumstances which have enhanced the expenditure of late years—circumstances arising from the rise of prices, from organization approved of by the Government in India and in England, from regulations applicable to India in common with all parts of the British empire, from improved armaments, from increased demands arising out of changes of system.

“ These points having been already stated on a former occasion, I did not, last year, trouble the Council with a re-statement. It was indeed stated, in March 1871, that the expenditure in India was at the lowest point reached since the war of the mutinies, and thereby allusion was made not to any insignificant amount, but to a difference in our favour of £143,636, or nearly half a million. This, by itself, is fact of relevance and of consequence, inasmuch as the charges in India do, in the main, represent the effective charges of the army less stores and transport charges, which are incurred in England. And this had arisen partly from efforts and sacrifices made by the Government of India. But in stating this, nothing was further from our intention than to intimate that no further reductions of expense could be judiciously made.

“ The decrease in railways, £101,300, is owing to short expenditure of capital. Less land has accordingly been taken up, and there is less loss by exchange. The head of guaranteed interest which was at one time during the year the source of some anxiety ends with a small improvement of £35,500.

“ It will be observed that there is an increased charge of £101,400 for interest on the debt. This is due to large arrears of unclaimed interest having been paid during the year, partly in reference to discharge of the 5 per cent. loan.

“ In the item of provincial services there will be found an increase of £51,800; this has arisen from additional or supplementary grants made during the year to several Local Governments, to cover fresh services

transferred to provincial administration, or for other reasons in special cases. Ordinarily, the allotment for these services ought not, under present arrangements, to increase, unless the services themselves be increased; in fact the comparative fixity of the grants for services which would otherwise be growing constantly,—is one of the financial merits of the scheme. But during this, the first, year after the introduction of the measure, it has been necessary to make a few special and limited concessions in order to adjust claims relating to antecedent transactions. As one instance out of several, I may mention the allotment made for the construction of the Small Cause court-house at Calcutta, where by the annual rent defrayable by the Government of India has been capitalized and discharged by payment of an equitably calculated sum.

“It might be premature to pronounce on the general merits of the scheme in practice after only one year’s experience; but, from a financial point of view, it appears to be working well. There has been, of course, the avoidance of that friction which is inseparable from a central control over expenditure in matters specially local. There is some abridgment of labour. There has been either absence of complaint, or else expression of satisfaction, on the part of the local authorities. Here and there it may be that charges have been allowed under the new, which would have been refused under the old, system. But, on the whole, the Local Governments seem to have been stimulated in the study of economy by the new and additional interest which they are enabled to feel in the financial affairs. And, further, this is evidenced by the fact that some of these Governments have husbanded the sums at their credit, and, keeping their expenses within the limits of their grants, have begun to accumulate funds for future use.

“In previous expositions I have noticed the clearance effected in some parts of the accounts by the adjustment of long standing and unsettled items both on the credit and the debit sides. Having regard to the complexity and variety of the affairs in hand, we cannot say that no such adjustments will recur: but, as a fact, none have occurred during the year and none are immediately anticipated. One only, of any consequence, is looked for at present, and that relates to the capital of the civil service annuity funds recently abolished.

“To return to the figures then; the sum of my explanation is this—that besides the surplus of £1,845,100 from opium there is a surplus of £765,100 due to other causes. This latter amount (£761,500) is owing to large reductions in the expenditure. The budget estimate showed an equilibrium supported by a small surplus of £93,400. The regular estimate shows a surplus of 2½ millions

(£2,700,000). Of the excess (£2,606,600) over the original estimate more than  $1\frac{1}{4}$  millions is due to opium, under abnormal circumstances. But there remains three-quarters of a million arising under normal circumstances of finance. Disclaiming any credit for the opium surplus, we may, perhaps, in some degree, claim credit for the remainder of the surplus, as tending to show that the original estimates were cautiously made, and that economy has been so enforced that the various departments have worked within the estimates of expenditure.

“It will be prudent to defer commenting on the consequences which may hence accrue to the position of our finance, until it shall be possible to compare this important estimate with the actual figures after closing the account. Whatever surplus shall ultimately be found to have accrued, will be, indeed, needed to compensate for deficit of former years. And, if the result now brought out shall be sustained and confirmed, its importance will be manifest—especially if considered together with the secured surplus of the year 1870-71. There would, then, be occasion for observing how far the deficit of previous years had been counterbalanced by surplus of succeeding years. Our hope is that, on the combined result of a series of years, there will be a sufficiently even balance between the incomings and outgoings of the treasury; or, in other words, that, one year taken with another, we shall have received as much as we have disbursed for ordinary expenditure, irrespective of the extraordinary account. This is a primary object of our financial management, and we shall, with unremitting effort, strive to place the attainment of the object beyond question or dispute.

“The surplus arising from comparison between income and ordinary expenditure, is irrespective of the extraordinary expenditure on reproductive public works, which is provided for by loan funds. An expenditure on this account of £3,626,000 was contemplated in the budget estimate; the regular estimate, however, shows only £1,736,800 so spent. This latter sum has been chiefly expended on the great canal works, in the Cis-Sutlej States, from the river Sutlej; in the Agra division, from the river Jumna, below Delhi; in Behar, from the river Sone; in Orissa from the river Mahanadi; in the delta of the Godavery, for extension of the irrigation system there. There has, also, been some expenditure on important projects, in Oudh from the river Sarda; in Rohilkhand, from the river Ganges (called the Eastern Ganges Canal); in the lower Doab, also from the Ganges: these canals being in addition to the well-known Ganges Canal.

“In respect to the State railways, there has been expenditure on the lines between Lahore and Peshawar; between Delhi and Rewaree; between Agra

and Ajmir : also on the project for the lines between Multan and Kotri in Sindh ; between Nimar and Indor in Central India and between Dharwar and Karwar in the south Mahratta country.

“ That the estimated amount has not been more fully spent, is due chiefly to prolongation of the time allowed for the elaboration of the canal projects, and partly to the unavoidable delay in determining the narrow gauge for the State railways in India.

“ According to the form prescribed for the financial statement, the sum of £1,736,800, added to the £47,276,500 of ordinary expenditure, make up a total of £49,013,300, or 49 millions.

“ I now arrive at the third part of the subject, namely, the budget estimate for 1872-73.

“ Commencing on the receipt side, we find 21 millions (£20,900,000) under the head of land-revenue, the calculation in this instance being based, for the most part, on the estimates by the Local Governments. The amount exceeds that of previous years, and (if adjustments and transfers be for the moment put out of question) is the largest sum of land-revenue ever yet presented. The realization of this large estimate must, however, partly depend on the ensuing rainy season.

“ Under forests there is an increase of £154,400, against which must be set an increase on the charge side of £110,000. The department is at present largely engaged in furnishing sleepers for the State railways. Its receipts, indeed, for the most part represent the value of work done for the service of the State. The cash receipts from private persons and from the general public are not, as yet, considerable. The financial result is therefore unimportant ; and there is no profit in the strictest and narrowest sense of the term. Such being the case, there is every reason for enforcing severe economy in the expenditure of a department which is not, ordinarily, and directly, remunerative. On the other hand, the expenses (on the whole increasing from time to time) do really subserve the national object of husbanding and preserving that wealth of forests wherewith nature has endowed many parts of India—a wealth which would, otherwise, be wastefully and destructively expended, even up to the limit of exhaustion and extinction. In this view, our forest expenditure may be regarded as indirectly remunerative.

“ In excise, there is a nominal decrease of £125,700, as the cost price of opium retailed in India is, henceforth, to be credited directly to opium, and not, intermediately, to excise.

“The item of assessed taxes I shall reserve for remark hereafter.

“The customs revenue is estimated at £2,570,000, being approximately the same as in the past year. It might be wished that the condition of trade warranted the anticipation of a large increase under this head of revenue. But the statistics of the foreign trade of India, for some years past, would not bear out such an estimate. It is not possible, at this place and time, to analyse these very interesting statistics; but I may here state that the figures for the last complete financial year, 1870-71, show the total value of imports and exports at 96½ millions; whereas the previous three years showed, for 1869-70, 100½ millions, for 1868-69, 105½ millions, for 1867-68, 99½ millions, respectively. So far, then, 1870-71 would seem to show a falling off as compared with previous years. Even those years fail to prove a tendency towards progressive increase. And the year just closed hardly promises more than a slight improvement. Such would *prima facie* be the inference from the totals of the figures. But the inference would become less discouraging on further examination. For, as is well known, the American war imparted, from 1862 to 1865, a violent impetus to Indian trade—an impetus, indeed, too strong to last. The average trade of the five years preceding the war amounted to 52½ millions per annum. For the five years since the war, the trade has averaged 102 millions. The average increase of the latter quinquennial period over the former, then, is very considerable, and might encourage the hope that India is not losing, but is, to a large extent, maintaining, the commercial position which special circumstances enabled her for a time to acquire. Reverting to the trade of the year 1870-71, I would ask remembrance of the fact that the trade consists of two elements, merchandise and treasure. Now the total merchandise imported and exported amounted to 88½ millions, which compares favourably enough with the 85½ millions of 1869-70, the 89 millions of 1868-69, and the 86½ millions of 1867-68. Again, for 1870-71, the exports amounting to 55½ millions represent the largest figure for any year since the American war, and, on the whole, this figure, representing the quantity of her produce which India sends to other countries, is the most important of all her commercial circumstances. Moreover, this good result was obtained, not in a year of peace, but in a year when the Franco-German war injured the trade with France and caused a diminution by full two millions of the exports from India to that country. The returns for the current year, so far as yet made up, promise that this favourable position will be maintained. Whatever else, then, may, or may not, be inferred in respect to our trade generally, I am say that our export trade is such as to impart hopefulness to every well-wisher of British India. Again, the imports of 1870-71, valued at 33½ millions, exceed, somewhat, the 33 millions

of the preceding year. Both years are, however, rather below the sums of the two previous years. But for this there is a particular reason, in that the tariff valuations of cotton goods and metals were reduced, in 1869, by 15 per cent. Had the valuation remained the same, then the value of imports for 1870-71 would have been higher than any year since the American war. Here again, therefore, no reason for discouragement appears. On the whole, however, it must be acknowledged that, with seasons generally prosperous, such as those we have lately had, we might have hoped that the Indian population would enlarge their consumption of European articles more than they are, apparently, doing at present.

"But, if the last year and the current year have progressed fairly well as regards merchandise, why does the total trade show a diminution? Because the importation of treasure has greatly decreased of late. Even after the famous 'drain of silver to the East' had become mitigated, still, during the first four years after the conclusion of the American war, India imported on an average 14 millions sterling worth of treasure annually. In 1870-71, however, only  $5\frac{1}{2}$  millions were imported. This fact may seem, at first sight, surprising. But the surprise would be lessened if it were remembered that, during the preceding years, the importations of treasure had been large, and that, during this year, the drawings by the Secretary of State in London were high, amounting to 9 millions. During the year 1871-72, the Secretary of State's drawings have been, again, large,  $\text{£}10\frac{1}{4}$  millions, and, till lately, but little treasure has been imported. For some time past, however, the importation has been rising.

"Turning to particular staples, the importation of piece-goods is, in respect to quantity, satisfactory enough. But I would recall to mind what was pointed out in my last exposition, namely, that this alone would not prove a favourable condition of the trade. There have been, and perhaps still are, complaints of difficulty of disposing profitably of these goods in the market in the interior of the country. As regards exports, cotton ( $577\frac{1}{2}$  millions of lbs.), jute ( $3\frac{3}{4}$  millions of cwts.), oil-seeds valued at  $3\frac{1}{2}$  millions sterling, coffee ( $33\frac{1}{2}$  millions of lbs.), tea ( $13\frac{1}{4}$  millions of lbs.), indigo (101,421 cwts.), rice ( $15\frac{3}{4}$  millions of cwts.), for the year 1870-71, represent very satisfactory quantities; and there is good hope of these quantities being maintained, perhaps even exceeded.

"The influence of the Suez canal upon the trade of India is becoming clearly perceptible. The proportion of steamers to sailing vessels in our ports is fast increasing. To and from Calcutta alone there passed through the canal during 1871 some 155 vessels carrying produce valued at 13 millions sterling. I am not able to give similar statistics for the other ports. But the facts from



Calcutta will give some idea of the magnitude which the canal-borne trade is fast reaching. Not only are the less bulky and more valuable imports being carried by that route, such as pressed cotton and piece-goods, but also some of the more bulky exports, such as oil-seeds and fibres, and even rice. The extent to which an important export, the fibre of jute, is being thus conveyed, may be regarded as remarkable: last year (1871) some 74 ships laden with 633,000 cwts. of this staple, among other things, passed through the canal. This, of course, is contrary to the original expectation, according to which it was supposed that for the bulky articles the Cape route would be preferred. The fact that British coal is appearing among our imports, to the partial supersession of Indian coal, is probably attributable to the canal. For the ships sailing by the Cape route, being no longer able to find freight in piece-goods and the like, from England to India, are beginning to carry coal. On the other hand, despite the competition of the canal, the season has been very favourable for the sailing vessels on the old route, and freights have been more than usually high.

“I have made these observations here, because the state of trade greatly affects several items in the budget.

“The next item is salt, under which there is an increase of £106,800, the revenue estimated being, however, a fraction less than the amount actually received in 1870-71, that is, the year before last.

“The amount set down for opium, £7,700,000, or 7½ millions, though but little below a normal estimate, is considerably less than that which we are receiving for the current year. This decrease arises, as respects Bengal, from the circumstances I have mentioned to-day, namely, the short crop of last season. That failure of supply affected only one quarter of the financial year just closed. But it will affect three quarters of the present year. For these three quarters then the quantities are known and have been already notified. The Government has further announced that it will not, in any case, sell *more* than 48,000 chests in the calendar year 1873. This has reference to the formation of a substantial reserve of opium; an object which we have long had in view; which we have been prevented from attaining by misfortune of harvest; but which we still hope to attain. The prospects of the poppy are good as yet, but we must take 951 chests from the present crop to make up the quantity advertised for sale in 1872. If the yield should prove large enough to provide this and leave a margin, it has been determined not to postpone longer the commencement of a reserve sufficient to enable us to mitigate the effects of such a failure of crop as we have experienced during the past year.

"It has been shown to-day how greatly the prospect of short supply has caused prices to rise during the late financial year, and how, despite fluctuations, these prices remain high. If they were to continue steady at these rates, or nearly at these rates, then, notwithstanding the diminished quantity of the first three quarters, there would be a high revenue. But no reliance can be placed on their remaining steady. If the yield of the coming harvest in China were to be large, the possibility of fluctuations in prices, perhaps even of a serious decline, must be borne in mind. And if such a decline were to occur while we were disposing of the short quantities from last season, the falling off in fiscal receipts would be aggravated. Considering, then, that we must guard our financial arrangements against disturbance from failure in this precarious branch, we have assumed the price of Bengal opium at Rupees 1,200 (or £120) per chest, a price which, though considerably less than the average of prices during the past year, is yet a good deal more than Rupees 1,075 (£107-10s.) per chest assumed in my last budget. This estimate will, I trust, be found to be safe, as it provides for the contingency of a fall in prices.

"There remains the estimate of the number of chests of Malwa opium likely to be exported, which will pay the fixed duty per chest. In framing this estimate we must be guided by the prospects of the trade and of the harvest, and the quantity of Bengal opium to be brought forward. These points having been considered, a probable number of 37,420 chests has been set down. Compared with 38,754 chests which paid duty in 1871-72, the number appears moderate. The reports of the Malwa crop now being gathered are quite satisfactory.

"The estimated exports of Malwa opium combine with the 44,175 chests of Bengal will bring up the total estimate of Indian opium for China to 81,595 chests.

"Year by year, experience brings home to us the conviction that there are few points of greater consequence to the prosperity of Indian finance than a safe and moderate estimate of the opium revenue.

"The stamp revenue is expected to amount to £2,500,000, being almost the same as the figure shown for the year just closed. The progress of this item has been satisfactory for many years. Up to 1860 the highest annual sum received from stamps was three quarters of a million, £722,156. A revision of the law then took place which brought the yield up to  $1\frac{1}{2}$  millions per annum; £1,455,633. In 1862, a further revision was made, under which the revenue rose to close on two millions per annum in 1867. Then a series of revisions more complete than any previous undertakings were conducted, embracing both duties leviable

on judicial proceedings and on legal instruments, that is, both the judicial and the commercial branches; in these affairs our late colleague, Mr. F. R. Cockrell, had a laborious and honourable share. They were completed in 1870. The object aimed at was to simplify and readjust the scale of duties; to rather lower them on the whole; and, for increased returns, to rely mainly on improved strictness of administration. In arranging this regard was had to the model of the English stamp law, to local custom, to the convenience of trade, and to the interests of the various classes of suitors. Under the operation of the recent legislation, the revenue has risen from 2 millions in 1866-67 (£1,923,977), to  $2\frac{1}{2}$  millions (£1,496,000), for the year just closed. On the whole, it may be said that, in twelve years, the stamp revenue of India has risen from three-quarters of a million to  $2\frac{1}{2}$  millions per annum.

“The mint receipts, arising chiefly from the seignorage on the coining of bullion presented by the public for that purpose, are governed by the considerations which I have mentioned regarding the importation of treasure. The two mints (at Calcutta and Bombay) have, for the last two years, been often in a state of enforced inaction. At present there is much more activity; there is, at times, a brisk importation of bullion; and the high rates of exchange justify hope; therefore, the estimate is based upon a calculation of eight millions worth of silver bullion being probably presented for coinage during the year, and is taken at a figure higher than that of previous years. It is still, however, moderate in amount.

“A decrease of £17,700 may be observed in post office receipts. This arises from improved arrangements respecting official postage, and does not indicate any falling off in the postage on private correspondence, which is, indeed, increasing steadily. A decrease of receipts arising from reduction in the weight of official correspondence, though it might cause the total out-turn to be diminished in the returns, would not show the financial effect adverse, but favourable, and would only be a proof of real economy. I have noticed, in former expositions, the development of postal correspondence, public and private, in this country, now represented by 86 millions of covers annually.

“The electric telegraph receipts show a slight improvement of £13,400, which is the more satisfactory, in that the telegrams on the Government service are diminishing, while the telegrams sent by private persons and the public are increasing. There have been some modifications of tariff during the year. On the whole, the income of this department is but poor, especially as compared with its expenses. The fact that its annual income is just one-quarter of a

million (£249,000), while its charges are little short of half a million (£483,000), should supply an incentive for stringent economy in working expenses.

“Under the head of interest there will be seen an increase of £102,000. This is owing to the completion of the investment in government securities of the specie reserve of the paper currency nearly to the full legal limit of six millions. The note circulation which has been generally in excess of ten millions, rising up to eleven millions, afforded full justification for this measure. At the present moment, indeed, the circulation is above thirteen millions; but its continuance at this high point cannot be depended upon. The profits of the currency (consisting of interest saved) are set down at £245,670, the expenses at £7,627; leaving a net annual gain of £238,043 to the State.

“Under the heading of railways the gain by exchange is set down at £262,900: against which there is a slight set off of £33,800 on the expenditure side as loss by exchange. This credit and this debit arise from the existing arrangement, which was explained in my exposition of 1869. Thereby we gain two pence, that is, the difference between 1s. 10d. and 2s., on every rupee we receive in India on account of the guaranteed railways, and lose two pence on every rupee we pay in India on that account. For many years, while the payments for the construction of the lines were large, and the receipts from traffic earnings were small, the Indian treasury suffered a net loss by the transaction. But now, as the lines are being completed and as the traffic is developed, the scale is turned the other way, and a compensation in the shape of net gain may be looked for.

“The grand total of receipts stands at 48½ millions (£48,771,000), apparently a moderate estimate. The amount is less than the average of the past three years. But this does not indicate any falling off in the revenues of India. The difference less is attributable to the opium prospect, to loss of assessed taxes, and to transfer of some receipts from the imperial sheet to local funds.

“On the whole, the State income, though not otherwise than flourishing, fails to evince that elasticity and that tendency to rapid growth which we might desire to see, and which would be looked for if the requirements of progress in the expenditure are to be met. And this should inspire us with caution in attempting to relinquish any existing revenue which can be collected without contravention of established economic principles.

“Let us turn next to the expenditure side. Here will be seen an increase of £1,254,300 in civil charges. This is chiefly caused by increase in the grant for

the opium department of £711,700. This arises in Bengal, from provision being made for the purchase of the yield of a full crop on a somewhat extended area; from a sanctioned enhancement of ten per cent. on the price paid to the cultivator; and from increased advances on a still further expansion of cultivation. If this expenditure shall be fully incurred, it will fructify in increased receipts under this very important head.

“There are other items of less importance in the civil branch which claim a passing notice. The decrease of £129,400 in interest on the debt is owing to the loan transactions in India, to which I shall presently advert. It would have been even greater, had not some increased interest payments accrued in England. It is deemed prudent to assume the increase of £30,300 under refunds and drawbacks, because the amount paid in the year just closed has been abnormally below the average. It has been necessary to provide an increase of £56,500 under land revenue by reason of the demands of some of the Local Governments for grants for the prosecution of surveys and settlements. The increase of £110,000 taken for forests is more than covered by the increase on the receipt side; the one largely depends on the other. The increase of £26,700 under salt does not indicate increased establishments, but has reference to replenishing of stock at Madras and at Sambhur in Rajpootana. The increase of £10,500 under mint provides for increased coinage on influx of bullion, and if incurred will be covered several times over by improvement on the receipt side. Of the increase of £96,200 on the post office, £50,000 are due to circumstances affecting the payment of the subsidy in England. The remaining increase arises from certain charges relating to district posts being eliminated from the miscellaneous head and classed under the proper postal head. A similar explanation is applicable to the increase of £56,100 in minor departments; the item merely relates to transfers from the miscellaneous heading. The increase of £70,700 under law and justice arises partly from debits in Madras, on account of process serving, covered by improvement on the receipt side; partly from recasting of judicial establishments in Burma; and partly from savings having occurred in the year just closed, which cannot be reckoned on during the ensuing year. The increase of £4,200 in the ecclesiastical department is attributable to the low state of that department during the past two years, vacancies being left unfilled which may require at any moment to be filled. The increase of £44,000 in political agencies is partly owing to important negotiations respecting territorial boundaries with the Shah of Persia. The increase of £119,200 under superannuation allowances springs from the increased retirement of Covenanted Civil Servants after the new orders concerning the annuity funds. Under existing arrangements, the Government has, in effect, to

make up, at once, the capital value of the annuity of every civilian who retires. Before dealing with the capital of the funds we await the passing of an Act of Parliament. The diminution of £119,800 under the heading miscellaneous is caused entirely by transfers from this to other headings in consequence of improved classification in detail. The bulk of this item consists of £500,000, the estimated loss by exchange on the intended drawings by the Secretary of State of 13 crores of rupees at a rate of about one shilling and eleven pence and one-eighth for the rupee. The actual loss thus incurred in 1871-72 has been £395,480, the actual average rate of the drawings being 1s. and 11d. The present state of the exchanges warrants us in assuming a slightly improved rate, notwithstanding the substantial increase of drawings expected. The increase of £66,900 in the allotment for provincial services arises from the transfer to this head of several small services, such as museums, charitable grants, municipal rates, house rent, and the like.

“The total army charge is set down at £15,862,000, or nearly 16 millions, showing an increase of £118,100, which is due to expenditure for stores in England. In my last exposition, I stated that the charge set down for the service within India itself at £12,410,000, or nearly 12½ millions, was the lowest exhibited since the war of the mutinies, and I have to-day vindicated that statement. The corresponding item in this budget is still lower, being £12,099,700, or just 12 millions. This, too, provides for some outstanding expenses of the Lushai expedition, and includes £40,000 for camps of exercise held to be so necessary for military efficiency. It should be mentioned; however, that £100,000 have been transferred from the Military grant to that for public works, it having been arranged that the barrack department shall in future be subordinate to the public works department.

“Notwithstanding this transfer, the grant for public works ordinary shows a decrease of £99,300. The Council will bear in mind that the total grant of 2½ millions (£2,332,500) now shown, is irrespective of the grants for roads and civil buildings transferred to provincial services, and comprises, partly works relating to departments under the Government of India, to agricultural improvement, and to the accommodation of the army. The decrease just shown cannot be regarded with complete satisfaction, even from a financial point of view. For, of late years, the necessities of our position have precluded us from adequately providing for the accommodation of the troops and for military sanitation generally. Under this stress, many works which probably must be executed sooner or later, have been unavoidably deferred or suspended, to the detriment of efficiency in some degree. I wish, indeed, there were the means

of increasing the provision for these works which were pointedly alluded to in my exposition of 1869. But, under the circumstances, we are not able to propose more.

“The charge for guaranteed railway interest less net traffic receipts is set down at £1,800,000, or  $1\frac{1}{2}$  millions, an amount not exceeding the charges for the past two years, but still very high. The gross payment for this interest is taken at £4,724,000, or  $4\frac{3}{4}$  millions, against which there is the set-off of £2,924,000, or nearly 3 millions traffic receipts in India (net after allowing for working expenses), which leaves the charge above shown. In my last exposition I noticed the abatement which must be made from the credit which would otherwise attach to this great enterprise of railway communication in India. And I am still unable to present a favourable picture of the case from a financial point of view. During the year just closed there have been, occasionally, serious fluctuations in the traffic, necessitating immediate retrenchment of working expenses. Two lines, the Sindh, Punjab and Delhi, and the Eastern Bengal, suffered much destruction in their works from violent and disastrous floods; and, in consequence, there was grave interruption in traffic. At one time there was a marked falling off in the traffic of the line hitherto regarded as the best, namely, the East Indian line. Such circumstances caused anxiety, and are being specially investigated. Happily, there has been a remarkable recovery in the traffic of this line. The Great Indian Peninsula line has been fairly successful during the year. The other lines, in southern and western India, which were not doing very well before, have, at all events, not fallen off of late. On the whole, the conditions of the guaranteed railways during the year have added one more to the many anxieties of Indian finance. The interests which the Government has at stake in these undertakings are acquiring really vast proportions. And the result is not, as yet, so favourable as might be expected. The traffic, as regards both passengers and goods, is not advancing as it apparently ought to advance. There are doubts whether the fares are such as to attract the moving and travelling masses of a poor population like that of India. There are fears that, in some cases, other modes of communication, by river and road, are proving competitors to the rail. The working expenses appear to be generally high; and, with so many railway companies, it becomes difficult to regulate them with uniform economy; on some lines the working expenses are proportionably too high; for all India they amount to more than four millions sterling per annum; and a difference, more or less, in this great item produces a perceptible effect on the State finance of the year. I say this not at all to disparage the great services which have been rendered to the country under the present system, but to explain the actual contingencies which beset our finance, and

to reiterate what was indicated in my last exposition, namely, that no part of our State finance requires, at the present time, more firmness and vigilance than that which relates to the guaranteed railways.

“Before finishing my explanation of the expenditure side, I must add that the estimate of interest on funded and unfunded debt has been favourably affected by the recent loan transactions, the circumstances of which must be briefly recounted. The five per cent. loan of 16½ millions sterling raised in 1857-58 to defray the expenses caused by the mutiny and rebellion of 1857, became repayable at the option of the Government on the 16th January 1872: that is to say, Government had engaged not to discharge it until that date, but had reserved the power, after that date, of either discharging it at any time, or of continuing to pay the interest, the only condition being that at least three months' notice should be given of intended repayment. Considering the condition of the public credit of this country, we thought that the opportunity should be taken to reduce the five per cent. rate of interest, and to offer, in lieu of that rate, 4½ per cent. for seven years, and, thereafter, 4 per cent., or, failing the acceptance of that offer, to discharge the loan. Accordingly, on the 16th of September 1871, the intention of discharging the loan on expiration of the term was publicly notified to the stock-holders. At the same time, an offer was made to the stock-holders of transferring their holdings to a new transfer loan bearing 4½ per cent. interest for seven years, and, thenceforward, 4 per cent. Government engaged not to discharge this loan for the next ten years at least. This offer was restricted to 13½ millions out of the total amount of 16½ millions. The residue, namely, 2½ millions, was to be discharged absolutely by means of that portion of the cash reserve of the paper currency which was, by law, available for investment in Government securities; and, in exchange for the coin thus paid out, there were to be issued to the currency department, at the market price of the day, Government promissory notes bearing four per cent. interest. In other words, the opportunity was to be taken of investing in Government securities a portion of the cash reserve of the paper currency in strict accordance with the terms of the law, and of rendering that investment as advantageous as possible by making it assist in the substitution of a four per cent. for a five per cent. rate of interest, for a part of the national debt. This had become practicable from a combination of circumstances: the paper currency had expanded, justifying an extension of the legal limit for the investment of part of the reserve in Government securities; the cash reserve had for some time past been higher than the amount necessary by law to be kept up; and thus an opportunity was being looked for, to complete the investment up to the legal limit.



"The Government offer met with general acceptance from the stock-holders. The total of the stock (held partly in England and partly in India) tendered for conversion on the terms proposed, exceeded £13,500,000, the limit fixed for the operation. But, as the Government had itself tendered a quarter of a million on behalf of the currency department, it was able, by withdrawing a portion of its own tender, to satisfy every stock-holder who had accepted the offer made by the Government within the time fixed. The currency investment has been duly effected in the manner above described. The loan of 16½ millions having been thus discharged, the saving of interest during the next seven years will be £93,698 per annum, and, thereafter, £161,198 per annum, besides the immediate annual gain of £109,367 arising from the investment of £2,700,000 currency reserve.

"The ordinary expenditure, then, proposed for the year amounts in all to £48,534,000, or 48½ millions. The total, though, for reasons set forth to-day, above the amount shown for the year just over (£47,276,500, or 47½ millions), is yet low as compared with the actuals of previous years, namely—

1870-71	...	...	... £49,980,895 or 50 millions.
1869-70	...	...	... £50,782,412 or 50½ "
1868-69	...	...	... £52,036,722 or 52 "
1867-68	...	...	... £49,542,107 or 49½ "

"In other words, if these estimates shall be borne out by the actuals, we shall have got below the expenditure which prevailed five years ago, even allowing for the receipts (about £700,000) transferred to Provincial funds, and so deducted from both sides of the Imperial account, and that would probably be deemed satisfactory.

"Such is the budget for 1872-73, with an income of £48,771,000, and an ordinary expenditure of £48,534,000, leaving a surplus of £237,000: the result may be described as equilibrium, secured by a small surplus of a quarter of a million. Doubtless the surplus is not as large as it ought to be, but we are not able, under the circumstances, to make it larger.

"So much then for the income and ordinary expenditure of the year.

"Besides the ordinary expenditure as above explained, there is proposed an expenditure for public works extraordinary of £2,615,000, or 2½ millions, to be provided for from borrowed funds. To the general character of these works I have already adverted to-day.

"According to the form prescribed for the financial statement, it will be seen that the addition of this amount brings up the total of ordinary and extraordinary expenditure to £51,149,000, or nearly 51½ millions.

"I must now ask the Council to revert to the item of assessed taxes. The amount set down (£570,000) shows a decrease of £254,600 as compared with the previous year. From the explanation already given to-day, it will be apparent that last year's receipts were swollen by arrear collections, which will not recur. The present moderate figure, over half a million, is assumed in consequence of the proposal which I have now to make on behalf of the Government of India, that the light income tax, which was imposed for the year 1871-72 just expired, be re-imposed, with certain modifications, for the new year 1872-73. I have accordingly to ask leave to introduce a Bill into this Council for that purpose. The measure is, manifestly, indispensable, because, without it, there would be a deficit in the budget, a position which we could not contemplate so long as any fair alternative remained to us. The rate of assessment is proposed to be the same as that prescribed for the last year, namely, two pies in the rupee, or a fraction over one per cent. This rate is as explained on previous occasions, the lowest at which the tax could be levied if retained at all.

"The proposed modification above alluded to is this: last year, it will be recollected that the minimum income liable to assessment was raised from Rupees 500 to Rupees 750 per annum; in other words, incomes below Rupees 750 a year were exempted. It is now proposed to raise the minimum to Rupees 1,000 per annum; in other words to exempt incomes below Rupees 1,000 a year. Last year, the number of persons liable to assessment was, by altering the minimum, reduced from 480,000 to 240,000. By the further alteration now proposed, the number will probably be further reduced to 180,000. The first named exemption caused an estimated sacrifice of £150,000. The exemption now proposed will involve a further estimated sacrifice of £63,000. We were glad last year to be able to propose so large an exemption. We have further satisfaction in being able to propose an additional exemption now.

"The unfavourable reports in respect to the working of the tax received from some parts of India have been duly considered, and suitable orders have been issued to prevent any just cause of complaint arising. From some parts of India, however, the reports have been favourable; and in many parts there is an absence of complaints. Our general conclusion is, that, whatever trouble may have existed, has been mostly removed by the exemption of a large

number of the tax-payers, and by the reduction of the rate. Whatever remnant of complaint may still exist, will, it is hoped, be effectually removed by exempting incomes below Rupees 1,000 per annum. No poor or needy class would then be subject to the tax which will be unquestionably what it was always intended to be—a tax on classes in comparatively easy circumstances.

“With all its drawbacks, the measure has done right good service to the finances. From 1860 up to the present time, it has, in various shapes, yielded 13½ millions to the exchequer. If our finances, one year taken with another, in a series of years, shall be found now to occupy a strong position, the tax has borne a creditable part in producing that result.

“During our earlier deliberations regarding the budget, in January last, it was under discussion whether it would not be desirable to re-impose the tax on this occasion in combination with reductions of other taxation, either for the advantage of the mass of the people or for the remedy of politico-economic defects in our fiscal system. A mature and complete consideration of these important and complicated questions has, however, been impracticable under existing circumstances, and the Government have felt that, in order to be just and satisfactory, the discussion of changes which may still be regarded as desirable must be reserved for a subsequent period.

“In the course which is now being adopted we have the express concurrence of the Secretary of State.

“While proposing the re-imposition of the income tax for one year, we are unable to afford any indication as to whether the income tax should or should not, in the future, be made an integral part of our fiscal system.

“The remarks made by the late Governor General, Lord Mayo, in the budget debate of last year seem applicable to the present occasion. He then said—

“‘We do not offer any opinion whether it’ (the income tax) ‘ought or ought not to be continued as a permanent part of our fiscal system. . . . The Government and this Council ought to have an opportunity of fully considering the claims for relief of some other interests which may be considered as competing with the income tax in regard to the reduction of burden.’

“From this explanation of the receipts and charges of the year, I pass on to the fourth and last division of the subject, namely, ways and means and the cash balance account.

"The original estimate for 1871-72 showed the anticipation of a cash balance on the 31st March 1872 of £15,121,251, or 15 millions, in India, and of £2,125,283, or  $2\frac{1}{4}$  millions, in England; the total being £17,246,534, or  $17\frac{1}{4}$  millions. This sum was the balancing item at the end of a vast estimate embracing many and various things besides the regular finance of Government. It is now, however, expected that the amount will be £24,346,015, or  $24\frac{1}{4}$  millions (being seven millions in excess of the original estimate), of which £21,640,143, or  $21\frac{1}{4}$  millions, will be in India, and £2,705,872, or  $2\frac{3}{4}$  millions, in England. This again is an entry in the balancing of a great estimate, and is liable to disturbance. It is, however, checked by facts of the actual balances at the principal treasuries up to recent dates, and it will probably be found nearly correct. I shall, therefore, explain briefly the difference of £7,099,481, or 7 millions, between the original and the final estimate. In the first place the opening balance was better than estimate by £2,102,381, of which £1,293,689, or  $1\frac{1}{4}$  millions, arose in England, owing to the Secretary of State having raised money for the home requirements earlier than was expected. The remainder, namely, three-quarters of a million in India, is owing to the improvement already explained of the actual account as compared with the regular estimate, and to other minor causes.

"Then the surplus on the ordinary account of the year is now estimated, as already set forth, to be £2,606,600, or  $2\frac{1}{2}$  millions more than the small surplus originally estimated, and the extraordinary expenditure is expected to be £1,889,200, or nearly 2 millions less than had been estimated.

"The result of the account of the Secretary of State's bills is more favourable than estimate by £759,100, or three-quarters of a million; this large sum remaining yet to be paid in India, though already received and credited in England, and included in the cash balance there.

"The net amount borrowed during the year appears to be £278,500 more than estimate, notwithstanding that the Secretary of State raised, in 1871-72, one million (£1,086,600) less than was expected. The apparent excess upon the whole account, notwithstanding this decrease, is due to a large amount of the 5 per cent. loan of 1856-57 (more than £1,300,000) remaining as yet unpaid to our creditors, and awaiting application for payment, though the amount has been transferred to the treasury from the currency department, as already explained.

"These various causes account for a gross improvement<sup>54</sup> in the balance of  $7\frac{1}{4}$  millions. On the other hand, we have received £560,000, or half a million

less railway capital than was expected. Thus, the net improvement of 7 millions sterling is fully explained.

“The cash balances, which we expected to be high, have proved to be higher still. When the estimate was first put forth, the amount was held by some to be too high. In answer to criticism to the above effect, I stated in debate, before this Council, in March 1871—

“‘The matter is one of discretion in a large degree, and on consideration of all our requirements and liabilities for the coming year, I beg to assure the Council that the present amount of cash balances is not otherwise than satisfactory.’

“These anticipations have been amply justified by the experience of the year just closed. In my last exposition it was stated expressly—‘We duly bear in mind the amounts of the loans bearing interest at 5 per cent. during the coming year.’

“Accordingly, we did, in September last, proceed to deal with this portion of the public debt, amounting to  $16\frac{1}{2}$  millions, in the manner described already to-day. If ever there was an occasion when the cash balances ought to have been exceptionally high, it was this. The total cash in the treasuries, even at that time of the year when the amount is usually at its lowest point, amounted to 16 millions, with, practically, a certainty of increase by January, when the period of discharge would mature. The possession of such a resource immediately available facilitated the execution of a measure profitable to the State. It is true that the maintenance of such high balances did cause some cost to the State, appreciable indeed, though hard of exact estimation. But that is vastly exceeded, on the other hand, by the advantage derived from the strong position of the treasury and the high credit arising thereby.

“Again, the loss to the public interest, caused by the maintenance of an extraordinarily high cash balance, cannot have been at all as great as seems to have been supposed by many, or must have been outweighed by positive advantages. Objections have often been raised which, if I apprehend aright, appear to amount to this, that these large sums of money have been lying either unemployed, or inadequately employed. There might be some force in objections of this sort, if the money were in the treasury vaults as it used to be under the old system. But under the new system, as is well known, a large part of these balances is deposited in the three presidency banks; and the banks must naturally have had the use of the money for the benefit

and convenience of the public. Regarding the character and extent of this advantage, opinions may differ, but that there has been great accommodation thereby afforded to trade is unquestionable. And this has been repeatedly admitted by persons versed in the affairs of the money market.

"This circumstance is not at all adduced as a reason, *per se*, for keeping up a high balance. All I say is this, that a high balance having, for a time, become necessary for State purposes, we have so managed that the balance should not, meanwhile, lie idle and infructuous, but should subserve indirectly the legitimate interests of commerce.

"The new official year thus commences with a total estimated balance (England and India) of  $24\frac{1}{2}$  millions, as just seen, of which, if the estimates shall prove correct,  $4\frac{1}{2}$  millions may be regarded as due to the accumulated surplus income of the two years 1870-71 and 1871-72. The estimate for the close of the year may be contrasted as follows:—

				31st March 1872.	31st March 1873.
				£	£
England	...	...	...	2,705,872	2,089,672
India ...	...	...	...	21,640,148	17,541,548
Total				£24,346,015	£19,631,215

"The estimated balance in India of £21,640,148, or  $21\frac{1}{2}$  millions, at the beginning of the new year is an amount almost unprecedented. This condition will not continue long; nor, indeed, ought it to continue.

"By the end of the year, that is on the 31st March 1873, the amount in India, anticipated by estimate, stands at £17,541,548, or  $17\frac{1}{2}$  millions. This sum, if it shall be realized, will be more than sufficient for the standard of our ordinary expenditure. But it would be premature to consider this, until we are more sure than we can be now, of really possessing the money. It might, perhaps, be possible, the cash balances continuing high, to carry on the extraordinary expenditure after the close of 1872-73, without borrowing: and that, indeed, would be a happy result.

"We have provided, as has just been seen, for an extraordinary expenditure of £2,615,000 to be defrayed from loan funds; and, for all this, there is no loan to be raised either in England or in India during the year. The expenditure therefore is to be met from the existing loan funds which are included in the cash balance. And the funds in hand are sufficient. For, one of the estimates

appended to my last exposition showed a probable unexpended amount of £2,591,438 of loan money at the end of 1870-71, to be carried to account for 1871-72. The actual account of loan money spent in 1870-71, which is appended to the present statement, raises this amount to £3,149,225. During the year 1871-72, the Secretary of State has borrowed £1,408,400 or  $1\frac{1}{2}$  millions in England, which together with the balance from former years, and some minor receipts detailed in the appendix, makes up £4,580,685, or  $4\frac{1}{2}$  millions. Against this, there has been an extraordinary expenditure (according to latest estimate) of £1,932,500, or 2 millions, leaving £2,648,185, or  $2\frac{1}{2}$  millions, in hand. This last-named sum represents the funds available for the extraordinary expenditure of the new year 1872-73, as above shown.

“There seems, occasionally, to have been an apprehension in some quarters that money ostensibly borrowed for extraordinary public works of a directly remunerative character, would really be used for the ways and means of ordinary finance. The observations on this point in my expositions of April 1870 and March 1871 were intended to correct any such apprehension, if it really existed, and to show that since 1869-70, when the system fairly began, we have acknowledged all the moneys thus borrowed, to be a debt due to the public works department which the treasury is bound to pay. Last year, I exhibited an abstract account of these transactions, and a further account will be found among the appendices to-day. The substance of the explanation is that (subject to corrections of latest estimate) there have been borrowed up to date since 1869-70 £11,207,307, or  $11\frac{1}{2}$  millions (including the Elphinstone land loan), of which £5,504,224, or  $5\frac{1}{2}$  millions, have been expended on public works extraordinary, and £3,054,898, or 3 millions, have been lent to municipal and other public corporations (including the Elphinstone land advance); leaving £2,648,185, or  $2\frac{1}{2}$  millions in hand for these works, and for loans of the same character, in the year just beginning. There is to be no borrowing in the year;—the amount in hand will suffice to cover the extraordinary expenditure of £2,615,000 proposed for the year: and may, indeed, leave a small margin. But, then, the advances made to municipalities must be borne in mind. We cannot say, at present, how much will be required in 1872-73 on this account, but the amount is likely to be not inconsiderable. Calcutta is borrowing for a market-place and for the extension of its drainage works, and Bombay for its immediate municipal necessities. Upon the whole, it seems likely that, by the end of 1872-73, all the loan money in hand will have been paid away.

“The fulfilment, by the general treasury, of the obligations springing from these affairs is regarded by us as most important.

"If it be thought that money has been sometimes borrowed too long beforehand, and that the provision of funds has anticipated the expenditure, then it might be said, in answer, that there are times and seasons for borrowing, and that money must be taken up when it can be most advantageously obtained. And these points have, doubtless, been well determined by the authorities in England, where the money has been chiefly borrowed. At this time, after comparing the sum total raised with the sum total expended, there remains in hand no more than enough to defray the proposed expenditure on these works in the new year, and to cover the advances to be made to municipalities.

"The bill which was adverted to in my last exposition to enable municipalities to contract financial obligations without legal question, and to practically prevent them from borrowing from any party save the State, has passed into law.

"If, notwithstanding these considerations, the anticipated amount of cash balance were yet regarded as too large, I should rejoin further that the exchequer still owes a considerable sum on the capital account with the guaranteed railways. It may be observed that 93½ millions of railway capital have been, or are to be raised up to the end of 1871-72. This is to be counterbalanced by expenditure in England on account of the guaranteed railways, or by the payments for the construction of the lines in India. These taken together will by the end of 1871-72 amount to 90 millions, leaving a debt due by the Indian treasury on this account of 3½ millions. This will be cleared off in due course; but the circumstance suggests carefulness, so as to maintain the cash balances in a strong and satisfactory condition.

"Such then is my explanation of the cash balances; and I maintain that, if regard be had to the liabilities of the treasury—in respect of the borrowed funds in hand for public works,—of the unexpended railway capital,—of the Secretary of State's bills outstanding—in respect of the assets of the local funds and provincial services,—of the various deposits received under many laws and various circumstances—and in respect of the absolute avoidance or borrowing for ordinary service of the State—then the amount will be found satisfactorily high, though not too high.

"In adverting to the main heads of the general cash account, I will not repeat the general description given in previous expositions, which description is applicable to the accounts both in England and India given among the appendices to-day. It will be most convenient to summarize the total figures of the two accounts in England and India taken together, as the one so much depends on the other. Suffice it to state that, on the receipt side, besides the opening



balance of  $24\frac{1}{2}$  millions and the Government income of  $48\frac{1}{2}$  millions as shown to-day, there are railway traffic receipts, recoveries and deposits, local funds, and receipts on remittance or suspense account which bring up the total to £133,500,015, or  $133\frac{1}{2}$  millions. On the payment side, besides the Government expenditure, ordinary and extraordinary, of 51 millions as shown to-day, there are railway working expenses, advances recoverable, deposits to be repaid, sums payable on bills drawn by the Secretary of State, disbursements for construction of railways in India, and some transfer entries which bring up the total to 115 millions. This deducted from the total on the receipt side, leaves the anticipated sum of £19,631,215, or  $19\frac{1}{2}$  millions already mentioned as the probable balance at close of the year, that is, on the 31st March 1873.

“The appendix shows, in separate columns, an abstract of the cash account kept by the Secretary of State in London on account of India. On the receipt side there is the opening balance of  $2\frac{1}{2}$  millions (£2,705,812); the amount to be received on bills of exchange drawn on India is set down at 13 millions; there will be £2,146,700 or more than 2 millions railway capital subscribed; all which together with some smaller items, make up a total of 18 millions (£18,110,472). On the payment side there will be an expenditure in England on account of India of  $13\frac{1}{2}$  millions (£13,327,000); there will be  $1\frac{1}{2}$  million (£1,160,400) paid on the remittance account, and there will be  $1\frac{1}{2}$  million (£1,526,400) of withdrawals of railway capital. These, together with some smaller items, make up a total of 16 millions (£16,021,800), which, deducted from the total on the receipt side, leaves a probable closing balance on 31st March 1873 of 2 millions (£2,089,672), which amount appears to be moderate.

“In the cash accounts thus summarized there are only two points which need be selected for remark: they are, the income from local funds; and the Secretary of State's bills.

“The income of the local funds was, in my exposition for 1871-72, set down at £4,028,473, or 4 millions for all India. To this was to be added whatever might be received from special taxation which was then being devised by the several Local Governments. Since that time the contemplated measures have been legally authorized and carried out in the various provinces of British India. In Bengal the Bill for the road cess has passed into law; but the levy has not yet commenced. The future yield is not yet known, but is calculated at £84,000 per annum, at present, with prospect of increase.

“In the North-Western Provinces there is an acreage tax in permanently-settled districts, and a five per cent. cess on annual value in temporarily-settled districts estimated to yield £211,000 per annum.

“ In the Punjab and Oudh there are Acts for levying rates on land, estimated to yield £132,000 and £31,000 per annum, respectively.

“ In the Madras Presidency there are the Towns Improvement Act and the Local Funds Act, which seem calculated to yield in all £235,000 per annum.

“ In the Bombay Presidency there are Acts for taxing non-agricultural classes and for a new police rate, estimated to yield £61,000 per annum.

“ The receipts from all these local sources during the broken periods of the year just closed—the first year of their introduction—have not yet been fully returned; indeed, time hardly yet admits of such a return being complete; but the total appears to be £754,000, or three-quarters of a million. The greater part falls on the land, and a small part only on trades and professions. The figure is, however, approximate, and is subject to correction hereafter. In this way, the latest revised estimate for the year raises the total from 4 millions to  $4\frac{3}{4}$  millions, or £4,782,473. This statement may not be fully complete; but, in so far as it is complete, it represents the aggregate of local taxation in British India. And certainly the amount does not seem excessive, as compared with the population and resources of the country and with the State income.

“ As regards the bills to be drawn on India by the Secretary of State, the total has been seen in the cash account to amount to 13 millions sterling for the year 1872-73. The loss by exchange on these operations is set down in the budget estimate at £500,000. In other words, England is, during the year, to draw 13 millions from India, and the charge upon India for that operation is expected to amount to half a million. Thus India has to pay  $13\frac{1}{2}$  millions in all. The amount, though serious, can be well accounted for, and can be discharged without embarrassment in the present state of the cash balances in India. It arises in this way. The expenditure ordinary in England on account of the Government of India is estimated at £8,236,800, or  $8\frac{1}{4}$  millions; extraordinary (chiefly stores), for works in progress in India, at £410,200, or nearly half a million; the guaranteed railway interest at £4,680,000, or  $4\frac{3}{4}$  millions. These three items make up the  $13\frac{1}{2}$  millions, or £13,327,000. And inasmuch as there is to be no money borrowed, and as the railway capital paid up during the year, £2,146,700, is, for the most part, to be ‘withdrawn,’ that is, expended in England on account of the Indian railways, it follows that there is no resource but to draw on India for 13 millions.

“ The 13 millions for 1872-73 represent the largest sum ever yet set down on this account. The average yearly sum during the previous five years amounted to £5,666,849, or  $5\frac{1}{2}$  millions, and that for the preceding five years to £6,114,083,

or upwards of 6 millions. One cause of the increase is, of course, the growth of the expenditure. Another cause is this, that for several years, large sums (amounting to several millions yearly) of railway capital were paid in by the guaranteed companies in England. These sums were for the construction of the railways in India, and India repaid the debt by advances for the works on the spot. The arrangement *pro tanto* lessened the amount to be drawn by England on India. At this time however the works are approaching completion, and the capital subscriptions in England are becoming less and less. A further cause of increase is this, that the borrowings for Indian public works extraordinary have been effected in England. The receipt of loan money there has, proportionably, lessened the amount to be drawn from India by bills. This year, however, there is to be no borrowing in England, and the amount receivable from India is not diminished by that reason. Lastly, in the three years 1867-70, a net sum of £5,812,728 ( $5\frac{1}{4}$  millions) was received at the home treasury, from Her Majesty's Government, in repayment of advances made in India for the Abyssinian expedition, and, to this extent, the Secretary of State's bills on India were reduced in those years. But, however complete the explanation may be, there remains the fact of the very large sum to be drawn from India—a politico-economic fact of some gravity, in relation to exchange and to trade. There is neither space nor time for entering on the subject on this occasion; but the circumstances cause special interest to attach to the returns of the export trade of British India. If the country is to continue satisfactorily to bear these annual drawings of money by England, she must look more and more to disposing of her products to other nations and to obtaining thereby the resources which can alone enable her to make the annual payments in England, without monetary or other derangement within her own limits.

“Before concluding I must touch on some few matters connected with finance.

“The Government savings banks of all kinds (including those at the presidencies, in the districts, and in regiments) have now 35,600 depositors, and £1,126,772, or near  $1\frac{1}{4}$  million of deposits. The figures, if not absolutely large as yet, are annually increasing. The new district savings banks in the interior of the Bengal Presidency have, within the past year, increased from 49 to 92 in number, the number of depositors up to recent date being 2,300, and the deposits amounting to £40,374. These are only beginnings; but they will grow.

“There are now 362 money order offices in British India; the number of orders issued were, in 1870-71, 242,700, amounting in value to £1,300,600,

- or  $1\frac{1}{2}$  million. These figures are the highest yet attained. The arrangements for a money order system between India and England (so long delayed) are now nearly complete, and will, I hope, soon be announced.

“The paper currency has been already adverted to in a former part of this exposition. It will suffice to add that some effect has been given to the arrangements promulgated last year for establishing currency agencies at the district treasuries in the interior, in addition to the previously existing offices of issue. Some 27 of these agencies have been set on foot, and more are in contemplation. In all they have had consigned to them notes to the value of a quarter of a million sterling. This, too, is a commencement, and further development is hoped for. It is matter for regret that the new five-rupee notes have not yet been received from England.

“The loan operations explained to-day have simplified the classification of the national debt of India, which may now be abstracted as follows. There are  $10\frac{1}{2}$  millions ( £10,663,600 ) bearing  $5\frac{1}{2}$  per cent. interest, raised in the troublous times consequent on the war of the mutinies. This loan will not be repayable, under its conditions, until 1879, at which time there will accrue to Government an option of repaying. There is more than one million at 5 per cent. ( £1,100,000 ). This is made up of debentures ( for periods of 10 and 15 years ) issued in 1867-68 to raise money for public works. There are 16 millions ( £16,033,650 ) at  $4\frac{1}{2}$  per cent.; this includes the large item to which I have just been referring, and which, after seven years, is to bear only 4 per cent. It also includes the loan received from Maharaja Holkar, and some remnant of former loans. The next item consists of  $36\frac{1}{2}$  millions ( £36,778,775 ) bearing 4 per cent. interest. This is a consolidated head comprising the loans raised up to 1832, commonly called ‘the sicca fours,’ the loans raised in 1842, and in subsequent years up to 1854, and the loans of 1869, one received from the Maharaja of Patiala and the other raised in open market. There is a small item of £67,900 at  $3\frac{1}{2}$  per cent. Besides these rupee loans in India, there are the loans raised in England bearing 4 and 5 per cent. interest (departmentally called the ‘sterling’ loans, the amounts being expressed, and the interest payable, in pounds sterling). These now amount to 39 millions ( £39,036,017 ), of which £22,200,000 bear interest at 5 per cent., and the rest, except a petty sum of £20,917, on which no interest is paid, bear interest at 4 per cent. They have been chiefly, though not entirely, raised at various times since the war of the mutinies in 1857. Thus, of the grand total of 104 millions of ‘rupee’ and ‘sterling’ loans, no less than 54 millions already bear 4 per cent. interest, and 16 millions now at

4½, of which the greater part will bear only 4 per cent. after brief terms of years. Thirty-four millions are bearing a higher rate, and we are only prevented from dealing with these with a view to reduction of interest, by the obligatory conditions on which they were raised. The figures just given do not include the £6,299,700 East India stock, for the redemption of which a guarantee fund is accumulating.

“ Now, inasmuch as the 4 per cent. stock in England and India has, during the year, commanded higher prices than ever, generally as much as 98 and 99 for 100 pounds or rupees, and has sometimes reached, even slightly exceeded, par, it would seem that the credit of the Government of India in the money market may be measured by a rate of something less than 4½ per cent. On the whole, the public credit of British India has never at any period been in a more satisfactory position than during the year just closed.

“ I shall finish this exposition by summarizing its chief points. It has been shown, then—

“ that, for 1870-71, there is an actual surplus of £1,482,990 or 1½ million of income over ordinary expenditure, chiefly owing to increment of opium receipts ;

“ that, however, without this increment, there is still a moderate surplus owing to other and more normal causes ;

“ that, for 1871-72, there is an estimated surplus of £2,700,000 or 2¼ millions of income over ordinary expenditure, of which three-fourths are attributable to increase of opium receipts, and one-fourth to ordinary management of the finances ;

“ that the ordinary expenditure has been reduced to a point lower than any which has been seen during the past five years ;

“ that, for 1872-73, there is estimated an equilibrium between income and ordinary expenditure, supported by a small surplus of £237,000, or one quarter of a million ;

“ that the Income Tax Act for 1871-72 having expired on the 31st of March 1872, its re-imposition is proposed for 1872-73 at the same rate as before, namely, a fraction above one per cent., but with the exemption of incomes between Rupees 750 and Rupees 1,000 per annum ; causing the release of 60,000 tax-payers, and a sacrifice of only £23,000 of revenue ;

“that the concession of increased financial control to the several Local Governments, in respect to certain provincial services, is working well, apparently affording satisfaction to the local authorities, and fostering a spirit of economy in administration ;

“that, in addition to the previously existing local funds, fresh provincial taxation has been imposed in the various provinces of India, probably amounting in the aggregate to £750,000 per annum ;

“that, at the commencement of 1872-73, there remain upwards of 2½ millions in hand of money borrowed for public works extraordinary, after deducting expenditure and advances on these works up to date ;

“that it is proposed to meet 2½ millions of expenditure on these works, during 1872-73, without borrowing either in England or India ;

“that the cash balances in India, estimated at 21½ millions on 31st March 1872, are satisfactorily large, though not too high for the requirements of the country, present and prospective ;

“that the Indian Treasury is to meet 13 crores of bills to be drawn by the Secretary of State in England upon India during 1872-73 ;

“that the rate of interest on 13½ millions of the national debt has been reduced from 5 per cent. to 4½ for seven years, and thereafter to 4 per cent., and that 2½ millions have been discharged ;

“that the investment of the specie reserve of the paper currency has been completed nearly up to the legal limit of six millions sterling ;

“that the establishment of district savings banks is gradually, but surely, extending in the interior of the country.

“I must now conclude this exposition. In previous expositions I have dwelt on the principles which have guided our financial policy. There is now nothing to be added thereto. I can only say that, throughout the past year, those principles have been followed, and have on this occasion, with your Lordship's support, been firmly maintained. And, certainly, a retrospect of results should encourage us to persevere in our present course. For the ordinary finance is in a condition of surplus ; expenditure is kept within limits ; the treasury is full ; and the State credit is high,—higher, perhaps, than it has ever been. But, though something has been accomplished, still much remains for accomplishment in the way of fiscal and economic improvement. And that should serve as a further incentive for perseverance.

The Hon'ble MR. BULLEN SMITH said :—" My Lord, it is not my intention to oppose the application which has just been made by the Hon'ble Member, or to express, now, any opinion upon the measure which the proposed Bill contains. I am glad the Hon'ble Member has seen his way to some modification upon the income-tax as last existing, and I am especially glad to hear such an authoritative declaration on the part of the Government, that they regard, and have always regarded, the tax as one only applicable to persons in easy circumstances, which has assuredly not been its character hitherto. I need not say that I believe the hon'ble gentleman to be quite sincere when he says that Government do not yet absolutely consider this income-tax as an integral part of their fiscal system ; but when I look at the percentage this item bears to the entire revenues of the country, somehow or other I feel tolerably confident that its renewal will again next year be asked at the hands of the Council, and to my own mind it comes home very much as a permanent measure, from which point of view I feel bound practically to consider it. The Hon'ble Member has told us in his exposition that the reports upon this tax furnished to Government have been of a varying nature, some favourable, others the reverse ! Looking to the importance of this matter, on which there has been so much discussion for the last three years, it seems only reasonable that the Committee to whom the proposed Bill is to be committed should be in possession of all possible information bearing on the subject. Without, therefore, making any substantive motion, I would express the hope that the Hon'ble the Financial Member will, with your Lordship's permission, see that the Committee are furnished with all the reports now in possession of the Government, tending to elucidate the working of this tax throughout the country."

The Hon'ble MR. STEWART said :—" My Lord, I shall not trouble the Council with any lengthened remarks on the present occasion. Like my hon'ble friend who has just spoken, I do not intend to oppose the Finance Member's application for leave to introduce a Bill for the taxation of incomes ; but also like my hon'ble friend, and for very much the same reasons, I think it is very desirable that the Committee and the Council should be put in possession of the papers which he has expressed a wish that your Lordship would be good enough to furnish. I understand from what Sir Richard Temple has said, that Government have not made up their mind that the income-tax is to be a permanent tax ; but I think we may fairly conclude that it will be brought up for consideration year by year. The Hon'ble Member has said that some of the papers now asked for report favourably, and that others report unfavourably of the working of the tax ; and I think it is very important that the Committee and the Council should have before them the reports of the

various Local Governments in considering the question of the income-tax, both in regard to its own merits or demerits, and as a part of the fiscal scheme which has now been propounded."

The Hon'ble MR. STEPHEN had just one observation to make in regard to what had fallen from his hon'ble friends, Mr. Bullen Smith and Mr. Stewart, as to the prospects of the permanency of this tax. He thought it a matter so obvious as hardly to require to be pointed out, but it was well that the Council should be distinctly reminded, that the position of the Government at present was peculiar and of a provisional nature; the arrival was expected in the course of a few days of a new Governor General, and, under the circumstances, the Budget now laid before the Council was to be taken as a provisional Budget. He therefore thought that whatever enquiry Hon'ble Members might think necessary to make as to the working of the income-tax, would be better made when the Government of India was in a position to propose more permanent arrangements. It was obvious, moreover, that the measure now proposed should, for the reasons given, be passed without delay, and it was impossible to carry out any full enquiry at the present time.

The Hon'ble MR. CHAPMAN thought the request for information was only fair. It was usual for the Executive Government to afford full information regarding all measures which the Council were required to deal with, and he could not see why a difference should be made on the present occasion. Complaints had been made of gross mal-administration in the working of the income-tax, and it appeared to him proper that the Council should know what foundation there was for these complaints. He hoped, therefore, that the Government would comply with the request that had been made that the Committee should be supplied with all the information available on the subject. He was well aware that the time before the Council was short, but he was sure that the members of the Committee would be quite satisfied if they were allowed access to the papers, and would not require that they should be printed.

The Hon'ble MR. ROBINSON said:—"My Lord, I beg to add my support to the request made by the Hon'ble Mr. Bullen Smith, that all the papers received by the Government of India on the subject of the income-tax and its administration throughout the country may be communicated to this Council and the Select Committee to which the Bill will be referred.

"What has fallen from the Hon'ble Member in charge of the Finance Department satisfies me that the time has fully come when the incidence of



this tax on the various kinds of property and persons affected thereby—more especially in respect to the already heavily-burdened incomes derived from land—should be thoroughly sifted and examined, and the administration of the tax faithfully canvassed.

“And, my Lord, I earnestly trust that the Government of India will likewise be able to fulfil your Lordship’s promise to furnish, so far as may be conveniently done, a full statement of the local and municipal taxation and other burdens of every kind which fall on the people throughout the country. For I must admit that I have been taken by surprise by the assertion of the Hon’ble Sir Richard Temple, that this taxation in all parts of the country amounts only to £700,000. Why, my Lord, I know that in Madras, under the Local Fund Budget of this year alone, between £500,000 and £600,000 are in course of collection.”

His Excellency THE PRESIDENT here observed that £700,000 was the increase over former taxation under this head.

MR. ROBINSON then continued :—“I regret to find I have misapprehended the meaning of this part of the Hon’ble Member’s exposition, but I still think some serious misapprehension has occurred, which can only be elucidated by the production of the statement which your Excellency has graciously expressed your willingness to communicate.”

The Hon’ble MR. INGLIS said it was true that the Bill which the Hon’ble Sir Richard Temple asked leave to introduce limited the income-tax to one year; but the re-imposition of the tax for even this short time, when the finances of the country were in the flourishing condition they appeared to be in from the statement just read out, indicated very clearly an intention to convert the tax into a permanent source of income instead of keeping it as a resource to fall back upon on occasions of emergency, as had hitherto been done. This being the case, their vote on the Bill now introduced assumed an importance it would not otherwise have, and it became very necessary that they should have before them the fullest information obtainable on the working of the tax during the years it had been levied since 1860. . He therefore supported the request made by the Hon’ble Mr. Bullen Smith, and trusted that every report on the tax, which had been received from the various Local Governments since 1860, might be laid before them.

His Honour THE LIEUTENANT-GOVERNOR thought that the Government could only be justified in the course which they had followed in proposing

the renewal of the income-tax for one year by the circumstances alluded to by Mr. Stephen. No doubt, under the peculiar circumstances, that course might be excused. But he had before expressed an opinion which all subsequent experience and enquiries had strongly confirmed, namely, that the income-tax was not a proper tax to use from year to year to supplement any deficiency in the financial accounts when there happened to be a deficiency. He thought that it was a most undesirable and injurious course to wait till the very end of the year, when the accounts were made up, and then to propose an income-tax if there were a deficiency. He was very strongly of opinion that the tax should not be used in that way—that it should either be in some form adopted as a permanent engine of taxation, or abandoned. He thought that much irritation and injury, and much evil in many ways, were caused by uncertainty on the subject, and that it was impossible to administer it properly unless the system was deliberately settled. There was much, very much, to be said against the present tax; there was also much to be said in favour of a tax which touched classes not otherwise sufficiently taxed, if it could be properly adjusted. He had most strongly urged last year that, before the subject was brought up again, the Government should sift the matter thoroughly, should give the Council an opportunity of sifting it thoroughly, and should deliberately decide to make or not to make such a tax part of our system. No doubt, recent lamentable events had made such a determination impossible. He felt that it could not be expected of the Viceroy, in his present position, that he should take upon himself the responsibility of so grave a determination at this time, when a new head of the Government was about to arrive, and therefore he was willing to concede that, at present, the only thing to be done was to continue things as they were. At the same time, he must express his very earnest hope that the Government would consider the matter very thoroughly before next season, and that, if the income-tax were to be continued, its form should be revised and examined by the experienced men composing this Council. With respect to the demand for papers, he must point out to his hon'ble colleagues that it was quite impossible that, so late in the day and at this season of the year, they could make any real and substantial enquiry into this great and difficult subject. To give them papers with that object would be a mere farce, and he thought his friends, the Hon'ble Members who had spoken, would feel with him that if the proposal of the Government was to be accepted, there was nothing for it but to accept it without more ado, considering that, under the circumstances, no more deliberate course was possible, and that they must just continue the Bill as it was for another year, without pretending to make a serious enquiry.

The Hon'ble MR. ELLIS desired to correct the impression of his hon'ble friend, Mr. Bullen Smith, that in proposing the re-imposition of the income-tax for one year, the Government was virtually re-imposing it in permanence. The unfortunate circumstances to which the Hon'ble Mr. Stephen had referred entirely precluded Government at present from adopting any decided course of permanent fiscal policy. It was only possible to do what was necessary to provide for the finances of the coming year, without reference to the question whether the income-tax or any other tax should remain part of the fiscal system permanently. For his own part, he (MR. ELLIS) much regretted this necessity, for he was very decidedly of opinion that one of the most obvious causes of the evils alleged to be caused by the income-tax was its temporary character, and he believed that the most serious of the objections taken to the tax would be absolutely without foundation if the income-tax became permanently incorporated with the system of taxation in British India. It was therefore with much regret that he had to admit that the circumstances under which Government was at present placed prevented the possibility of entertaining the question whether the income-tax ought not to be continued without being limited to the period of one year. The Hon'ble Member who had moved for papers might thus rest assured that his impression that the tax was virtually being re-imposed in permanence was incorrect, and he (MR. ELLIS) hoped it would be seen that, as the question was really, and not nominally, confined to such very narrow limits, the production of papers could serve no useful end. Moreover, the papers which would be produced, if the request were complied with, referred to a state of things very different from that which would result from the present Bill. These papers related to a period of high rates and a low minimum—to times when the rate was 2 or even  $3\frac{1}{2}$  per cent., and when the minimum was at 200, 500 or 750; whereas the present Bill was to impose a rate of one per cent., and would leave untaxed all incomes below the minimum of 1,000. Now, as it was generally admitted that the oppression and corruption alleged as prominent objections to the income-tax occurred mainly, if not wholly, among those affected by the low minimum, and not among the higher classes, the production of papers relating to so very widely different a state of things might mislead rather than inform the members in respect to the present Bill. He (MR. ELLIS) thought, therefore, that it would be inexpedient to produce any papers such as his hon'ble friend, Mr. Bullen Smith, had asked for.

The Hon'ble SIR RICHARD TEMPLE would oppose the motion for papers on the grounds stated by his hon'ble colleague Mr. Stephen, by His Honour the Lieutenant-Governor, and by the Hon'ble Mr. Ellis. He would remind the Coun-

cil that during the past year a great number of papers about the working of the income-tax had been published ; those that the Government of India thought fit to be made public had been published under their orders, and others had been made public by Local Governments in the exercise of their discretion. He could see no reason for laying before the Committee papers which might be more or less of a confidential character, which related to many things besides the income-tax, and which might have been written at periods antecedent to the period now under consideration.

He would make one observation with reference to what had fallen from his hon'ble friend, Mr. Robinson, who seemed to suppose that the local taxation of the country had been set down at only three-quarters of a million. It was quite clear that his hon'ble friend had not seen fit to honour him with his attention during the reading of the Budget exposition, but he would not trouble the Council by reading any portion of it again. His hon'ble friend would find, when he read the exposition carefully, as he no doubt would do, that the amount of local taxation was put down at four millions *plus* the three-quarters of a million of new taxation, in all four millions and three quarters. As SIR RICHARD TEMPLE had stated in the exposition, he was not sure that the four millions and three quarters at which he had estimated the local taxation was quite correct. That amount was taken from returns submitted by the Local Governments; but he was not sure that they had been able accurately to discriminate between the proceeds of old and new taxation. He had given the figures as nearly as possible from information furnished by the Local Governments, and it was possible that they might not prove to be quite correct. But the attempt had been made, in deference to a request recently preferred by an Hon'ble Member on the left, Mr. Chapman.

The Hon'ble MR. ROBINSON said :—" I beg, with your Excellency's permission, to ask whether the Hon'ble Member's statement that £700,000, *plus* the former taxation described by him, includes all municipal taxation as well as that which is raised for local purposes."

The Hon'ble SIR RICHARD TEMPLE replied that it included the amounts raised by taxation imposed under the local laws passed last year : it did not include all local taxation.

The Hon'ble MR. ROBINSON remarked that he thought there must be some mistake somewhere.

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE applied to His Excellency the President to suspend the Rules for the Conduct of Business to enable him to move that the Bill be introduced and referred to a Select Committee with instructions to report on the 16th instant. In doing so, he hoped that the interval would be sufficient to receive communications from the great centres of trade throughout the country, and that it would give the members of the Committee full time to mature their opinion, and to express themselves in the debate which would take place on the 16th or 17th instant, on which occasion he should be happy to give the Council any explanation in his power, or to make such reply as might appear necessary.

His Excellency THE PRESIDENT said :—" Before putting the original motion, I desire to say a few words respecting the proposal of my hon'ble friends on the left.

" The Hon'ble Mr. Bullen Smith has expressed the hope that Government will place at the disposal of the Council and of the Committee charged with the examination of the present Bill whatever information they can communicate respecting the working of the income-tax. The Hon'ble Mr. Chapman has more distinctly asked for *all* the papers in the possession of Government on this subject. If the question under consideration could be fully discussed on its real merits on the present occasion, I should, personally, be inclined to make the most liberal communication of papers to the Committee and the Council ; but after what has been stated by the Hon'ble Mr. Stephen and others, I trust that my hon'ble friends on the left will recognize that the arrangement now proposed is essentially one of a provisional and transitory character ; that no searching and definitive enquiry into the incidence and effects of the tax could possibly be carried out at the present conjuncture, and that such an investigation might be made with far greater propriety and advantage nine or ten months hence, when the future Viceroy has been enabled to make himself acquainted with the fiscal condition of the country. My hon'ble friends have not made any substantive motion : they have only expressed a desire, and I trust that they will not consider it necessary to press the matter ; for the Government could not encourage the notion of an enquiry in Committee under existing circumstances. As the Hon'ble Mr. Chapman has asked for *all* the papers in the possession of Government, I think it right to say that the Government would in any case reserve to themselves a full discretion to determine what ought to be imparted and what ought not ; but, as I said before, I make no doubt this discretion would be exercised in a liberal spirit.

"As the Hon'ble Mr. Robinson has alluded to the question of municipal and local taxation—a subject adverted to on a previous occasion by the Hon'ble Mr. Chapman—I must express my regret that the Financial Department are not able to make as full and accurate a communication on this subject as might be desired. I still think that a complete picture of local and municipal taxation in the whole Empire should be presented to the public and the Council. As far as Madras is concerned, I have already made the communication to my hon'ble friend, Mr. Chapman, but it will be probably found that, on this subject, the returns are more advanced from Madras than from any other Presidency or Province."

THE PRESIDENT then declared the rules suspended.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill and moved that it be referred to a Select Committee with instructions to report on Tuesday, the 16th.

The Hon'ble MR. STEPHEN explained that the Bill before the Council was contained in three lines, and simply revived the Act passed last year for one year more, commencing from the first of April 1872, and raised the minimum of incomes liable to assessment to Rupees 1,000. That was the whole Bill, so that the substantive question raised by it would be the simplest possible, namely, whether the tax on that scale should be levied for one year.

The Motion was put and agreed to.

The following Select Committee was named :—

On the Bill for the purpose of imposing duties on income arising from offices, property, professions, and trades—His Honour the Lieutenant-Governor, the Hon'ble Messrs. Strachey, Stephen, Ellis, Inglis, Stewart and Bullen Smith and the Mover.

The Council adjourned to Tuesday, the 9th April 1872.

CALCUTTA,  
The 6th April 1872. }

H. S. CUNNINGHAM,  
*Offg. Secy. to the Council of the Govr. Genl.  
for making Laws and Regulations.*